

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS)
COMPANY, INC. FOR AN ADJUSTMENT OF) CASE NO. 2010-00116
RATES)

NOTICE OF FILING

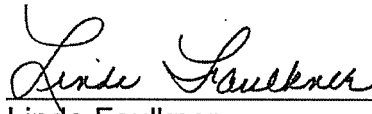
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recordings of the evidentiary hearings conducted on August 31, 2010, September 1, 2010 and September 30, 2010 in this proceeding;
- Certification of the accuracy and correctness of the digital video recordings;
- All exhibits introduced at the evidentiary hearing conducted on September 1, 2010 in this proceeding;
- A written list of the exhibits introduced at the evidentiary hearing conducted on September 1, 2010 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recordings of the evidentiary hearings conducted on August 31, 2010, September 1, 2010 and September 30, 2010.

A copy of this Notice, the certifications of the digital video record, exhibit list, and hearing logs have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recordings of the hearings may download a copy of the August 31, 2010 hearing at http://psc.ky.gov/av_broadcast/2010-00116/2010-00116_31Aug10_Inter.aspx; the

September 1, 2010 hearing at http://psc.ky.gov/av_broadcast/2010-00116/2010-00116_01Sep10_Inter.aspx and the September 30, 2010 hearing at http://psc.ky.gov/av_broadcast/2010-00116/2010-00116_30Sep10_Inter.aspx. The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2010%20cases/2010-00116/>.

Done at Frankfort, Kentucky, this 7th day of October 2010.



Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

Paul D Adams
Office of the Attorney General
Utility & Rate Intervention Division
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Frankfort, KY 40601-8204

John B Brown
Chief Financial Officer
Delta Natural Gas Company, Inc.
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Honorable Robert M Watt, III
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STOLL KEENON OGDEN PLLC
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Lexington, KY 40507-1801

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In the Matter of:

APPLICATION OF DELTA NATURAL GAS)
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CERTIFICATE

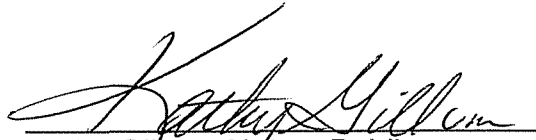
I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on August 31, 2010;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing;
4. No Exhibits were introduced in the August 31, 2010 portion of this hearing.

The hearing in this case was recorded in 3 segments, August 31, 2010, September 1, 2010 and September 30, 2010 separately.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of August 31, 2010 and the time at which each occurred.

Given this 7th day of October, 2010.


Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2010-00116_31Aug2010

Case Title: Delta Natural Gas Company, Inc.
 Case Type: General Rates
 Department:
 Plaintiff:
 Prosecution:
 Defendant:
 Defense:

Date: 8/31/2010

Location: Default Location
 Judge: David Armstrong, Jim Gardner, Charles Borders
 Clerk: Kathy Gillum
 Bailiff:

Event Time	Log Event
10:04:43 AM	Case Started
10:04:49 AM	Preliminary Remarks
10:04:57 AM	Case Stopped

Date: 8/31/2010

Location: Default Location
 Judge: David Armstrong, Jim Gardner, Charles Borders
 Clerk: Kathy Gillum
 Bailiff:

Event Time	Log Event
10:05:38 AM	Case Started
10:05:53 AM	Introductions Note: Kathy Gillum
	Robert Watt III and Monica Braun for Delta Gas; Paul Adams for OAG; Anita Mitchell and Allyson Honaker for PSC
10:07:07 AM	Comment by Robert Watt III Note: Kathy Gillum
	Robert Watt III stated that notice was not published by 3 newspapers.
10:10:11 AM	Comment by Anita Mitchell, PSC Note: Kathy Gillum
	Regarding notices not being published. Anita Mitchell recommends as follows: that notice be published, establish a new hearing date, reconvene hearing.
10:11:13 AM	Chairman Armstrong Note: Kathy Gillum
	Chairman Armstrong states that the PSC will issue an Order reconvening hearing and requiring notice to be published in the Clay City Times
10:12:15 AM	Witness: Glenn Jennings Note: Kathy Gillum
	Witness called to testify by Robert Watt III
10:14:06 AM	Chairman Armstrong
10:14:28 AM	Witness Sworn
10:15:24 AM	Examination of Witness by Robert Watt III Note: Kathy Gillum

10:15:47 AM Examination of witness by Paul Adams, OAG
Note: Kathy Gillum Paul Adams, OAG diverted questioning to PSC staff and reserved followup questioning

10:16:28 AM Examination of witness by Anita Mitchell, PSC

10:31:35 AM Case Note Entry
Note: Kathy Gillum Corporate structure explained by witness

10:32:58 AM Anita Mitchell - Data Requested
Note: Kathy Gillum Anita Mitchell requests an actual redacted bill be provided to the Commission for examination

10:33:20 AM Examination of witness by Paul Adams, OAG

10:34:59 AM Examination of witness by Robert Watt III

10:36:11 AM Questions of witness by Commissioner Gardner - Data Requested
Note: Kathy Gillum Commissioner Gardner requested that Delta provide a percentage to the Commission of gas amounts moving into the interstate pipeline for the years 2006-2010

10:43:58 AM Question of witness by Chairman Armstrong

10:47:08 AM Questions of witness by Commissioner Gardner

10:52:39 AM Case Note Entry
Note: Kathy Gillum Shut-offs for non-payment discussed

10:53:17 AM Commissioner Gardner Requests Data
Note: Kathy Gillum Requested an average of accounts concerning non-payment, etc. for the test year

10:54:06 AM Questions of witness by Commissioner Borders

10:57:30 AM Case Note Entry
Note: Kathy Gillum Storage capacity discussed

11:03:53 AM Case Note Entry
Note: Kathy Gillum Inventory loss discussed

11:09:54 AM Examination by Robert Watt III
Note: Kathy Gillum Redirect of witness Glenn Jennings.

11:12:12 AM Witness excused

11:12:28 AM Witness Matthew C. Wesolosky
Note: Kathy Gillum Witness, Matthew C. Wesolosky called to testify by Robert Watt III

11:13:25 AM Examination of witness by Robert Watt III

11:13:37 AM Examination of witness by Anita Mitchell, PSC
Note: Kathy Gillum

11:22:46 AM Anita Mitchell, PSC Requests Data
Note: Kathy Gillum Anita Mitchell requested a copy of a letter that will be attached to a response from the insurance company regarding their claim.

11:29:26 AM Witness presented with document to examine
Note: Kathy Gillum Item 46, part A of Data Request presented to witness by Anita Mitchell was discussed

11:35:01 AM Anita Mitchell, PSC Requests Data
Note: Kathy Gillum The last two tax years consulting costs.

11:37:10 AM Questions of the witness by Commissioner Gardner

11:44:31 AM Questions of witness by Commissioner Borders

11:12:45 AM Witness Sworn

11:48:17 AM Examination of witness by Paul Adams, OAG

11:50:52 AM Questions by Robert Watt III
Note: Kathy Gillum Robert Watt III presented a question to the Commission, directed toward OAG for response

11:51:49 AM Examination of witness by Robert Watt III

11:53:35 AM Questions by Commissioner Gardner.

11:55:27 AM Witness excused.

11:56:14 AM Case Recessed

1:01:33 PM Case Started

1:01:48 PM Witness John Brown
Note: Kathy Gillum Witness John Brown called to testify by Robert Watt III

1:02:04 PM Witness Sworn

1:02:08 PM Examination of witness by Robert Watt III

1:04:02 PM Changes to pre-filed testimony
Note: Kathy Gillum John Brown testified that he wished to make changes to his pre-filed testimony.

1:05:04 PM Examination of witness by Anita Mitchell, PSC

1:07:21 PM Questions of the witness by Commissioner Gardner

1:30:08 PM Commissioner Gardner Requests Data

1:31:18 PM Questions of witness by Commissioner Borders

1:38:09 PM Examination by Anita Mitchell, PSC

1:38:47 PM Examination of witness by Robert Watt III

1:40:28 PM Witness Excused

1:40:38 PM Witness, William Stephen Seelye
Note: Kathy Gillum Witness, William Stephen Seelye called to testify by Robert Watt III

1:41:25 PM Witness Sworn

1:42:25 PM Examination of the witness by Robert Watt III
Note: Kathy Gillum

1:42:45 PM Changes to pre-filed testimony

1:43:02 PM Examination of witness by Anita Mitchell, PSC

1:49:48 PM Case Note Entry
Note: Kathy Gillum Discussion of Item 42 of PSC 2nd Data Request (with exhibits) by witness and Anita Mitchell, PSC

1:53:34 PM Anita Mitchell, PSC Requests Data
Note: Kathy Gillum Witness to provide updated accurate information to replace information witness stated was inaccurate in Item 42

1:58:31 PM Questions by Commissioner Gardner

1:59:24 PM Comment by Robert Watt III

1:59:53 PM Anita Mitchell, PSC resumes examination

2:01:01 PM Anita Mitchell, PSC Requests Data
Note: Kathy Gillum Anita Mitchell asks witness to update and provide a full response to questions posed during testimony. Includes Account Nos. 381, 352, 376 and 380. Witness agrees.

2:06:19 PM Anita Mitchell, PSC Request Data
Note: Kathy Gillum The time period when grouping together (services) occurred

2:06:38 PM Questions by Commissioner Gardner

2:22:18 PM Examination by Paul Adams, OAG

2:28:35 PM Case Note Entry
Note: Kathy Gillum Discussion of page 7, Item D by witness and Paul Adams, OAG

2:32:37 PM Examination of witness by Robert Watt III
Note: Kathy Gillum Clarification of witnesses testimony

2:34:08 PM Paul Adams, OAG Requests Data
Note: Kathy Gillum

Paul Adams, OAG requests calculations testified to by witness.
(witness explains on record)

2:35:32 PM Witness Excused

2:35:45 PM Robert Watt III

2:36:17 PM Case Recessed

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In the Matter of:


APPLICATION OF DELTA NATURAL GAS)
COMPANY, INC. FOR AN ADJUSTMENT OF) CASE NO. 2010-00116
RATES)

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on September 1, 2010;
2. Melinda Ernst, Associate Clerk, is responsible for the preparation of the digital recording, of which I have reviewed;
3. The digital recording accurately and correctly depicts the hearing;
4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of September 1, 2010. The hearing in this case was recorded in 3 segments, August 31, 2010, September 1, 2010 and September 30, 2010 separately.
5. All exhibits introduced at the hearing of September 1, 2010 are attached to this Certificate and are the original documents presented at the hearing; and
6. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of September 1, 2010 and the time at which each occurred.

Given this 7th day of October, 2010.


Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case No. 2010-00116 01Sept10

Case Title: Delta Natural Gas

Case Type:

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 9/1/2010

Location: Default Location

Judge: David Armstrong, Jim Gardner, Charles Borders

Clerk: Melinda Ernst

Bailiff:

Event Time	Log Event
10:11:46 AM	Case Started
10:11:46 AM	Case began
	Note: Kathy Gillum Case was delayed in starting due to technical difficulty
10:12:46 AM	Witness, Martin Blake
	Note: Kathy Gillum Witness calld to testify by Robert Watt III
10:15:40 AM	Examination of witness by Anita Mitchell, PSC
10:11:55 AM	Housekeeping Issues Discussed
10:22:46 AM	Anita Mitchell introduced Exhibit
	Note: Kathy Gillum Natural Gas Utility report was introduced as Exhibit 1.
10:29:41 AM	Paul Adams, OAG, had no questions for witness Martin Blake
10:29:51 AM	No Re-Direct by Robert Watt III
10:29:56 AM	Questions of witness by Commissioner Gardner
	Note: Kathy Gillum Commissioner Gardner questioned witness regarding Exhibit 16
	Note: Kathy Gillum previously filed in the case record. Also, questioned regarding unregulated subsidiaries of Delta and testimony of August 31, 2010
10:57:22 AM	Questions of witness by Commissioner Borders
11:02:27 AM	Commissioner Armstrong called for further questions.
11:02:50 AM	Robert Watt requested a moment
11:03:34 AM	Examination of witness by Anita Mitchell, PSC
11:03:45 AM	Re-direct by Robert Watt III
11:05:15 AM	Witness Martin Blake Excused
11:06:26 AM	Statement by Anita Mitchell
	Note: Kathy Gillum Discussion occurred on submittal of briefs in case. Anita Mitchell explained the case and information will be published on the Public Service Commission's website
11:07:37 AM	Case Recessed

11:07:30 AM Hearing Adjourned
Note: Kathy Gillum

This is the 2nd day of the hearing. The conclusion of hearing will be held 9-30-10 at 10:00 am for purposes of establishing that proper public notice was given.



Case Title: Delta Natural Gas Company, Inc.

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Name	Description
PSC Exhibit 1	Natural Gas Utility Report

INDUSTRY TIMELINESS: 77 (of 97)

The Natural Gas Utility Industry continues to face a difficult operating environment. A weak global economy and a tough regulatory climate have been the primary factors weighing on this sector. These companies continue to work to develop new opportunities to increase their profitability. However, for now, near-term prospects appear to be widely limited.

A Weak Economy

The macroeconomic climate continues to pressure this group. The dormant construction sector, reduced industrial demand, and unfavorable gas prices have hurt results in recent months. Weakness in the housing market has also weighed on demand in this industry. Indeed, new customer growth has been uninspiring of late. And existing customers are increasingly focusing on conservation, further dampening this sector's performance. Moreover, bill collection will likely continue to be challenging due to weak household income. Note, though, that this difficult stretch may make for easier year-over-year comparisons.

By and large, this industry tends to perform well when financial markets are turbulent. The recent volatility may well make less risky, dividend-paying businesses such as these utilities more attractive. Accordingly, we would keep an eye on this group in the months ahead.

Regulatory Environment

The most important factor for natural gas utilities remains the regulatory environment. The status of rate cases, which is dictated by state commissions and determines the return on equity these companies can earn, is closely watched. Rate cases generally occur when operational costs begin to pressure profitability. When rates are in order, these utilities generally post limited, though consistent, growth year to year. A new rate case that is viewed favorably can have a notable impact on a company's stock valuation. However, regulators also try to be cognizant of customers' interests by keeping prices fair. Note that the recent decline in natural gas prices augurs well for utilities seeking rate relief. All told, prospective investors should look out for stocks in the following pages that have cases pending since any decision could impact their performance.

Other Operating Factors

The managements of these companies routinely use a variety of strategies to improve results. Cost cutting has been a popular tactic in recent months as demand for natural gas has waned. Another strategy that is common is developing nonregulated ventures. These operations provide more upside (and are also more risky) than regulated operations since they are not restrained by state commissions. Further, these businesses provide a way for utilities to diversify their revenue base. Consolidation has been another option these companies have pursued to grow their business.

Unseasonable conditions can create volatility for these utilities, which can wreak havoc on the steady growth these businesses generally exhibit. In response, many companies use weather-adjusted rate mechanisms to stabilize results when there is unseasonable weather. Accordingly, conservative investors may want to consider companies that use such hedges.

Conclusion

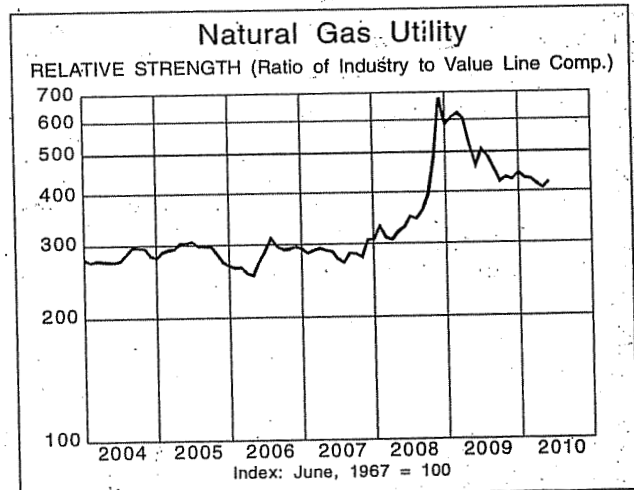
The Natural Gas Utility Industry is ranked in the bottom half of our Industry spectrum. This group has lagged the market in recent months. Moreover, these companies have not registered particularly impressive top- and bottom-line results of late. Looking further, we expect this group to remain under pressure in the months ahead due to unfavorable gas prices and the weakness in the global economy. However, if the economic recovery falters, these stocks may again come into favor as defensive plays, given their steady cash flow and reliable businesses.

The primary appeal of this sector is its above-average dividend yield. The average yield for this sector is about 4.6%, more than double the Value Line median of 2.1%. All told, we suggest conservative, income-oriented investors take a look here.

Richard Gallagher

Composite Statistics: Natural Gas Utility

2006	2007	2008	2009	2010	2011		13-15
38273	38528	44207	45500	47000	48500	Revenues (\$mill)	54750
1553.3	1562.4	1694.2	1775	1850	1925	Net Profit (\$mill)	2250
35.3%	33.9%	35.7%	36.0%	36.0%	36.0%	Income Tax Rate	36.0%
4.0%	4.1%	3.8%	3.9%	3.9%	4.0%	Net Profit Margin	4.1%
51.2%	50.4%	50.6%	51.0%	51.0%	51.0%	Long-Term Debt Ratio	52.0%
48.7%	49.5%	49.4%	48.0%	48.0%	48.0%	Common Equity Ratio	46.0%
30847	32263	32729	33250	34750	36250	Total Capital (\$mill)	42000
32543	33936	35342	36750	38500	40250	Net Plant (\$mill)	48250
6.6%	6.5%	6.8%	6.5%	6.0%	5.5%	Return on Total Cap'l	5.5%
10.2%	9.8%	10.5%	10.0%	10.5%	10.0%	Return on Shr. Equity	10.0%
10.2%	9.8%	10.5%	10.0%	10.5%	10.0%	Return on Com Equity	10.0%
4.0%	3.7%	4.3%	4.0%	4.5%	4.0%	Retained to Com Eq	4.5%
61%	62%	59%	60%	62%	61%	All Div'ds to Net Prof	65%
15.6	16.6	13.9				Avg Ann'l P/E Ratio	13.0
.84	.88	.83				Relative P/E Ratio	.85
3.9%	3.7%	4.2%				Avg Ann'l Div'd Yield	4.6%
327%	336%	358%	375%	375%	375%	Fixed Charge Coverage	400%



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RATES)
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CERTIFICATE

I, Kathy Gillum, hereby certify that:

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2. I am responsible for the preparation of the digital recording;
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4. No Exhibits were introduced in the September 30, 2010 portion of this hearing. The hearing in this case was recorded in 3 segments, August 31, 2010, September 1, 2010 and September 30, 2010 separately.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of September 30, 2010 and the time at which each occurred.

Given this 7th day of October, 2010.



Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2010-00116_30Sep10

Case Title: Delta Natural Gas Company, Inc.

Case Type: General Rates

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 9/30/2010

Location: Default Location

Judge: Jim Wood

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
10:01:27 AM	Case Started	
10:01:38 AM	Preliminary Remarks	
10:02:21 AM	Introductions	
	Note: Kathy Gillum	Robert Watt III for Delta Gas; President of Delta Gas, Glenn Jennings; Paul Adams, OAG; Anita Mitchell for the PSC
10:03:37 AM	Housekeeping Issues Discussed	
	Note: Kathy Gillum	Publication was made in the Clay City Times and filed in the Commission records for the case
10:04:34 AM	Statement from Robert Watt	
	Note: Kathy Gillum	Delta would like to file a Brief.
10:05:30 AM	Statement by Hearing Officer, Jim Wood	
	Note: Kathy Gillum	Briefs will be due by close of business October 8, 2010
10:05:45 AM	No Public Comments	
10:05:59 AM	Statement by Anita Mitchell	
	Note: Kathy Gillum	Ms. Mitchell stated that the Commission had no objection to adjourning the hearing at this time
10:06:29 AM	Hearing Adjourned	
10:06:37 AM	Case Stopped	