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NEWS RELEASE

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PSC Grants Rate Adjustment to Delta Natural Gas *Revenue increase is \$2.1 million less than requested*

FRANKFORT, Ky. (Oct. 21, 2010) – The Kentucky Public Service Commission (PSC) today granted Delta Natural Gas Co. an annual revenue increase of \$3.3 million (6.5 percent), which is about \$2.1 million less than the amount sought by the utility.

In an order issued today, the PSC allowed Delta to increase its monthly residential customer charge to \$20.70 from the current \$15.30. The gas delivery charge will increase from the current \$4.16 per 1,000 cubic feet to \$4.27 per 1,000 cubic feet.

For a typical residential customer using an average of 5,000 cubic feet per month, the average bill will increase by \$5.95 per month, or \$71.40 per year.

Delta had requested a total annual revenue increase of nearly \$5.4 million, or about 11.5 percent. The company asked to increase the monthly residential customer charge to \$24.

The PSC arrived at the lower revenue increase by disallowing or adjusting several portions of Delta's request. The PSC denied Delta's request to recover from its ratepayers a loss of \$867,900 that the company incurred when gas leaked from its underground storage facility in eastern Kentucky in 2006 and 2007.

Delta did not seek the proper accounting treatment for the loss, the PSC said in its order. The PSC also said Delta's request constituted retroactive ratemaking, which is not permitted.

Other adjustments made by the PSC addressed pension costs, depreciation expense and the company's rate of return.

The PSC said the rates it set are "fair, just and reasonable" and will not produce excess revenue for Delta.

Delta serves about 37,000 customers in 23 counties in eastern and central Kentucky.

Delta filed its application for the increase on April 23, 2010. The PSC conducted public hearings on Aug. 31, Sept. 1 and Sept. 30. The new rates take effect Oct. 22.

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The increase granted by the PSC applies only to Delta's base rate, which covers the utility's cost of operating and maintaining its system, as well as any profit margin. The commodity cost of the gas itself, which is adjusted quarterly to reflect market prices, is determined separately and is passed through to consumers on a dollar-for-dollar basis by Delta, with no additional profit for the utility.

Delta's last base rate increase took effect three years ago.

Today's order, Delta's application and other documents in the case are available on the PSC's website. The case number is 2010-00116.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

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