

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)	
GAS COMPANY, INC. FOR AN ORDER)	CASE NO.
AUTHORIZING THE ISSUANCE OF UP)	2006-00055
TO \$40,000,000 of LONG-TERM DEBT)	

O R D E R

On February 10, 2006, Delta Natural Gas Company, Inc. ("Delta") filed an application for Commission approval to issue approximately \$40,000,000 of long-term debt. The proceeds of the proposed issuance of long-term debt will be used to refinance Delta's 7.15 percent debentures, its 6.625 percent debentures, and a portion of its existing variable rate short-term bank debt. For its 7.15 percent and 6.625 percent debentures, Delta requests that it be allowed to amortize any remaining unamortized debt expense over the life of any new or replacement long-term debt.

The proposed long-term debt is expected to be in the form of insured quarterly notes, which will have a term of 25 years. At the time its application was filed, Delta estimated that the coupon rate of these notes would be 5.55 percent. Delta expected that the proposed financing would allow it to realize annual savings of approximately \$300,000 in interest expense. The balance of Delta's 7.15 percent debentures at December 31, 2005 was \$10,170,000 while the balance of its 6.625 percent debentures was \$23,681,000. The balance of Delta's short-term bank debt at December 31, 2005 was slightly in excess of \$32 million.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance by Delta of approximately \$40,000,000 of

long-term debt is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Delta is authorized to issue approximately \$40,000,000 of long-term debt for the purpose of refinancing its existing 7.15 percent and 6.625 percent debentures and a portion of its existing variable rate short-term bank debt.

2. Delta is authorized to amortize the remaining unamortized debt expense of its existing debentures over the life of its new or replacement long-term debt.

3. Delta shall, within 30 days from the date of issuance, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and distribution thereof.

4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in Delta's application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 24th day of February, 2006.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a horizontal line.

Executive Director

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