

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN) 2007-00089
ADJUSTMENT OF RATES)

ATTORNEY GENERAL'S INITIAL REQUEST FOR
INFORMATION
DATED JUNE 7, 2007

VOLUME 3 OF 5

FILED IN SUPPORT OF PROPOSED
CHANGES IN RATES

JUNE 28, 2007

RECEIVED

JUN 28 2007

**PUBLIC SERVICE
COMMISSION**

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

34. Provide a copy of each adjusting entry proposed by the Company's independent Auditors in the two most recent audits of the Company. Include supporting documentation.

RESPONSE:

The response to this data request has been filed under seal with motion for confidential treatment.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

35. Provide a copy of the Company's two most recent management letters and recommendations received from the Company's independent auditors.

RESPONSE:

There have been no management letters and recommendations issued by the Company's independent auditors since the last rate case.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

36. List each internal audit completed, scheduled, or in progress at the Company for 2004, 2005, 2006 and 2007. For each, list subject of audit, date of audit, date of report and title of report.

RESPONSE:

The only specific audit performed where a report was issued during the years listed pertains to an operational audit performed at the Berea office on January 15, 2007. Audits of the other division offices will be performed by the end of 2007. The subject of the audit was general branch operations. The date of the audit report was January 15, 2007. Delta's internal auditor does not prepare a formal report for each item reviewed, however he informs the Audit Committee on a quarterly basis as to the status of his activities.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

37. Provide a copy of the Company's most recent management and operations audit.

RESPONSE:

Delta has not had such audit since our last rate case. Such past audits are available to the AG as they are on file with the PSC.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

38. If applicable, list the expense associated with the most recent management audit. If the Company is amortizing the expense, list the amount of base and test period expense, the unamortized amount at December 31, 2004, 2005, 2006, and 2007 and state when the amortization will end.

RESPONSE:

The most recent management audit was completed in May, 1992, for a cost of \$187,858, and the most recent purchased gas audit was completed in August 2002, for a cost of \$69,831.59. The cost has already been recovered through rates.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

39. List each proposed pro forma entry which was considered in this filing but not made and state the reason(s) why the entry was not made.

RESPONSE:

Customer growth -- not appropriate in period of declining number of customers

Assigning part of employee bonus to regulated company-- inconsistent with previous rate requests

Incorporating salaries effective July 1, 2007 in pro forma adjustment -- inconsistent with previous rate requests

Pension expense -- wait for actuarial report showing 2008 expense before calculating adjustment

Increase rate case expense estimate -- wait until completing next data request cycle to have more accurate estimate of the additional costs incurred due to the significant increase in data requests over 2004-00067

Bad debt -- believe it is low in test year, but the future level is not known and measurable.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

40. Please provide, in Microsoft Excel or Excel compatible format, the year-end balances from December 31, 2004 through December 31, 2006, and the 13-month December 31, 2006 average total jurisdictional balances for the following:
- a. Plant in Service (by category, both total and depreciable)
 - b. CWIP
 - c. Construction completed not classified
 - d. Accumulated Depreciation (by categories provided in part a, above)
 - e. Plant Held for Future Use
 - f. Customer Contributions in Aid of Construction
 - g. Customer Advances
 - h. Prepayments (by type)
 - i. Materials and Supplies - Operating by category
 - j. Materials and Supplies - Undistributed Stores Expense
 - k. Other Current Assets (by type)
 - l. Other Deferred Charges (by type)
 - m. Accumulated Deferred Income Taxes - Depreciation
 - n. Accumulated Deferred Income Taxes - Other (by type)
 - o. Miscellaneous Reserves (by type)
 - p. Retirement Work in Progress (by plant category)

RESPONSE:

- a. See Attached – page 1
- b. See Attached – Page 2
- c. Do not use this account
- d. Refer to question 117. We do not have accumulated depreciation broken out by category on the ledger.
- e. Do not use this account
- f. Charged against work orders. Refer to question 106.
- g. See Attached – page 2
- h. See Attached – page 3
- i. See Attached – page 2
- j. Do not use this account
- k. There are no Other Current Assets
- l. See Attached – page 4

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

- m. See Attached – page 4
- n. See Attached – page 5
- o. Do not use this account
- p. Do not use this account

Sponsoring Witness:

John B. Brown

Item A

	Total Gathering	Total Storage	Total Transmission	Total Distribution	Total General Plant	Total Plant in Service
2004	3,014,331	12,048,857	43,065,132	87,883,732	19,045,733	165,057,786
2005	3,005,627	12,130,663	44,048,239	90,701,367	19,077,218	168,963,114
2006	3,049,524	12,132,330	48,771,343	93,040,944	19,294,293	176,288,434
MONTH ENDED	Total Gathering	Total Storage	Total Transmission	Total Distribution	Total General Plant	Total Plant in Service
Dec-05	3,005,627	12,130,663	44,048,239	90,701,367	19,077,218	168,963,114
Jan-06	3,005,627	12,130,663	47,686,847	90,821,451	19,049,382	172,693,971
Feb-06	3,005,627	12,130,663	47,696,270	90,876,762	19,111,844	172,821,166
Mar-06	3,024,574	12,130,663	47,759,686	91,027,437	19,107,979	173,050,338
Apr-06	3,024,574	12,154,943	48,497,187	91,122,262	19,176,273	173,975,239
May-06	3,037,084	12,132,099	48,535,798	91,368,208	19,191,795	174,264,984
Jun-06	3,037,084	12,132,330	48,660,874	91,587,240	19,693,515	175,111,043
Jul-06	3,037,165	12,132,330	48,659,453	91,758,000	19,842,261	175,429,209
Aug-06	3,045,458	12,132,330	48,681,596	92,057,561	19,778,245	175,695,190
Sep-06	3,050,849	12,132,330	48,692,545	92,455,053	19,105,416	175,436,192
Oct-06	3,051,013	12,132,330	48,713,032	92,717,581	19,132,564	175,746,521
Nov-06	3,051,013	12,132,330	48,723,600	92,863,136	19,163,623	175,933,702
Dec-06	3,049,524	12,132,330	48,771,343	93,040,944	19,294,293	176,288,434
Total	39,425,219	157,736,005	625,126,470	1,192,397,001	250,724,409	2,265,409,105
Average	3,032,709	12,133,539	48,086,652	91,722,846	19,286,493	174,262,239

FERC Report Included Acct 114 and AROs.

*This amount differs from PSC number by ARO for \$8818.48 added in April instead of May

Item B	CWIP	Item G	252- Customer Advances for Construction	Item I	154 - Material and Supplies
	2004	2004	-63,769	2004	453,748
	2005	2005	-60,815	2005	427,529
	2006	2006	-51,708	2006	441,372
MONTH ENDED		MONTH ENDED		MONTH ENDED	
Dec-05	3,745,537	Dec-05	(60,815)	Dec-05	427,529
Jan-06	468,317	Jan-06	(60,815)	Jan-06	401,574
Feb-06	689,195	Feb-06	(60,815)	Feb-06	399,113
Mar-06	1,126,286	Mar-06	(60,815)	Mar-06	382,910
Apr-06	571,067	Apr-06	(60,815)	Apr-06	390,258
May-06	800,842	May-06	(60,815)	May-06	437,314
Jun-06	681,310	Jun-06	(51,708)	Jun-06	432,223
Jul-06	664,406	Jul-06	(51,708)	Jul-06	455,087
Aug-06	1,112,306	Aug-06	(51,708)	Aug-06	435,832
Sep-06	1,040,234	Sep-06	(51,708)	Sep-06	424,418
Oct-06	1,395,437	Oct-06	(51,708)	Oct-06	435,717
Nov-06	1,566,806	Nov-06	(51,708)	Nov-06	428,292
Dec-06	2,275,552	Dec-06	(51,708)	Dec-06	441,372
Total	16,137,296	Total	(726,846)	Total	5,491,637
Average	1,241,330	Average	(55,911)	Average	422,434

In 2004 and 2005 the amount on the FERC report included Accounts 228 & 230

Delta Natural Company, Inc.
Case No. 2007-00089
AG 1st Request #40

Item H

	1.165.000 PREPAYMENTS	1.165.010 PREPAYMENT- INTRASOURCE INC.	1.165.020 PREPAID PENSION COST	1.165.030 PREPAID UNDELIVERED GAS	1.165.050 PREPAID INSURANCE	1.184.010 A/P - MAR CLEARING	1.184.060 MEDICAL - CLEARING	1.184.070 PROVIDENT INSURANCE CLEARING	Total Prepayments
2004	293,655	6,375	2,416,373	463,121					3,179,283
2005	15,936	2,400	2,812,694	2,557,578	231,714		(241)		5,585,601
2006	62,815	775	3,670,491	756,493	212,710		(34,466)		4,703,294

MONTH ENDED	1.165.000	1.165.010	1.165.020	1.165.030	1.165.050	1.184.010 A/P - MAR CLEARING	1.184.060 MEDICAL - CLEARING	1.184.070 PROVIDENT INSURANCE CLEARING	Total Prepayments
Dec-05	15,936	2,400	2,812,694	2,557,578	231,714		(255)		5,585,601
Jan-06	51,408	2,400	2,752,935	1,612,245	117,928				4,536,916
Feb-06	31,642	575	2,693,176	1,321,453	48,474				4,095,320
Mar-06	38,491	7,575	4,133,417	1,233,363	823,440		(22,849)		6,213,437
Apr-06	29,044	7,575	4,073,659	908,510	741,600		(15,281)		5,745,107
May-06	19,596	7,575	4,013,900	1,056,909	663,391		(7,794)		5,753,578
Jun-06	10,149	2,450	3,954,141	826,085	586,628				5,379,453
Jul-06	116,732	2,450	3,906,866	840,006	612,174			2,279	5,183,913
Aug-06	112,195	2,300	3,859,591	674,420	533,127		(300)		4,698,164
Sep-06	102,316	1,275	3,812,316	332,577	449,981				5,017,712
Oct-06	91,992	1,275	3,765,041	792,371	367,034				5,698,001
Nov-06	81,667	800	3,717,766	1,613,571	284,187				4,703,294
Dec-06	62,815	775	3,670,491	756,493	212,710				68,088,727
Total	763,984	39,425	47,165,993	14,525,581	5,672,388		(555)	0	21
Average	58,768	3,033	3,628,153	1,117,352	436,338		(43)	0	2

Delta Naturæ Company, Inc.
 Case No. 2007-00089
 AG 1st Request #40

Item M

Page 4 of 6

	1,282,010 DEF INC TAX ACCEL DEPR
2004	(19,094,328)
2005	(19,418,550)
2006	(21,320,688)
MONTH ENDED	
Dec-05	(19,418,550)
Jan-06	(19,418,550)
Feb-06	(19,418,550)
Mar-06	(19,418,550)
Apr-06	(19,418,550)
May-06	(19,418,550)
Jun-06	(19,824,100)
Jul-06	(19,824,100)
Aug-06	(19,824,100)
Sep-06	(19,824,100)
Oct-06	(19,824,100)
Nov-06	(19,824,100)
Dec-06	(21,320,688)
Total	(256,776,588)
Average	(19,752,045)

Item L

	1,128,010 SUPPLEMENTAL RETIREMENT TRUST	1,186,030 UNRECOVERED SFAS 143 ADOPTION COSTS (ARO)	1,186,110 UNAMORTIZED RATE CASE 2003	1,186,200 UNAMORTIZED RATE CASE 2007	Total
2004	60,000		253,898		313,898
2005	121,782		181,698		303,480
2006	194,040	1,177,622	108,498	10,112	1,490,272

MONTH ENDED	1,128,010 SUPPLEMENTAL RETIREMENT TRUST	1,186,030 UNRECOVERED SFAS 143 ADOPTION COSTS (ARO)	1,186,110 UNAMORTIZED RATE CASE 2003	1,186,200 UNAMORTIZED RATE CASE 2007	Total
Dec-05	121,782		181,698		303,480
Jan-06	123,668		175,598		299,267
Feb-06	124,219		169,498		293,717
Mar-06	126,039		163,398		289,437
Apr-06	126,678		157,298		283,977
May-06	123,592		151,198		274,790
Jun-06	123,751	1,126,110	145,098		1,394,959
Jul-06	123,533	1,126,110	138,998		1,388,642
Aug-06	126,100	1,126,110	132,898	1,478	1,385,109
Sep-06	127,469	1,126,110	126,798	1,478	1,381,856
Oct-06	131,228	1,126,110	120,698	1,478	1,379,514
Nov-06	133,425	1,126,110	114,598	1,478	1,375,612
Dec-06	194,040	1,177,622	108,498	10,112	1,490,272
Total	1,705,524	7,934,282	1,886,279	14,547	11,540,631
Average	131,194	610,329	145,098	1,119	887,741

Item N

	1,242,130 DEF INC TAX DEF GAS COST	1,242,140 DEF INC TAX BAD DEBT RESERVE	1,242,150 DEF INC TAX STORAGE GAS	1,242,160 DEF INC TAX PREPAID INS	1,242,170 DEF INC TAX KY TAX REFUND	1,282,020 DEF INC TAX PENSION PLAN	1,282,030 DEF INC TAX STOCK PLAN	1,282,050 ALTERNATIVE MINIMUM TAXES	1,282,060 DEF INC TAX ANNUAL LEAVE	1,282,070 CONSTRUCTION CONTRIBUTIONS	1,282,080 DEF INC TAX AMORT FERRIN PROM NOTE	1,282,090 DEF INC TAX NET UNBILLED REV	1,282,100 DEF INC TAX DEBT EXPENSE
2004	0	0	0	0	0	(1,457,912)	24,100	1,628,905	199,100	25,200	30,800	(402,000)	(780,400)
2005	(1,022,200)	119,700	129,200	(226,400)	0	(1,766,800)	0	1,462,400	199,000	23,100	0	0	(711,100)
2006	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	0	1,003,600	209,600	19,700	0	0	(1,109,700)

	1,282,110 DEF INC TAX BAD DEBT RESERVE	1,282,120 DEF INC TAX STORAGE GAS	1,282,140 DEF INC TAX ASSET RETIREMENT OBLIGATION	1,282,150 DEF INC TAX PREPAID INSURANCE	1,282,160 DEF INC TAX - TAX AUDIT ACCRUAL	1,282,170 DEF INC TAX - RATE CASE EXPENSE	1,282,180 DEF INC TAX - COST OF REMOVAL	1,283,010 DEF INC TAX - REG LIABILITIES	1,283,020 DEF INC TAX - ITC	1,283,030 DEF INC TAX - SUPP RET	1,283,050 DEF INC TAX - CONDITIONAL ARO	1,283,060 DEF INC TAX - CONDITIONAL ARO REG ASSET	1,283,070 DEF INC TAX - DELTA ARO BOOK TAX DIFF	Total Accum. Deferred Income Taxes w/o Depr.
2004	118,400	101,700	4,400	(220,100)	7,900	(59,800)	0	255,600	128,700	0	0	0	0	(513,807)
2005	0	0	5,900	0	0	(83,800)	322,900	658,700	109,900	0	0	0	0	(779,500)
2006	0	0	7,200	(55,600)	0	(55,600)	334,600	644,600	95,400	47,000	512,000	(427,500)	(87,300)	(1,571,400)

Item N
cont.

MONTH ENDED	1,242,130 DEF INC TAX DEF GAS COST	1,242,140 DEF INC TAX BAD DEBT RESERVE	1,242,150 DEF INC TAX STORAGE GAS	1,242,160 DEF INC TAX PREPAID INS	1,242,170 DEF INC TAX KY TAX REFUND	1,282,020 DEF INC TAX PENSION PLAN	1,282,050 ALTERNATIVE MINIMUM TAXES	1,282,060 DEF INC TAX ANNUAL LEAVE	1,282,070 (CONSTRUCTIVE CONTRIBUTIONS)	1,282,100 DEF INC TAX DEBT EXPENSE	1,282,140 DEF INC TAX ASSET RETIREMENT OBLIGATION
Dec-05	(1,022,200)	119,700	129,200	(226,400)	0	(1,766,800)	1,462,400	199,000	23,100	(711,100)	5,900
Jan-06	(1,022,200)	119,700	129,200	(226,400)	0	(1,766,800)	1,462,400	199,000	23,100	(711,100)	5,900
Feb-06	(1,022,200)	119,700	129,200	(226,400)	0	(1,766,800)	1,462,400	199,000	23,100	(711,100)	5,900
Mar-06	(1,022,200)	119,700	129,200	(226,400)	0	(1,766,800)	1,475,500	199,000	23,100	(711,100)	5,900
Apr-06	(1,022,200)	119,700	129,200	(226,400)	0	(1,766,800)	1,475,500	199,000	23,100	(711,100)	5,900
May-06	(1,022,200)	119,700	129,200	(226,400)	0	(1,766,800)	1,475,500	199,000	23,100	(711,100)	5,900
Jun-06	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	1,003,600	209,600	19,700	(1,109,700)	7,200
Jul-06	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	1,003,600	209,600	19,700	(1,109,700)	7,200
Aug-06	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	1,003,600	209,600	19,700	(1,109,700)	7,200
Sep-06	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	1,003,600	209,600	19,700	(1,109,700)	7,200
Oct-06	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	1,003,600	209,600	19,700	(1,109,700)	7,200
Nov-06	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	1,003,600	209,600	19,700	(1,109,700)	7,200
Dec-06	(705,600)	200,800	92,400	(236,100)	(52,500)	(2,064,000)	1,003,600	209,600	19,700	(1,109,700)	7,200
Total	(11,072,400)	2,123,800	1,422,000	(3,011,100)	(367,500)	(25,048,800)	15,838,900	2,861,200	276,500	(12,034,500)	85,800
Average	(851,723)	163,369	109,385	(231,623)	(28,269)	(1,926,831)	1,218,377	204,708	21,269	(925,731)	6,600

MONTH ENDED	1,282,170 DEF INC TAX - RATE CASE EXPENSE	1,282,180 DEF INC TAX - COST OF REMOVAL	1,283,010 DEF INC TAX - REG LIABILITIES	1,283,020 DEF INC TAX ITC	1,242,170 DEF INC TAX KY TAX REFUND	1,283,030 DEF INC TAX - SUPP RET	1,283,040 DEF INC TAX - KY REFUND	1,283,050 DEF INC TAX - CONDITIONAL ARO	1,283,060 DEF INC TAX - CONDITIONAL ARO REG ASSET	1,283,070 DEF INC TAX - DELTA ARO BOOK TAX DIFF	Total Accumulated Deferred Income Taxes-Other
Dec-05	(83,800)	322,900	658,700	109,900	0	0	0	0	0	0	(779,500)
Jan-06	(83,800)	322,900	658,700	109,900	0	0	0	0	0	0	(779,500)
Feb-06	(83,800)	322,900	658,700	109,900	0	0	0	0	0	0	(779,500)
Mar-06	(83,800)	322,900	658,700	109,900	0	23,590	(32,024)	0	0	0	(774,834)
Apr-06	(83,800)	322,900	658,700	109,900	0	23,590	(32,024)	0	0	0	(774,834)
May-06	(83,800)	322,900	658,700	109,900	0	47,000	(32,024)	0	0	0	(774,834)
Jun-06	(55,600)	334,600	644,600	95,400	0	47,000	0	512,000	(427,500)	(87,300)	(1,571,400)
Jul-06	(55,600)	334,600	644,600	95,400	0	47,000	0	512,000	(427,500)	(87,300)	(1,571,400)
Aug-06	(55,600)	334,600	644,600	95,400	0	47,000	0	512,000	(427,500)	(87,300)	(1,571,400)
Sep-06	(55,600)	334,600	644,600	95,400	0	47,000	0	512,000	(427,500)	(87,300)	(1,571,400)
Oct-06	(55,600)	334,600	644,600	95,400	0	47,000	0	512,000	(427,500)	(87,300)	(1,571,400)
Nov-06	(55,600)	334,600	644,600	95,400	0	47,000	0	512,000	(427,500)	(87,300)	(1,571,400)
Dec-06	(55,600)	334,600	644,600	95,400	0	47,000	0	512,000	(427,500)	(87,300)	(1,571,400)
Total	(892,000)	4,279,600	8,464,400	1,327,200	0	399,770	(96,072)	3,584,000	(2,992,500)	(611,100)	(15,662,802)
Average	(68,615)	329,200	651,108	102,092	0	30,752	(7,390)	275,692	(230,192)	(47,008)	(1,204,831)

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

41. Please provide an explanation of all items included in the following accounts (by subaccount if any) and provide the appropriate jurisdictional amounts for the year ended December 31, 2004, December 31, 2005, December 31, 2006:
- a. Other Accounts Receivable
 - b. Accrued Utility Revenues
 - c. Miscellaneous Deferred Debits
 - d. Miscellaneous current and accrued liabilities
 - e. Other Deferred Credits

RESPONSE:

- a. Detail of other accounts receivable – Delta has no activity in other accounts receivable for the year ended December 31, 2006, December 2005 or December 2004. The support for this account is listed on page 110 of the Public Service Commission's annual report for Delta Natural Gas Company, Inc. A copy of the Public Service Commission's annual report was filed with Delta's PSC filing requirements 10(6) m, volume 1 of 3, tab 32.
- b. Detail of accrued utility revenues –Delta has no activity in accrued utility revenues for the year ended December 31, 2006, December 2005 or December 2004. The support for this account is noted on page 110 of the Public Service Commission's annual report for Delta Natural Gas Company, Inc. A copy of the Public Service Commission's annual report was filed with Delta's PSC filing requirements 10(6) m, volume 1 of 3, tab 32.
- c. Detail of miscellaneous deferred debits – The accounts that are classified as miscellaneous deferred debits is summarized in total on page 110 on the Public Service Commission's annual report. The detail of the accounts under this category are unrecovered SFAS 143 adoption cost relating to the asset retirement obligations of the adoption of SFAS 143, unamortized rate case expense from 2003, unamortized rate case expense from 2007 and the supplemental retirement trust. The account balances are listed below for each year requested.

<u>Account Description</u>	<u>12-31-06</u>	<u>12-31-05</u>	<u>12-31-04</u>
Unrecovered SFAS 143 adoption(ARO)	\$1,177,622	\$ 0	\$ 0
Unamortized Rate Case Expense 2003	108,498	181,698	253,898
Unamortized Rate Case Expense 2007	10,112	0	0
Supplemental Retirement Trust	<u>194,040</u>	<u>121,782</u>	<u>60,000</u>
Total	\$1,490,272	\$303,480	\$313,898

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

- d. Detail of Miscellaneous current and accrued liabilities – The accounts that are classified as miscellaneous current and accrued liabilities is summarized in total on page 110 on the Public Service Commission's annual report. The detail of the accounts under this category are deferred income taxes – deferred gas cost, deferred income taxes – bad debt reserve, deferred income taxes – storage gas, deferred income taxes – prepaid insurance, deferred income taxes – KY tax refund, vacation/annual leave, accrued overtime, accrued accounting services and accrued medical-self insurance. The account balances are listed below for each year requested.

<u>Account Description</u>	<u>12-31-06</u>	<u>12-31-05</u>	<u>12-31-04</u>
Deferred income taxes – deferred gas cost	\$ 705,600	\$1,022,200	\$ 0
Deferred income taxes – bad debt reserve	(200,800)	(119,700)	0
Deferred income taxes – storage gas	(92,400)	(129,200)	0
Deferred income taxes – prepaid insurance	236,100	226,400	0
Deferred income taxes – KY tax refund	52,500	0	0
Vacation/annual leave	581,456	560,434	538,287
Accrued overtime	8,356	9,717	8,920
Accrued accounting services	108,900	101,099	84,650
Accrued medical – self insurance	<u>165,000</u>	<u>230,000</u>	<u>186,000</u>
Total	\$1,564,712	\$1,900,950	\$817,857

- e. Detail of other deferred credits – The accounts that are classified as other deferred credits on page 110 on the Public Service Commission's annual report are refunds due to customers and deferred liability – revenue subject to rebill. A copy of the Public Service Commission's annual report was filed with Delta's PSC filing requirements 10(6)m, volume 1 of 3, tab 32. The account balances are listed below for each year requested.

<u>Account Description</u>	<u>12-31-06</u>	<u>12-31-05</u>	<u>12-31-04</u>
Refunds due to customers	\$ 1,439	\$ 174	\$ 317
Deferred Liability – revenue subject to rebill	<u>0</u>	<u>0</u>	<u>29,610</u>
Total	\$ 1,439	\$ 174	\$29,927

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

42. Please provide a comparison by month, or if not available, by quarter, of budgeted versus actual retirements for each month of 2004, 2005, 2006 and 2007. Please explain any significant variations.

RESPONSE:

Delta only budgets capital expenditures, not retirements.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

43. Indicate the treatment of customer discounts for prompt payment of bills and budget billing accounts interest payments or income in the revenue portion of the cash working capital calculation.

RESPONSE:

Delta does not pay customer discounts for prompt payment of bills. Our 1/8th O&M cash working capital allowance does not have a "revenue portion".

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

44. Did Delta conduct a lead-lag study for purposes of this rate case? If yes, please provide the study and all supporting workpapers. If not, please explain why not.

RESPONSE:

No. The Commission has consistently allowed Delta's working capital to be determined based on the "1/8th formula" method.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

45. Indicate the average period of time between rendering of service to customers to meter reading date (by type of customer if different), meter reading to billing date, and billing date to receipt of payment for Kentucky jurisdictional customers, if known; otherwise for total company if known.

RESPONSE:

- a) Service is rendered up to and including the meter reading date, so there is no time between rendering of service to customers to meter reading date.
- b) There is an average of 9 days from meter reading to billing date, as computed on Item 45b, attached.
- c) Most customers pay on or about the due date, which is ten days from the billing date.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company, Inc.
Case No. 2007-00089
Response 45

Item 45b

Range 1/1/06 - 12/30/06	Meter Read Date	Bill Date	Days from read date to bill date
Nicholasville/Corbin	12/27/05	01/04/06	8
	01/25/06	02/01/06	7
	02/21/06	03/01/06	8
	03/27/06	04/05/06	9
	04/24/06	05/03/06	9
	05/29/06	06/07/06	9
	06/26/06	07/05/06	9
	07/25/06	08/02/06	8
	08/28/06	09/06/06	9
	09/25/06	10/04/06	9
	10/24/06	11/01/06	8
	11/28/06	12/06/06	8
	12/27/06	01/03/07	7
Owingsville/Williamsburg Middlesboro/Manchester	1/3/2006	1/11/2006	8
	1/30/2006	2/8/2006	9
	2/27/2006	3/8/2006	9
	4/3/2006	4/12/2006	9
	5/1/2006	5/10/2006	9
	6/5/2006	6/14/2006	9
	7/3/2006	7/12/2006	9
	7/31/2006	8/9/2006	9
	9/4/2006	9/13/2006	9
	10/2/2006	10/11/2006	9
	10/30/2006	11/8/2006	9
	12/4/2006	12/13/2006	9
	Berea/Stanton London/Barbourville	1/9/2006	1/18/2006
2/6/2006		2/15/2006	9
3/6/2006		3/15/2006	9
4/10/2006		4/19/2006	9
5/8/2006		5/17/2006	9
6/12/2006		6/21/2006	9
7/10/2006		7/19/2006	9
8/7/2006		8/16/2006	9
9/11/2006		9/20/2006	9
10/9/2006		10/18/2006	9
11/6/2006		11/15/2006	9
12/11/2006		12/20/2006	9
AVERAGE			

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

46. Provide for each month from December 2005 to the present, the following by customer class on a jurisdictional basis (if not available by class, provide on a total jurisdictional basis):
- a. monthly revenues
 - b. accounts receivable (aging and amounts) net of uncollectibles

RESPONSE:

See attached.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company, Inc.
 Case No. 2007-00089
 AG 1st Request #46 a b

December 2005 - Present Monthly Revenues by Customer Class

Item A

	10		20		30		40		50	
	Residential	Commercial	Commercial	Industrial	Industrial	Commercial	Commercial	Industrial	Interruptable-Industrial	Operating revenues
2005	12	(4,847,983)	(3,221,288)	(223,117)	(84,665)	(4,986)	(83,859)	(10,333,420)	(8,382,040)	
2006	1	(5,981,910)	(3,941,583)	(318,290)	(7,779)	(83,859)	(89,218)	(9,398,714)	(8,382,040)	
	2	(5,405,495)	(3,614,787)	(283,351)	(5,863)	(80,322)	(47,711)	(8,681,138)	(2,399,716)	
	3	(6,351,338)	(4,187,611)	(306,983)	(7,343)	(16,354)	(17,362)	(2,297,942)	(1,364,213)	
	4	(5,046,038)	(3,324,444)	(252,787)	(11,831)	(11,676)	(14,560)	(1,465,557)	(1,568,869)	
	5	(1,342,371)	(963,089)	(77,902)	(3,124)	(39,346)	(51,999)	(6,656,556)	(6,264,621)	
	6	(1,263,294)	(952,467)	(64,819)	(3,546)	(5,981)	(5,756)	(66,101)	(9,508,039)	
	7	(708,355)	(608,577)	(35,451)	(5,756)	(5,756)	(3,410)	(51,860)	(8,390,575)	
	8	(660,219)	(565,119)	(33,592)	(107,938)	(107,938)	(62,967)	(758,768)	(96,271,872)	
	9	(720,555)	(690,852)	(39,589)	(2,692,156)	(2,692,156)				
	10	(791,309)	(708,872)	(48,908)						
	11	(2,005,420)	(1,326,646)	(89,981)						
	12	(3,888,932)	(2,541,027)	(169,577)						
2007	1	(3,668,421)	(2,363,142)	(178,906)						
	2	(5,528,141)	(3,678,313)	(229,502)						
	3	(4,964,131)	(3,137,363)	(231,464)						
	4	(2,288,367)	(1,470,520)	(107,938)						
Total		(55,462,280)	(37,295,700)	(2,692,156)						

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

47. Provide for each year 2004, 2005, 2006 and 2007 the total dollar write-offs to uncollectibles reserve with and without subsequent recoveries.

RESPONSE:

See attached.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company Inc.
Case 2007-00089
AG 1st Request #47

Write-offs 2004-2007			
With and Without Recoveries			
Year	Write-Offs	Recoveries	Write-offs less Recoveries
2004	544,493	(81,398)	463,095
2005	545,218	(75,847)	469,371
2006	688,805	(82,102)	606,703
*2007	96,409	(27,756)	68,653
total	1,874,925	(267,103)	1,607,822

* Through April

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

48. Indicate any contractor retentions being held by the Company or for the Company during 2004, 2005, 2006 and 2007 in relation to a major construction project or acquisition.

RESPONSE:

See attached schedule.

Sponsoring Witness:

John B. Brown

**DELTA NATURAL GAS COMPANY
CONTRACTOR'S RETAINAGE - Account 1.232.07**

2004 to Present		1.232.07	TRANSACTION		Work Order	Project Description	Comments
MONTH/ YEAR	BALANCE	AMOUNT	VENDOR				
Jan-04	(74,508.87)	0.00					Retainage Held
Feb-04	(80,095.52)	(5,586.65)	E.G. & K Construction	530017	Beg Balance - WO 525440 \$63,130.27, WO 530017 \$11,378.60	Construct Addition to Winchester Serv Ctr for Constr Crews	Retainage Held
Mar-04	(85,179.77)	(5,084.25)	E.G. & K Construction	530017		Construct Addition to Winchester Serv Ctr for Constr Crews	Retainage Held
Mar-04	(96,143.34)	(10,963.57)	Dallas Dean	525440		Replace JWB Transm Line to Williamsburg Compressor, Whitley County	Retainage Held
Apr-04	(98,909.04)	(2,765.70)	E.G. & K Construction	530017		Construct Addition to Winchester Serv Ctr for Constr Crews	Final Payment
May-04	(24,815.20)	74,093.84	Dallas Dean	525440		Replace JWB Transm Line to Williamsburg Compressor, Whitley County	Retainage Held
May-04	(27,136.10)	(2,320.90)	E.G. & K Construction	530017		Construct Addition to Winchester Serv Ctr for Constr Crews	Final Payment
Jun-04	0.00	27,136.10	E.G. & K Construction	530017		Construct Addition to Winchester Serv Ctr for Constr Crews	
Jul-04	0.00	0.00					
Aug-04	0.00	0.00					
Sep-04	0.00	0.00					
Oct-04	0.00	0.00					
Nov-04	0.00	0.00					
Dec-04	0.00	0.00					
Jan-05	0.00	0.00					
Feb-05	0.00	0.00					
Mar-05	0.00	0.00					
Apr-05	0.00	0.00					
May-05	(24,141.15)	(24,141.15)	Dallas Dean	525490		Transm Line Extension from Left Fork Mining/Hwy 66 to Stoney Fork, Bell County	Retainage Held
Jun-05	(55,013.25)	(30,872.10)	Dallas Dean	525490		Transm Line Extension from Left Fork Mining/Hwy 66 to Stoney Fork, Bell County	Retainage Held
Jul-05	(69,737.25)	(14,724.00)	Dallas Dean	525490		Transm Line Extension from Left Fork Mining/Hwy 66 to Stoney Fork, Bell County	Retainage Held
Aug-05	(69,737.25)	0.00				Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Retainage Held
Sep-05	(104,573.47)	(34,836.22)	Dallas Dean	525484		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Retainage Held
Oct-05	(109,917.22)	(5,343.75)	Dallas Dean	525490		Transm Line Extension from Left Fork Mining/Hwy 66 to Stoney Fork, Bell County	Retainage Held
Oct-05	(121,506.45)	(11,589.23)	Dallas Dean	525490		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Retainage Held
Oct-05	(131,224.20)	(9,717.75)	Dallas Dean	525484		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Retainage Held
Oct-05	(165,503.10)	(34,278.90)	Dallas Dean	525484		Transm Line Extension from Left Fork Mining/Hwy 66 to Stoney Fork, Bell County	Retainage Held
Nov-05	(170,694.60)	(5,191.50)	Dallas Dean	525484		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Retainage Held
Nov-05	(176,156.48)	(5,461.88)	Dallas Dean	525484		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Portion Paid
Dec-05	(194,594.11)	(18,437.63)	Dallas Dean	525484		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Portion Paid
Jan-06	(121,615.11)	72,979.00	Dallas Dean	525490		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Final Payment
Jan-06	(40,000.00)	81,615.11	Dallas Dean	525484		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Final Payment
May-06	(21,117.27)	18,882.73	Dallas Dean	525490		Transm Line Extension from Left Fork Mining/Hwy 66 to Stoney Fork, Bell County	Final Payment
May-06	0.00	21,117.27	Dallas Dean	525484		Transm Line Extension from Moore Crk in Knox Co to Left Fork Mining in Bell Co	Final Payment
Jun-06	0.00	0.00					
Jul-06	0.00	0.00					
Aug-06	0.00	0.00					
Sep-06	0.00	0.00					

DELTA NATURAL GAS COMPANY						
CONTRACTOR'S RETAINAGE - Account 1.232.07						
2004 to Present						
MONTH/ YEAR	1.232.07 BALANCE	TRANSACTION AMOUNT	VENDOR	Work Order	Project Description	Comments
Oct-06	0.00	0.00				
Nov-06	0.00	0.00				
Dec-06	0.00	0.00				
Jan-07	0.00	0.00				
Feb-07	0.00	0.00				
Mar-07	0.00	0.00				
Apr-07	(43,854.90)	(43,854.90)	Dallas Dean	525-543	Relocate DCN Transm Line on Duncannon Lane & Hwy 25 in Madison County	Retainage Held
Summary - Total Retainage Held by Work Order Project						
530017	27,136.10					
525440	74,093.84					
525490	91,861.73					
525484	102,732.38					
525543	43,854.90					
F:\Account\PUBLIC\KESTES\RATE CASE 2007\AG Data Request 2007\AG-48 Contractor Retainage 123207.XLS\Sheet 1						

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

49. Customer Advances.
- a. What is the ratemaking treatment for customer advances proposed by the Company in its filing? Where is such proposal found in the filing?
 - b. Provide the monthly level of customer advances for the period December 2005 thru July 2007.
 - c. Provide the monthly interest expense paid by the Company on customer advances for the same period.

RESPONSE:

- a. Customer advances are deducted from rate base on Schedule 6 in Tab 27 of the Filing Requirements.
- b. The balance at 12/31/05 was \$60,815.01. The balance decreased to \$51,708.01 at 6/30/06 and has remained unchanged since.
- c. Delta does not pay interest on customer construction advances.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

50. Customer Deposits.
- a. What is the ratemaking treatment for customer deposits proposed by the Company? Where is such proposal found in the filing?
 - b. Provide the monthly level of customer deposits for the period December 2005 thru 2007 to date.
 - c. Provide the monthly interest expense paid by the Company on customer deposits for the same period.

RESPONSE:

- a. Interest paid on customer deposits is excluded from our rate request, consistent with previous Commission decisions.
- b. See attached schedule
- c. See attached schedule

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY
RATE CASE 2007-00089
CUSTOMER DEPOSITS
DEC 2005 THRU APR 2007

Item 50.b.
AG

Line No.	MONTH	BALANCE
1	12/31/2005	(585,658.64)
2	1/31/2006	(564,840.14)
3	2/28/2006	(568,781.14)
4	3/31/2006	(558,325.63)
5	4/30/2006	(486,983.99)
6	5/31/2006	(462,833.99)
7	6/30/2006	(442,978.99)
8	7/31/2006	(417,052.36)
9	8/31/2006	(430,472.36)
10	9/30/2006	(459,094.73)
11	10/31/2006	(519,926.18)
12	11/30/2006	(565,386.18)
13	12/31/2006	(596,453.40)
14	1/31/2007	(577,852.49)
15	2/28/2007	(596,221.39)
16	3/31/2007	(594,434.89)
17	4/30/2007	(522,387.24)

DELTA NATURAL GAS COMPANY
RATE CASE 2007-00089
CUSTOMER DEPOSIT INTEREST
DECEMBER 2005 THRU APRIL 2007

Item 50.c
AG

Line No.	MONTH	AMOUNT
1	12/31/2005	2,779.55
2	1/31/2006	2,627.95
3	2/28/2006	2,833.26
4	3/31/2006	2,772.56
5	4/30/2006	2,839.15
6	5/31/2006	2,571.42
7	6/30/2006	2,483.64
8	7/31/2006	2,116.83
9	8/31/2006	2,123.68
10	9/30/2006	2,253.73
11	10/31/2006	2,033.93
12	11/30/2006	2,509.98
13	12/31/2006	2,888.76
14	1/31/2007	2,866.62
15	2/28/2007	2,897.84
16	3/31/2007	2,880.38
17	4/30/2007	3,042.33

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

51. Customer Deposits.
- a. What is the contractual interest rate on customer deposits?
 - b. Identify the tariff or statute that establishes the interest rate.
 - c. Does the Company accrue interest on inactive customer deposits?
 - d. How often is interest on customer deposits paid?
 - e. Is interest on customer deposits paid by check, in the form of a bill credit, or credited as an addition to the customer deposit balance?
 - f. What is the Company's policy on customer deposits for collection, refund, and use as an offset against an uncollectible balance?
 - g. Provide a copy of the Company's policy(s) relating to customer deposits.

RESPONSE:

- a. 6%
- b. KRS 278.460
- c. Yes
- d. See attached
- e. See attached
- f. See attached
- g. See attached

Sponsoring Witness:

John B. Brown

FOR All Service Areas
P.S.C. NO. 10
Original SHEET NO. 20
CANCELLING P.S.C. NO. 9
Original SHEET NO. 20

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

CLASSIFICATION OF SERVICE
RULES AND REGULATIONS

14. CONTINUOUS OR UNIFORM SERVICE

The Company will endeavor to supply gas continuously and without interruption. However, the Company shall not be responsible for damages or otherwise for failure to supply gas for any interruptions of the supply when such failure is without willful fault or neglect on its part.

The Company cannot and does not guarantee either a sufficient supply or an adequate or uniform pressure of the gas supplied and shall not be liable for any damage or loss resulting from inadequate or interrupted supply or from any pressure variations when such conditions are not due to willful fault or neglect on its part.

15. EXCLUSIVE SERVICE

Except in cases where the customer has a special contract with the Company for reserve or auxiliary service, no other fuel service shall be used by the customer on the same installation in conjunction with the Company's service connection, either by means of valves or any other connection.

The customer shall not sell the gas purchased from the Company to any other customer, company or person, and the customer shall not deliver gas purchased from the Company to any connection wherein said gas is to be used on premises not owned or controlled by the customer.

16. DEPOSITS

The Company may require a minimum cash deposit or other guaranty to secure payment of bills except from customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 15, Winter Hardship Reconnection. Service may be refused or discontinued for failure to pay the requested deposit. Interest, as prescribed by KRS 278.460, will be paid on all sums held on deposit. The interest will be applied as a credit to the customer's bill or will be paid to the customer on an annual basis. If the deposit is refunded or credited to the customer's bill prior to the deposit anniversary date or credited to the customer's bill on a prorated basis. If interest is not paid to the customer or credited to the customer's bill annually, interest will be computed by a method

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EXECUTIVE DIRECTOR
November 10, 2004
SECTION 9 (1)
PURSUANT TO 807 KAR 5:011

DATE OF ISSUE November 11, 2004 DATE EFFECTIVE
ISSUED BY Glenn R. Jennings Name of Officer
Issued by authority of an Order of the Public
CASE NO. 2004-00067

By [Signature] President
By [Signature] Executive Director
DATED November 10, 2004.

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

FOR All Service Areas
P.S.C. NO. 10
Original SHEET NO. 21
CANCELLING P.S.C. NO. 9
Original SHEET NO. 21

CLASSIFICATION OF SERVICE
RULES AND REGULATIONS

which will result in an amount not less than that obtained by using the middle course method between simple and compound interest in compliance with the Commission Order dated October 31, 1989 in Case No. 89-057. Interest on deposits computed in this manner will accrue until paid to the customer or credited to the customer's bill.

The deposit may be waived upon a customer's showing of satisfactory credit or payment history. Required deposits will be credited to the customer's bill between twelve and fifteen months after the month of deposit if the customer has established a satisfactory payment record for that period. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. Upon termination of service, the deposit and any interest earned and owing will be credited to the final bill with any remainder refunded to the customer.

In determining whether a deposit will be required or waived, the following criteria may be considered:

- (1) Previous payment history with the Company. If the customer has no previous history with the Company, statements from other regulated public utilities may be presented by the customer as evidence of good credit.
- (2) Length of time the customer has resided or been located in the area.
- (3) Whether the customer owns the property where service is to be rendered.
- (4) Whether another customer with a good payment history is willing to sign as a guarantor for an amount equal to the required deposit.

If a deposit is held longer than eighteen months, the deposit will be recalculated at the customer's request based on the customer's actual usage for the past twelve months. If the deposit on account differs from the recalculated amount by more than \$10.00 for a residential customer or 10 percent for a non-residential customer, the Company may collect any ~~order~~ payment and refunds, if any, will be credited to the customer's next

PURSUANT TO 807 KAR 5:011
SECTION 9(4)
BY [Signature] President
By [Signature] Executive Director
DATED November 10, 2004

DATE OF ISSUE November 11, 2004 DATE EFFECTIVE October 7, 2004
ISSUED BY Glenn R. Jennings
Name of Officer
Issued by authority of an Order of the Public Service Commission of KY in
CASE NO. 2004-00067

FOR	All Service Areas	
P.S.C. NO.	10	
	Original	SHEET NO. 22
CANCELLING P.S.C. NO.	9	
	Original	SHEET NO. 22

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

**CLASSIFICATION OF SERVICE
RULES AND REGULATIONS**

utility bill. No refund will be made if the customer's bill is delinquent at the time of recalculation.

Once each year, a billing insert will be included with the bill advising the customer of the right to request a deposit recalculation.

Residential and small non-residential customers with meters up through AL425 will pay equal deposits in the amount of \$95.00. This amount shall not exceed 2/12ths of the average annual bill.

Large non-residential and industrial customer's deposits shall be based upon actual usage of the customer at the same or similar premises for the most recent twelve month period if such information is available. If usage information is not available, the deposit will be based on the average bills of similar customers and premises in the system. The deposit amount shall not exceed 2/12ths of the customer's actual or estimated annual bill.

17. MONTHLY CUSTOMER CHARGE

A monthly customer charge shall be rendered against every meter installed unless service is discontinued in one customer's name and is not to be re-served at the location.

Special permission may be obtained from the local distribution supervisor for waiving of the monthly customer charge only when initial service is being rendered and no gas except test gas has been passed by the meter.

A full monthly customer charge will be rendered whenever service has been used for more than fifteen (15) days of a billing month, even if the consumption of the customer is zero (0).

If service is used less than fifteen (15) days in a given billing month and any consumption is recorded, the normal billing procedure shall apply.

18. MONTHLY BILLS

Bills for gas service will be rendered monthly unless otherwise specified. The term "month" for billing purposes shall mean the period between any two consecutive readings of the meter by the

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE 10/7/2004
PURSUANT TO 807 KAR 5:011

DATE OF ISSUE	November 11, 2004	DATE EFFECTIVE	October 7, 2004
ISSUED BY	Glenn R. Jennings	TITLE	President
	<i>Glenn R. Jennings</i>	By	<i>[Signature]</i>
	Name of Officer		Executive Director
Issued by authority of an Order of the Public Service Commission of KY in		DATED	November 10, 2004
CASE NO.	2004-00067		

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

52. For the test year and the preceding two years, has the Company sold any property which had formerly been included in Plant Held for Future Use or devoted to utility service? If so, for each sale, describe the property sold; state whether, when and in what manner it had been included in rate base; show the details of how the gain or loss was calculated; indicate when the sale occurred; explain how and whether the Company is amortizing such gain or loss; and show how such amortization was computed.

RESPONSE:

See attached schedules.

The Company has not sold any property included in Plant Held for Future Use but has sold Plant Utility Property (Account 101) for the years requested.

The Company does not amortize gain or losses. Gains and losses are charged to accumulated depreciation.

Sponsoring Witness:

John B. Brown

Delta Natural Gas
 Plant Property Sold
 Calendar Year 2006

Plant Account	Asset Number	Description	Plant Amount	Month Sold	Accum Depl.	Salvage Received	Gain/(Loss)
390	1900221	Mt Olivet 12' x 12' Office Bldg	10,317.91	3/31/2006	7,817.91	2,500.00	0.00
391	1910463	Drafting Machine	398.05	2/28/2006	248.05	150.00	0.00
392	1920022	82 Ford F600 Dump Truck	16,577.73	7/31/2006	13,777.73	2,800.00	0.00
	1920024	93 Chev C1500 Truck	7,937.00	11/30/2006	6,431.45	1,505.55	0.00
	1920075	94 GMC Sierra Truck	11,305.23	4/30/2006	9,376.55	1,928.68	0.00
	1920109	94 GMC Sierra Truck	11,495.92	11/30/2006	10,085.92	1,410.00	0.00
	1920163	96 Ford F700 LOPRO truck	28,228.37	8/31/2006	24,228.37	4,000.00	0.00
	1920187	96 Ford F350 Welding Truck	28,880.08	12/31/2006	21,330.08	7,550.00	0.00
	1920200	Econoline 12 T Tandem Trailer	6,950.00	6/30/2006	4,450.00	2,500.00	0.00
	1920206	1997 Ford F350 4x4 Truck	27,495.00	2/28/2006	19,195.00	8,300.00	0.00
	1920207	97 Ford Super duty Chassis Cab	26,155.60	2/28/2006	20,534.87	5,620.73	0.00
	1920208	1997 Ford F350 4x4 truck	17,836.00	2/28/2006	12,536.00	5,300.00	0.00
	1920222	Ford F150 4x4 truck	12,889.00	1/31/2006	9,201.00	3,688.00	0.00
	1920280	99 Ford F150 Truck	14,842.48	1/31/2006	10,554.48	4,288.00	0.00
	1920284	99 Chev Silverado Truck Unit 11	18,835.35	3/31/2006	12,649.57	6,185.78	0.00
	1920285	99 Chev Silverado Truck	21,302.67	3/31/2006	16,230.40	5,072.27	0.00
	1920307	2000 Chevrolet Silverado Truck	20,683.02	12/31/2006	16,814.52	3,868.50	0.00
	1920308	2000 Chev K1500 Truck	15,991.71	2/28/2006	9,901.71	6,090.00	0.00
	1920310	2000 Ford F250 Truck	18,322.00	3/31/2006	12,136.22	6,185.78	0.00
	1920341	2002 Chev K1500 Silverado Truck	26,119.81	3/31/2006	17,619.81	8,500.00	0.00
	1920342	2002 Chev K1500 Silverado Truck	21,941.92	5/31/2006	13,741.92	8,200.00	0.00
	1920344	2002 Chev Car Unit 230	18,938.75	11/30/2006	15,437.74	3,501.01	0.00
	1920346	2002 Chev Venture van	23,696.44	5/31/2006	18,857.16	4,839.28	0.00
	1920347	2002 Chev Van Unit 233	23,662.58	1/31/2006	19,951.18	3,711.40	0.00
	1920349	2002 Chev Silverado Truck	21,485.60	2/28/2006	14,383.60	7,102.00	0.00
	1920364	2003 Ford F250 Truck	24,512.83	5/31/2006	13,512.83	11,000.00	0.00
	1920382	2003 Car Unit 503	46,679.58	2/28/2006	16,505.95	30,173.63	0.00
	1920391	2003 Chev Unit 509	36,650.56	5/31/2006	15,925.29	20,725.27	0.00

Delta Natural Gas
 Plant Property Sold
 Calendar Year 2006

Plant Account	Asset Number	Description	Plant Amount	Month Sold	Accum Depr	Salvage Received	Gain/ (Loss)
396	1960066	Case Loader backhoe	27,615.00	8/31/2006	19,834.95	7,780.05	0.00
	1960080	John Deere Wheel Loadr backhoe	26,475.00	4/30/2006	22,475.00	4,000.00	0.00
399	1993106	Itron G5 Meter Reader Pod	525.10	8/31/2006	435.10	90.00	0.00
	1993107	Itron G5 Meter Reader Pod	525.10	8/31/2006	435.10	90.00	0.00
	1993108	Itron G5 Meter Reader Pod	525.11	8/31/2006	435.11	90.00	0.00
	1993109	Itron G5 Handheld Meter Reader	5,197.99	8/31/2006	4,297.99	900.00	0.00
	1993110	Itron G5 Handheld Meter Reader	5,197.99	8/31/2006	4,297.99	900.00	0.00
	1993110	Itron G5 Handheld Meter Reader	3,109.00	3/31/2006	2,825.98	283.02	0.00
	1993195	Dell Latitude laptop	3,109.00	3/31/2006	2,825.98	330.19	0.00
	1993196	Dell Latitude laptop	2,956.36	3/31/2006	2,825.98	283.02	0.00
	1993197	Dell Latitude laptop	3,109.00	3/31/2006	2,673.34	283.02	0.00
	1993198	Dell Latitude laptop	2,956.36	3/31/2006	4,294.53	900.00	0.00
	1993199	Dell Latitude laptop	5,194.53	8/31/2006	4,294.53	900.00	0.00
	1995545	Itron G5 Handheld Meter Reader	5,194.53	8/31/2006	4,294.53	900.00	0.00
	1995549	Itron G5 Handheld Meter Reader	5,194.53	8/31/2006	4,294.53	900.00	0.00
	1995550	Itron G5 Handheld Meter Reader	5,194.53	8/31/2006	4,294.53	900.00	0.00
	1995551	Itron G5 Handheld Meter Reader	5,194.53	8/31/2006	459.59	70.00	0.00
	1995552	Itron G5 Handheld Meter Reader	529.59	8/31/2006	439.59	90.00	0.00
	1995570	FS/2PN Cradle w/power supply	529.59	8/31/2006	439.59	90.00	0.00
	1995574	Itron G5 Meter Reader Pod	529.59	8/31/2006	439.59	90.00	0.00
	1995575	Itron G5 Meter Reader Pod	529.59	8/31/2006	439.59	90.00	0.00
	1995576	Itron G5 Meter Reader Pod	529.59	8/31/2006	439.59	90.00	0.00
	1995578	Itron G5 Meter Reader Pod	529.59	8/31/2006	439.59	90.00	0.00
			<u>670,052.80</u>		<u>473,114.60</u>	<u>196,938.20</u>	<u>0.00</u>

Delta Natural Gas
 Plant Property Sold
 Calendar Year 2005

ITEM 52

Plant Account	Asset Number	Description	Book Amount	Month Sold	Accum Depr.	Salvage Received	Gain/ (Loss)
381	1812250	Meter, American 250 AL	29.07	10/31/2005	(26.93)	56.00	0.00
	1818000	Module, Itron Ert 40 G	80.20	5/31/2005	13.60	66.60	0.00
383	1830013	Regulator, Fisher 1" 627 R, 2	241.69	10/31/2005	(18.31)	260.00	0.00
	1830209	Regulator, Amer 2" 1813B	241.68	9/30/2005	(27.60)	269.28	0.00
	1830210	Regulator, Amer 1" 1813C	17.45	1/31/2005	(7.55)	25.00	0.00
	1830210	Regulator, Amer 1" 1813C	17.45	2/28/2005	(7.55)	25.00	0.00
	1830210	Regulator, Amer 1" 1813C, 2	65.69	9/30/2005	17.69	48.00	0.00
	1830211	Regulator, Amer 1-1/4 1813C	26.84	1/31/2005	2.84	24.00	0.00
391	1910617	Xerox Fax machine	2,661.66	3/31/2005	2,361.66	300.00	0.00
392	1920047	84 Backhoe Trailer	4,725.00	5/31/2005	3,473.00	1,252.00	0.00
	1920048	86 Ford F600 Cab	16,675.00	5/31/2005	11,550.00	5,125.00	0.00
	1920069	94 GMC Truck	21,448.51	5/31/2005	16,278.16	5,170.35	0.00
	1920148	96 Chev C-1500 Truck	17,419.27	4/30/2005	14,919.27	2,500.00	0.00
	1920174	97 Ford F150 4x4 truck	20,400.00	4/30/2005	16,775.86	3,624.14	0.00
	1920241	98 Dodge Caravan Unit 298	20,226.74	4/30/2005	17,721.69	2,505.05	0.00
	1920244	98 Chev K1500 4x4 truck	20,189.91	4/30/2005	13,982.53	6,207.38	0.00
	1920246	97 Ford F250 Truck Unit 22	16,750.00	3/31/2005	11,450.25	5,299.75	0.00
	1920255	99 Ford F250 4x4 truck	18,044.00	7/31/2005	15,544.00	2,500.00	0.00
	1920262	98 Chev C1500 Truck	20,313.55	3/31/2005	17,756.92	2,556.63	0.00
	1920281	99 Chev Blazer	20,953.12	1/31/2005	16,675.12	4,278.00	0.00
	1920288	99 Chev Blazer Unit 211	25,208.00	1/31/2005	19,983.00	5,225.00	0.00
	1920306	2000 Chev Silverado Truck	19,998.00	3/31/2005	14,700.94	5,297.06	0.00
	1920314	2000 Chev Unit 503	20,848.70	5/31/2005	7,323.70	13,525.00	0.00
	1920357	2002 Chev Unit 506	37,182.20	5/31/2005	20,534.82	16,647.38	0.00
396	1960074	200 Amp Lincoln Welder	3,482.50	1/31/2005	2,929.50	553.00	0.00
	1960119	Cub Cadet Mower	4,022.70	12/31/2005	3,801.95	220.75	0.00
397	1970343	APC Matrix 3000 MXA-101	3,100.50	6/30/2005	1,130.50	1,970.00	0.00
			<u>314,369.43</u>		<u>228,839.06</u>	<u>85,530.37</u>	<u>0.00</u>

Delta Natural Gas
 Plant Property Sold
 Calendar Year 2004

Plant Account	Asset Number	Description	Book Amount	Month Sold	Accum Depl	Salvage Received	Gain/ (Loss)
366	1660025	Metal Building Wburg Station	21,088.00	3/31/2004	20,538.00	550.00	0.00
383	1830210	Regulator, Amer 1" 1813C	42.56	1/31/2004	(5.44)	48.00	0.00
	1830211	Regulator, Amer 1-1/4 1813C	241.55	12/31/2004	20.55	221.00	0.00
391	1910187	Double Ped Desk Walnut	641.55	4/30/2004	607.55	34.00	0.00
392	1920126	96 Dodge Caravan	18,046.00	3/31/2004	16,546.99	1,499.01	0.00
	1920142	96 Dodge Caravan	18,046.00	4/30/2004	15,196.00	2,850.00	0.00
	1920152	97 Ford F150 4x4 truck	20,012.08	2/29/2004	15,652.25	4,359.83	0.00
	1920179	96 Ford F150 4x4 truck	19,497.00	5/31/2004	17,997.00	1,500.00	0.00
	1920239	98 Ford F150 Truck	15,580.00	11/30/2004	10,580.00	5,000.00	0.00
	1920256	98 Chev Blazer Unit 313	24,923.92	12/31/2004	21,298.92	3,625.00	0.00
	1920260	98 Chev K2500 Truck	20,749.03	12/31/2004	15,469.33	5,279.70	0.00
	1920272	99 Ford F150 4x4 truck	21,436.00	3/31/2004	14,541.50	6,894.50	0.00
	1920275	99 Chev Astron Van	25,066.22	6/30/2004	22,496.06	2,570.16	0.00
	1920278	99 Chev Lumina	18,000.00	6/30/2004	16,500.00	1,500.00	0.00
	1920287	99 Olds Intrigue Unit 504	24,909.71	11/30/2004	20,344.71	4,565.00	0.00
	1920289	99 Ford F150 4x2 truck	18,500.00	4/30/2004	14,399.06	4,100.94	0.00
	1920293	2000 Ford F150 4x4 truck	17,991.00	3/31/2004	11,369.87	6,621.13	0.00
	1920300	2000 Chev C1500 Truck	15,615.54	4/30/2004	8,553.38	7,062.16	0.00
	1920303	2000 Chev Silverado Truck	21,036.29	1/31/2004	12,980.29	8,056.00	0.00
	1920317	2001 Ford F250 Truck	27,254.00	11/30/2004	19,504.30	7,749.70	0.00
396	1960006	John Deere 310 C Loader Backhoe	26,475.00	7/31/2004	16,975.00	9,500.00	0.00
399	1995438	Network Fileserver	17,042.68	5/31/2004	16,962.68	80.00	0.00
			392,194.13		308,528.00	83,666.13	0.00

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

53. The following questions are related to the Company's policies regarding accounting for CWIP, plant in service and depreciation:
- a. For each item of CWIP which the Company has transferred into utility plant in service for purposes of this filing, has a full 12 months of depreciation expense been included in the cost of service?
 - b. For each item of CWIP which the company has transferred into utility plant in service for the purposes of this filing, has an amount representing a full 12 months of depreciation expense been added to the total accumulated depreciation by which rate base is reduced?
 - c. Provide the same information as requested in subsection b. above for the deferred taxes related to the depreciation timing differences.

RESPONSE:

- (a) Yes
- (b) Yes
- (c) For the purposes of this filing, no adjustments have been made for deferred taxes related to CWIP items that the company has transferred into utility plant in service.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

54. For major plant construction projects representing plant additions costing more than \$5 million added during 2005, 2006 and 2007 to date please state the following:
- a. Description of project.
 - b. Any economic feasibility studies done in a relationship to the project.
 - c. Any related cost savings achieved as a result of adding the addition.
 - d. Whether the project was for replacement, for new growth, environmental, or other.
 - e. Description of why the project was necessary.

RESPONSE:

Delta has not incurred any plant construction projects costing more than \$5 million during 2005, 2006 or 2007.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

55. Explain in detail the Company's procedure for accruing AFUDC and provide examples of AFUDC accrued during 2004, 2005, 2006 and 2007. Discuss specifically how the Company computes the AFUDC rate, computes AFUDC monthly, adjusts AFUDC for the impact of the Alternative Minimum Tax and for interest that is capitalized for federal income tax purposes. Show examples of each calculation. Also provide references to PSC Orders which authorize or approve the calculation methods used by the Company.

RESPONSE:

Delta does not accrue AFUDC as the PSC has allowed inclusion of CWIP in rate base.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

56. Explain in detail the Company's procedure for accruing AFUDC and provide examples of AFUDC accrued during 2004, 2005, 2006 and 2007. Discuss specifically how the Company computes the AFUDC rate, computes AFUDC monthly, adjusts AFUDC for the impact of the Alternative Minimum Tax and for interest that is capitalized for federal income tax purposes. Show examples of each calculation. Also provide references to PSC Orders which authorize or approve the calculation methods used by the Company.

RESPONSE:

Not applicable.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

57. Identify how much of the Company's materials and supplies balance at December 31, 2005, December 31, 2006 and 2007 to date is related to construction activities.

RESPONSE:

	<u>Dec. 2005</u>	<u>Balance at Dec. 2006</u>	<u>April 2007</u>
Materials and Supplies	479,579	480,166	721,957

Most materials and supplies costs are related to construction activities.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

58. Please provide a copy of the corporate federal tax returns and supporting "M" schedules for 2004, 2005 and 2006.

RESPONSE:

Please refer to Case No. 2007-00089, First PSC Data Request, Dated 3/19/07, Response 23(a)(8) for a copy of the corporate federal tax returns and supporting "M" schedules for 6/30/06. The corporate federal tax returns and supporting "M" schedules for the years ended 6/30/05 and 6/30/04 are filed under seal with motion for confidential treatment.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

59. Please provide detailed calculations of federal income taxes and state income taxes (budgeted and/or actual) for the following accounting periods:
- a. the year ended December 31, 2005 (actual);
 - b. the year ended 2006 (actual).

RESPONSE:

See attached schedules.

Sponsoring Witness:

John B. Brown

Delta Nat Gas Company, Inc.
Detailed calculations of federal income taxes and state income taxes
For the Calendar years ended 2006, 2005 & 2004

	2006	2005	2004
Book income before income taxes	2,870,447	4,787,231	6,137,170
Less Non-Regulated Income	<u>(191,009)</u>	<u>(94,990)</u>	<u>(99,247)</u>
Regulated book income before income taxes	2,679,438	4,692,241	6,037,923
Total Income Tax Expense	1,030,200	1,844,200	2,335,300
Less Non-Regulated income taxes	<u>(73,900)</u>	<u>(37,400)</u>	<u>(34,400)</u>
Net Regulated Income Tax Expense	<u>956,300</u>	<u>1,806,800</u>	<u>2,300,900</u>
Effective Tax Rate Provided	<u>35.69%</u>	<u>38.51%</u>	<u>38.11%</u>
Effective Tax Rate Calculation			
Book Income	2,679,438	4,692,241	6,037,923
Federal Income Tax at 34% Statutory Tax Rate	911,009	1,595,362	2,052,894
State Income Tax at Statutory Rate	A 187,561	387,110	498,129
Federal Benefit of State Tax Expense	(63,771)	(131,617)	(169,364)
State Income Tax at Statutory Tax Rate	A	8.25%	8.25%
Federal Benefit of State Tax Expense	A	-2.38%	-2.81%
M&E Expenses at Federal and State Statutory Tax Rates	B 6,498	7,661	6,572
Lobbying Expenses at Federal and State Statutory Tax Rates	C 8,600	6,300	11,547
ITC amortization	D (37,300)	L (37,800)	(38,200)
Amortization of Regulatory Liability	E (65,800)	(44,950)	(25,520)
Other adjustments	F	0.35%	-0.58%
Net Regulated Income Tax Expense	<u>35.69%</u>	<u>38.51%</u>	<u>38.11%</u>

Delta Natural Gas Company, Inc.
Detailed calculations of federal income taxes and state income taxes
For the Calendar years ended 2005 & 2006

Notes

- A** Kentucky changed its tax law in May of 2004 to reduce the statutory tax rate from 8.25% to 7% for tax years beginning after January 1, 2005. The rate is further reduced to 6% for tax years beginning after January 1, 2007.
- B** For financial statement purposes, meals and entertainment expenses are recorded in the general ledger account 1.921.2900. Pursuant to IRC § 274(n), Delta Natural Gas adds back 50% of non-deductible meals and entertainment in the above account. All possible accounts were analyzed to determine which expenses should be subject to the 50 percent limitation. The impact of the adjustment is an increase to taxable income.
- C** For financial statement purposes, lobbying expenditures are recorded in the general ledger account 1.930.1200. For tax purposes, no deduction is allowed for expenses in connection with the lobbying, influencing legislation, or participating in any political campaigns under IRC § 162(e)(1). The adjustment has the effect of increasing taxable income.
- D** ITC amortization adjustment is not an adjustment to taxable income. The adjustment is a regulatory requirement for book reporting purposes only. The adjustment has the effect of decreasing book income.
- E** Amortization of Regulatory Liability is not an adjustment to taxable income. The adjustment is a regulatory requirement for book reporting purposes only. The adjustment has the effect of decreasing book income.
- F** Other adjustments are related to miscellaneous reconciliation differences due to the calendar year income tax calculation including one half of two different fiscal tax years.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

60. Please provide workpapers detailing the calculation of each statutory addition and deduction used in arriving at taxable income in the above calculation. Also provide a narrative explanation of the effect of each statutory addition and deduction on tax and/or book income, and the Internal Revenue Code Section or Treasury Regulation calling for the adjustment.

RESPONSE:

Please refer to response 59 of this information request.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

61. For 2005 and 2006, please provide a copy of the U.S. Corporation Income Tax Return, and the Kentucky Corporate Income Tax Return and all other Kentucky Tax Returns. If separate returns were not prepared, please provide the detailed worksheets that were used to prepare the consolidated return.

RESPONSE:

Please refer to response 58 of this information request for a copy of the U.S. Corporation Income Tax Return for the 6/30/05 and 6/30/06 tax years. The returns are consolidated federal income tax returns; however the return includes detail of Delta Natural Gas Company, Inc. presented on a separate company basis.

The separate Kentucky income tax filing for tax year 6/30/05 is filed under seal with motion for confidential treatment. Also filed under seal with motion for confidential treatment is the consolidated Kentucky income tax filing for tax year 6/30/06 including a consolidating worksheet. Due to the Kentucky tax law change in May of 2004, Delta Natural Gas Company, Inc. is required to file as part of a consolidated return for tax year 6/30/06 and forward.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

62. Please provide the following information regarding deferred income taxes:
- a. Calculation of all timing differences reflected in DFIT; show book amount and tax amount; indicate when amounts were included in book and in tax returns;
 - b. Tax rate applied to each timing difference;
 - c. Calculation of actual DFIT;
 - d. If different, reconcile book amount per cost of service and book amount in DFIT calculation. Identify and quantify all reconciling items.
 - e. For each year 2001 through 2007 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account. For each item by year, please reconcile the gross to net additions and explain how that reconciliation was derived.
 - f. For 2006 and 2007 (to date) please provide information requested in (e) above for each month.

RESPONSE:

Please see attached.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Co., Inc.
Rollforward of Cumulative Temporary Differences and Deferred Tax Accounts

June 30, 2004

Deferred Liabilities:	Cumulative Temporary Differences & Carryforwards @ 6/30/03		Differences Due to Return-To-Accrual Analysis		Cumulative Temporary Differences & Carryforwards @ 6/30/04	Differences Due to Return-To-Accrual Analysis	Deferred Tax Balance @ 6/30/03 Per Workpapers	Corrections	Deferred Tax Balance @ 6/30/04	Deferred Tax Taxes on 2004 Timing Items	Deferred Tax Balance @ 6/30/04	Statutory Rate	Calculated Deferred Tax Balance @ 6/30/04	Difference Books from Calculation
	Per Workpapers	2004 Timing Items	Per Workpapers	2004 Timing Items										
Tax Depreciation Over Book-Fed	(38,869,005)	(8,139,546)	1,282,01	(8,139,546)	(45,741,285)	54,453	(14,841,007)	31,554	(12,792,000)	(2,761,800)	(15,553,800)	34.000%	(15,552,000)	(1,800)
Fed/Lo Kentucky		(2,294,883)	1,282,01	(2,294,883)	(38,345,695)	(83)		(83)	(1,563,000)	(125,000)	(2,088,000)	5.445%	(2,087,500)	(500)
Accrued Pension	(3,393,039)	(72,857)	1,282,02	(72,857)	(3,465,955)		(1,336,700)		(1,336,700)	(28,700)	(1,365,400)	39.445%	(1,364,500)	(900)
Prepaid Insurance	(4,291,824)	(558,103)	1,282,15	(558,103)	(558,103)		(1,692,900)		(1,692,900)	(220,100)	(1,913,000)	39.445%	(1,912,000)	(1,000)
Deferred Gas Cost		2,788,193	1,282,09	2,788,193	(1,325,631)		(1,692,900)		(1,692,900)	(1,091,500)	(2,784,400)	39.445%	(2,783,500)	(900)
Rate Case Expenses	(1,557,765)	(151,639)	1,282,17	(151,639)	(151,639)		(592,800)	(24,369)	(627,169)	(43,000)	(670,169)	39.445%	(669,200)	(1,969)
Debt Expense Amortization	(48,111,653)	(8,351,244)	1,282,10	(8,351,244)	(56,462,897)	(206,232)	(16,653,407)	(2,847)	(18,506,814)	(2,065,000)	(20,571,814)	39.445%	(20,570,000)	(1,814)
Personal Leave Plan	454,230	50,735	1,282,06	50,735	504,965	71,044	179,100		179,100	20,800	199,900	39.445%	199,200	(700)
AMT	1,408,945	1,479,989	1,282,05	1,479,989	1,601,789		1,408,945		1,479,989	121,800	1,601,789	100.000%	1,601,800	(11)
ITC	364,600	364,600	1,283,01	364,600	364,600		143,800		143,800	(15,100)	128,700	39.445%	128,700	
Regulatory liabilities	715,125	715,125	1,283,02	715,125	648,025		282,100	2,800	282,100	(26,500)	255,600	39.445%	255,600	
Other Comprehensive Income	3,386,436	3,386,436	1,282,14	3,386,436	3,386,436		1,335,800		1,335,800	8,700	1,344,500	39.445%	1,344,500	
Reserve for Bad Debts	350,000	(50,000)	1,282,13	(50,000)	300,000		138,100		138,100	(19,700)	118,400	39.445%	118,400	
Employee Stock Plan	54,517	6,025	1,282,03	6,025	60,542		21,700		21,700	2,400	24,100	39.445%	23,900	200
Unbilled Revenue	517,053	517,053	1,282,09	517,053	504,467		204,000		204,000	(5,000)	199,000	39.445%	199,000	
Sales tax audit accrual	78,111	20,000	1,282,16	20,000	20,000		0		0	7,900	7,900	39.445%	7,900	
Amortization of Ferris Note	67,246	(3,876)	1,282,08	(3,876)	63,370		30,800		30,800	(1,500)	29,300	39.445%	29,300	
Contribution for Construction	156,472	101,434	1,282,07	101,434	257,906		26,700		26,700	40,000	66,700	39.445%	66,700	
Unexp. Storage Gas	7,552,731	(3,232,121)	1,282,12	(3,232,121)	4,320,610		61,731	(31)	61,700	40,000	101,700	39.445%	101,700	
Net Totals	(40,559,922)	(11,593,355)	(482,353)	(11,593,355)	(52,153,277)	(79)	(14,620,631)	(79)	(14,701,411)	(3,266,200)	(17,967,611)		(17,967,600)	(11)

June 30, 2005

Delta Natural Gas Co., Inc. Rollforward of Cumulative Temporary Differences and Deferred Tax Accounts

	Cumulative Temporary Differences & Carryforwards @ 6/30/04		Differences Due to Return-To-Accrual Analysis		Cumulative Temporary Differences & Carryforwards @ 6/30/05		Differences Due to Return-To-Accrual Analysis		Deferred Tax Balance @ June 30, 2004		Deferred Tax Balance @ 6/30/05		Statutory Rate	Calculated Deferred Tax Balance @ 6/30/05	Difference Books from Calculation
	Per Workpapers	2005 Timing Items	Reclasses	Analysis	Per Workpapers	2005 Timing Items	Reclasses	Analysis	June 30, 2004	6/30/05	6/30/05	6/30/05			
Deferred Liabilities:															
Tax Depreciation Over Book-Fed	(45,741,285)	(3,576,824)	(800,513)	(2,090)	(46,549,798)	(3,576,824)	(800,513)	(2,090)	(15,830,700)	(1,212,400)	(17,043,100)	34.000%	(17,043,100)	-	
Fed to Kentucky	(38,345,695)	(3,394,179)	(606,513)	(2,090)	(39,154,268)	(3,394,179)	(606,513)	(2,090)	(2,131,900)	(179,400)	(2,311,300)	5.445%	(2,311,300)	-	
Tax Depreciation Enpro	(11,498)	7,339	(6,249)	(2,090)	(13,258)	7,339	(6,249)	(2,090)	(5,400)	2,900	(2,500)	38.445%	(2,500)	-	
Accrued Pension	(3,465,696)	(944,440)	(1,688)	(234,494)	(3,700,190)	(944,440)	(1,688)	(234,494)	(1,459,600)	(372,500)	(1,832,100)	38.445%	(1,832,100)	-	
Prepaid Insurance	(558,103)	(28,238)	(586,341)	-	(586,341)	(28,238)	(586,341)	-	(220,200)	(11,100)	(231,300)	38.445%	(231,300)	-	
Deferred Gas Cost	(1,523,631)	(1,123,236)	(2,646,867)	-	(3,270,728)	(1,123,236)	(2,646,867)	-	(601,000)	(443,100)	(1,044,100)	38.445%	(1,044,100)	-	
Rela Case Expenses	(151,639)	(66,658)	(218,298)	-	(218,298)	(66,658)	(218,298)	-	(59,800)	(28,300)	(88,100)	38.445%	(88,100)	-	
Debt Expense Amortization	(1,978,223)	(99,687)	(1,889,536)	(236,584)	(2,077,910)	(99,687)	(1,889,536)	(236,584)	(780,400)	(42,900)	(823,300)	38.445%	(823,300)	-	
	(91,775,679)	(9,817,550)	(1,617,026)	(236,584)	(93,593,254)	(9,817,550)	(1,617,026)	(236,584)	(21,089,000)	(2,199,000)	(23,288,000)		(23,288,000)	-	
Deferred Assets:															
Personal Leave Plan	504,965	18,577	607,429	27,116	504,965	18,577	607,429	27,116	199,200	7,300	206,500	38.445%	206,500	-	
Cost of Removal	607,429	42,533	607,429		607,429	42,533	607,429		316,500	16,600	333,100	100.000%	333,100	-	
AMT	1,601,789	(166,605)	1,601,789		1,601,789	(166,605)	1,601,789		1,528,905	(166,595)	1,462,400	38.445%	1,462,400	-	
ITC	326,200	(38,000)	288,200		326,200	(38,000)	288,200		128,700	(15,000)	113,700	38.445%	113,700	-	
Regulatory liabilities	648,025	(66,900)	581,125		648,025	(66,900)	581,125		255,600	(26,400)	229,200	38.445%	229,200	-	
Asset Retirement Obligation	11,055	3,346	14,401		11,055	3,346	14,401		4,800	1,300	6,100	38.445%	6,100	-	
ARO Enpro	22,145	20,221	42,366	(8,557)	42,366	20,221	42,366	(8,557)	5,300	8,000	13,300	38.445%	13,300	-	
Other Comprehensive Income	300,000	10,000	310,000		300,000	10,000	310,000		118,000	3,900	122,300	38.445%	122,300	-	
Reserve for Bad Debts	60,542	(60,542)			60,542	(60,542)			23,900	(23,900)		38.445%		-	
Employee Stock Plan	504,467	(504,467)			504,467	(504,467)			199,000	(199,000)		38.445%		-	
Unbilled Revenue	20,000	(20,000)			20,000	(20,000)			7,500	(7,500)		38.445%		-	
Sales tax audit accrual	78,111	(78,111)			78,111	(78,111)			25,000	(25,000)		38.445%		-	
Amortization of Fernin Note	63,370	(2,555)	60,815		63,370	(2,555)	60,815		101,700	30,200	131,900	38.445%	131,900	-	
Contribution for Construction	257,906	76,575	334,481		257,906	76,575	334,481		3,016,905	(372,205)	2,644,700	38.445%	2,644,700	-	
Unleap - Storage Gas	4,398,575	(697,715)	3,700,860	18,659	4,398,575	(697,715)	3,700,860	18,659	3,016,905	(372,205)	2,644,700	38.445%	2,644,700	-	
	(87,377,295)	(9,695,265)	(96,072,560)	(218,029)	(87,377,295)	(9,695,265)	(96,072,560)	(218,029)	(18,072,895)	(2,571,295)	(20,644,190)		(20,644,190)	-	
Net Totals															

RECONCILE TO Tax Calculation Spreadsheet
 Items NOT Schedule M's
 Total temporary differences per tax calc (3,555,594) (6,039,681) ✓
 (207,595) (3,353,300) ✓
 (23,288,000) (23,288,000) ✓

June 30, 2006

Delta Natural Gas Co., Inc. Rollforward of Cumulative Temporary Differences and Deferred Tax Accounts

Deferred Liabilities:	Cumulative Temporary Differences & Carryforwards @ 6/30/05		Cumulative Temporary Differences & Carryforwards @ 6/30/06		Deferred Tax Balance @ 6/30/05		Deferred Tax Balance @ 6/30/06		Calculated Deferred Tax	Difference Books from Calculation
	Per Workpapers	Reclasses	Accrual Analysis	Reclasses	Accrual Analysis	June 30, 2005	Timing Items	June 30, 2006		
Tax Depreciation Over Book-Fed	(50,126,622)	6,694	(50,119,928)	(2,823,320)	(52,943,248)	(17,040,800)	(959,500)	(18,000,700)	34.000%	(18,000,700)
Fed to Kentucky	(42,448,387)	6,693	(42,441,694)	(3,602,818)	(46,044,512)	(1,660,700)	(142,700)	(1,823,400)	3.860%	(1,823,400)
Tax Depreciation Empro	(6,249)		(6,249)	1,140	(5,109)	(2,400)	500	(1,900)	37.189%	(1,900)
Delta ARO Book/Tax diff		(6,694)	(6,694)	(223,164)	(229,858)	(2,600)	(2,600)	(5,200)	37.960%	(5,200)
Conditional ARO Reg Asset				(1,126,110)	(1,126,110)			(2,000)	34.000%	(2,000)
KY IT Refund	(4,544,630)		(4,544,630)	(60,327)	(4,604,957)	(1,756,800)	(292,200)	(2,049,000)	38.028%	(2,049,000)
Accrued Pension	(586,341)		(586,341)	(65,667)	(652,008)	(226,400)	(6,700)	(233,100)	38.620%	(233,100)
Prepaid Insurance	(2,646,667)		(2,646,667)	819,790	(1,826,877)	(1,022,200)	316,600	(705,600)	38.620%	(705,600)
Deferred Gas Cost	(218,298)		(218,298)	73,200	(145,098)	(83,800)	20,200	(65,600)	38.319%	(65,600)
Rate Case Expenses	(1,869,638)		(1,869,638)	(1,950,273)	(3,819,911)	(711,100)	(398,600)	(1,109,700)	38.005%	(1,109,700)
Debt Expense Amortization	(102,547,030)	6,693	(102,540,337)	(8,799,814)	(111,340,151)	(22,568,824)	(1,995,476)	(24,564,300)		(24,564,300)
Deferred Assets:										
Personal Leave Plan	523,542		523,542	27,406	550,948	199,000	10,600	209,600	38.044%	209,600
Cost of Removal	849,952		849,952	30,241	880,193	322,900	11,700	334,600	38.014%	334,600
AMT	1,462,400		1,475,500	(471,900)	1,003,600	1,475,500	(471,900)	1,003,600	100.000%	1,003,600
ITC	286,280		288,200	(37,600)	250,600	1,283,02	109,800	95,400	38.039%	95,400
Regulatory liabilities	581,163		1,731,425	(35,425)	1,696,000	658,700	5,900	664,600	38.007%	664,600
Asset Retirement Obligation	15,487		15,487	3,360	18,847	1,292,14		1,300	37.960%	1,300
Conditional ARO	33,809		33,809	1,346,752	1,380,561	13,000	3,900	16,900	37.960%	16,900
Supplemental Retirement Plan	55,795		55,795	63,956	119,751	23,500	23,410	47,000	37.960%	47,000
Reserve for Bad Debts	310,000		310,000	210,000	520,000	119,700	81,100	200,800	38.620%	200,800
Contribution for Construction	60,816		60,816	(9,107)	51,709	23,100	(3,400)	19,700	37.869%	19,700
Uncap - Storage Gas	334,481		334,481	(95,113)	239,368	128,200	(36,800)	92,400	38.099%	92,400
	72,895		72,895	1,045,215	1,118,110	3,060,490	103,310	3,163,800	38.602%	3,163,800
Net Totals	(99,087,209)	6,693	(99,080,516)	(7,754,629)	(106,835,145)	(19,468,334)	(1,892,189)	(21,360,500)		(21,360,500)

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

63. Please provide a Consolidated Tax Savings calculation by year for each year 2004 through 2006.

RESPONSE:

The company is not aware of any consolidated tax savings for years 2004 through 2006.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

64. Provide the following effective (reflecting all consolidated tax savings) tax rates for 2004, 2005, 2006 and 2007 and a derivation thereof:
- a. Federal Income
 - b. Kentucky Income

RESPONSE:

Please refer to response 59 of this information request for calendar years 2004, 2005 & 2006. For an estimated future effective tax rate, please refer to Case No. 2007-00089, First PSC Data Request, Dated 3/19/07, Tab 27 Schedule 7.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

65. Please state whether the Company has or will file a consolidated federal or state tax return for 2005, 2006 and 2007 and if so, list those companies which will be included in the consolidated return.

RESPONSE:

The company has filed consolidated federal income tax returns for the years ended 6/30/05 and 6/30/06. The company intends to file federal consolidated income tax returns in the future. The company filed a separate Kentucky income tax return for the 6/30/05 tax year, however due to a Kentucky law change in May 2004, the company was required to file a consolidated Kentucky income tax return for the year ending 6/30/06. The company will also be required to file consolidated Kentucky income tax returns in the future. The consolidated income tax returns for Federal and Kentucky income tax purposes include the following entities:

Delta Natural Gas Company, Inc.
Delta Resources, Inc.
Delgasco, Inc.
Enpro, Inc.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

66. Please list the name and business function of all Company subsidiaries and separately list those which are included in this case for ratemaking purposes.

RESPONSE:

See response to PSC First Data Request, Item 2.

All three subsidiaries are excluded from this case for ratemaking purposes, as they are not regulated by the Commission. This exclusion for ratemaking purposes is consistent with the treatment in Delta's prior rate cases.

Sponsoring Witness:

Glenn R. Jennings

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

67. Please provide worksheets which reconcile book and tax income and tax liability on the books and on the tax return for 2004, 2005 and 2006.

RESPONSE:

The reconciliation which reconciles book + tax income has been filed under seal with motion for confidential treatment.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

DATED 6/07/07

68. Please list and explain in detail the allocation methods used to allocate state and federal tax liability and tax credits between the Company and its subsidiaries. Please provide worksheets which show a detailed derivation of the allocations for 2004, 2005, 2006 and 2007. The derivation should include separate listing of contributions, indebtedness cost, NOL (current, carryforwards and carrybacks), each credit by type (such as the investment tax credit, jobs credit), intercompany transactions.

RESPONSE:

The federal and state income tax liability is allocated based on separate company taxable income. The consolidated income tax returns do not have; intercompany transactions that are required to be eliminated, investment tax credits, jobs credits, research and development credits or consolidated tax savings, therefore detailed tax allocations are not performed by the company. If an NOL is generated by one member of the consolidated group and utilized by another member of the consolidated group, the member generating the NOL is compensated by the member utilizing the NOL. For the 6/30/04 tax year, a consolidated NOL was generated and carried back to prior years. The refund related to the NOL was allocated back to the company that generated the NOL.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

69. Please list all typical intercompany transactions which are taxed by the federal government in the year of the transaction or the following year if a separate return is filed, but on which the tax is deferred if a consolidated return is filed. For each transaction please identify it by company, and type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each account.

RESPONSE:

No such intercompany transactions have been identified.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

70. Separately for 2004, 2005 and 2006 list all intercompany transactions which would be taxed by the federal government in that year if a separate return was filed, but will not be taxed that year because a consolidated return was filed. For each transaction please identify it by company, type of transaction, and gain (loss) (deferred or note). Please provide the book treatment of each amount.

RESPONSE:

No such intercompany transactions have been identified.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

71. Please list all typical intercompany transactions which are taxed by State government in the year of the transaction or the following year if a separate return is filed, but on which the tax is deferred if a consolidated return is filed. For each transaction please identify it by company, and type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each amount.

RESPONSE:

No such intercompany transactions have been identified.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

72. Separately for 2004, 2005 and 2006 please list all intercompany transactions which would be taxed by State government in that year if a separate return was filed, but will not be taxed that year because a consolidated return was filed. For each transaction please identify it by company, type of transaction, and gain (loss) (deferred or not). Please provide the book treatment of each amount.

RESPONSE:

No such intercompany transactions have been identified.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

73. Please provide worksheets which derive the gross revenue and pre-tax accounting income and federal taxable income (loss), on a consolidated basis and on a separate return basis for each year for 2004, 2005 and 2006.

RESPONSE:

Please refer to response 61 and response 58 of this request.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

74. Please provide worksheets which derive the gross revenue and pre-tax accounting income and State taxable income (loss), on a consolidated basis and on a separate return basis for 2004, 2005 and 2006. Include in the worksheets a detailed reconciliation of book and tax income.

RESPONSE:

For Kentucky income tax purposes, a separate income tax return was filed for years ended 6/30/04 and 6/30/05. No consolidated computation was prepared for these tax years. A consolidated filing was prepared for Kentucky income tax purposes for the 6/30/06 year. Please refer to response 61 of this request for the information related to tax years 6/30/05 and 6/30/06. The separate company Kentucky income tax filing for the year ended 6/30/04 is filed under seal with motion for confidential treatment.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

75. Please provide for each year from 2000 through 2006 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account.
- a. For each item by year please reconcile the gross to net additions and explain how that reconciliation was derived.

RESPONSE:

Please refer to response 62 of this request.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

76. Please provide detailed worksheets showing the derivation of "excess tax over book depreciation" for 2005, 2006 and 2007 to date.

RESPONSE:

See attached worksheets showing the derivation of "excess tax over book depreciation" for years ended 6/30/05 and 6/30/06. The 6/30/07 calculation has not yet been prepared.

Sponsoring Witness:

John B. Brown

Cummulative Deferred Taxes Detail Related to Depreciation

BOOK	BEGINNING COST	ADDITIONS	RETIREMENTS	ENDING COST
DELTA FIXED ASSETS	167,116,519	9,465,715	1,046,776	175,535,468
ACQ ADJ TRANEX	(1,045,704)			(1,045,704)
ACQ ADJ MT OLIVET	464,945			464,945
Total Delta	166,535,760	9,465,715	1,046,776	174,954,699

ARO	BEGINNING COST	ADDITIONS	RETIREMENTS	ENDING COST
ARO Basis	15,421	350,865	0	366,286
ADJUSTED BOOK	166,520,339	9,114,850	1,046,776	174,588,413

TAX	BEGINNING COST	ADDITIONS	RETIREMENTS	ENDING COST
Autos	3,529,898	657,196	447,856	3,739,238
MACRS over 5 yrs, 7-1-93 to 6-30-95	13,121,646		60,886	13,060,760
MACRS 7-1-96 thru 6-30-99	43,142,568		102,945	43,039,623
MACRS 7-1-99 thru 6-30-06	24,376,255	8,496,366	30,628	32,841,993
MACRS over 5 yrs, 7-1-01 to 6-30-05	11,313,883	0	2,438	11,311,445
MACRS Property > Five Year Life	29,708,824		122,317	29,586,507
ACRS 3 Year 6-30-86	800		0	800
ACRS > 1-1-81 thru 12-31-86	16,399,758		105,584	16,294,174
Peoples Gas Co & Wisser Oil Co	2,848,178		15,445	2,832,733
49.21	3,713,824		0	3,713,824
49.23	2,117		0	2,117
49.24	1,014,099		0	1,014,099
65.41	646,564		0	646,564
70.11	189,059		0	189,059
GAS/CVPG/LVPLUDelta	2,340,342		91,574	2,248,767
Cont & Excess				
Totals Per Tax Depreciation Report	152,347,816	9,153,562	979,674	160,521,704
IRS Settlement	36,630			36,630
Bonus Depr from all schedules	9,107,345	0		9,107,345
Non Depreciable				
A/C 301	53,151	0		53,151
A/C 302	0	0		0
A/C 304	0	0		0
A/C 35000 & 35002	191,567	0		191,567
A/C 35005	1,495	0		1,495
A/C 36501	56,999	0		56,999
A/C 36502	1,117,531	81,976		1,199,507
A/C 374	319,732	254		319,986
A/C 389	1,038,741	0		1,038,741
Total Tax Including Non-Depreciable Items	164,271,007	9,235,792	979,674	172,527,126

Book VS Tax Differences				
	(2,249,332)	120,942	(67,102)	(2,061,287)

BEGINNING ACCUM DEPR	ADDITIONS	COR SALVAGE	ENDING ACCUM DEPR	BEG NET BOOK VALUE	ENDING NET BOOK VALUE	CURRENT YEAR CHANGE
56,860,129	4,383,236	885,899	60,357,466	110,256,390	115,177,992	4,921,602
(457,704)	(58,800)		(516,504)	(588,000)	(529,200)	58,800
262,145	46,800		308,945	202,800	156,000	(46,800)
56,664,570	4,371,236	885,899	60,149,907	109,871,190	114,804,792	4,933,602

8,727	127,701	0	136,428	6,694	229,858	223,164
56,655,843	4,243,535	885,899	60,013,479	109,864,496	114,574,934	4,710,438

2,003,032	381,804	341,527	2,043,309	1,526,866	1,695,929	169,063
8,659,293	606,443	60,886	9,204,850	4,462,353	3,855,910	(606,443)
24,456,322	1,988,824	100,445	26,344,701	18,686,246	16,694,922	(1,991,324)
7,752,428	2,112,222	30,627	9,834,023	16,623,827	23,007,970	6,384,143
11,324,733	926,756	2,438	12,249,051	(10,850)	(937,606)	(926,756)
24,440,140	1,150,412	122,317	25,468,235	5,268,584	4,118,272	(1,150,412)
800	0	0	800	0	0	0
16,399,758	0	105,584	16,294,174	0	0	0
2,848,178	0	15,445	2,832,733	0	0	0
3,241,191	26,028	0	3,267,219	472,633	446,605	(26,028)
1,905	0	0	1,905	212	212	0
912,688	0	0	912,688	101,411	101,411	0
390,114	8,540	0	398,654	256,450	247,910	(8,540)
170,153	0	0	170,153	18,906	18,906	0
1,905,954	33,960	88,441	1,851,473	434,388	397,295	(37,093)
104,506,689	7,234,989	867,711	110,873,967	47,841,127	49,647,737	1,806,610
19,751	1,722		21,473	16,879	15,158	(1,722)
				9,107,345	9,107,345	0
				53,151	53,151	0
				0	0	0
				0	0	0
				191,567	191,567	0
				1,495	1,495	0
				56,999	56,999	0
				1,117,531	1,199,507	81,976
				319,732	319,986	254
				1,038,741	1,038,741	0

104,526,440	7,238,711	867,711	110,895,440	59,744,567	61,631,686	1,887,118

47,870,597	2,993,176	(18,188)	50,801,961	(50,119,929)	(52,943,248)	(2,823,320)

Cummulative Deferred Taxes Detail Related to Depreciation

BOOK	BEGINNING COST	ADDITIONS	RETIREMENTS	ENDING COST	BEGINNING ACCUM DEPR	ADDITIONS	COR SALVAGE	ENDING ACCUM DEPR	BEG NET BOOK VALUE	ENDING NET BOOK VALUE	CURRENT YEAR CHANGE
DELTA FIXED ASSETS	163,403,458	5,180,768	1,467,707	167,116,519	54,596,412	4,433,414	2,169,697	56,860,129	108,807,046	110,256,390	1,449,344
ACQ ADJ TRANEX	(1,045,704)			(1,045,704)	(398,904)	(58,800)		(457,704)	(646,800)	(588,000)	58,800
ACQ ADJ MT OLIVET	464,945			464,945	215,345	46,800		262,145	249,600	202,800	(46,800)
Total Delta	162,822,699	5,180,768	1,467,707	166,535,760	54,412,853	4,421,414	2,169,697	56,664,570	108,409,846	109,871,190	1,461,344

TAX	BEGINNING COST	ADDITIONS	RETIREMENTS	ENDING COST	BEGINNING ACCUM DEPR	ADDITIONS	COR SALVAGE	ENDING ACCUM DEPR	BEG NET BOOK VALUE	ENDING NET BOOK VALUE	CURRENT YEAR CHANGE
Autos	3,390,597	545,611	406,310	3,529,898	1,924,444	402,845	324,257	2,003,032	1,466,153	1,526,866	60,713
MACRS over 5 yrs, 7-1-93 to 6-30-95	13,190,949		69,303	13,121,646	8,121,671	606,925	69,303	8,659,293	5,069,278	4,462,353	(606,925)
MACRS 7-1-96 thru 6-30-99	43,511,561		368,993	43,142,568	22,771,736	2,053,579	368,993	24,456,322	20,739,825	18,686,246	(2,053,579)
MACRS 7-1-99 thru 6-30-05	22,011,736	2,434,656	70,137	24,376,255	6,283,862	1,538,703	70,137	7,752,428	15,727,874	16,623,827	895,953
MACRS over 5 yrs, 7-1-01 to 6-30-05	10,211,309	1,102,574	0	11,313,883	9,180,278	2,144,455	0	11,324,733	1,031,031	(10,850)	(1,041,881)
MACRS Property > Five Year Life	29,877,600		168,776	29,708,824	23,401,030	1,207,886	168,776	24,440,140	6,476,570	5,268,684	(1,207,886)
ACRS 3 Year 6-30-86	20,949		20,149	2,117	20,949	0	20,149	800	0	0	0
ACRS > 1-1-81 thru 12-31-86	16,661,715		261,957	16,399,758	16,659,873	1,842	261,957	16,399,758	1,842	0	(1,842)
Peoples Gas Co & Wisner Oil Co	2,859,149		10,971	2,848,178	2,849,662	0	1,484	2,848,178	9,487	0	(9,487)
49.21	3,713,824		0	3,713,824	3,211,634	29,557	0	3,241,191	502,190	472,633	(29,557)
49.23	2,117		0	2,117	1,905	0	0	1,905	212	212	0
49.24	1,014,099		0	1,014,099	912,688	0	0	912,688	101,411	101,411	0
65.41	646,564		0	646,564	381,280	8,834	0	390,114	265,284	256,450	(8,834)
70.11	189,059		0	189,059	170,153	0	0	170,153	18,906	18,906	0
GAS/CVPG/LVPL/Delta	2,385,569		45,227	2,340,342	1,885,287	63,925	43,258	1,905,954	500,282	434,388	(65,894)
Cont & Excess	149,686,798	4,082,841	1,421,823	152,347,616	97,776,452	8,058,551	1,328,314	104,506,689	51,910,346	47,841,127	(4,069,219)
IRS Settlement	36,630			36,630	18,029	1,722		19,751	18,601	16,879	(1,722)
Bonus Depr from all schedules	8,004,771	1,102,574		9,107,345					8,004,771	9,107,345	1,102,574

Non Depreciable	BEGINNING COST	ADDITIONS	RETIREMENTS	ENDING COST	BEGINNING ACCUM DEPR	ADDITIONS	COR SALVAGE	ENDING ACCUM DEPR	BEG NET BOOK VALUE	ENDING NET BOOK VALUE	CURRENT YEAR CHANGE
A/C 301	53,151	0	0	53,151	0	0	0	0	53,151	53,151	0
A/C 302	0	0	0	0	0	0	0	0	0	0	0
A/C 304	0	0	0	0	0	0	0	0	0	0	0
A/C 35001 & 35002	191,567	0	0	191,567	191,567	0	0	191,567	191,567	191,567	0
A/C 35005	1,495	0	0	1,495	1,495	0	0	1,495	1,495	1,495	0
A/C 36501	56,999	0	0	56,999	56,999	0	0	56,999	56,999	56,999	0
A/C 36502	1,074,679	42,852	0	1,117,531	1,074,679	0	0	1,074,679	1,117,531	1,117,531	42,852
A/C 374	318,210	1,522	0	319,732	318,210	0	0	318,210	319,732	319,732	1,522
A/C 389	1,038,741	0	0	1,038,741	1,038,741	0	0	1,038,741	1,038,741	1,038,741	0
Total Tax Including Non-Depreciable Items	160,463,041	5,229,789	1,421,823	164,271,007	97,794,481	8,060,273	1,328,314	104,526,440	62,668,560	59,744,567	(2,923,993)

Book VS Tax Differences	BEGINNING COST	ADDITIONS	RETIREMENTS	ENDING COST	BEGINNING ACCUM DEPR	ADDITIONS	COR SALVAGE	ENDING ACCUM DEPR	BEG NET BOOK VALUE	ENDING NET BOOK VALUE	CURRENT YEAR CHANGE
	(2,359,658)	49,021	(45,884)	(2,264,753)	43,381,628	3,638,859	(841,383)	47,861,870	(45,741,286)	(50,126,623)	(4,365,337)

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

77. Please provide the beginning and ending balances for 2005, 2006 and 2007 for Accumulated Deferred Income Taxes and Provisions for Deferred Income Taxes broken down by sub-account with the name and number of each sub-account.

RESPONSE:

Please refer to response 62 of this request.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

78. Please provide the following amounts for 2005, 2006 and 2007:
- a. Income tax expense, current, deferred, deferred-credit, investment tax credit deferred and investment tax credit amortized from prior years. Identify by Uniform System Account number.
 - b. Identify the benefit giving rise to each charge, as shown in the example below.
 - c. Separate federal and state amounts.
 - d. Cite the order or ruling on which the Company bases rate treatment of these benefits (normalized or flow-through). Note rate treatment (normalized or flow-through).
 - e. State the accumulated total for each as it appears on the test year balance sheets. Identify by Uniform System Account Number.
 - f. State the rate base treatment of each item (e.g. deducted from rate base, cost-free capital, treated as equity, etc.).
 - g. Cite the order or ruling on which the Company bases treatment identified in f.

RESPONSE:

Please refer to response 62 of this request.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

79. Please provide a detailed derivation of 2005, 2006 and 2007 research and development credits, including:
- a. a list of all research, development and experimentation expenditures, and for each item provide:
 - b. separately the amounts payable to inside and outside contractors:
 - c. the amount payable in the test year;
 - d. the total expenditures to be expensed in determining federal taxable income;
 - e. the total expenditures qualifying for the R & E credit under I.R.C. paragraph 44f.

RESPONSE:

The company has not generated or realized research and development tax credits for tax years ending 6/30/05 & 6/30/06. The company does not intend to generate or realize research and development tax credits for its tax year ended 6/30/07.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

80. Identify all net operating loss carrybacks and carryforwards for Delta Gas and each subsidiary for 2004, 2005, 2006 and 2007.

RESPONSE:

A consolidated federal NOL was generated as of 6/30/04. The NOL related to Delta Natural Gas Company, Inc. and was carried back to the 6/30/02 year. A separate company Kentucky NOL was generated on 6/30/05. The NOL related to Delta Natural Gas Company, Inc. and was carried back to the 6/30/04 year.

Sponsoring Witnesses:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

81. What amount of Delta Gas interest expense for tax purposes and separately for book purposes was allocated to Kentucky regulated operations on a combined and intrastate basis during the test year? Please explain and provide a reconciliation of the difference.

RESPONSE:

\$5,191,879 of interest expense for tax and book purposes was allocated to Kentucky regulated operations on a combined and intrastate basis during the pro-forma test year.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

82. Regarding the investment tax credit, please provide the amount of 3%, 4%, 7%, 10%, and 11% credits the company generated, booked for ratemaking purposes, and/or used as a credit against federal tax liability for each year from 2004 through 2007 and the derivation of each of those amounts.

RESPONSE:

No investment tax credits have been generated, utilized or booked for rate making purposes by the company for years 2004 through 2007.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

83. For each distinct tax-timing difference for which the Company has provided deferred taxes, please identify the amount of excess deferred income taxes (i.e. deferred taxes accrued by the Company at federal tax rates higher than the current corporate tax rate; the excess is the difference over the current rate) existing on the Company's books at December 31, 2006 which can be flowed back to ratepayers on an accelerated basis (i.e. such amortization is not prohibited by the normalization requirements of the Internal Revenue Code). Show how these amounts are calculated.

RESPONSE:

Does not apply.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

84. Will the amount of investment tax credits utilized be increased if the Company is granted its requested rate increase in these proceedings? If not, why not? If so, provide calculations showing the Company's best estimate as to how much ITC will be utilized.

RESPONSE:

The company has no investment tax credits. Also, please refer to response 82 of this request.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

85. Provide detailed descriptions of any IRS audit, settlements with the Internal Revenue Service, or audit adjustments made during the three years ending December 31, 2006.

RESPONSE:

There have been no IRS audits in the three years ending December 31, 2006.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

86. Provide a copy of any and all revenue ruling requests, IRS responses, and correspondence between the Company and the IRS during the ten years ending December 31, 2006.

RESPONSE:

There have been no IRS revenue ruling requests made by the company during the ten years ending December 31, 2006.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

87. List total property taxes and property tax refunds or abatements each year, for the test year and the most recent three years for which actual information is available. Describe and show the accounting treatment accorded to each item, showing journal entries, dates, accounts, amounts and descriptions.

RESPONSE:

<u>Tax Return Year</u>	<u>Tax Return Calculated</u>	<u>Expense</u>
2006	1,233,633	1,221,140
2005	1,180,636	1,133,426
2004	1,085,491	1,106,755
2003	1,020,143	995,052

All property taxes charged to account 1.236.05. Attempt is made to match taxes paid based on tax year with calendar year expense. Perfect matching cannot be achieved because all tax bills are not received before closing the calendar year books.

No property tax refunds or abatements reported.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

88. List all amounts of property taxes under dispute at December 31, 2006, and indicate the tax year and the taxing district to which each relates.

RESPONSE:

No amounts of property taxes under dispute.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

89. List all property tax refunds, by geographical area and taxing authority, by year, received in the most recent three years through 2006.

RESPONSE:

No property tax refunds reported.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

90. Please explain and provide all workpapers and source documents supporting the derivation of the taxable bases for Kentucky income and property taxes for 2005, 2006, and forecasted for the year ended December 31, 2007.

RESPONSE:

Please refer to response 59 of this request related to the Kentucky income tax base and refer to response 87 of this request related to the Kentucky property tax base.

Sponsoring Witness:

John B. Brown

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

91. Provide full supporting documentation, workpapers and correspondence associated with refunds of any and all taxes other than income taxes received in 2004, 2005 and 2006. Indicate which accounts were affected and the associated dollar amounts. Also describe how the Company intends to treat this item for rate case purposes.

RESPONSE:

Delta has not received any refunds relating to taxes other than income taxes in 2004, 2005 or 2006.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

92. Please state whether any settlements, penalties or interest resulting from audits by taxing authorities are included in expense per books in 2005, 2006 and 2007 to date. If so, provide full details including the periods and issues resolved, the dollar amounts of settlement by issue, the taxing authority penalty or interest by issue, the taxing authority involved, the date of settlement, the current status of the payment, and the final resolution of the matter or status of the protest if unresolved.

RESPONSE:

There were no settlements, penalties or interest resulting from audits by taxing authorities included in expense for calendar 2005, 2006 and 2007 to date.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

93. Provide hard copies of all workpapers underlying the Delta Depreciation Study (Seelye Exhibit 11).

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

94. Please refer to Appendix B of the Depreciation Study. For the accounts for which only a rate is shown (no expense), does the Company intend to collect depreciation expense for these accounts? Also, for each of these accounts, provide an explanation as to how the rate was selected.

RESPONSE:

No. These rates would only be applied in the event that plant is added to the accounts in the future. The rates were set at levels considered to be reasonable for new property.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

95. Provide all information obtained by Mr. Seelye and The Prime Group, LLC. from Company operating personnel, and separately, financial management personnel relative to current operations and future expectations in the preparation of the study.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

96. Please provide all notes taken during any meetings with Company personnel regarding the study. Identify by name and title, all Delta Gas ("Delta" or "the Company") personnel who provided the information, and explain the extent of their participation and the information they provided.

RESPONSE:

There are none.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

97. Identify all plant tours taken during the preparation of the Depreciation Study.
- a. Identify those in attendance and their titles and job descriptions.
 - b. Provide all conversation notes taken during the tour.
 - c. Provide all photographs and images taken during the tour.

RESPONSE:

None.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

98. Provide all internal and external audit reports, management letters, consultants' reports etc. which address in any way, the Company's property accounting and/or depreciation practices.

RESPONSE:

The only report issued by an independent party which addresses in any way the Company's property accounting and/or depreciation practices is the depreciation study prepared by the Prime Group which has been included with the filing requirements for this case.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

99. Please provide copies of all Board of Director's minutes and internal management meeting minutes in which the subject of the Company's depreciation rates or retirement unit costs were discussed.

RESPONSE:

None.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

100. Provide copies of all internal correspondence which deals in any way with the Company's retirement unit costs, depreciation rates, and/or the Depreciation Study.

RESPONSE:

None.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

101. Provide copies of all external correspondence, including correspondence with Mr. Seelye and The Prime Group, LLC., which deals in any way with the Company's retirement unit costs, depreciation rates, and/or the Depreciation Study.

RESPONSE:

None.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

102. Provide copies of all industry statistics available to Mr. Seelye and/or the Company relating to company depreciation rates.

RESPONSE:

See response to question 48 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

103. Identify all industry statistics upon which Mr. Seelye relied in formulating the depreciation proposals (See Seelye Exhibit 11, p. 1).

RESPONSE:

See response to question 48 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

104. Which accounting method is reflected in the life studies; "location-life" or "cradle-to-grave"?

RESPONSE:

Cradle-to-grave.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

105. What is impact of the accounting method used, i.e., "location-life or "cradle-to-grave" on the lives calculated in the Depreciation Study?

RESPONSE:

The use of "cradle-to-grave" had no specific impact.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

106. Provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.

RESPONSE:

See Response attached.

Responsible Witness:

John B. Brown

Delta Natural Gas Company, Inc

Attorney General's Data Request
Case No. 2007-00089

ITEM 106

Response:

Customer Advances - Extension Deposit Agreements

When cash is received prior to construction, an invoice is rendered for the amount per the contract agreement.

<u>G/L Acct</u>		<u>Debit</u>	<u>Credit</u>
1.142.011	Misc Accts Receivable	329	
1.252	Advances for Construction		329
		<u>329</u>	<u>329</u>

When a promissory agreement is made with no cash received prior to construction, a manual journal entry is created per the contract agreement.

<u>G/L Acct</u>		<u>Debit</u>	<u>Credit</u>
1.252.01	Promissory Notes - Extension Agreement	55,020	
1.252	Advances for Construction		55,020
		<u>55,020</u>	<u>55,020</u>

Contributions In Aid of Construction

Delta bills responsible parties for applicable reimbursement work order construction projects. An agreement/contract is reached prior to construction. Once the project is complete, the amount defined by the contract is invoiced. The amount may be the total cost of the project, a set amount or a percentage of the total cost. Amount billed is applied to the work order as a credit to CWIP.

<u>G/L Acct</u>		<u>Debit</u>	<u>Credit</u>
1.142.011	Misc Accts Receivable	6,000	
1.107.02	Construction Work In Progress - MAR Clearing		6,000
		<u>6,000</u>	<u>6,000</u>

Standard Journal Entry 93 is completed each month to clear balance from 1.107.02 and apply applicable amount to the work order in CWIP.

<u>G/L Acct</u>		<u>Debit</u>	<u>Credit</u>
1.107.01	Construction Work In Progress (Work Order)		6,000
1.107.02	Construction Work In Progress - MAR Clearing	6,000	
		<u>6,000</u>	<u>6,000</u>

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

107. Provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.

RESPONSE:

Journal Entry 92 is completed each month to charge applicable depreciation expense to clearing Accounts 1.184.03 Transportation Equipment Operating and Maintenance Cost and to 1.184.08 Work Equipment Operating and Maintenance Cost.

Based on the depreciable book balance of plant account 1.392 and 1.396, a calculation is made to determine the amount that should be charged to the clearing accounts. The amount calculated is debited to 1.184.03 and 1.184.08 and credited to 1.403 Depreciation Expense.

See example of July 2006 entry and support attached.

Sponsoring Witness:

John B. Brown

8/16/06 10:05 AM
KESTES

Page 1
GLJEM/GL0315

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES
Standard Journal Entries Post

Batch: DEPRECTN Date: 7/31/2006

Reference: JE92	Depreciation	Reversing Entries- NO	Zero amounts after post- NO
Seq	D i s t r i b u t i o n		A m o u n t
1	G/L # - 1.184.0300 TRANSP EQUIP OPER & MNT COST		20,800 00
2	G/L # - 1.184.0800 WORK EQUIPMENT OPER & MNT COST		3,200 00
3	G/L # - 1.403.0000 DEPRECIATION EXPENSE		24,000.00CR
			.00 *
		Grand Total	.00 **

-- Batch is in Balance --

DELTA NATURAL GAS COMPANY, INC.
ESTIMATE J/E 92 - DEPRECIATION
FOR July - Dec 2006 ENTRIES

ACCOUNT NUMBER	DESCRIPTION	DEPRECIABLE BOOK BALANCE 6/30/2006	DEPR RATE	DEPR CALC	
392	AUTOS & TRUCKS	3,218,764	7.77%	250,097.96	A
396	POWER OPERATED EQUIPMENT	<u>1,892,195</u>	2.00%	<u>37,843.90</u>	B
TOTAL A/C 392 AND 396		<u>5,110,959</u>		<u>287,941.86</u>	C

Do not include Fully Depreciated Items Above

J/E 92 DEPRECIATION			
1.184.03	TRANSP EQUIP OPER & MNT COST	20,800.00	20,841.50 (A/12)
1.184.08	WORK EQUIPMT OPER & MNT COST	3,200.00	3,153.66 (B/12)
1.403	DEPRECIATION COST	<u>(24,000.00)</u>	(23,995.16) (-C/12)
		0.00	

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

108. Provide a copy of the Company's current capitalization policy. If the policy has changed at all since 2000, provide a copy of all prior policies in effect during any portion of that period.

RESPONSE:

Current Policy – Effective July 1, 2004 – See attached

Prior Policy – is on file with Commission for Case No. 2004-00067.

An item must conform to GAAP rules and have a life expectancy to be capitalized.

Capitalization Limit was \$500 per unit.

Sponsoring Witness:

John B. Brown

July 11, 2006

Fixed Assets Capitalization Policy

Specific and mass property fixed assets are capitalized if the useful life is greater than one year. Specific property assets purchased or constructed must also cost \$2,000 or more to be capitalized. Mass property assets do not adhere to the \$2,000 rule. All capitalized fixed assets should be charged to an approved blanket or specific work order. Fixed Assets are stated on books at original cost. This cost includes the invoice price of the asset and can also include all other cost incurred to construct and install the asset such as company inventory materials, miscellaneous vendor charges, labor and benefits, an allocation of general and administrative charges, and cost of incoming transportation incurred on shipments from external vendors. Per Kentucky Public Service Commission, interest cost cannot be capitalized.

Repair and maintenance cost for an asset should be expensed. Repairs do not add value or prolong the life of the asset but keep the asset in operating condition. Improvement cost that appreciably prolongs the life of an asset and increases its value should be capitalized. Improvements could be overhauling a compressor station, software modification, adding to or renovating a building, and replacing roof or floor covering.

Fixed Assets are depreciated once they are placed in service. Depreciation of fixed assets is based on the rates approved by the Kentucky Public Service Commission.

Specific Property Assets

Specific property assets are tangible, stand alone units, complete in themselves and retain their identity. These assets have a physical location that can easily be determined. Examples are regulator and compressor stations, industrial meter sets, land, buildings, tools, trucks, office equipment, and computer hardware and software. Specific property assets must have a useful life greater than one year and a purchased or constructed cost of \$2,000 or more per unit in order to be capitalized. Multiple items less than \$2,000 but used and combined to complete a constructed total cost asset unit of \$2,000 or more are capitalized. Specific property constructed or purchased with a total cost of under \$2,000 should be expensed.

Mass Property Assets

Mass property are assets recorded on books in multiple quantities and can even possibly be intangible. The assets are not stand alone units and each unit is not easily identifiable to a physical location. Delta's mass property assets are gathering, storage, transmission and distribution lines, service lines, meter installations, right of way easements, meters and regulators. Mass property assets are excluded from the \$2,000 rule provided the useful life is greater than one year.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

109. Identify and explain all changes since the last depreciation study which might affect depreciation rates.

RESPONSE:

No changes.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

110. Please provide the most recent Asset Management Plan for Delta.

RESPONSE:

Delta does not have such a plan.

Sponsoring Witness:

Glenn R. Jennings

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

111. Please provide on diskette or CD all tabulations included in the Depreciation Study and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of the study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Please include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the Depreciation Study, with all formulae intact.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

112. Is amortization accounting being proposed for any accounts? If so, please list the accounts and provide Mr. Seelye's amortization calculations and workpapers in electronic format (Excel) with all formulae intact.

RESPONSE:

No.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

113. For each plant account, and for each year since the inception of the account up to and including 2006, please provide the following standard depreciation study data as identified at pages 30-33 of the August 1996 NARUC Public Utility Depreciation Practices Manual ("NARUC Manual"). Provide the data in electronic format (Excel or .txt). Provide aged vintage data if available. Use the codes identified for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company's coding system.

Code	Data Type
9	Addition
0	Ordinary Retirement
1	Reimbursement
2	Sale
3	Transfer – In
4	Transfer – Out
5	Acquisition
6	Adjustment
7	Final retirement of life span property (see NARUC Manual, Chapter X)
8	Balance at Study Date
	Initial Balance of Installation

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request. The data is provided in the format in which the depreciation study was performed and is self evident.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

114. If the depreciation study data provided in response to the preceding question is not the exact set of data used for the depreciation study submitted in this case, explain all differences and reconcile the amounts provided to those used in the case.

RESPONSE:

See response to question 113.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

115. If not provided elsewhere, provide the cost of removal and gross salvage data used in the Depreciation Study net salvage calculation. If this data differs from that reflected on the Company's books, please explain the differences and provide a reconciliation. Please provide this data in electronic (Excel or .txt) format.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

116. Please provide sample copies of the Continuing Property Records from which the plant data used in the study were drawn. Please provide a sample for each account in the study.

RESPONSE:

See attached.

Sponsoring Witness:

William Steven Seelye

4100 Delta Natural Gas Company, Inc. 01/01/2003 - 12/31/2003
 Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
NATURAL GAS STORAGE AND PROCESSING PLANT						
Underground Storage Plant						\$14,142.00
44. Land (350.1)	\$14,142.00					\$14,142.00
45. Rights-of-Way (350.2)	\$129,425.00	\$48,000.00				\$177,425.00
46. Structures and Improvements (351)	\$275,273.00					\$275,273.00
47. Wells (352)	\$360,583.00					\$360,583.00
48. Storage Leaseholds and Rights (352.1)	\$861,891.00					\$861,891.00
49. Reservoirs (352.2)	\$1,881,731.00					\$1,881,731.00
50. Non-recoverable Natural Gas (352.3)	\$294,307.00					\$294,307.00
51. Lines (353)	\$5,024,284.00					\$5,024,284.00
52. Compressor Station Equipment (354)	\$1,767,800.00	\$650,169.00				\$2,417,969.00
53. Measuring and Regulating Equipment (355)	\$361,994.00					\$361,994.00
54. Purification Equipment (356)	\$342,123.00	\$4,250.00				\$346,373.00
55. Other Equipment (357)	\$47,209.00					\$47,209.00
56. Asset Retirement Costs for Underground Storage Plant (358)						
57. Total Underground Storage Plant	\$11,360,762.00	\$702,419.00				\$12,063,181.00
Other Storage Plant						

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

117. Provide the following annual accumulated depreciation amounts for all plant accounts for the last 15 years (up to, and including, 2006). If the requested data is not available for the last 15 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format (Excel or .txt).
- a. Beginning and ending reserve balances,
 - b. Annual depreciation expense,
 - c. Annual retirements,
 - d. Annual cost of removal and gross salvage,
 - e. Annual third party reimbursements.

RESPONSE:

We do not prepare a rollforward of Accumulated Depreciation by Account. Attached is rollforward of Depreciation Reserve as prepared for the test year and previous two years.

Year 2003 and prior are on file with the Commission. See Case 2004-00067.

Sponsoring Witness:

John B. Brown

DELTA DEPRECIATION RESERVE

	Balance 12/31/2005	Additions	Retirement	Salvage Value	Cost of Removal	Balance 12/31/2006
<u>Delta Natural Gas</u>						
A/C 1.184.03 - JE 92		242,400				
A/C 1.184.08 - JE 92		38,400				
Depreciation Expense		4,245,384				
Salvage				196,938		
Cost of Removal					121,306	
Transfers to COR Depr		(107,509)			(121,306)	
Transfers to Salvage Depr		221,221		(196,938)		
Total A/C 1.108.01 Depr Plant	61,816,920	4,639,896	1,782,028	0	0	64,674,788
Salvage Depreciation						
A/C 1.108.83	(55,832)	(5,935)				(61,767)
A/C 1.108.90	(981,783)	(72,190)		2,500		(1,051,473)
A/C 1.108.91	(25,534)	(51)		150		(25,435)
A/C 1.108.92	(931,864)	(105,825)		174,046		(863,643)
A/C 1.108.94	(25,805)	(1,135)				(26,940)
A/C 1.108.96	(1,086,820)	(25,629)		11,780		(1,100,669)
A/C 1.108.97	(15,158)	(1,232)				(16,390)
A/C 1.108.98	(4,553)	(53)				(4,606)
A/C 1.108.993	(34,098)	(6,510)		8,462		(32,146)
A/C 1.108.9931		(2,661)				(2,661)
Total A/C 1.108 Salvage Depr	(3,161,447)	(221,221)	0	196,938	0	(3,185,730)
A/C 1.108 to Balance Sheet Assets	58,655,473	4,418,675	1,782,028	196,938	-	61,489,058
A/C 1.115 Amort Acq Tranex	(487,104)	(58,800)				(545,904)
A/C 1.115.01 Amort Acq Mt. Olivet	285,545	46,800				332,345
Total Delta Prov for Depreciation	58,453,914	4,406,675	1,782,028	196,938	-	61,275,499

Cost of Removal Depreciation (Not included in 1.108 Assets Total Above - included in Reg Liabilities on Balance Sheet)

A/C 1.108.69	63,336	7,273				70,609
A/C 1.108.78	(8,112)	3,731				(4,381)
A/C 1.108.79	18,901	1,269				20,170
A/C 1.108.80	388,677	51,884			84,656	355,905
A/C 1.108.82	340,286	40,037			36,282	344,041
A/C 1.108.85	42,587	3,315			368	45,534
Total 1.108 Cost of Removal Depr	845,675	107,509	-	-	121,306	831,878

DELTA DEPRECIATION RESERVE

	Balance 12/31/2004	Additions	Retirement	Beg Bal Transfers	Salvage Value	Cost of Removal	Balance 12/31/2005
<u>Delta Natural Gas</u>							
A/C 1.184.03 - JE 92		225,000					
A/C 1.184.08 - JE 92		37,200					
Depreciation Expense		3,997,036					
Salvage					85,530		
Cost of Removal						74,513	
Transfers to COR Depr		(103,301)				(74,513)	
Transfers to Salvage Depr		209,293			(85,408)		
Total A/C 1.108.01 Depr Plant	58,428,370	4,365,228	976,800	-	122	-	61,816,920
<u>Salvage Depreciation</u>							
A/C 1.108.83	(50,792)	(5,691)			651		(55,832)
A/C 1.108.90	(909,779)	(72,004)					(981,783)
A/C 1.108.91	(25,499)	(335)			300		(25,534)
A/C 1.108.92	(915,817)	(97,760)			81,713		(931,864)
A/C 1.108.94	(25,024)	(781)					(25,805)
A/C 1.108.96	(1,062,860)	(24,734)			774		(1,086,820)
A/C 1.108.97	(15,930)	(1,198)			1,970		(15,158)
A/C 1.108.98	(4,501)	(52)					(4,553)
A/C 1.108.993	(27,360)	(6,738)					(34,098)
Total A/C 1.108 Salvage Depr	(3,037,562)	(209,293)	-	-	85,408	-	(3,161,447)
<u>Cost of Removal Depreciation (Not included in 1.108 Assets Total Below - included in Reg Liabilities on Balance Sheet)</u>							
A/C 1.108.69	56,814	6,522					63,336
'C 1.108.78	30,719	3,692				42,523	(8,112)
C 1.108.79	17,640	1,261					18,901
A/C 1.108.80	361,431	49,639				22,393	388,677
A/C 1.108.82	310,921	38,962				9,597	340,286
A/C 1.108.85	39,362	3,225					42,587
Total 1.108 Cost of Removal Depr	816,887	103,301	-	-	-	74,513	845,675
A/C 1.108 to Balance Sheet Assets	55,390,808	4,155,935	976,800	-	85,530	-	58,655,473
A/C 1.115 Amort Acq Tranex	(428,304)	(58,800)					(487,104)
A/C 1.115.01 Amort Acq Mt. Olivet	238,745	46,800					285,545
Total Delta Prov for Depreciation	55,201,249	4,143,935	976,800	-	85,530	-	58,453,914

DEPRECIATION RESERVE

	Balance 12/31/2003	Additions	Retirement	Transfers	Salvage Value	Cost of Removal	Balance 12/31/2004
<u>Delta Natural Gas</u>							
A/C 1.184.03 - JE92		392,200					
A/C 1.184.08 - JE92		145,400					
Depreciation Expense		4,358,059					
Salvage					83,666		
Cost of Removal						42,353	
Total All A/C 1.108 Depr Plant	53,115,180	4,895,659	1,844,457		83,666	42,353	56,207,695
Less Cost of Removal Depr							
A/C 1.108.69		56,814					56,814
A/C 1.108.78		30,719					30,719
A/C 1.108.79		17,640					17,640
A/C 1.108.80		366,525				5,094	361,431
A/C 1.108.82		313,104				2,183	310,921
A/C 1.108.85		39,362					39,362
Total 1.108 Cost of Removal Depr	-	824,164	-		-	7,277	816,887
A/C 1.108 to Balance Sheet Assets	53,115,180	4,071,495	1,844,457		83,666	35,076	55,390,808
A/C 1.115 Amort Acq Tranex	(369,504)	(58,800)					(428,304)
A/C 1.115.01 Amort Acq Mt Olivet	191,945	46,800					238,745
TOTAL	52,937,621	4,059,495	1,844,457	-	83,666	35,076	55,201,249

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

118. Please provide a comparison of the annual cost of removal and gross salvage amounts shown on Delta's federal tax returns with the corresponding book amounts, for the last 5 years. Provide the annual deferred tax expense associated with each of the differences. Also, provide the beginning and ending accumulated deferred tax balances and state whether they are rate base additions or rate base deductions.

RESPONSE:

See attached schedules for a comparison of the annual cost of removal and gross salvage amounts shown on Delta's federal tax returns with the corresponding book amounts for the last 5 years.

Please refer to response 62 of this request related to the deferred tax requests.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc.
Removal and Salvage Costs
For Calendar Years 2002 through 2006

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Removal Costs	17,227	20,017	42,353	74,513	121,306
Salvage Costs	<u>175,646</u>	<u>184,776</u>	<u>83,666</u>	<u>85,530</u>	<u>196,938</u>
Total	<u>192,873</u>	<u>204,793</u>	<u>126,019</u>	<u>160,043</u>	<u>318,244</u>

For book purposes, removal and salvage costs are balance sheet adjustments to accumulated book depreciation.

For tax purposes, removal and salvage costs are deducted from taxable income in the year the cost is incurred.

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

119. Provide a summary of annual maintenance expense by USOA account (for all accounts) for the last 10 years. If the requested data is not available for the last 10 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format.

RESPONSE:

Hard copy is attached.

Sponsoring Witness:

John B. Brown

Summary of Annual Maintenance Expense for Last 10 Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1.764.010 MNT WELLS & GATHERING PAYROLL	3,397	1,870	1,059	172	1,721	311	1,115	159	1,051	316
1.765.010 MNT COMPRESSOR STATION PAYROLL	1,090	2,533	2,253	925	4,718	3,282	4,317	6,789	13,274	12,318
1.832.010 CM MAINT OF RESERVOIRS AND WELLS - PAYROLL	414	1,501	2,567	444	77	449	329	1,019	1,819	907
1.833.010 CM MAINTENANCE OF LINES - PAYROLL	267									
1.834.010 CM MAINT OF COMPRESSOR STAT EQUIP - PAYROLL	249	1,481	1,062	143	1,355	246	5,430	2,508	761	9,527
1.835.010 CM MAINT OF MEAS & REG STAT EQUIP - PAYROLL	320	1,870	572	517	365	337	599	411	263	483
1.887.010 MNT TRANS & DIST MAINS PAYROLL	77,728	74,033	93,984	77,896	72,908	86,081	57,925	109,055	50,688	86,672
1.893.010 MNT OF METERS & REG PAYROLL	19,229	21,123	17,319	14,521	13,561	15,871	15,677	14,437	15,125	16,313
1.894.010 MNT OF OTHER EQUIPMENT PAYROLL	22,309	14,397	17,967	18,022	19,242	12,712	12,769	12,078	8,208	9,805
<i>Labor Total</i>	<i>125,004</i>	<i>118,810</i>	<i>136,784</i>	<i>112,640</i>	<i>113,949</i>	<i>119,288</i>	<i>98,161</i>	<i>146,456</i>	<i>91,188</i>	<i>136,342</i>
1.898.010 MNT - TRANSP EQUIP EXPENSE-PAYROLL	29,824	31,246	33,660	34,416	31,130	29,498	24,613	44,275	20,757	36,961
1.898.020 MNT - POWER OPR EQUIP EXPENSE-PAYROLL	16,719	13,523	24,044	17,278	21,108	21,820	12,567	30,372	6,421	8,955
<i>Transportation Total</i>	<i>46,544</i>	<i>44,768</i>	<i>57,704</i>	<i>51,694</i>	<i>52,239</i>	<i>51,318</i>	<i>37,180</i>	<i>74,648</i>	<i>27,178</i>	<i>45,916</i>
1.887.020 MNT TRANS & DIST MAINS OTHER	67,210	68,262	89,842	57,871	62,759	76,071	72,093	79,857	62,737	63,707
<i>Mains Total</i>	<i>67,210</i>	<i>68,262</i>	<i>89,842</i>	<i>57,871</i>	<i>62,759</i>	<i>76,071</i>	<i>72,093</i>	<i>79,857</i>	<i>62,737</i>	<i>63,707</i>
1.893.020 MNT OF METERS & REG OTHER	52,660	63,874	42,320	36,432	40,617	52,148	45,130	35,643	62,428	42,994
<i>Meter & Regulators Total</i>	<i>52,660</i>	<i>63,874</i>	<i>42,320</i>	<i>36,432</i>	<i>40,617</i>	<i>52,148</i>	<i>45,130</i>	<i>35,643</i>	<i>62,428</i>	<i>42,994</i>
1.764.020 MNT WELLS & GATHERING OTHER	558	3,337	(690)	593	608	224	1,200	1,293	11	
1.765.020 MNT COMPRESSOR STATION OTHER	15,287	15,248	15,692	12,892	22,266	19,708	15,534	20,957	18,691	21,183
1.831.020 CM MAINTENANCE STRUCTURES & IMPROVEMENTS - MISC	688	609	2,300	6,360	2,385	9,866	6,166	3,555	10,318	2,649
1.832.020 CM MAINTENANCE OF RESERVOIRS AND WELLS - MISC	287	47	16,435	25,132	33,015	28,308	42,750	32,898	47,022	43,432
1.833.020 CM MAINTENANCE OF LINES - MISC	1,661	110	891	2	211			1,711		
1.834.020 CM MAINTENANCE OF COMPRESSOR STAT EQUIP - MISC	604	5,725	5,801	3,581	6,870	4,091	13,744	7,017	9,341	26,302
1.835.020 CM MAINTENANCE OF MEAS & REG STAT EQUIP - MISC	1,625	1,834	1,877	1,819	1,108	2,205	962	1,440	1,964	1,735
1.837.020 CM MAINTENANCE OF OTHER EQUIPMENT - MISC	983	1,052	1,374	2,425	1,836	1,759	4,510	615	6,635	2,303
1.886.000 MNT STRUCTURES TRANS & DIST.	1,472	2,103		174		204		4	101	
1.889.000 MNT REG STATION TRANS & DIST.	5,753	4,222	3,934	1,180	8,662	5,653	6,421	6,730	4,332	7,505
1.894.020 MNT OF OTHER EQUIPMENT OTHER	83,154	72,217	94,359	92,910	100,132	77,823	80,111	94,280	78,746	102,281
1.932.010 MNT COMMUNICATION EQUIPMENT	59,007	41,253	44,150	37,652	34,093	36,229	41,197	30,745	38,124	38,523
1.932.020 MNT OFFICE EQUIPMENT	24,391	22,273	18,379	25,157	33,839	23,489	24,535	28,207	30,465	30,419
1.932.030 MNT GENERAL STRUCTURES	40,571	21,263	32,996	38,536	26,080	35,093	40,765	47,928	44,989	41,636
1.932.050 MAINTENANCE COMPUTER EQUIPMENT	63,170	55,176	78,766	47,468	63,434	57,906	48,215	59,100	77,008	72,817
<i>Other Maintenance Total</i>	<i>299,212</i>	<i>246,469</i>	<i>316,264</i>	<i>295,881</i>	<i>334,539</i>	<i>302,558</i>	<i>326,110</i>	<i>336,481</i>	<i>367,747</i>	<i>390,785</i>
<i>Total Maintenance Expenses</i>	<i>590,629</i>	<i>542,182</i>	<i>642,913</i>	<i>554,518</i>	<i>604,103</i>	<i>601,385</i>	<i>578,674</i>	<i>673,085</i>	<i>611,279</i>	<i>679,744</i>

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

120. Explain what consideration, if any, was given to annual maintenance expense data in Mr. Seelye's estimation of service lives, dispersion patterns and net salvage.

RESPONSE:

Mr. Seelye did not analyze O&M expenses as part of the depreciation study; however, the effect of maintenance would have been reflected in the plant data analyzed in the study.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

121. If not provided elsewhere, provide the calculation of the rates proposed in the Depreciation Study (Appendix B) in electronic format (Excel) with all formulae intact.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

122. Please provide the proposed depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

RESPONSE:

The requested information was provided in Appendix B of the report.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

123. Please provide a calculation of the theoretical reserves reflecting both Mr. Seelye's proposed procedures and the existing procedures. Provide these calculations in electronic format (Excel) with all formulae intact and include all supporting calculations and workpapers.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

124. Does the Company maintain its book reserve by plant account? If not, explain why not.

RESPONSE:

Yes.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

125. If the Company does not maintain its book reserve by plant account, provide the calculation of the book reserve shown in the depreciation study.

RESPONSE:

See response to Item 124.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

126. Was reciprocal, harmonic, or ELG weighting used in any of the depreciation rate calculations? If yes, please provide all calculations using direct weighting. Also, provide this in hardcopy and electronic format (Excel).

RESPONSE:

The methodology used is described in the depreciation report. Also, see response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

127. If applicable, calculate all depreciation rates using the same weighting procedure used in the current depreciation rates, i.e., the same procedure used the last time depreciation rates were calculated.

RESPONSE:

The requested information is not available.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

128. If not provided elsewhere, please provide all remaining life calculations resulting from the depreciation study in electronic format (Excel) with all formulae intact.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

129. If not provided elsewhere, provide electronic (Excel) versions of the net salvage studies prepared during the course of the depreciation study, with all formulae intact.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

130. If not provided elsewhere, please provide all workpapers supporting terminal net salvage (decommissioning) estimates for each account for which terminal net salvage is a factor. Include any decommissioning studies relied upon, and explain how the results of those studies were incorporated into the net salvage estimate proposed by Mr. Seelye. Please include all calculations in electronic format (Excel), with all formulae intact.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

131. Do Mr. Seelye's net salvage recommendations, including any terminal net salvage estimates, incorporate inflation expected to be incurred in the future? If yes, please explain fully how this inflation is factored into each recommendation, and provide supporting calculations in electronic format (Excel). If not, please provide support showing no future inflation was included.

RESPONSE:

No. See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

132. If Mr. Seelye's net salvage recommendations include inflation expected to be incurred in the future, please provide the net present value of Mr. Seelye's net salvage recommendations.

RESPONSE:

See response to question 131.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

133. Does Mr. Seelye agree that including inflation expected to be incurred in the future in net salvage estimates results in charging today's ratepayers for tomorrow's inflation? Please explain why or why not.

RESPONSE:

Mr. Seelye did not explicitly include inflation.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

134. Does Mr. Seelye believe that including future inflation in net salvage estimates falls under the "known and measurable" standard usually followed in rate cases? Please explain why or why not.

RESPONSE:

Mr. Seelye did not explicitly include inflation.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

135. On an account-by-account basis, for each of the five years ending 2006, explain whether the gross salvage and cost of removal incurred was normal or abnormal and why.

RESPONSE:

The requested analysis has not been prepared.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

136. Explain, and provide examples of, the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.

RESPONSE:

See Narrative PCS 8.3 Disposing of Fixed Assets (Exhibit A) attached for explanation of Delta's Retirement cost procedures.

Retirement Unit Cost Procedures By Account:

Mass Property – Accounts 332, 353, 367, 376, 380, 381, 382, and 383

Mass property items such as mains, services, meter installation, meters and regulators are retired at their average unit cost on a first in – first out basis.

See Exhibit B attached for an example of a Mass Property Retirement.

Specific Property – All Other Accounts

Specific property items such as regulator and compressor stations, structures, tools, transportation equipment, office and computer equipment are identified and retired at their actual cost.

See Exhibit C attached for an example of a Specific Property Retirement.

Sponsoring Witness:

John B. Brown

Delta Natural Gas, Inc
PCS 8.0 Fixed Assets
PCS 8.3 Disposing of Fixed Assets Narrative

DESCRIPTION OF PROCESS:

Delta Natural Gas, Inc. maintains Fixed Assets Records by retiring fixed assets when they are no longer in service or needed by the company.

MAJOR SOURCES OF INPUT

Delta Natural Gas, Inc. utilizes Work Order and Fixed Asset software systems to manage fixed assets. Each asset is assigned an asset number on the system. The asset number is used to identify the disposal and process on system. The Accounting/Financial Analyst receives information from many various reports throughout the month in regards to fixed asset disposals.

KEY OUTPUT FILES, REPORTS AND RECORDS

The Work Order and Fixed Asset system provides several retirement reports that include asset transaction batch from Work Order System and asset retirements, depreciation retirements, asset transfers, depreciation transfers, salvage and depreciation gain/loss.

DOCUMENTED BY: Kathy Estes

REVIEWED BY: John Hall

DATE: April 26, 2006

NARRATIVE:**Determining Assets That Need to be Disposed**

The Accounting/Financial Analyst receives reports throughout the month from various sources regarding disposals of assets. The majority of asset disposals are reported on Form 401, Specific Work Order Completion Report, and Form 402, Blanket Work Order Completion Report, as outlined in practice AA5-1 and AA5-3. Property units retired are listed on these reports by branch or construction personnel along with other information vital in identifying correct asset to retire. To insure that all Blanket Work Order Completion Report disposals are received by the Accounting/Financial Analyst for the month, Form 405, a monthly Summary of Blanket Work Order Completion Reports, is prepared by each reporting office as outlined in practice AA5-4. By use of company correspondence, the Administrative Coordinator informs the Accounting/Financial Analyst of transportation equipment, power operated equipment, tools, and office furniture disposals, sales or transfers. Another source of disposals is checking Fixed Asset Clearing account 1.106.01 for items sold on the Miscellaneous Accounts Receivable System or traded-in on new items on the Accounts Payable System.

The Accounting/Financial Analyst also discovers asset disposals from physical inventories of specific property performed annually by each branch office, construction crews and

Delta Natural Gas, Inc
PCS 8.0 Fixed Assets
PCS 8.3 Disposing of Fixed Assets Narrative

various departments and areas in the company in which changes are more likely to occur. The Accounting/Financial Analyst prepares a listing of assets for a branch office, department, crew or area for review. Any changes, transfers or disposals are noted on the list and signed by the supervisor in charge and returned to the Accounting/Financial Analyst for entry into the system. The Accounting/Financial Analyst notes all physical review of assets on an excel spreadsheet kept by fiscal year to insure branch offices, construction crews and selected departments and areas are reviewed once a year. The Accounting/Financial Analyst also notes on the spreadsheet all other departments and areas periodically reviewed but not required annually.

Occasionally memo or email is received from an employee regarding a disposal not covered by any of the above. These usually consist of general plant items such as small tools, radio equipment, computer hardware and office furniture and equipment that are no longer used, scrapped or stolen. Most of these items, due to their age, tend to be fully depreciated when reported.

With the information received, the Accounting/Financial Analyst identifies the correct asset to retire on the Fixed Asset System. Information provided from reports received such as account, description of unit, system, tax district, serial number, age, unit or CPR tag number and/or asset number are all used to help locate the item. If additional information is needed in order to identify the disposed asset on the system, the Accounting/Financial Analyst contacts the applicable employee for more information.

Accounting for Asset Retirement Obligations

An Asset Retirement Obligation reserve has been established for Assets qualifying as ARO's per SFAS 143. On a quarterly basis as a part of the closing process, the controller asks the officer group if there have been any potential new ARO's incurred. Annually, Delta hires our outside legal counsel to review management's conclusions with respect to potential ARO's. Monthly, the Manager-Transmission is required to disclose, in writing, the retirement of any of Delta's ARO's (specifically, well plugging and storage tanks).

Determining Salvage Value for Assets to be Disposed



All money received for assets sold or traded-in for new assets are accounted for in the Fixed Asset Clearing Account 1.106.01. Salvage for items sold come from the Account Receivable System. Salvage for disposed items traded for new items (such as cars, trucks, power-operated equipment) are processed from Accounts Payable and reflected on the purchase order and/or invoice. For entry on the Fixed Asset System, the salvage value for the asset disposed is the cash received or the trade-in value noted on the

Delta Natural Gas, Inc
PCS 8.0 Fixed Assets
PCS 8.3 Disposing of Fixed Assets Narrative

invoice. Clearing the fixed asset clearing account 1.106.01 each month insures that salvage is entered on the fixed asset system and processed correctly.

Update Fixed Asset System for Disposals



→ Mass property items such as mains, services and meter installations are retired at their average unit cost on a first in-first out basis. When a completion report for a work order is received, any retirements listed are identified and entered on the Fixed Assets Retirement screen of the work order in the Work Order System. When the work order is closed to plant, a transaction batch will automatically process to Fixed Assets for review and posting. Transaction batches are created in the Fixed Assets System by the Accounting/Financial Analyst for all other retirements. Based on the asset number entered, the software system calculates the entry amount for all disposals and depreciation retirements, asset transfers, depreciation transfers and gain/loss. Work Orders are closed to plant in the month they are completed unless noted otherwise due to billing, etc. Therefore, all retirements, salvage, cost of removal and transfers received are posted to Fixed Assets System in a timely manner.

For all disposals entered on the Work Order and Fixed Asset System, a transaction edit report is produced. These reports are reviewed by the Accounting/Financial Analyst and checked for correctness before posting the entry to the system each month. Once all entries are posted for Work Order and Fixed Assets, month end reports are printed. Disposal reports including Asset Retirements, Depreciation Retirements, Asset Transfers, Depreciation Transfers, Cost of Removal, Salvage and Gain/Loss are all saved and sent to Spoolview, an archive software program, for future reference. Posted transaction reports are retained in a binder with their applicable backup for future review. Fixed Asset clearing account 1.106.01 is checked to make sure it has a balance of zero at month end. This insures that all retirements from Work Order System, Fixed Asset System, Accounts Payable and Miscellaneous Account Receivable were processed. An audit is also performed to make sure the Fixed Asset System and Work Order System agree with the general ledger. Any discrepancies are investigated and corrected by the Accounting/Financial Analyst.

Recognize Gain or Loss on Disposal



Based on the accumulated depreciation of the asset to be disposed and any salvage received, the Fixed Asset System recognizes and calculates the depreciation gain/loss entry for the asset. Salvage entries are posted on the Fixed Asset system before retirements in order for entries to be correct. Prior to posting a disposed asset on the system, a transaction report with gain/loss information is available for review.

Delta Natural Gas, Inc
PCS 8.0 Fixed Assets
PCS 8.3 Disposing of Fixed Assets Narrative

Disposals for Enpro, Inc.



Enpro fixed assets are not part of the Fixed Asset Software System. Assets disposed are identified and an amount is calculated by the Accounting/Financial Analyst for the asset and applicable depreciation. A special journal entry on the general ledger is used to enter and post disposals from Enpro.

Risk Identified



Fixed Asset disposals and transfers are not properly approved, not recorded accurately, and/or not recorded in the proper period.



Gain and Loss on asset disposals and retirements are not calculated accurately.



Fixed Asset disposals do not represent actual disposals.



Policy and Procedures do not exist for the disposal of fixed assets.



Controls Identified



Retirements are reported by branch personnel and/or construction crews and approved on Work Order Completion Reports, Form 401 and 402. Practice AA5-1 and AA5-3



To insure all Form 402 Blanket Work Order Completion Report retirements are received, a monthly summary of Blanket Work Order Completion Reports, Form 405, is completed by Branch Personnel and Construction crews. Practice AA5-4



Fixed Asset Clearing Account is reviewed each month by the Accounting/Financial Analyst for disposals from transactions in the Accounts

Delta Natural Gas, Inc
PCS 8.0 Fixed Assets
PCS 8.3 Disposing of Fixed Assets Narrative

Payable and Miscellaneous Accounts Receivable Systems. The Accounting/Financial Analyst processes salvage and retirements from these disposals each month.



The Financial/Analyst initiates annual physical inventories of specific property for each branch office, construction crews and selected departments and areas. Other areas and departments are also periodically reviewed.



CPR Tags on equipment and tools insure correct item is being retired.
Practice AA6-8



Administrative Coordinator assigns unit numbers to Transportation Equipment and Power Operated Equipment when purchased. Unit number stays with asset number in system and used to verify item when disposed.



Completed work orders (including disposals from work orders) are closed to plant in the month they are completed unless noted otherwise due to billing, etc. Therefore, all retirements received by the Accounting/Financial Analyst are processed in a timely manner.



Fixed Asset System calculates entry for disposals including asset retirement, depreciation retirement, asset transfers, depreciation transfers, cost of removals and gain/loss thus eliminating human error.



Asset disposed is identified in Fixed Asset System by matching the plant account, system, tax district, description, serial number, unit number, CPR Tag number and/or asset number.



Month End Reports and Controls are processed and reviewed. Work Order and Fixed Asset Systems will not close if a retirement batch is not posted. Fixed Asset Clearing Account 1.106.01 must have a balance of zero and Work Order and Fixed Asset Systems must agree with the general ledger.



Mass property items such as mains, service and meter installations are retired at their average unit cost as indicated on Fixed Asset System on a first in – first out basis. Practice AA6-4



Salvage entries are posted by the Accounting/Financial Analyst before any retirement entries. This provides for correct accounting of depreciation retirement and gain/loss entries.

Form 402
Rev. 01/06

DELTA NATURAL GAS COMPANY, INC.

Completion Report—Blanket Work Order

White/Engineering/LOS
Yellow/Construction/NR
Pink/Accounting/Pending
Goldenrod/System/3 Years

Work Authorized By Paul Simpson
Start Date 11/04/06
Date in Service 11/06/06
CPR System BEREA

Work Order Number 502-06-158
53006
Record Number _____
Tax District MADISON CO

INSTALLED BY:

- Company
- Contractor
- Branch Personnel

TEST INFORMATION:

Pressure _____ Time _____ check one
Service _____ PSIG _____ Hrs.
Main 100 PSIG 2 Hrs. Min.
(test chart attached)

INSTALLED CATHODIC PROTECTION

Yes No
P/S Reading 1.8

Installed/Inspected By: T. Lundy Crew Date _____ Located on Map Sheets: 098-070
Mapped By: _____ Date _____

PROPERTY INSTALLED	QTY.	UNIT	SIZE	KIND
Service Connection Premise No. _____ Service _____ Address _____ Service Line <input type="checkbox"/> New <input type="checkbox"/> EFV Installed <input type="checkbox"/> Replacement <input type="checkbox"/> EFV Not Required	1	Each		
Main Extension Inventory Item Usage _____ I.D. Number _____		Feet		
Main Replacement <u>A 76165</u> Leak Report Number _____	290	Feet	2"	pl. main

Comments 1 and bore = 18" Moved line due to construction of new road.

PROPERTY RETIRED	QTY.	UNIT	SIZE	KIND
Main Retired	284	Feet	2"	pl. main
Meters (attach separate sheet if needed)		Each		Serial No.
Regulators (attach separate sheet if needed)		Each		
Meter Set / Service Line (attach separate sheet if needed)		Each		

Comments _____

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES
 Journal Entry Verification For Batch: 200611376R
 Batch Ref: WOCL Batch Desc: DISTR MAINS RETIRED 53006
 Batch Date: 11/30/2006 Entered by: KESTES

376R

ence						Qty	Amount
=====							
1	Asset #	1-76-0002 (C) ✓	DISTR MAIN PIPE, 2" PLASTIC	FIFO Retirement			
	Ref #	WOCL Tran Typ	RET				
	Vintage	1969 ✓ Group ID	20 Tax ID 60 ✓				
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS				
	GL #	1.106.0100	FIXED ASSET CLEARING			284	74.12
		1.376.0000	DISTRIBUTION MAINS			284-	74.12CR
2	Asset #	1-76-0012 (C) ✓	DISTR MAIN PIPE, 2" STEEL				
	Ref #	WOCL Tran Typ	RET				
	Vintage	1956 ✓ Group ID	30 Tax ID 72 ✓				
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS				
	GL #	1.106.0100	FIXED ASSET CLEARING			154	44.66
		1.376.0000	DISTRIBUTION MAINS			154- ✓	44.66CR
3	Asset #	1-76-0012 (C) ✓	DISTR MAIN PIPE, 2" STEEL				
	Ref #	WOCL Tran Typ	RET				
	Vintage	1979 ✓ Group ID	90 Tax ID 174 ✓				
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS				
	GL #	1.106.0100	FIXED ASSET CLEARING			127	1.78
		1.376.0000	DISTRIBUTION MAINS			127- ✓	1.78CR
4	Asset #	1-76-0013 (C) ✓	DISTR MAIN PIPE, 3" STEEL				
	Ref #	WOCL Tran Typ	RET				
	Vintage	1970 ✓ Group ID	110 Tax ID 140 ✓				
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS				
	GL #	1.106.0100	FIXED ASSET CLEARING			100	74.10
		1.376.0000	DISTRIBUTION MAINS			100- ✓	74.10CR
5	Asset #	1-76-0002 (C) ✓	DISTR MAIN PIPE, 2" PLASTIC				
	Ref #	WOCL Tran Typ	RET				
	Vintage	1971 ✓ Group ID	120 Tax ID 180 ✓				
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS				
	GL #	1.106.0100	FIXED ASSET CLEARING			83	71.88
		1.376.0000	DISTRIBUTION MAINS			83- ✓	71.88CR
90001	Asset #	1-76-0002 (C)	DISTR MAIN PIPE, 2" PLASTIC				
	Ref #	WOCL Depr Typ	RET				
	Vintage	1969 Group ID	20 Tax ID 60				
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS				
	GL #	1.108.0100	PROV FOR DEPR PLANT IN SERVICE			284	74.12
		1.106.0100	FIXED ASSET CLEARING			284-	74.12CR
90002	Asset #	1-76-0012 (C)	DISTR MAIN PIPE, 2" STEEL				
	Ref #	WOCL Depr Typ	RET				
	Vintage	1956 Group ID	30 Tax ID 72				
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS				
	GL #	1.108.0100	PROV FOR DEPR PLANT IN SERVICE			154	44.66
		1.106.0100	FIXED ASSET CLEARING			154-	44.66CR

KESTES

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES
 Journal Entry Verification For Batch: 200611376R
 Batch Ref: WOCL Batch Desc: DISTR MAINS RETIRED 53006
 Batch Date: 11/30/2006 Entered by: KESTES

ence				Qty	Amount
90003	Asset #	1-76-0012 (C)	DISTR MAIN PIPE, 2" STEEL		
	Ref #	WOCL	Depr Typ RET		
	Vintage	1979	Group ID 90	Tax ID 174	
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS		
	GL #	1.108.0100	PROV FOR DEPR PLANT IN SERVICE	127	1.78
		1.106.0100	FIXED ASSET CLEARING	127-	1.78CR
90004	Asset #	1-76-0013 (C)	DISTR MAIN PIPE, 3" STEEL		
	Ref #	WOCL	Depr Typ RET		
	Vintage	1970	Group ID 110	Tax ID 140	
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS		
	GL #	1.108.0100	PROV FOR DEPR PLANT IN SERVICE	100	74.10
		1.106.0100	FIXED ASSET CLEARING	100-	74.10CR
90005	Asset #	1-76-0002 (C)	DISTR MAIN PIPE, 2" PLASTIC		
	Ref #	WOCL	Depr Typ RET		
	Vintage	1971	Group ID 120	Tax ID 180	
	WO #	53006 -	DISTRIBUTION MAIN REPLACEMENTS		
	GL #	1.108.0100	PROV FOR DEPR PLANT IN SERVICE	83	71.88
		1.106.0100	FIXED ASSET CLEARING	83-	71.88CR

** Batch is in balance **

Total Asset Retirements 266.54CR
 Total Depreciation Retirements 266.54

CENTRAL BUSINESS SYSTEMS

P.O. Box 4450
Lexington, KY 40544-4450
Ph: (502) 238-3196 Fx: (502) 238-3401
www.cbsmailsolutions.com

INVOICE 9254

Delta Natural Gas Co.
3617 Lexington Road
Winchester, KY 40391

244133

Date of Invoice
October 6, 2006

Ph# 859- 744-6171

Attn: Jouett Craycraft

Net

P.O.# 06-0242

Hasler	WJ150	Mail Machine	#J1660215	\$ 6,750.00 ✓
Hasler	IWP30	Scale	#420606008222	
Hasler	Ad Die	"DELTA"		

Sub Total Equipment \$ 6,750.00

Tax 6% \$ 405.00

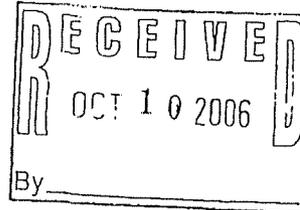
TOTAL \$ 7,155.00

New Asset 1-99-4040

PAID NOV - 6 2006

50

Please Remit To:
P.O. Box 4450
Lexington, KY 40544-4450



If you have any questions concerning this invoice, call: Accounts receivable (859) 276-1690



Retire
For Upstairs Mail Room

Replacement

Retire Asset 1-99-4034 per Jouett

KAC

1/21/2006 14:33:36

Page: 1

ESTES

FA00056C/FA00056

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES
 Journal Entry Verification For Batch: 200610399R
 Batch Ref: OCTAP Batch Desc: computerized offc equipmt ret
 Batch Date: 10/31/2006 Entered by: KESTES

399.031 R

ance						Qty	Amount
1	Asset #	1-99-4034 (A)	PITNEY BOWES MAILING MACHINE				
	Ref #	OCTAP	Tran Typ	RET			
	Vintage	1999	Group ID	300	Tax ID	300	
	GL #	1.106.0100	FIXED ASSET CLEARING			1	8,230.90
		1.399.0310	COMPUTERIZED OFFICE EQUIPMENT			1-	8,230.90CR
90001	Asset #	1-99-4034 (A)	PITNEY BOWES MAILING MACHINE				
	Ref #	OCTAP	Depr Typ	RET			
	Vintage	1999	Group ID	300	Tax ID	300	
	GL #	1.108.0100	PROV FOR DEPR PLANT IN SERVICE			1	6,112.80
		1.106.0100	FIXED ASSET CLEARING			1-	6,112.80CR
90002	Asset #	1-99-4034 (A)	PITNEY BOWES MAILING MACHINE				
	Ref #	OCTAP	Depr Typ	GNLS			
	Vintage	1999	Group ID	300	Tax ID	300	
	GL #	1.108.0100	PROV FOR DEPR PLANT IN SERVICE			1	2,118.10
		1.106.0100	FIXED ASSET CLEARING			1-	2,118.10CR
** Batch is in balance **							
			Total Asset Retirements				8,230.90CR
			Total Depreciation Retirements				6,112.80
			Total Depreciation Gain or Loss				2,118.10

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

137. Were any retirements, classified as sales or reimbursements, excluded to the extent to which the salvage receipt represents recovery of original cost? If yes:
- a. Provide, by account, the annual retirements and the related salvage that has been excluded for the 10 years ending 2006.
 - b. Provide the Commission Orders and Decisions approving the exclusion of these retirements.
 - c. Demonstrate how the retirements were excluded from the life studies.

RESPONSE:

No.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

138. Explain the Company's procedures for gross salvage and cost of removal.

RESPONSE:

SALVAGE

When salvage is received for the sale of property, an invoice is rendered. The salvage amount is charged as a debit to Accounts Receivable and as a credit to 1.106.01 Fixed Asset Clearing. Next, an entry is made from the Fixed Asset System to record the salvage by debiting 1.106.01 Fixed Asset Clearing and crediting 1.108.01 Provision for Depreciation. See example enclosed with this response of an actual salvage entry made for a truck sold.

COST OF REMOVAL

Cost of removal is cost incurred to remove property from service. Delta does not book or allocate cost of removal for replaced property. Delta utilizes work orders for removal projects. When the work order is completed, the work order is credited and a debit is made to 1.106.01 Fixed Asset Clearing. Next, an entry to be made from the Fixed Asset System to record the cost of removal by debiting 1.108.01 Provision for Depreciation and crediting 1.106.01 Fixed Asset Clearing.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

** OFFICE COPY **

INVOICE DATE: 11/13/2006
INVOICE NUMBER: M11594
A/R CUSTOMER #: 13836
PAGE: 1

CIRCUIT RIDER AUTO SALES
MIKE OR SANDY ALLMAN
3855 NEW IRVINE ROAD
WACO, KY 40385

TERMS		CUST P.O. #	F.O.B	SHIP VIA	ATTENTION	
DUE UPON RECEIPT						
PART NUMBER	DESCRIPTION	QTY ORDERED	UNIT PRICE	EXTENDED PRICE	GENERAL LEDGER #	
	1994 GMC SIERRA TRUCK S/N 1GTEC14H2RZ560047 DELTA UNIT 103A ASSET 1920109	1	1,410.00	1,410.00	1.106.0100	
TOTAL INVOICE				1,410.00		

2/13/2006 14:52:42

Page: 1

ESTES

FA00056C/FA00056

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES
 Journal Entry Verification For Batch: 200611SALV
 Batch Ref: NOVAR Batch Desc: SALVAGE
 Batch Date: 11/30/2006 Entered by: KESTES

Salvage

ence					Qty	Amount
1	Asset #	1-92-0024 (A)	93 CHEV C1500 TRUCK	POOL		
	Ref #	NOVAR	Tran Typ	SALV		
	Vintage	1993	Group ID	300	Tax ID	300
	CUS #	0000440				
	INV #	M11592				
	GL #	1.106.0100	FIXED ASSET CLEARING		1	1,505.55
		1.108.0100	PROV FOR DEPR PLANT IN SERVICE		1-	1,505.55CR
2	Asset #	1-92-0109 (A)	94 GMC SIERRA TRUCK	POOL		
	Ref #	NOVAR	Tran Typ	SALV		
	Vintage	1994	Group ID	20	Tax ID	62
	CUS #	0013836				
	INV #	M11594				
	GL #	1.106.0100	FIXED ASSET CLEARING		1	1,410.00
		1.108.0100	PROV FOR DEPR PLANT IN SERVICE		1-	1,410.00CR
3	Asset #	1-92-0344 (A)	2002 CHEVROLET MALIBU	JS		
	Ref #	NOVAR	Tran Typ	SALV		
	Vintage	2002	Group ID	300	Tax ID	300
	CUS #	0001680				
	INV #	M11640				
	GL #	1.106.0100	FIXED ASSET CLEARING		1	3,501.01
		1.108.0100	PROV FOR DEPR PLANT IN SERVICE		1-	3,501.01CR
** Batch is in balance **						
Total Depreciation Salvage						6,416.56



DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

139. Explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.

RESPONSE:

Delta does not allocate the cost of replacement projects between cost of removal and the new additions. Most main and service lines retired are capped off and not physically removed from the ground. Delta has deemed that this cost is so small that it does not book cost of removal for these replacement projects. All costs are added to the new asset installed.

Delta does utilize blanket work orders for the permanent retirement of services and meter installations. Specific work orders are used for the removal and retirement of specific assets such as regulator stations. All removal and retirement costs are charged to the job when permanently retired. These costs are booked as removal against the assets retired.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

140. Does Delta agree that, in the case of a replacement, Delta has control over how much of the cost of the replacement is assigned to the retirement as cost of removal, and how much is capitalized to plant-in-service? Please explain the answer fully.

RESPONSE:

See Response to Item 139.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

141. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies on the assignment of capital costs and net salvage with regard to the replacement of retired plant. Also, please provide a sample workorder for a replacement project, showing these cost assignments.

RESPONSE:

See response to Item 164.

No guidelines exist since Delta does not salvage retired plant due to replacement projects.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

142. Identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Please provide the basis for these expectations.

RESPONSE:

It is anticipated that during the period between rate cases, removal requirements and markets for retired equipment and materials will be similar to this depreciation study and the last depreciation study.

Sponsoring Witness:

John B. Brown

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

143. Please provide the Company's construction and capital budgets for the years 2007-2011 inclusive. Please identify all retirements, replacements, new additions and cost of removal reflected in these budgets. Please provide by account where available and explain how the cost estimates are derived for these items.

RESPONSE:

Budget information filed under seal with motion for confidential treatment. The budget information for fiscal 2009 – 2012 are not board approved budgets.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

144. Provide narrative explanations of the Company's aging and pricing procedures.

RESPONSE:

Time and material used for retirements are charged to the appropriate project, which is then recorded in the appropriate account.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

145. Explain how the Company accounts for third party reimbursements and how they are reflected in the depreciation study.

RESPONSE:

Third party reimbursements are credited to construction work orders, which are then recorded in the appropriate account.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

146. If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?

RESPONSE:

See response to question 145.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

147. If not provided in the workpapers, please provide the ranking of best-fit life/curve combinations for each account. If the service life indications resulting from the analyses are not the best-fit life/curves, please explain how they were selected.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

148. For any accounts where Mr. Seelye did not base his service life/curve selection on the results of his SPR analysis, explain why he did not. Also, explain in detail how those service life/curve combinations were selected.

RESPONSE:

See explanations provided in the report.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

149. Provide copies of any and all actuarial and semi-actuarial studies prepared by the Company since the last depreciation study.

RESPONSE:

None.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

150. Identify and explain all Company programs which might affect plant lives.

RESPONSE:

There are no programs.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

151. Provide all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance or capital, designed to extend lives and/or increase capacity of its existing plant-in-service. Identify the functions to which these studies relate.

RESPONSE:

There are no such studies.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

152. Provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, provide the data for as many years as are available.
- a. Date of retirement
 - b. Amount of retirement
 - c. Account
 - d. Reason for retirement
 - e. Whether or not retirement was excluded from historical interim retirement rate studies.

RESPONSE:

Information not available in format requested.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

153. Was the life span methodology utilized in the prior study? If so, please provide a comparison, by account and location, of the probable retirement year forecasted in the prior study, with the probable retirement year forecasted in the Depreciation Study.

RESPONSE:

The same methodology was used in the prior study. The requested analysis has not been performed.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

154. Please provide the specific calculation of each probable retirement year in the Depreciation Study. Also, please provide the installation date for each location.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

155. Do the life span analyses include interim additions? If so, please provide a detailed explanation of how and why interim additions are included.

RESPONSE:

No.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

156. Identify all circumstances unique to Kentucky which influence or have an impact on the life span estimates.

RESPONSE:

There are none.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

157. For all accounts and locations for which Mr. Seelye is proposing the life span method, provide the following information to support Mr. Seelye's final retirement dates. Please respond to each item.
- a. Economic studies. (NARUC, p. 146)
 - b. Retirement plans. (NARUC, p. 146)
 - c. Forecasts. (NARUC, p. 146)
 - d. Studies of technological obsolescence. (NARUC, p. 146)
 - e. Studies of adequacy of capacity. (NARUC, p. 146)
 - f. Studies of competitive pressure. (NARUC, p. 146)
 - g. Relationships of type of construction to remaining life span.
 - h. Relationship of attained age to remaining life span.
 - i. Relationship of observed features and conditions at the time of field visits to remaining life span.
 - j. Relationship of specific plans of management to remaining life span.

RESPONSE:

The recommendations are based on the depreciation study contained in Seelye Exhibit 11. See also the responses to questions 48 and 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

158. If not provided in the response to the immediately preceding question, please provide the source for the life spans selected by Mr. Seelye.

RESPONSE:

See response to question 157.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

159. Refer to the discussion of Account 305 in Seelye Exhibit 11. Why does the discussion refer to current rate of 2.20% (also shown on Appendix B) and then propose future use of a different "existing" rate of 4.00%? Which rate is Mr. Seelye proposing for future balances? If he is proposing 4.00%, what is the source of that rate?

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

160. Refer to the discussion of Accounts 351 through 356 in Seelye Exhibit 11. What is the source of the 32 year remaining life chosen for these account?

RESPONSE:

The remaining life approved by the Commission in Delta's last rate case.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

161. Refer to the discussion of Account 257 in Seelye Exhibit 11. What is the source of the 26 year remaining life chosen for this account?

RESPONSE:

There is no discussion of Account 257 in Seelye Exhibit 11.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

162. Refer to the discussion of Account 392 in Seelye Exhibit 11. What is the source of the 2.5 year remaining life chosen for this account?

RESPONSE:

Discussions with the company.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

163. Refer to the discussion of Accounts 399.2 and 399.3 in Seelye Exhibit 11. If not provide elsewhere, please provide all support for the "expected rate of obsolescence" relied upon in choosing the rates for these accounts.

RESPONSE:

The recommendations were based on discussions with the company.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

164. Provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies with regard to the physical removal of retired mains and, separately, services from the ground as opposed to capping these pipes and leaving them in place.

RESPONSE:

No manuals, guidelines or documentation is available since it is Delta's policy to cut, purge and cap all retired main and services and leave the pipe in the ground.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

165. Explain the process by which the labor associated with Mains and Services replacement projects is split between the new asset and cost of removal.

RESPONSE:

See response to Item 139.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

166. Provide a summary of the last 20 years of Mains and Services additions. Identify on a year-by-year basis the new additions vs. replacement additions. Explain any anticipated changes to these proportions.

RESPONSE:

See schedule attached.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.

Attorney General's Data Request
Case No. 2007-00089

ITEM 166

Main and Service Additions for the last 20 years. No anticipated changes in proportions are expected.

Breakdown between New and Replacement not readily available prior to 1997 for Mains

Breakdown between New and Replacement not readily available prior to 1992 for Services

Year	Acct. 367 Transmission Mains			Acct 376 Distribution Mains			Account 380 Services			Total Mains and Services		
	New Additions	Replacement Additions	Total Transm Mains	New Additions	Replacement Additions	Total Dist Mains	New Additions	Replacement Additions	Total Services	New Additions	Replacement Additions	Total All
2006	3,634,673	60,806	3,695,479	841,381	503,251	1,344,632	372,651	186,326	558,977	4,848,705	750,383	5,599,088
2005	746,292	11,418	757,710	813,531	820,928	1,634,459	460,121	174,616	634,737	2,019,944	1,006,962	3,026,906
2004	31,962	1,745,992	1,777,954	1,151,109	715,335	1,866,444	497,601	198,053	695,654	1,680,672	2,659,380	4,340,052
2003	3,805,926	325,536	4,131,462	911,893	581,910	1,493,803	554,522	173,563	728,085	5,272,341	1,081,009	6,353,350
2002	3,259,300	8,144	3,267,444	520,786	597,927	1,118,713	396,524	243,031	639,555	4,176,610	849,102	5,025,712
2001	482,464	228,312	710,776	805,196	829,183	1,634,379	516,559	254,424	770,983	1,804,219	1,311,919	3,116,138
2000	1,778,188	173,375	1,951,563	2,354,885	837,013	3,191,898	464,002	130,872	594,874	4,597,075	1,141,260	5,738,335
1999	542,543	122,413	664,956	2,419,710	875,705	3,295,415	617,457	216,944	834,401	3,579,710	1,215,062	4,794,772
1998	965,694	107,833	1,073,527	3,087,651	1,372,385	4,460,036	691,193	162,132	853,325	4,744,538	1,642,350	6,386,888
1997	908,741	74,540	983,281	1,940,095	832,420	2,772,515	637,086	235,635	872,721	3,485,922	1,142,595	4,628,517
1996			2,206,081			2,627,094	643,562	181,517	825,079			5,658,254
1995			2,576,776			3,191,099	621,622	155,405	777,027			6,544,902
1994			1,842,857			2,398,104	625,491	166,270	791,761			5,032,722
1993			1,311,532			2,518,973	438,607	170,570	609,177			4,439,682
1992			770,645			2,153,633	406,402	191,248	597,650			3,521,928
1991			475,207			3,124,355			502,230			4,101,792
1990			409,629			2,464,497			591,397			3,455,523
1989			1,427,799			2,567,614			163,866			4,159,279
1988			407,419			2,322,220			70,027			2,799,666
1987			432,171			1,857,849			68,609			2,358,629

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

167. Provide a summary of all Main and Service Replacement projects during 2005. Separately identify all major costs, including the removal of the existing Main and/or Service.

RESPONSE:

See attached.

Sponsoring Witness:

John B. Brown

DELTA NATUR GAS COMPANY, INC.

Attorney General's Data Request
Case Number 2007-00089

ITEM 167

Response:

2005 MAIN AND SERVICE REPLACEMENT PROJECTS

Line	Work Order	Plant Acct	Description	Total Replacement Projects	Pipe and Inventory Materials	Major Cost Company Payroll	Contract or Other Accts Payable Cost
1	525497	367	Replacement on Williamsburg-Flat Lick 6" in Scarborough Hollow	6,419	704	2,862	0.00
2	SWO's	367	Replacement projects under \$5,000 each	4,999			
3			Total Transmission Main Replacements	11,418			
6	502323	376	Replacement on Scaffold Cane Road and Berea College near greenhouse	40,671	7,557	22,133	1,662
7	503282	376	Relacement on Highway 39 Buckeye Road	24,890	4,953	14,557	402
8	506293	376	Relocation on Sally's Branch Road and East Hwy 80 for Ky Dept of Hwys	5,247	555	3,976	353
9	506295	376	Replacement behind London Elementary School to Maple Street	8,480	814	2,755	1,370
10	507159	376	Relocation on Hwy 25W from Williamsburg to Gold Bug	310,578	37,508	194,046	25,720
11	508198	376	Replacement on Gregory Lane from Petersburg Lane to Tremco Road	20,692	1,291	9,273	960
12	510151	376	Replacement on Nutwood Road due to leaks	41,558	2,982	17,122	2,984
13	510153	376	Replacement on South 34th, Rochester & Elgie Green Streets	31,547	1,126	13,614	2,785
14	511408	376	Replacement at Trademart Shopping Center due to leaks	46,409	1,641	11,946	13,050
15	53006	376	Blanket Work Order Replacements	273,220	17,958	144,762	30,025
16	SWO's	376	Replacement projects under \$5,000 each	10,679			
17			Total Distribution Main Replacements	813,971			
21	53001	380	Replaced Services	174,616	11,023	59,219	46,538
22			Total Service Replacements	174,616			

No Cost of Removal for Replacement projects reported above since all retired mains and services are cut, purged and capped.
Cost incurred for removal insignificant in relation to total cost of replacement project.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

168. Provide a narrative explanation of a typical Main and Service replacement project.

RESPONSE:

There is not a specific typical project. When the need to replace facilities is determined, the material needed is obtained and the project is scheduled for construction. Necessary engineering work is completed and the project construction takes place. This includes removing any facilities necessary.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

169. Identify all Main and Service additions during 2005, and indicate whether they were replacements, new additions or other. Explain the "other" category.

RESPONSE:

See attached.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.

Attorney General's Data Request
Case No. 2007-00089

ITEM 169

Line	2005 MAIN AND SERVICE ADDITIONS	Work Order	Plant Acct	Description	New Additions	Replacements	Other	Total
1		525469	367	Install recifier and ground bed to protect the London transmission line			17,584	17,584
2		525482	367	Construct first phase of East/West along Moore Creek to Nami compressor	619,816			619,816
3		525487	367	Install recifier to protect Horse Creek-Stacy Branch (HSC) line			9,926	9,926
4		525488	367	Install new ground bed for Williamsburg-Bundy(WBY)line near Poplar Grove			13,297	13,297
5		525495	367	Accumulate cost to stabilize line behind Manchester Correctional Facility			83,372	83,372
6		525497	367	Replacement on Williamsburg-Flat Lick 6" in Scarbough Hollow due to leak		6,419		6,419
7		SWO's	367	Misc Addition Projects Under \$5,000 Each	2,297			2,297
8		SWO's	367	Misc Replacement Projects Under \$5,000 Each		4,999		4,999
9					622,113	11,418	124,179	757,710
10				Total Transmission Main Additions				
11		502323	376	Replacement on Scaffold Cane Road and Berea College bottom near green house		40,671		40,671
12		502346	376	Extension to serve lots 1-301 in the Pinnacle at Boone's Trace/White Hall	36,264			36,264
13		502349	376	Extension in Homestead Estates block 2 in Berea for 14 lots	12,744			12,744
14		502350	376	Extension in the Traditions at Parkey Falls phase II off Hwy 627/White Hall	23,226			23,226
15		502351	376	Extension to Quail West development phase III, IV & V at White Hall	39,687			39,687
16		502354	376	Extension in Calico Place development in Berea for phase one	20,149			20,149
17		502356	376	Extension on North Dogwood to serve interstate business center/Commerce Drive	7,611			7,611
18		502362	376	Repair/replace/relocate valve setting at Okonite on Highway 25/Kingston-Terrill			6,957	6,957
19		503262	376	Extension in Keene Crossing subdivision, unit 2, section E, Nicholasville	11,766			11,766
20		503275	376	Extension along Brannon Road and into Legacy Estates subdivision	83,020			83,020
21		503280	376	Extension in Keene Crossing Subdivision, unit 2, section D for Ball Homes	20,855			20,855
22		503282	376	Replacement on Highway 39(Buckeye Road)		24,890		24,890
23		503284	376	Extension to Highland Lakes Subdivision unit 8/Nicholasville for lots 1-166	51,589			51,589
24		503285	376	Extension in Squires Lake Subdivision unit 1 sections A-1/unit 2, section 2	25,236			25,236
25		505185	376	Extension and relocation on Highway 15 in Stanton for future development	16,766			16,766
26		506293	376	Relocation on Sally's Branch Road and East Hwy 80 for KY. Dept. of Highways		5,247		5,247
27		506295	376	Replacement behind London Elementary School from football field to Maple Street		8,480		8,480
28		507159	376	Relocation on Hwy 25W from Williamsburg to Gold Bug for road construction		310,578		310,578
29		507173	376	Extension to 8250 Hwy 26 being at JCT of Colonel Hollow road to remove HPR				
30		508198	376	Replacement on Gregory Lane from Petersburg Lane to Tremco Road for leaks	9,978			9,978
31		508205	376	Extension to KY 11 North and Long Branch Road in Cannon		20,692		20,692
32		508207	376	Extension to serve the Meadows subdivision	6,156			6,156
33		510151	376	Replacement on Nutwood Road due to leaks	6,049			6,049
34		510153	376	Replacement on South 34th, Rochester & Elgie Green Streets due to leaks		41,558		41,558
35		511408	376	Replacement at Trademart Shopping Center due to leaks		31,547		31,547
36		511419	376	Extension to Pond View Estates off Fifth Street (Hwy 757) for 12 customers		46,409		46,409
37		511422	376	Extension on Black Diamond Road	6,034			6,034
38		512151	376	Extension on Horse Creek to Stacy Branch at Manchester TBS	10,582			10,582
					9,107			9,107

DELTA NATURAL GAS COMPANY, INC.

Attorney General's Data Request
Case No. 2007-00089

ITEM 169

Line	<u>2005 MAIN AND SERVICE ADDITIONS</u>	<u>Work Order</u>	<u>Plant Acct</u>	<u>Description</u>	<u>New Additions</u>	<u>Replacements</u>	<u>Other</u>	<u>Total</u>
39		512152	376	Extension on Hwy 66 in Oneida to Transfer CNR Customers	22,328			22,328
40		53003	376	Distribution Main Extensions	381,806			381,806
41		53006	376	Distribution Main Replacements		273,220		273,220
42		SWO's	376	Misc Addition Projects Under \$5,000 Each	12,578			12,578
43		SWO's	376	Misc Replacement Projects Under \$5,000 Each		10,679		10,679
44				Total Distribution Main Additions	813,531	813,971	6,957	1,634,459
45								
46		53001	380	New and Replaced Services	460,121	174,616		634,737
47				Total Service Additions	460,121	174,616	-	634,737
48								

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

170. Provide a sample work order showing the retirement of a gas main.

RESPONSE:

On file with the Commission. Refer to Case No. 2004-00067.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

171. Provide a copy of the Company's most recent prior depreciation study and the Order(s) establishing the present depreciation rates.

RESPONSE:

On file with the Commission. Refer to Case No. 2004-00067.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

172. Please provide a calculation of the current depreciation rates in electronic format (Excel) with all formulae intact. Show all parameters used, and provide a source for those rates and underlying parameters. If the rates and parameters are not the same as approved in the most recent prior case, please explain why not. Also, if there are any differences in the account numbers used, please provide a reconciliation.

RESPONSE:

See response to question 50 of the Commission Staff's Second Data Request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

173. Identify and explain all changes between the current study and the most recent prior study.

RESPONSE:

The requested analysis has not been performed.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

174. Please explain any changes in procedures, methods or techniques used to calculate the existing depreciation rates and those used to calculate the rates proposed in Mr. Seelye's Depreciation Study.

RESPONSE:

There are no changes in procedures, methods or techniques from those used in the last study.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

175. Provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Provide additional explanations of the "other changes."

RESPONSE:

The requested analysis has not been performed.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

176. Please provide the current depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

RESPONSE:

See attached schedule.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company, Inc
Plant Depreciation Rates

ITEM 176

<u>Acct Number</u>	<u>Description</u>	<u>Cost of Removal Depr Rate</u>	<u>Salvage Depr Rate</u>	<u>Capital Recovery Depr Rate</u>	<u>Total Depr Rate</u>
301	ORGANIZATION			0.00%	0.00%
302	FRANCHISE & CONSENT			0.00%	0.00%
	<u>PRODUCTION</u>				
304	LAND & RIGHTS			0.00%	0.00%
305	STRUCTURES & IMPROVEMENTS			2.20%	2.20%
325	RIGHT OF WAYS			3.00%	3.00%
327	COMP STAT STRUCTURES			3.00%	3.00%
331	WELL EQUIPMENT - FULLY DEPR			4.00%	4.00%
332	FIELD LINES			2.25%	2.25%
333	COMPRESSOR STAT EQUIPMENT			4.00%	4.00%
334	MEAS & REG STATIONS			2.72%	2.72%
	<u>STORAGE & PROCESSING</u>				
35001	STORAGE LAND			0.00%	0.00%
35002	STORAGE RIGHT OF WAY			0.00%	0.00%
35005	GAS RIGHTS WELL			0.00%	0.00%
35006	GAS RIGHTS STOR			5.00%	5.00%
351	STRUCTURES & IMPROVEMENTS			2.22%	2.22%
352	STORAGE WELLS			2.34%	2.34%
35201	STORAGE RIGHTS			1.98%	1.98%
35202	STORAGE RESERVOIRS			1.91%	1.91%
35203	NONRECOVERABLE NAT GAS			1.90%	1.90%
353	STORAGE LINES			2.17%	2.17%
354	STORAGE COMP STAT EQUIP			1.61%	1.61%
355	STORAGE MEAS & REG EQUIP			2.25%	2.25%
356	PURIFICATION EQUIPMENT			2.16%	2.16%
357	STORAGE OTHER EQUIPMENT			1.15%	1.15%
	<u>TRANSMISSION</u>				
3651	LAND & RIGHTS			0.00%	0.00%
3652	RIGHTS OF WAY			0.00%	0.00%
3653	LAND RIGHTS CVPL			2.50%	2.50%
366	STRUCTURES & IMPROVMENTS			2.00%	2.00%
367	TRANSMISSION MAINS			2.22%	2.22%
368	COMPRESSOR STAT EQUIPMENT			2.00%	2.00%
369	MEAS & REG STAT EQUIPMENT	0.29%		2.87%	3.16%
371	OTHER EQUIP			2.00%	2.00%
	<u>DISTRIBUTION</u>				
374	LAND & RIGHTS			0.00%	0.00%
375	STRUCTURES & IMPROVMENTS			2.75%	2.75%
376	DISTRIBUTION MAINS			2.50%	2.50%
378	MEAS & REG STAT - GENERAL	0.28%		2.75%	3.03%
379	MEAS & REG STAT - CITY GATE	0.27%		2.69%	2.96%
380	SERVICES	0.42%		2.08%	2.50%
381	METERS			2.25%	2.25%
382	METER & REG INSTALLATION	1.29%		2.88%	4.17%
383	HOUSE REG		-0.20%	4.08%	3.88%
385	INDUSTRIAL METER SETS	0.22%		2.16%	2.38%

Delta Natural Gas Company, Inc
 Plant Depreciation Rates

ITEM 176

<u>Acct</u> <u>Number</u>	<u>Description</u>	<u>Cost of</u> <u>Removal</u> <u>Depr Rate</u>	<u>Salvage</u> <u>Depr</u> <u>Rate</u>	<u>Capital</u> <u>Recovery</u> <u>Depr</u> <u>Rate</u>	<u>Total Depr</u> <u>Rate</u>
	<u>GENERAL</u>				
389	LAND & RIGHTS			0.00%	0.00%
390	STRUCTURES & IMPROVEMENTS		-1.33%	3.33%	2.00%
391	OFFICE FURN & EQUIP		-0.12%	2.35%	2.23%
392	AUTOS & TRUCKS		-3.33%	11.10%	7.77%
393	STORES EQUIPMENT			5.00%	5.00%
394	TOOLS & WORK EQUIPMENT		-0.26%	5.26%	5.00%
395	LABORATORY EQUIPMENT			7.36%	7.36%
396	POWER OPERATED EQUIPMENT		-1.33%	3.33%	2.00%
397	COMMUNICATION EQUIP		-0.35%	6.91%	6.56%
398	MISCELLANEOUS EQUIPMENT		-0.26%	5.26%	5.00%
3991	OTHER TANG EQUIP			10.00%	10.00%
3992	COMPUTER SOFTWARE			20.00%	20.00%
3993	COMPUTER HARDWARE		-1.05%	21.05%	20.00%

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

177. Provide the Company's FERC Form 2 reports for the years 2002 - 2005.

RESPONSE:

Delta's FERC form 2 reports for the years 2002 through 2005 are on file with the Public Service Commission.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

178. Reconcile the plant and reserve balances used to calculate the rates in the Depreciation Study with the plant balances shown in the Company's FERC Form 2 report for 2006.

RESPONSE:

The requested analysis has not been performed and is therefore not available.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

179. Provide depreciation studies submitted to FERC during the last 10 years and all related correspondence including any approvals and disapprovals.

RESPONSE:

No depreciation studies have been submitted to FERC as Delta is not regulated by FERC.

Sponsoring Witness:

John B. Brown

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07**

180. Identify and provide the parameters, methods, procedures and techniques that underlie the depreciation rates the Company uses for FERC reporting and ratemaking versus those used for intrastate reporting and ratemaking. Also, provide a comparison of the actual calculation of the depreciation rates used for FERC ratemaking and reporting versus those used for intrastate ratemaking and reporting.

RESPONSE:

Not applicable as Delta is not regulated by FERC.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

181. Provide a comparison by plant account of the annual FERC versus intrastate depreciation rates for the last 20 years.

RESPONSE:

Not applicable as Delta is not regulated by FERC.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

182. Provide copies of all correspondence between the Company and the FERC concerning any life extension plan or maintenance program, or any request to treat retirement units or minor items of property differently than as prescribed by the FERC USAO.

RESPONSE:

Not applicable as Delta is not regulated by FERC.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

183. Provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143 and FIN 47.

RESPONSE:

Backup for implementation of FASB 143 provided in 2004-00067.

Documentation with major assumptions regarding FIN 47 prepared by Delta attached.

Sponsoring Witness:

John B. Brown

Delaware Natural Gas Co., Inc.
 Cost of CFR 192.727 Compliance per Foot

Cost of Compliance, Per Job

	Services		Mains & Lines	
	All	Plastic	Steel	Steel
Men	1.0	1.0	1.0	1.0
Hours	0.5	1.0	1.0	1.0
Total hours	0.5	1.0	1.0	1.0
Delta's loaded field rate	27.49	27.49	27.49	27.49
Internal labor cost	13.75	27.49	27.49	27.49
Profit factor for third party	120%	120%	120%	120%
Total labor cost	16.49	32.99	32.99	32.99
Materials	8	15	50	50
Seal and purge total	24	48	83	83
Double labor for abandonment		81	116	116

Calendar 2005 Retirements (Services, Mains & Lines)

	Services		Mains & Lines	
	Steel	Plastic	Steel	Plastic
	135	52	52	50%
	653	52	52	50%
	788	104	104	

Calendar 2005 Ratio of Replace vs. Abandon (Mains & Lines)

Replacements	37,556	96%
Abandonments	1,679	4%
	<u>39,235</u>	

Computation of \$/foot, Calendar 2005 Retirements (Services, Mains & Lines)

	Services		Plastic		Steel		Total
	Steel	Plastic	Plastic	Steel	Steel	Plastic	
Replacements	788	49.8	49.8	49.8	49.8	83	100
Cost per replacement	24	48	48	48	4,131	83	
		19,301	2,389	2,389		258	4
Abandonments			2.2	2.2	2.2	116	
Cost per replacement			81	81	180	116	
Total cost of retirement		19,301	2,569	2,569	4,389	6,958	
Total feet retired in 2005						39,173	
Distribution						62	
Transmission							
Services		51,220				39,235	
\$ per foot		0.38				0.18	

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

184. Provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143 and FIN 47:
- a. External auditors and other public accounting firms.
 - b. Consultants
 - c. External counsel
 - d. Federal and State regulatory agencies
 - e. Internal Revenue Service

RESPONSE:

Backup for implementation of FASB 143 provided in 2004-00067.

Regarding FIN 47:

- a. and b. Documentation provided in response to question 183. Deloitte reviewed our FIN 47 calculations and entries in conjunction with the 6/30/07 10K. See Notes to Financial Statements and Report of Registered Public Accounting Firm.
- c. Correspondence between Delta and its external counsel is protected from disclosure by the attorney-client privilege. Delta receives a letter from its external counsel each year that addresses Delta's legal obligations in connection with asset retirement obligations addressed in SFAS No. 143 and FIN 47. Deloitte reviews the letter during the annual audit.
- d. N/A
- e. N/A

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

185. Regarding FASB Statement No. 143 and FIN 47, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."

RESPONSE:

As of December 31, 2006, Delta's asset retirement obligations, by account, are as follows:

<u>Account</u>	<u>Asset Description</u>	<u>Amount</u>
333	Gathering	\$ 15,719
356	Storage	17,904
368/369	Transmission	17,851
376/380	Distribution	<u>1,392,752</u>
		<u>\$ 1,444,226</u>

See the response to 192.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

186. For any asset retirement obligations identified above, provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Provide all assumptions and calculations underlying these amounts.

RESPONSE:

See the response to 185 for the current estimated fair value of Delta's asset retirement obligations as of December 31, 2006. The key assumptions in determining the fair vale include:

Inflation rate	3%
Discount rate	8%
Market risk premium	5%

Delta's outside legal counsel reviewed the Company's process for identifying its asset retirement obligations. Based on interviews with employees and management working in the areas of property accounting, construction and distribution, a methodology was developed for estimating asset retirement costs. The assumptions and methodology were approved by Delta's officer group.

See the response to 192.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

187. Provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's depreciation rates; retirement unit costs; SFAS No. 143; and FIN 47.

RESPONSE:

None.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

188. Please provide the accounting entries (debits and credits) used to implement SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.

RESPONSE:

The accounting entries used to implement SFAS No. 143 along with all workpapers supporting those entries were provided in the initial AG request in Case 2004-00067. The accounting entries used to implement FIN 47 along with all workpapers supporting those entries are attached. Delta used PowerPlant ARO Software to compute the FIN 47 accounting entries, so no Excel spreadsheet is available.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES
 Manual Journal Entries Post

Batch: JE140

Reference: JE140 ARO ENTRY FOR MAINS AND DIST SERVICES Reversing Entries- NO
 Date: 6/30/2006

Seq	D i s t r i b u t i o n	A m o u n t
1	G/L # - 1.376.0100 DISTRIBUTION MAINS - ARO	210,848.64
2	G/L # - 1.108.7610 A/C 376 COST OF REMOVAL DEPR - ARO	75,668.27CR
3	G/L # - 1.230.0010 ASSET RETIREMENT OBLIGATIONS- MAINS	210,848.64CR
4	G/L # - 1.230.0010 ASSET RETIREMENT OBLIGATIONS- MAINS	585,768.05CR
5	G/L # - 1.186.0300 UNRECOVERED SFAS 143 ADOPTION COSTS (ARO)	661,436.32
6	G/L # - 1.380.0100 DISTRIBUTION SERVICES - ARO	138,932.48
7	G/L # - 1.108.8010 A/C 380 COST OF REMOVAL DEPR - ARO	51,470.73CR
8	G/L # - 1.230.0020 ASSET RETIREMENT OBLIGATIONS - SERVICES	138,932.48CR
9	G/L # - 1.230.0020 ASSET RETIREMENT OBLIGATIONS - SERVICES	413,202.95CR
10	G/L # - 1.186.0300 UNRECOVERED SFAS 143 ADOPTION COSTS (ARO)	464,673.68

Grand Total .00 *
 Grand Total .00 **

-- Batch is in Balance --

	Total ft	less pre-1970	ft for calc	Asset	ARO	Cum Eff	Depreciation	Accretion
Combined	0.21	13,608,649	(964,972)	12,643,677	322,997	1,235,321	116,804	912,323
				\$/ft	0.0255	0.0977	36%	74%
Mains	0.18	10,319,584	(686,512)	9,633,072	210,849	796,617	75,668	585,765
		75.83%		\$/ft	0.0219	0.0827	36%	74%
Services	0.38	3,289,065	(278,460)	3,010,605	138,932	552,135	51,470	413,203
		24.17%		% of total	60%	59%	37%	75%
Total		13,608,649	(964,972)	12,643,677	349,781	1,348,752	127,138	998,968
		100.00%		\$/ft	0.0277	0.1067	36%	74%
				% of total	100%	100%		
Difference		-	-	(26,784)	(113,431)	(96,979)		
				(0.0021)	(0.0090)	(0.0077)		

Recalculation of Blended Rate

Main	1,857,525	1,733,953
Services	1,249,845	1,144,030
Total	3,107,369.82	2,877,982.86
	0.23	0.23

ARO Mass Individual Transitr .il Report

USA Power Corp
USA Gas Company

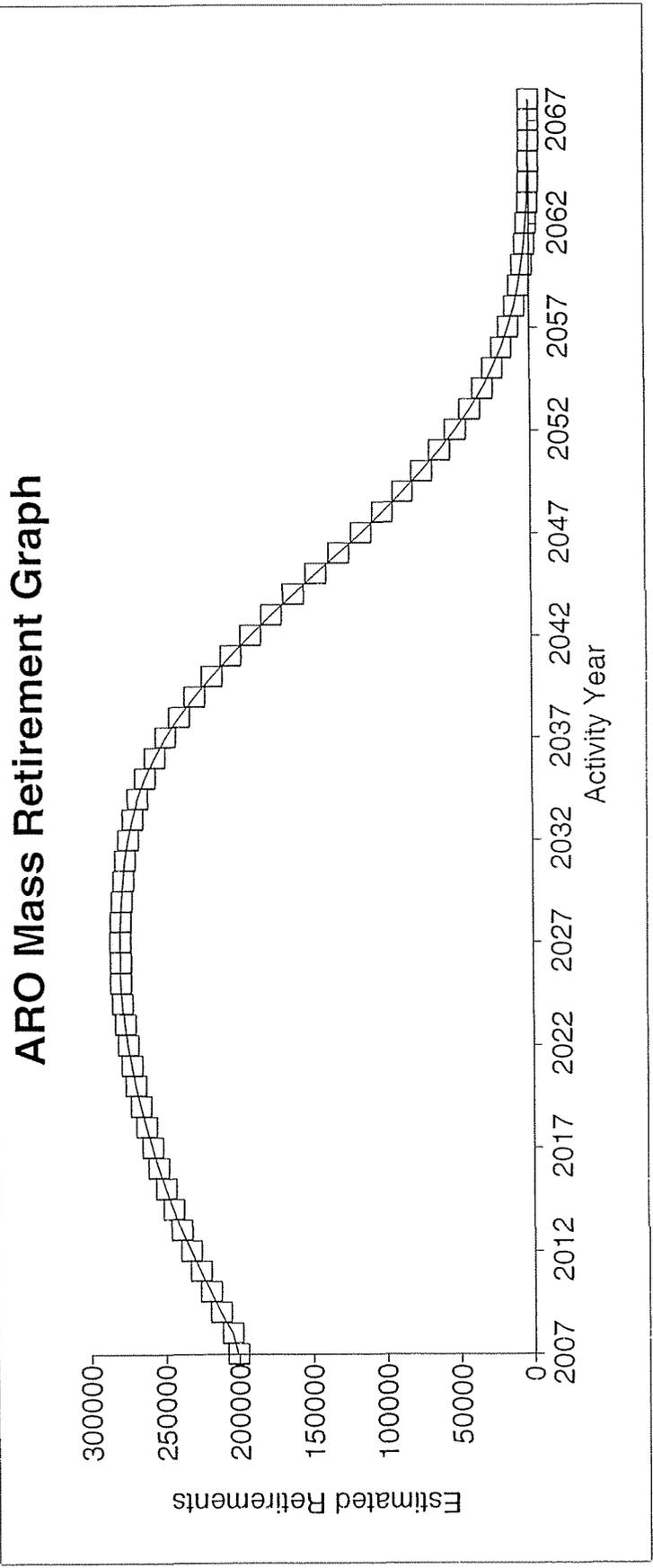
Description: ~~DNG Purge and Seal Mains ARO~~ Long Description: DNG Purge and Seal Mains ARO
 ARO Type: Mass Liability Account: 2300001 ARO Liability Accretion Account: 411100 ARO Accretion
 Transition Month: 01/2007 Accounting Adjustment Account: XXX.1 - Accum Accounting Adjust

Layer #	Layer Comments	Initial Layer Date	Discount Rate	Annual Eff. Rate	Asset Value	Accumulated Depreciation	Accumulated Accretion	Total Liability
1	Layer #1	01/1970	7.72%	8.00%	\$210,848.64	\$75,668.27	\$585,768.05	\$796,616.69

Layer #	Stream #	Probability	Unit Cost	Inflation Rate	Risk Premium Rate
1	1	100%	\$0.18	3.0%	5.0%
1	2	0%			
1	3	0%			

ARO Layer Mass Inputs:

ARO Totals: \$210,848.64 \$75,668.27 \$585,768.05 \$796,616.69



ARO Mass Individual Transiti... I Report

USA Power Corp
USA Gas Company

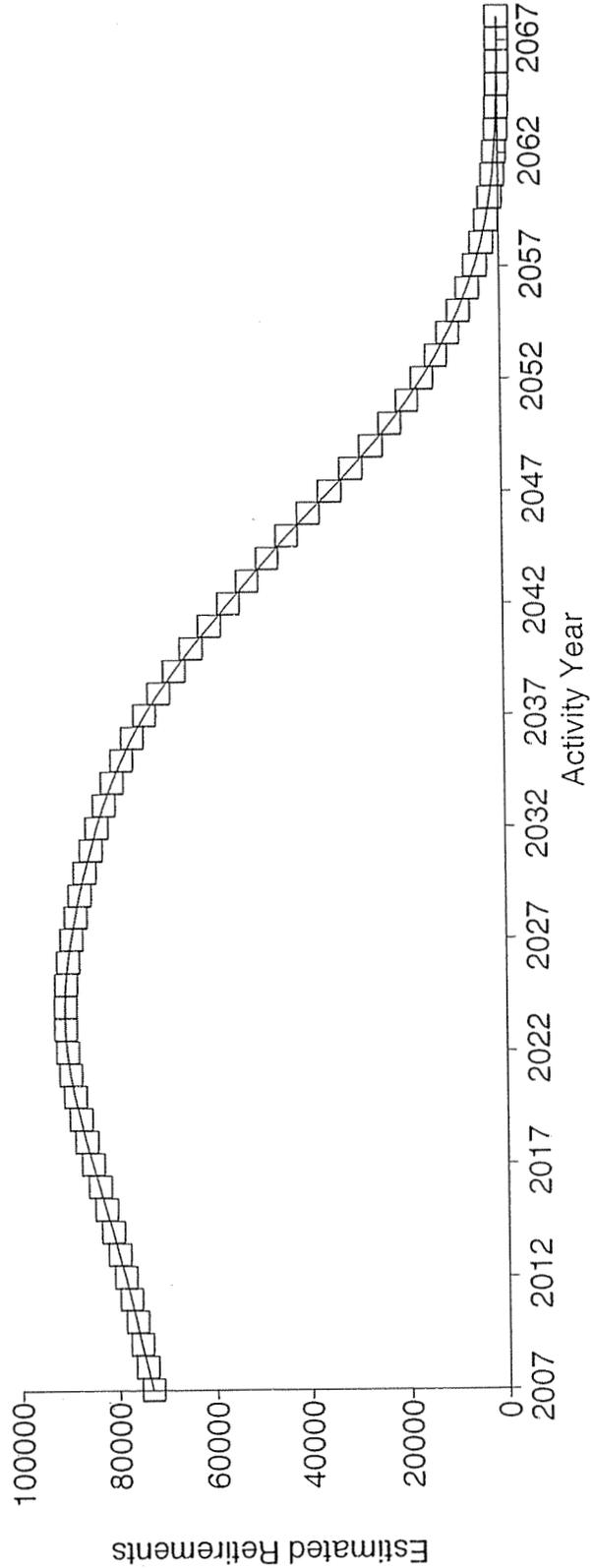
Description:	DNG Purge and Seal Services ARO		Long Description:	DNG Purge and Seal Services ARO				
ARO Type:	Mass	Liability Account:	2300001 ARO Liability	Accretion Account:	411100 ARO Accretion			
Transition Month:	01/2007	Accounting Adjusting Account:	XXX.1 - Accum Accounting Adjust					
Layer #	Layer Comments	Initial Layer Date	Discount Rate	Annual Eff. Rate	Asset Value	Accumulated Depreciation	Accumulated Accretion	Total Liability
1	Layer #1	01/1970	7.72%	8.00%	\$138,932.48	\$51,470.73	\$413,202.95	\$552,135.43

Layer #	Stream #	Probability	Unit Cost	Inflation Rate	Risk Premium Rate
1	1	100%	\$938	3.0%	5.0%
1	2	0%			
1	3	0%			

ARO Layer Mass Inputs:

ARO Totals: \$138,932.48 \$51,470.73 \$413,202.95 \$552,135.43

ARO Mass Retirement Graph



DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

189. Refer to page 39 of Delta's December 31, 2006 Form 10-K. Provide all workpapers supporting the calculation of the \$850 thousand (2005) and \$880 thousand (2006) regulatory liabilities for cost of removal. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact. Provide the amounts on an account-by-account basis, and also provide the portion of those amounts that are related to Kentucky jurisdictional operations.

RESPONSE:

See response to 191 and 195, and the account-by-account analysis provided for cost of removal that is not an asset retirement obligation. For its Form 10-K financial statements, Delta reclassified \$849,962 and \$880,203 as of June 30, 2005 and 2006, respectively, from accumulated depreciation to regulatory liabilities. All of the amounts reclassified are related to the Kentucky jurisdiction. However, such amounts are not regulatory liabilities for regulatory purposes in Kentucky.

Sponsoring Witness:

John B. Brown

Cost of Removal Depreciation Accounts

Dates	Cost of Rmvl Entry		Depr Entry		Cost of Rmvl Entry		Depr Entry		Cost of Rmvl Entry		Depr Entry		Cost of Rmvl Entry		Depr Entry		Cost of Rmvl Entry		Depr Entry		Total Cost of Removal of Depr		Total Cost of Removal to Date	
	1.108.69	1.108.69	1.108.78	1.108.78	1.108.79	1.108.79	1.108.80	1.108.80	1.108.82	1.108.82	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85	1.108.85
Beg Bal	(57,762.00)																					(807,429.00)		(810,890.83)
Nov-04	(524.59)		(30,127.00)	(295.99)	(17,441.00)	(95.48)	(3,998.36)	3,419.22	(3,166.52)	1,465.38	(264.49)	(3,833.00)	(3,166.52)	1,465.38	(264.49)	(3,833.00)	(3,166.52)	1,465.38	(264.49)	(3,833.00)	(3,461.83)		(816,886.71)	
Dec-04	(527.69)		(295.96)	(297.42)	(102.05)	(102.05)	(4,017.33)	1,674.43	(3,180.29)	717.62	(264.61)	(264.61)	(3,180.29)	717.62	(264.61)	(264.61)	(3,180.29)	717.62	(264.61)	(264.61)	(5,995.88)		(822,997.22)	
Jan-05	(528.05)		(297.42)	(297.42)	(104.39)	(104.39)	(4,033.62)	1,617.20	(3,194.52)	693.11	(265.16)	(265.16)	(3,194.52)	693.11	(265.16)	(265.16)	(3,194.52)	693.11	(265.16)	(265.16)	(7,228.55)		(830,225.77)	
Feb-05	(528.05)		(297.43)	(297.43)	(104.39)	(104.39)	(4,053.18)	857.31	(3,202.53)	367.40	(267.69)	(267.69)	(3,202.53)	367.40	(267.69)	(267.69)	(3,202.53)	367.40	(267.69)	(267.69)	(5,559.85)		(835,785.62)	
Mar-05	(535.43)		(299.84)	(299.84)	(104.70)	(104.70)	(4,083.14)	2,040.74	(3,209.75)	874.61	(268.74)	(268.74)	(3,209.75)	874.61	(268.74)	(268.74)	(3,209.75)	874.61	(268.74)	(268.74)	(4,713.15)		(840,498.77)	
Apr-05	(535.12)		(302.77)	(302.77)	(104.49)	(104.49)	(4,102.95)	2,461.88	(3,227.92)	1,055.04	(268.74)	(268.74)	(3,227.92)	1,055.04	(268.74)	(268.74)	(3,227.92)	1,055.04	(268.74)	(268.74)	(5,022.35)		(845,521.12)	
May-05	(539.11)		(311.66)	(311.66)	(106.11)	(106.11)	(4,126.53)	2,901.35	(3,244.29)	1,243.43	(268.74)	(268.74)	(3,244.29)	1,243.43	(268.74)	(268.74)	(3,244.29)	1,243.43	(268.74)	(268.74)	(4,441.15)		(849,962.27)	
Jun-05	(541.15)		(316.95)	(316.95)	(106.11)	(106.11)	(4,155.59)	1,539.42	(3,257.98)	659.76	(268.74)	(268.74)	(3,257.98)	659.76	(268.74)	(268.74)	(3,257.98)	659.76	(268.74)	(268.74)	(6,442.05)		(856,404.32)	
Aug-05	(540.52)		(318.12)	(318.12)	(106.11)	(106.11)	(4,172.76)	2,666.97	(3,270.84)	485.45	(268.74)	(268.74)	(3,270.84)	485.45	(268.74)	(268.74)	(3,270.84)	485.45	(268.74)	(268.74)	(7,073.95)		(861,264.20)	
Sep-05	(541.04)		(317.56)	(317.56)	(106.11)	(106.11)	(4,187.34)	1,132.79	(3,280.55)	942.90	(270.28)	(270.28)	(3,280.55)	942.90	(270.28)	(270.28)	(3,280.55)	942.90	(270.28)	(270.28)	36,947.60		(868,338.15)	
Oct-05	(541.04)		(317.05)	(317.05)	(106.11)	(106.11)	(4,201.83)	2,200.11	(3,290.34)	778.21	(270.87)	(270.87)	(3,290.34)	778.21	(270.87)	(270.87)	(3,290.34)	778.21	(270.87)	(270.87)	(6,193.06)		(873,390.55)	
Nov-05	(582.09)		(309.77)	(309.77)	(103.96)	(103.96)	(4,234.51)	503.15	(3,299.61)	215.64	(270.84)	(270.84)	(3,299.61)	215.64	(270.84)	(270.84)	(3,299.61)	215.64	(270.84)	(270.84)	(8,091.42)		(877,583.61)	
Dec-05	(584.76)		(309.32)	(309.32)	(103.96)	(103.96)	(4,247.91)	1,702.34	(3,305.95)	729.57	(274.05)	(274.05)	(3,305.95)	729.57	(274.05)	(274.05)	(3,305.95)	729.57	(274.05)	(274.05)	(6,391.18)		(882,066.21)	
Jan-06	(591.70)		(309.32)	(309.32)	(103.96)	(103.96)	(4,256.16)	1,329.69	(3,309.65)	569.86	(274.05)	(274.05)	(3,309.65)	569.86	(274.05)	(274.05)	(3,309.65)	569.86	(274.05)	(274.05)	(6,945.29)		(889,011.50)	
Feb-06	(223.69)		(309.32)	(309.32)	(103.96)	(103.96)	(4,263.62)	1,991.33	(3,313.03)	853.43	(273.84)	(273.84)	(3,313.03)	853.43	(273.84)	(273.84)	(3,313.03)	853.43	(273.84)	(273.84)	(5,275.07)		(894,286.57)	
Mar-06	(598.56)		(309.32)	(309.32)	(103.96)	(103.96)	(4,278.41)	2,555.53	(3,320.43)	1,095.23	(273.84)	(273.84)	(3,320.43)	1,095.23	(273.84)	(273.84)	(3,320.43)	1,095.23	(273.84)	(273.84)	(5,233.76)		(899,520.33)	
Apr-06	(599.90)		(309.32)	(309.32)	(103.96)	(103.96)	(4,291.73)	3,178.62	(3,324.48)	1,362.27	(273.84)	(273.84)	(3,324.48)	1,362.27	(273.84)	(273.84)	(3,324.48)	1,362.27	(273.84)	(273.84)	(4,362.34)		(873,882.67)	
May-06	(597.96)		(36,267.83)	(36,267.83)	(19,524.36)	(19,524.36)	(4,314.25)	1,827.71	(3,331.70)	783.30	(44,227.43)	(44,227.43)	(3,331.70)	783.30	(44,227.43)	(44,227.43)	(3,331.70)	783.30	(44,227.43)	(44,227.43)	(6,320.02)		(880,202.69)	
Totals	(66,532.59)	-	(36,267.83)	(36,267.83)	(19,524.36)	(19,524.36)	(441,816.22)	40,072.06	(371,971.17)	17,173.75	(44,227.43)	(44,227.43)	(371,971.17)	17,173.75	(44,227.43)	(44,227.43)	(371,971.17)	17,173.75	(44,227.43)	(44,227.43)	(43,859.59)		(880,202.69)	
Account Total	(66,532.59)	(66,532.59)	6,255.43	6,255.43	(19,524.36)	(19,524.36)	(401,744.16)	(401,744.16)	(354,797.42)				(354,797.42)				(354,797.42)							(880,202.69)

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

190. Provide the calculation of Delta's regulatory liability for cost of removal as of December 31, 2006. Please provide this on an account-by-account basis, in Excel format, with all formulae intact. Indicate how much of each amount relates to Kentucky jurisdictional operations.

RESPONSE:

See responses to 189, 191 and 195, and the account-by-account analysis provided.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

191. Provide an analysis of the regulatory liability for cost of removal since inception identifying and explaining each debit and credit entry and amount.

RESPONSE:

As explained in the response to 195, cost of removal that is not an asset retirement obligation should be included as a component of the depreciation expense and recorded as accumulated depreciation, not as a regulatory liability for regulatory purposes in Kentucky. In Delta's PSC Annual Report for 2006, \$831,877 of cost of removal that is not an asset retirement obligation is incorrectly classified and described in Account 254, other regulatory liabilities, instead of Account 108, accumulated depreciation.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

192. What impact did the application of FIN 47 have upon the proposed depreciation rates and expense in this rate case? Provide all workpapers supporting the answer.

RESPONSE:

The application of FIN 47 will have no impact upon the proposed depreciation rates and expense because the related effects have been excluded from test year rate base and operating expenses.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

193. Provide Delta's projection of the annual year-end balance in the regulatory liability for cost of removal shown in its Annual Report, for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is available. If this projection has not been made, please explain why not.
- a. For this projection assume that all of Delta's proposed depreciation rates are approved as requested. Provide in hard copy and in electronic format with all formulae intact.
 - b. Explain all assumptions used to make this projection.

RESPONSE:

See the responses to 191 and 195. Delta does not anticipate recording a regulatory liability related to cost of removal that is not an asset retirement obligation for Kentucky regulatory purposes during the next 20 years. As discussed in the response to 191, in Delta's PSC Annual Report for 2006, \$831,877 of cost of removal that is not an asset retirement obligation is incorrectly classified and described in Account 254, other regulatory liabilities, instead of Account 108, accumulated depreciation.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

194. Provide the calculation of the annual amount of future net salvage incorporated into Delta's existing depreciation rates and in its proposed depreciation rates by account. If the amount is reduced by the total amount of non-legal AROs included in year-end accumulated depreciation, show that calculation.

RESPONSE:

The requested analysis has not been performed.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

195. With respect to the Regulatory Liability relating to asset cost of removal which you reclassified out of accumulated depreciation:
- a. Do you agree that this constitutes a regulatory liability for regulatory purposes in Kentucky? If not, please explain why not.
 - b. Do you agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?
 - c. Please explain the repayment provisions associated with this regulatory liability.
 - d. Explain when you expect to spend this money for cost of removal.
 - e. Explain what you have done with this money as you have collected it. If you say that you have spent it on plant additions, please prove it.
 - f. Identify and explain all other similar examples of Delta's advance collections of estimated future costs for which it does not have a legal obligation.
 - g. Does Delta agree that the Kentucky Public Service Commission will never know whether or not Delta will actually spend all of this money for cost of removal until and if Delta goes out of business? If not, why not?
 - h. Does Delta believe that amounts recorded in accumulated depreciation represent capital recovery? If not, why not?
 - i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?

RESPONSE:

- a. No, the regulatory liability relating to cost of removal which was reclassified out of accumulated depreciation does not constitute a regulatory liability for regulatory purposes in Kentucky. The reclassification was initially made for external financial reporting purposes under accounting principles generally accepted in the United States of America, as interpreted by the staff of the Securities and Exchange Commission. In Federal Energy Regulatory Commission Order No. 631 (Docket No. RM02-7-000, issued April 9, 2003), which addresses asset retirement obligations, the Commission stated: "Under the existing requirements of the Uniform System of Accounts removal costs that are not asset retirement obligations are included as a component of the depreciation expense and recorded as accumulated depreciation." Accordingly, the reclassified amount is not a regulatory liability for regulatory purposes in Kentucky.
- b. No, the amount is not a refundable obligation to ratepayers because, as noted in a. above, it is a component of the depreciation expense and recorded in accumulated depreciation for regulatory purposes in Kentucky.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

- c. There are no repayment provisions associated with this amount.
- d. Payments will be made as cost of removal related expenditures occur.
- e. Delta does not segregate or restrict funds in order to separately track its cash-in-flows and cash-out-flows.
- f. Cost of removal is a component of the depreciation expense, as noted in a. above, and recognized as a current period cost. Cost of removal is not an estimated future cost.
- g. No, Delta does not agree. The FERC's USOA and Order No. 631 require separate subsidiary records for cost of removal for non-legal retirement obligations that are recorded in accumulated depreciation in order to identify such information to facilitate regulatory analysis for rate setting purposes. Because of this detailed recordkeeping, the Kentucky Public Commission will be able to monitor Delta's cost of removal expenditures.
- h. Delta believes that in a cost-of-service rate regulated environment, the recovery of depreciation expense is the source for capital recovery. Because of such recovery, the cost of removal balance of \$831,877 as of December 31, 2006 should be included in accumulated depreciation and as a reduction in rate base. Delta's test year rate base does not include this adjustment to accumulated depreciation, which it believes is appropriate to make. This treatment of cost of removal then would be consistent with Delta's past rate base filings and PSC orders.
- i. Accumulated depreciation reflects the recovery of shareholders' capital.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

196. For all accounts for which Delta has collected removal costs not related to AROs, but instead recorded a regulatory liability, please provide the fair value of the related asset retirement cost as of December 31, 2003; December 31, 2004, December 31, 2005 and December 31, 2006. For the purposes of this question, assume that Delta has legal AROs for these accounts, and use the life and dispersion assumptions reflected in Mr. Seelye's depreciation study.

RESPONSE:

There are no asset retirement costs, as described in Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," related to cost of removal that does not constitute a legal obligation and is, therefore, not an asset retirement obligation. Delta has not performed a computation of the related asset retirement costs with the hypothetical assumption that such removal costs are legal AROs.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

197. Please provide a copy of the Company's five-year (or shorter if 5 years is not prepared) operating and capital budgets prepared in 2004, 2005 and 2006.

RESPONSE:

Budgets filed under seal with motion for confidential treatment.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

198. For the budgets supplied in response to the preceding question, please provide a description of all variations from actual expense levels which are due to known and certain changes, providing supporting documentation. Indicate all variations from actual levels which result from the application of inflation or escalation factors. In those instances where inflation or escalation factors were utilized, explain the derivation of the factors used in each case. If a single factor was used, a summary description will suffice.

RESPONSE:

We have no such document.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

199. Please indicate, if known and quantifiable, any anticipated changes in jurisdictional allocation factors and the impacts thereof on the 2006 test year.

RESPONSE:

Not applicable as Delta does not have multiple jurisdictions and therefore doesn't utilize allocation factors.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED 6/07/07

200. Indicate the number of and expenses related to temporary or seasonal employees included in 2004, 2005 and 2006 jurisdictional expenses.

RESPONSE:

Year	Number	Expense
2004	16	\$76,148
2005	20	\$97,455
2006	17	\$83,787

Sponsoring Witness:

John B. Brown