

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS COMPANY, )  
INC. FOR AN ORDER AUTHORIZING THE ) CASE NO.  
ISSUANCE OF SECURITIES PURSUANT TO AN ) 2009-00535  
INCENTIVE COMPENSATION PLAN )

O R D E R

On December 21, 2009, Delta Natural Gas Company, Inc. ("Delta") filed an application seeking authority to issue up to 500,000 shares of common stock pursuant to its Incentive Compensation Plan ("the Plan"), approved by its shareholders on November 19, 2009. The Plan provides for incentive compensation payable in stock, restricted stock, and stock bonus awards based on the performance of Delta and its success in attaining specific strategic goals. The stated purpose of the Plan is to promote Delta's interests and the interests of its shareholders and customers through: (a) the attraction and retention of participants essential to Delta's success; (b) the motivation of Plan participants using performance-related incentives linked to performance goals; and (c) enabling these individuals to share in Delta's growth and success.

Shares of Delta common stock to be issued pursuant to the Plan are not to exceed 500,000 shares. Shares may be issued from authorized but unissued shares, shares issued and reacquired by Delta, or shares that Delta purchases in the open market for purposes of the plan.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the securities as explained above is for lawful objects within the corporate purposes of Delta, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes. Therefore, the issuance of stock proposed by Delta should be approved.

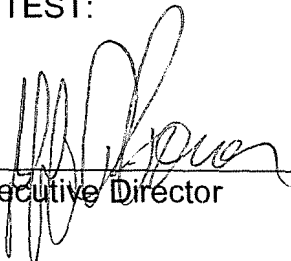
IT IS THEREFORE ORDERED that:

1. Delta is authorized to issue up to 500,000 shares of its common stock pursuant to its Incentive Compensation Plan.
2. The proceeds from the transaction authorized herein shall be used only for the lawful purposes set out in the application.
3. Delta shall file an annual report with the Commission setting out the number of shares issued through its Plan and the price associated with the shares. This report shall be filed along with its annual FERC Form 2 filing. The initial report shall be filed in 2011 with Delta's 2010 FERC Form 2.
4. Any documents filed in the future pursuant to ordering paragraph 3 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED *M*  
FEB - 8 2010  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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Executive Director

Mr. Glenn Jennings  
Delta Natural Gas Company, Inc.  
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Honorable Robert M Watt, III  
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