

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC., FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF) CASE NO. 8466
PROMISSORY NOTES, DUE 1992, IN THE)
AMOUNT OF UP TO \$4,000,000)

O R D E R

On February 24, 1982, Delta Natural Gas Company, Inc., ("Delta") filed an application requesting authorization to issue promissory notes not to exceed \$4,000,000. These notes will have a 10-year term and the proceeds thereof will be used to retire existing short-term debt incurred by Delta through ordinary operations and the acquisition of approximately 57 miles of pipeline and related facilities from the Wiser Oil Company pursuant to the order in Case No. 8025.

The notes payable to Liberty National Bank and Trust Company will have the following terms:

1. Principal payments will begin 2 years after the issue date and will be payable thereafter in the amount of \$500,000 annually.
2. A \$10,000 facility fee will be payable upon the closing of the loan.

3. Interest will be payable using one of three options available at Delta's discretion during the life of the loan as follows:

a) Interest may be calculated using the prime interest rate plus a fixed percentage based on the maturity date as follows:

<u>Year</u>	<u>Interest</u>
1-2	Prime Only
3-4	Prime + 1/4 of 1%
5-6	Prime + 1/2 of 1%
7-10	Prime + 3/4 of 1%

Delta may elect to abandon or return to this method at any time during the life of the loan.

b) Interest may be calculated using the current Reserve Adjusted Certificate of Deposit ("RACD") rate plus a fixed number of basis points based on maturity as follows:

<u>Year</u>	<u>Rate</u>
1-2	RACD rate + 150 basis points
3-4	RACD rate + 160 basis points
5-6	RACD rate + 170 basis points
7-8	RACD rate + 175 basis points
9-10	RACD rate + 180 basis points

This option is available to Delta at any 30, 60, 90, 120, 150, 180, and 360-day period, and no prepayment is allowed before the expiration of any draw except with penalty.

c) Interest may be calculated under an option identical to option "b" with the exception that the 30-day CD reserve adjusted quote may be used with the rate being re-established weekly, based on the latest 30-day quote.

4. Delta at its option may apply any or all of the above-described interest rate options to all or varying portions of the outstanding loan. In addition, Delta has the right to fund all or part of the debt under a longer term fixed rate debt instrument if economic conditions improve.

The Commission is of the opinion and finds that the conditions set forth in the loan agreement will give Delta flexibility in the pricing of its long-term debt. Comparing this method with other sources of long-term debt financing available, the Commission finds that this method, under prudent management, will provide the least cost in the long-run period.

Therefore, the Commission, after consideration of the application and being advised, is of the opinion and finds that the proposed issuance is for lawful objects within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that Delta be and it hereby is authorized to issue notes not to exceed \$4,000,000 according to the terms of the agreement with Liberty National Bank and Trust Company as outlined herein.

IT IS FURTHER ORDERED that the proceeds from the proposed borrowing authorized herein shall be used only for the lawful purposes in the application and record.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 29th day of March 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Voth
Chairman

Katherine Randall
Vice Chairman

Don Carver
Commissioner

ATTEST:

Secretary