CASE NUMBER:

99-046

STOLL, KEENON & PARK, LLP

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June 18, 1999

Hon. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Re: Delta Natural Gas Company, Inc.
Case No. 99-046

Dear Ms. Helton:

We enclose for filing an original and eight (8) copies of the Response of Delta Natural Gas Company, Inc. to the Order of June 4, 1999, in the above-captioned case as well as Delta's Response to the Attorney General's data request. We would appreciate your placing these Responses with the other papers in this case. Thank you for your kind assistance in connection with this matter.

Sincerely,

Robert M. Watt, III

rmw
encl.
cc: Mr. John F. Hall (w/encl.)
Counsel of Record (w/encl.)

INDEX FOR CASE: 99-046
DELTA NATURAL GAS COMPANY, INC.
Tariffs
EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

IN THE MATTER OF DELTA NATURAL GAS COMPANY, INC. FOR AN
EXPERIMENTAL ALTERNATIVE REGULATION PLAN

SEQ NBR	ENTRY DATE	REMARKS
0001	02/05/99	Application.
0002	02/08/99	Acknowledgement letter
M0001	03/04/99	E BLACKFORD AG-MOTION TO INTERVENE
0003	03/05/99	Order suspending proposed tariff sheets up to and including 8/6/99.
0004	03/17/99	Order granting Attorney General's motion to intervene.
0005	03/24/99	Order scheduling an IC on 3/30/99 at 1:00 in Conference Room 1.
M0002	04/08/99	LIZ BLACKFORD AG-MOTION TO DISMISS AS UNLAWFUL
0006	04/13/99	Proposed procedural schedule response due 4/20/99.
0007	04/13/99	Informal conference memo, any comments due within 5 days of receipt.
M0003	04/19/99	ROBERT WATT DELTA NATURAL GAS-RESPONSE TO AG MOTION TO DISMISS
M0004	04/22/99	E BLACKFORD AG-REPLY OF AG TO RESPONSE OF DELTA NATURAL GAS CO INC
0008	05/07/99	Order setting forth procedural schedule; AG's motion to dismiss is denied.
M0005	05/21/99	ROBERT WATT DELTA NATURAL GAS-DIRECT TESTIMONY OF HALL,SEEELYE,
0009	06/04/99	Order requesting information due 6/18/99.
M0006	06/04/99	AG E BLACKFORD-INITIAL REQ FOR INFO TO DELTA NATURAL GAS
M0007	06/18/99	ROBERT WATT DELTA NATURAL GAS-RESPONSE TO ORDER OF JUNE 4,99 & AG DATA REQ
M0008	06/29/99	ROBERT WATT-NOTICE OF FILING PROOF OF PUBLICATION
0010	07/02/99	Data Request Order; response due 7/16
M0009	07/02/99	E BLACKFORD AG-SUPPLEMENTAL REQ FOR INFO BY THE AG
M0010	07/07/99	ROBERT WATT DELTA NATURAL GAS-MOTION TO CONSOLIDATE & MAINTAIN PROCEDURAL SCHEDULE
M0011	07/13/99	ROBERT WATT DELTA NATURAL GAS-REPLY IN SUPPORT OF MOTION TO CONSOLIDATE & TO MAINTAIN PROCE
M0012	07/16/99	ROBERT WATT DELTA NATURAL GAS-RESPONSE TO AG REQ FOR INFO DATED JULY 2,99
M0013	07/30/99	DENNIS HOWARD AG-PREFILED TESTIMONY OF HENKES,WEAVER,CATLIN
0011	08/05/99	Order dismissing case.

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Paul E. Patton
Governor

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

CERTIFICATE OF SERVICE

RE: Case Nos. 99-046 and 99-176
DELTA NATURAL GAS COMPANY, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above cases was served upon the following by U.S. Mail on August 5, 1999.

Parties of Record:

John F. Hall
Vice President-Finance, Sec., Treasurer
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391

Honorable Robert M. Watt
Attorney at Law
Stoll, Keenon & Park, LLP
201 East Main Street
Suite 1000
Lexington, Kentucky 40507-1380

Honorable Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40601

Stephanie J. Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC. EXPERIMENTAL ALTERNATIVE REGULATION PLAN	)	CASE NO. 99-046
ADJUSTMENT OF RATES OF DELTA NATURAL GAS COMPANY, INC.	)	CASE NO. 99-176

ORDER

Delta Natural Gas Company ("Delta") has moved for consolidation of the above styled proceedings. The Attorney General ("AG") has submitted a response in opposition to that motion. Having considered the motion and the response thereto, we deny the motion. Finding that Delta's application in Case No. 99-176 has rendered the proceedings in Case No. 99-046 moot, the Commission, on its own motion, dismisses Case No. 99-046.

On February 5, 1999, Delta filed with the Commission revised tariff sheets containing an experimental alternative regulation plan that establishes a rate mechanism that is designed to ensure Delta's recovery of revenues sufficient to achieve its authorized rate of return on equity. On March 5, 1999, the Commission initiated Case No. 99-046 to investigate the reasonableness of the proposed rate and suspended the proposed rate's operation for five months. We subsequently established a procedural schedule in this matter and directed Delta to publish notice of its proposed rate mechanism to its customers. On June 29, 1999, Delta submitted proof of publication.

On July 2, 1999, Delta filed an application for general adjustment of rates. In its application, Delta included revised tariff sheets set forth its proposed rates for natural gas service and for an experimental alternative regulation plan that differed significantly from the plan filed in Case No. 99-046.[1] Simultaneous with the filing of its application, Delta published notice of its proposed rate adjustment. In its notice, Delta stated:

> Delta Natural Gas Company, Inc. proposes the following **new tariffs**: Weather Normalization Adjustment Clause Applicable to General Service Rate Schedule and **Experimental Alternative Ratemaking Mechanism.**

Case No. 99-176, Application of Delta Natural Gas Company, Vol. 1, Section 9 (emphasis added). We docketed Delta's application for general rate adjustment as Case No. 99-176.

On July 6, 1999, Delta moved to consolidate Case No. 99-176 with Case No. 99-046 and to maintain the procedural scheduled established in Case No. 99-046. It provided no argument in support of its motion. Opposing the motion, the AG argues that adequate discovery of the proposed general rate adjustment cannot be conducted if the Commission adheres to the procedural schedule established in Case No. 99-046. He further suggests that, as the proposed experimental alternative regulation plan is part of the proposed general rate adjustment, any suspension of the proposed rates in Case No. 99-176 would include suspension of the experimental alternative regulation plan. Accordingly, the AG proposes that the Commission incorporate the record of

[1] The Commission acknowledges that Delta witness William Steven Seelye discussed the revised plan in his testimony in Case No. 99-046 and included revised tariff sheets that reflected these revisions. Delta, however, never moved for leave to amend its original filing nor did Delta formally submit revised tariff sheets amending its original filing. Accordingly, the revised plan was first filed with the Commission on July 2, 1999, when Delta filed its application for general rate adjustment.

Case No. 99-046 into Case No. 99-176 and dismiss Case No. 99-046. Delta contends that such action would violate KRS 278.190(3).[2]

After careful consideration, the Commission finds that the motion should be denied. Adequate review of Delta's proposed general rate adjustment cannot be conducted within the procedural schedule established in Case No. 99-046. The proposed general rate adjustment involves a host of issues unrelated to the experimental alternative regulation plan. Due process requires that all parties be afforded an adequate opportunity to conduct discovery and prepare their case. The procedural schedule in Case No. 99-046 does not provide this opportunity.

More importantly, Delta's actions have rendered the issues in Case No. 99-046 moot. With its application for general rate adjustment, Delta has proposed an experimental alternative regulation plan that differs significantly from its original proposal. To the extent that the plan contained in its general rate adjustment application is the more recent proposal, it must be considered as amending and superceding the earlier plan. The earlier plan, which is the subject of Case No. 99-046, has in effect become a nullity. Case No. 99-046, therefore, should be dismissed and removed from the Commission's docket. Any consideration of Delta's experimental alternative regulation plan shall be made in Case No. 99-176. The time requirements set forth in

---

2 At any hearing involving the rate or charge sought to be increased, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility, and the commission shall give to the hearing and decision of such questions preference over other questions pending before it and decide the same as speedily as possible, and in any event not later than ten (10) months after the filing of such schedules.

KRS 278.190(3) for a Commission decision on the experimental alternative regulation plan must begin to run from the filing of Delta's application in Case No. 99-176.

IT IS THEREFORE ORDERED that:

1. Delta's Motion to Consolidate is denied.

2. Case No. 99-046 is dismissed and shall be removed from the Commission's docket.

Done at Frankfort, Kentucky, this 5th day of August, 1999.

By the Commission

ATTEST:

Executive Director

STOLL, KEENON & PARK, LLP

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RECEIVED
JUL 13 1999
PUBLIC SERVICE COMMISSION

July 13, 1999

Hon. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Re: Delta Natural Gas Company, Inc.
Case No. 99-046 and Case No. 99-176

Dear Ms. Helton:

We deliver herewith for filing an original and ten (10) copies of Delta's Reply in Further Support of its Motion to Consolidate and to Maintain Case No. 99-046 Procedural Schedule in the above-captioned cases. We would appreciate your placing the Reply with the other papers in the cases and bringing it to the attention of the Commission. Thank you for your kind assistance.

Sincerely,

Robert Watt

Robert M. Watt, III

rmw
encl.
cc: Counsel of Record (w/encl.)
Mr. John F. Hall (w/ encl.)

RECEIVED
JUL 13 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC. EXPERIMENTAL ALTERNATIVE REGULATION PLAN	)))	**CASE NO. 99-046**

In the Matter of:

AN ADJUSTMENT OF RATES OF DELTA NATURAL GAS COMPANY, INC.	))	**CASE NO. 99-176**

* * * * * * * * * *

REPLY IN FURTHER SUPPORT OF MOTION TO CONSOLIDATE AND TO MAINTAIN CASE NO. 99-046 PROCEDURAL SCHEDULE

Delta Natural Gas Company, Inc. ("Delta") respectfully submits this Reply in further support of its motion to consolidate Case No. 99-176, *In the Matter of: An Adjustment of Rates of Delta Natural Gas Company, Inc.*, into Case No. 99-046, *In the Matter of: Delta Natural Gas Company, Inc. Experimental Alternative Regulation Plan.* The Attorney General has filed a Response to the motion to consolidate in which he objects to the adoption of the procedural schedule ordered in Case No. 99-046 and suggests that Commission may simply incorporate the record in Case No. 99-046 into the record of Case No. 99-176 and dismiss Case No. 99-046. Delta objects to such procedure because the Commission does not have the authority to extend the date for a decision in Case No. 99-046 beyond December 5, 1999, which is ten months after the filing of Case No. 99-046. KRS 278.190(3). In fact, rather than extend the date for a decision in Case No. 99-046, Delta would withdraw its motion to consolidate which was made in an effort to proceed more efficiently in both cases.

Delta does not object to minor modifications to the Case No. 99-046 procedural schedule to permit sufficient time to conduct the necessary activities for Case No. 99-176, as long as the date for the decision does not occur after December 5, 1999. Delta reminds the Commission, however, that much of the discovery normally requested in general rate cases has already been requested by the Attorney General in Case No. 99-046. Thus, if any modifications are made to the procedural schedule, they should, indeed, be minor.

Respectfully submitted,

STOLL, KEENON & PARK LLP

Robert Watt

Robert M. Watt, III
201 East Main Street, Suite 1000
Lexington, KY 40507
606) 231-3000

Counsel for Delta Natural Gas Company, Inc.

<u>**CERTIFICATE OF SERVICE**</u>

This is to certify that the foregoing pleading has been served by mailing a copy of same, postage prepaid, to the following persons on this 13th day of July 1999:

Gerald Wuetcher, Esq.
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40601

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601-8204

Robert Watt

Robert M. Watt, III

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RECEIVED
JUL 7 1999

July 6, 1999

Hon. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Re: Delta Natural Gas Company, Inc.
Case No. 99-046 and Case No. 99-176

Dear Ms. Helton:

We deliver herewith for filing an original and ten (10) copies of Delta's Motion to Consolidate and to Maintain Case No. 99-046 Procedural Schedule in the above-captioned cases. We would appreciate your placing the Motion with the other papers in the cases and bringing it to the attention of the Commission. Thank you for your kind assistance.

Sincerely,

Robert Watt

Robert M. Watt, III

rmw
encl.
cc: Counsel of Record (w/encl.)
Mr. John F. Hall (w/ encl.)

RECEIVED
JUL - 7 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC. EXPERIMENTAL ALTERNATIVE REGULATION PLAN	)	**CASE NO. 99-046**

In the Matter of:

AN ADJUSTMENT OF RATES OF DELTA NATURAL GAS COMPANY, INC.	)	**CASE NO. 99-176**

* * * * * * * * * *

MOTION TO CONSOLIDATE AND TO MAINTAIN CASE NO. 99-046 PROCEDURAL SCHEDULE

Delta Natural Gas Company, Inc. ("Delta") respectfully moves the Commission to consolidate Case No. 99-176, *In the Matter of: An Adjustment of Rates of Delta Natural Gas Company, Inc.,* into Case No. 99-046, *In the Matter of: Delta Natural Gas Company, Inc. Experimental Alternative Regulation Plan.* Delta further moves the Commission, in the event it consolidates Case No. 99-176 into Case No. 99-046, to maintain the procedural schedule which has been set forth in Case No. 99-046. The Commission suspended the implementation of the tariffs filed on February 5, 1999, in Case No. 99-046 pursuant to KRS 278.190. Therefore, pursuant to KRS 278.190(3), the Commission must decide Case No. 99-046 "not later than ten (10) months after the filing of such schedules" or not later than December 5, 1999. In no event does Delta waive or otherwise agree to any procedure by which compliance with KRS 278.190(3) does not occur. In the event the Commission consolidates Case No. 99-176 into Case No. 99-046, Delta requests that any suspension period in Case No. 99-176 end no later than

December 5, 1999.

Respectfully submitted,

STOLL, KEENON & PARK LLP

Robert M. Watt, III
201 East Main Street, Suite 1000
Lexington, KY 40507
606) 231-3000

Counsel for Delta Natural Gas Company, Inc.

CERTIFICATE OF SERVICE

This is to certify that the foregoing pleading has been served by mailing a copy of same, postage prepaid, to the following persons on this 6th day of July 1999:

Gerald Wuetcher, Esq.
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40601

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601-8204

Robert M. Watt, III

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
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(502) 564-3940

July 2, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601

Honorable Robert M. Watt,
Stoll, Keenon & Park, LLP
201 East Main Street
Suite 1000
Lexington, KY. 40507 1380

RE: Case No. 99-046

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC.	)	CASE NO.
EXPERIMENTAL ALTERANTIVE REGULATION PLAN	)	99-046

ORDER

IT IS ORDERED that Delta Natural Gas Company ("Delta") shall file the original and 8 copies of the following information with the Commission no later than July 16, 1999, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 1(a). Identify the portions of Delta's Response to the Attorney General's Data Request, Item 93, that address why Delta has been unable to earn its authorized rate of return over the last 10 years.

2. In its Response to the Commission's Order of June 4, 1999, Item 1(a), Delta stated that "Delta has not performed any formal analyses" of its finances and operations to determine why Delta has been unable to earn its authorized rate of return over the last 10 years. Why have no analyses been performed?

3. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 2. Provide references to the line items contained on Delta's Federal Energy Regulatory Commission ("FERC") Form 2 financial statements that support the earned rate of return calculation contained in Delta's response. If the information necessary to calculate the earned rate of return is not segregated on these financial statements, provide the detailed information for each year listed in Delta's Response.

4. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 3.

a. Describe how the amount in "column (I), estimated marginal cost per customer" was determined. Provide the workpapers and supporting documents used to determine "column I."

b. Explain the differences between the marginal cost per customer and the net distribution plant increase per customer.

5. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 4.

a. (1) Provide all cost-benefit analyses on the installation of electronic reading transmitters ("ERTS") that Delta performed or commissioned.

(2) If no cost-benefit analyses were performed, explain why not?

b. (1) What benefits does Delta receive from ERTS meter installation?

(2) What benefits do Delta customers receive from ERTS meter installation?

c. Provide the number of customers that are currently on ERTS meters.

d. Does Delta plan to install this type of metering for all customers?

e. (1) Describe Delta's current policy on service line installations.

(2) When was this policy implemented?

(3) What effect has this policy had on the embedded cost per customer over the time period in which it has been in effect?

6. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 11.

a. Describe the review process that would be available to the Commission.

b. What time limitations, if any, would be placed on conducting the review under the proposed mechanism?

7. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 13.

a. How much time would the Commission have to conduct the review anticipated by Delta under the proposed mechanism?

b. Mr. Seelye states that the Commission would not have to review pro-forma adjustments in the annual review proceeding. What type of support would

Delta supply for the budgeted amounts contained in the Annual Adjustment Component?

c. What financial information should Delta submit to enable the Commission to review Delta's actual historical costs to determine whether these costs were reasonable and whether previously disallowed costs had been excluded from budgeted or historical costs?

8. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 17. What is the source of the "Current Estimated Cost" for competing energy sources other than Kentucky Utilities Company?

9. Explain why the provisions of the Alabama Gas Corporation's Rate Stabilization and Equalization Plan relating to monitoring were not included in Delta's proposal.

10. In its Response to the Commission's Order of June 4, 1999, Item 32, Delta failed to discuss differences between its proposed mechanism and the Alabama Gas Corporation's Rate Stabilization and Equalization Plan relating to the provision of company financial information to the regulatory commission and to audits and inspections by the regulatory commission.

a. (1) Why does Delta's proposed mechanism not require Delta to file all of the documents that are set forth in Alabama Gas Corporation's Second Revised Sheet No. 51 ("Exhibit A – Special Rules Governing Operation of RSE")?

(2) Should the Commission condition the establishment of any alternative rate mechanism upon Delta's provision of the documents listed in Alabama

Gas Corporation's Second Revised Sheet No. 51 and upon the same reporting requirements? Explain.

b. Why does Delta's proposed mechanism not provide for periodic auditing and inspection by the Commission as Alabama Gas Corporation's Rate Stabilization and Equalization Plan does?

11. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 20.

a. Describe in detail each type of audit performed by the Alabama Public Service Commission in connection with Alabama Gas Corporation's Rate Stabilization and Equalization Plan.

b. (1) Does the staff of the Alabama Public Service Commission perform periodic audits of Alabama Gas Corporation's financial records to monitor Alabama Gas Corporation's RSE Plan?

(2) If yes, do such periodic audits enhance the program by providing greater assurance that the rates resulting from the plan are fair, just, and reasonable?

c. Should the Commission condition the establishment of any alternative rate mechanism upon periodic audits of Delta's financial records by Commission Staff or an independent auditor? Explain.

12. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 20. As part of its RSE Plan, Alabama Gas Corporation agreed to the use of the Uniform System of Accounts ("USoA") for the RSE and agreed to bear the burden of

proof as to the amount and verification of expenditures and conformity with the UsoA in any limited complaint proceeding on computation of the RSE.

a. Why did Delta exclude these provisions from its proposed tariff?

b. Should the Commission condition the establishment of any alternative rate mechanism upon inclusions of such provisions?

13. Refer to Delta's Response to the Commission's Order of June 4, 1999, Item 21. As Delta's proposal assumes a thorough and accurate budgeting process, additional information regarding this process is necessary.

a. If no written procedures, guidelines, internal standards, rules, policies and regulations regarding the preparation of Delta's budget exist, provide a thorough description of the process. This description shall address, at a minimum, reporting centers (responsible to officers), source documents and analyses used in Delta's budget preparation process and pertinent factors used to develop Delta's budget.

b. Should Delta's budgetary guidelines and process not be documented in writing since its budget is the proposed starting point for any adjustment under the proposed alternative rate mechanism? Explain.

14. a. Did Delta considering proposing the establishment of a weather normalization adjustment ("WNA") to stabilize its earnings?

b. If not, why not?

15. Would the establishment of a WNA in combination with the ability to file a future test year rate proceeding accomplish some measure of the rate and earnings stabilization contemplated in Delta's alternative regulation filing? Explain.

Done at Frankfort, Kentucky, this 2nd day of July, 1999.

By the Commission

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED
JUL - 2 1999
PUBLIC SERVICE COMMISSION

In the Matter of:

Delta Natural Gas Company, Inc.) Case No. 99-046
Experimental Alternative Regulation Plan)

**SUPPLEMENTAL REQUESTS FOR INFORMATION
BY THE ATTORNEY GENERAL**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office for Rate Intervention, and submits these Supplemental Requests for Information to Delta Natural Gas Company, Inc., to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully Submitted,

ELIZABETH E. BLACKFORD
ASSISTANT ATTORNEY GENERAL
1024 CAPITAL CENTER DRIVE
FRANKFORT KY 40601
(502) 696-5453
FAX: (502) 573-4814

1. Please provide the following data for the twelve months ended June 30, 1999:

   a. Update the response to AG-8 with monthly statements through June 30, 1999

   b. Provide the actual NIAC for the fiscal year ended June 30, 1999

   c. Provide the actual 12-month average Common Equity (exclusive of non-regulated subs and Canada Mountain) for the fiscal year ended June 30, 1999.

   d. Extend the responses to AG-33 and AG-35 to include actual data through June 30, 1999

2. With regard to the response to AG-11, provide the following additional information:

   a. Translate the actual dollar amount rate increases for each of the 5 base rate cases from 1982 through 1997 shown in the middle column into overall composite percentage (%) rate increases.

   b. Based on the rate increases listed in the middle column that occurred during the 15-year period of approximately December 1982 to December 1997, what would these rate increases translate into (1) in terms of an average annual dollar amount rate increase for each year in this 15-year period, and (2) in terms of an average annual % rate increase for each year in this 15-year period?

   c. What were the actual rate case expenses associated with rate cases (3), (4), and (5)?

3. With regard to the response to AG-20, provide the following information:

   a. What would be the "5% limitation rate increases" be for each of the fiscal years on Schedule A based on annual revenues from the prior year exclusive of GCR revenues (i.e., only based on prior year non-GCR base rate revenues)?

   b. If the Company's AAC non-gas base rate increase for any particular year is limited to 5% of the total operating revenues for the prior year (which revenues would include GCR revenues) -- as proposed by the Company as part of this ARP -- but for this same year the Company will also receive, let's say, a 3% increase in its GCR rates through the GCR mechanism, doesn't this mean that the ratepayer for this particular year will be experiencing an 8% increase in its overall rates? If this is not correct, explain in detail why not.

4. With regard to page 3 of the ANALYSIS of Proposed Alternative Ratemaking Methodology, as well as the supporting workpapers in response to AG-31, please provide

the following information:

a. The Common Equity (Utility) balances shown for each month in the second column exclude equity associated with the Company's unregulated subsidiaries, and also excludes 36.25% (assumed allocated equity portion) of the monthly investment in the Canada Mountain project. Please confirm this. If you do not agree, explain your disagreement in detail.

b. A portion of the Company's per books interest expenses represents interest associated with the debt allocated to the Canada Mountain project at an assumed capital structure ratio of 63.75% (= 100 % less equity allocation of 36.25%). Please confirm this. If you do not agree, explain your disagreement in detail.

c. The supporting workpapers in response to AG-31 show that the Company deducted 100% of its per books interest expenses (i.e., including the interest expenses allocable to the Canada Mountain project) in calculating the NIAC (Utility) in the third column of page 3 of the ANALYSIS of Proposed Alternative Ratemaking Methodology. Please confirm this. If you do not agree, explain your disagreement in detail.

d. In order to arrive at the proper NIAC (Utility) numbers in the third column of page 3, the Company should only have recognized the non-Canada Mountain allocable interest expenses as the appropriate interest expense deduction. Please confirm this. If you do not agree, explain your disagreement in detail.

e. Please provide the actual NIAC (Utility) numbers in the 3rd column of page 3 after correcting for the allocated Canada Mountain related interest expense overstatements described in parts c and d above?

5. Please provide the workpapers, calculations and calculation components supporting the actual 1996, 1997 and 1998 ROE numbers of 10.2%, 6.1% and 8.6% stated in the response to AG-36 (b).

6. Please reconcile the average number of customers shown in the responses to AG-59, AG-67 and PSC-3 for the corresponding periods.

7. In the responses to AG-103 and AG-104, the Company claims that the operation of the GCR has not in any way impacted the proposed ARP and is totally removed from the Company's proposed ARP.

   a. Isn't it true that in calculating the "5% base rate increase limitation" this rate increase limit is determined by applying 5% to the Company's overall revenues for the prior year and that such revenues include the Company's GCR revenues?

b. Doesn't it therefore follow that the GCR revenues to a large extent influence and determine the "5% base rate increase limitation" in the Company's proposed ARP?

8. How does the Company propose to treat all of the costs associated with all of the annual and 3-year review procedures and activities listed and described in the responses to PSC-8 and PSC-13? Will they be estimated in the budget for each proposed AAC year and will all of the actual expenditures be included in the calculation of the AAF? Please be specific in your response.

9. With regard to the response to PSC-15, has Delta historically filed rate cases on an annual basis? In this regard, please provide the filing dates of Delta's general base rate cases during the last 15 years.

10. With regard to the response to PSC-33 (e), the Company states that its proposed ARP would not provide for full recovery of revenue requirements, whereas LG&E's gas supply clause provides for full cost recovery. LG&E's PBR mechanisms all involve costs that flow through its GSC and the Company will incur penalties (disallowance of cost recoveries in its GSC) if it doesn't meet certain standards and benchmarks regarding certain gas supply costs. Please explain why the Company can claim that LG&E's gas supply clause, as currently in effect, guarantees full cost recovery?

11. Is it true that, over and above the non-gas cost related ARP proposed by Delta, the Company will continue to receive full dollar-for-dollar recovery of its actual gas costs (making up approximately 60% of its total operating costs -- see response to AG-19) through its GCR? If you do not agree, explain in detail.

12. The response to PSC-20 includes, among other things, a copy of the RSE for Alabama Gas Company. In this regard, please provide the following information:

    a. As shown on the Fourth Revised Sheet No. 45, isn't it true that this RSE allows for three "AAF" type true-ups (performed quarterly *ex post*) but these true-ups are not symmetrical, i.e., a true-up will only be implemented if it involves a required rate decrease, but will not be implemented if it involves a rate increase? If you do not agree, explain this in detail.

    b. As described on the Fourth Revised Sheet No. 45, point 3), the O&M/customer index for, let's say, year 2 of this RSE is based on the actual O&M/customer during year 1 of this RSE, multiplied by the annual CPI-U increase? If you do not agree, please explain in detail.

    c. As described on the Fourth Revised Sheet No. 45, point 4), isn't it true that if Alabama Gas Company's actual O&M expenses during any particular RSE year are in excess of the CPI-U adjusted O&M expenses, plus 1.25%, then it is only allowed to recover 25% of this cost excess? If you do not agree, please explain in detail.

d. The response to AG-59 shows that the "Recoverable O&M expenses/customer" under Delta's proposed ARP would have been as follows for the following years:

1994	$248.80
1995	$242.55
1996	$252.89
1997	$251.00
1998	$251.75

Based on the O&M Index provisions stated on the Fourth Revised Sheet No. 45, points 2), 3) and 4) of the Alabama Gas RSE, the comparable "Recoverable O&M expenses/customer" for Delta would have been as follows for the same years:

1994	$247.69
1995	$243.16
1996	$245.91
1997	$243.47
1998	$237.14

If you do not agree with the above-stated "Recoverable O&M expenses/customer" data, explain your disagreement and show what the comparable "Recoverable O&M expenses/customer" for Delta would have been under the Alabama Gas RSE in accordance with your calculations. Provide all supporting calculations and assumptions.

13. Please refer to Delta's response to question 49 of the Attorney General's data request dated June 4, 1999. The response refers to the Notes to Consolidated Financial Statements in Delta's 1998 Annual Report. Notes 6 and 7 on pages 19 and 20 of the 1998 Annual Report describe a 7.15% $25,000,000 debenture series, a 8.3% $15,000,000 debenture series, a 6 5/8% $15,000,000 debenture series and a non-interest promissory note in the amount of $1,800,000 issued in 1995. For each of these series and any other series of debt outstanding provide the following:

a. The amount of original issue

b. The amount outstanding of each issue at the end of the test year for this case.

c. The amount of issuing expenses associated with each issue.

d. The amount of discount or premium associated with each issue.

e. The amount of unamortized issuing expense, discount or premium associated with each issue as of the end of the test year for this case.

f. The interest payment date or dates , if semi-annual, each year.

g. The specific maturity date for each issue.

14. Reference response to AG Request No. 63. Further explain what procedural mechanism would result in the "Order of the Commission." Would there be a general rate case? A hearing on complaint? An investigation resulting from a Commission-ordered proceeding? Other? Explain.

15. Reference response to AG Request No. 64. Would your answer be the same if traditional regulatory process were commenced by a Commission order issued as a result of the Commission's own action or by a third-party's (non-Delta/non-PSC) actions? If no, please explain Delta's understanding of when, as requested in AG No. 64, rates would be changed.

16. Reference response to AG Request No. 64, h. Please provide:

a. Specific reference to each rate schedule section describing the requested procedures applicable to a 3-year review; and

b. The gas supply cost recovery mechanism with each section describing the "similar" procedures highlighted for the reader.

17. Reference response to AG Request No. 73.

a. If a budget amount is later (in the 3-year review) determined to have been unreasonably included in Delta's budget, is that expense refundable? Or is that expense to be considered non-includable in future budgets for ARMAC purposes? Other? Explain.

b. If a budget item amount is later (in the 3-year review) determined to have been imprudently included in Delta's budget, is that expense refundable?

18. Reference response to AG Request No. 74. Please provide, not references to where Delta believes its proposed filing requirements and rules of procedure can be found, but provide an actual statement of each and every one of Delta's proposed filing requirements and rules of procedure that it is recommending or believes the Commission should adopt in the

current proceeding.

19. Reference response to AG Request No. 79. Please provide the basis of Mr. Hall's testimony at page 3, line 6.

20. Reference response to AG Request No. 79. For the Schedule A fiscal years ending June 1996, 1997 and 1998, please provide:

    a. Monthly budgeted residential customer additions;

    b. Monthly budgeted construction expenditures related to budgeted residential customer additions;

    c. Monthly non-gas expense related to budgeted residential customer additions;

    d. If requests to a, b, and c above cannot be provided, please explain why not;

    e. Please explain how expected number of customers are "taken into account" in preparing the capital budget; and

    f. Please explain how expected number of new customers "impacts" budgeted non-gas supply expenses.

21. Reference response to AG Request No. 84. For the most recent test year used to set Delta's current rates, please provide:

    a. Commission determined rate base;

    b. Budgeted plant and other budgeted items includable in rate base (only total of all the individual items need be provided); and

    c. Budgeted equity (12 months average).

22. Reference response to AG Request No. 72, g. Please provide the rules and procedures, notice requirements and Delta's opinion on burden of proof that are referred to in this answer. Provide actual copies of documents or other written materials with all relevant sections so indicated. Remember, the request refers to the proposed triennial review, not the annual review.

23. Reference response to AG Request No. 72, h. Please provide the actual procedures Delta proposes, or would propose be applicable to the 3-year review. What is sought are actual, stated procedures not for setting the annual prospective factors, but the procedures applicable for the 3-year review.

24. Reference response to AG Request No. 74. Is it Delta's opinion that the PSC can determine rules in the instant procedure? If yes, please state the basis of such belief.

25. Reference response to AG Request No. 82, j. State the budget assumptions regarding the timing of new customer additions (i.e., equal number each month, equal number in X summer months, actual forecasted monthly customer additions, other).

26. Reference response to AG Request No. 94. Please explain why the CWIP balance in the year ended 1997 is several to some 17 times as high as other CWIP balances, 1995-1998.

27. Reference response to PSC request No. 8.

    a. Please provide Delta general rate case expense for each year 1987 to present;

    b. Please provide the estimated annual cost associated with the alternative rate mechanism; and

    c. Please provide the estimated cost associated with the " . . . comprehensive 3-year review, . . ."

28. Reference response to PSC 11, first paragraph.

    a. How much time will the PSC have to "conduct a review of information filed?"

    b. Your proposed tariff indicates that Delta will file its Annual Adjustment Component on June 1 of each year. Your proposed tariff proposes that monthly bills shall be adjusted beginning July 1. Please provide the procedural schedule consistent with the Commission conducting a "review of information," and providing for intervention of interested parties; the serving of data requests; responding to data requests; provision for PSC Staff and intervening parties to submit their views to the Commission; hearing on contested issues; briefing schedule; deliberation time for Commission; and issuance of Commission Order. Please provide the requested procedural schedule commencing on June 1, with the ACC filing, and indicate the number of days to be allowed for each procedural event.

c. Please explain how your procedural schedule is consistent with Commission statutory responsibility to ensure fair, just and reasonable rates.

d. Please explain how your procedural schedule is consistent with due process for the PSC Staff and intervening parties.

29. Reference response to PSC 13. The term, "If an acceptable framework can be developed, [determined, or established]" appears five times in your response, along with numerous activities you believe the Commission need not consider.

a. Please detail exactly and with specificity each and every procedural and substantive matter that Delta would propose, the sum total of which defines the referenced "framework".

b. For each item that Delta suggests the Commission need not consider, mention and explain exactly which proposed "framework" components obviate a need for Commission consideration of each item.

30. Reference response to PSC 24, b. The Commission can prescribe in the current proceeding the types of costs that are not recoverable through the mechanism.

a. If an intervening party took the position that executive salary monies included in a budget were too high, would that be a "type" of cost that the Commission could now, in this proceeding, determine is not recoverable through the mechanism or would that be an allowable type of cost that is, in this example, a "type" of expense that is allowable, but allegedly too high in amount?

b. If executive salaries are normally a type of cost allowable under the proposed mechanism, explain how the Commission Staff or other intervening party would acquire the data addressing the amount of executive salary monies, and how that party would present its findings and recommendations to the Commission under whatever annual procedural requirements Delta thinks are appropriate.

31. Reference response to AG Request No. 109.

a. Please explain how the Company proposes to include the adjustments or disallowances Ordered by the Commission. Your response should include a discussion on whether or not the Company plans to separately identify those issues as adjustments to the budget year, and what type of supporting documentation the

Company plans to include in its filing.

b. Please state whether the Company's filing will include a statement of changes in presentation or accounting for cost of service items in its ARP filing. If no such statement is anticipated, please explain why.

CERTIFICATE OF SERVICE AND OF FILING

I hereby certify that this the 2nd day of July, 1999, I have filed the original and ten true copies of the foregoing with Hon. Helen C. Helton, Executive Director of the Kentucky Public Service Commission, 730 Schenkel Lane, Frankfort, Kentucky, 40601 and that I have served the parties by filing same with:

ROBERT M WATT III ESQ
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JOHN F HALL
DELTA NATURAL GAS COMPANY INC
3617 LEXINGTON ROAD
WINCHESTER KY 40391

JJ Blackford

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

RECEIVED

JUN 04 1999

PUBLIC SERVICE COMMISSION

Delta Natural Gas Company, Inc.) Case No. 99-046
Experimental Alternative Regulation Plan)

INITIAL REQUESTS FOR INFORMATION BY THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office for Rate Intervention, and submits these Requests for Information to Delta Natural Gas Company, Inc., to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please

identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully Submitted,

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DELTA NATURAL GAS COMPANY - ALTERNATIVE RATE FILING
CASE NO. 99-046
ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

1. Please provide Delta's FERC Form No. 2 for the years 1997 and 1998.

2. Please provide Delta's Form 10-K submitted to the SEC and Delta's Annual Report to the Stockholders for the years 1997 and 1998.

3. Please provide Delta's Form 10-Q submitted to the SEC and Delta's Quarterly Report to the Stockholders for the first quarter of 1999.

4. Please provide copies of prospectuses for any security issuances that took place for Delta from the end of 1996 through to date.

5. From 12/31/96 through to date, provide a detailed schedule listing all of the capital finances (by financing type) that have taken place, as well as the impact of these actual financings on the Company's actual capital structure to date.

6. For 1999 through the year 2004 (or, if not available for this 5-year period, at least for the years 1999, 2000, 2001), provide a detailed financing plan listing all of the planned capital finances (by financing type) that will be issued, as well as the impact of these planned financings on the Company's budgeted capital structure during these future years.

7. What is the Company's actual capital structure at this time, and what is the Company's objective for its capital structure for the next 3 to 5 years. In addition, explain why the Company has this objective and how specifically it plans to achieve this objective capital structure.

8. Please provide complete copies of Delta's monthly financial/operating reports for each month from July 1995 through May 1999 and continue to provide such monthly reports as additional reports become available.

9. On page 2 of the Company's ARP, the Company repeatedly makes the statement that one of the guiding principles of rate regulation is to establish rates that will provide the utility an *opportunity* to earn a fair, just and reasonable return on invested capital. In this regard, provide the following information:

    a. How would the Company define "an opportunity to earn a fair rate of return?

    b. Does Delta believe that an opportunity to earn a fair rate of return is the same as a *guarantee* to earn a fair rate of return? If so, explain in detail. If not, explain the difference between these two concepts.

10. On page 3 (and various other places) of the Company's ARP Delta states that the primary objective of its proposed Plan is to *ensure* that Delta's rate of return falls within the ROE range authorized by the Commission. Given this statement, and the specific way in which the proposed ARP has been designed, the AG submits that Delta, through this proposed plan is seeking to earn a *guaranteed* fair rate of return on an experimental basis for the next three years. If you do not agree with this submission, explain your disagreement in detail.

11. What were the filing dates and rate effective dates of Delta's most recent 10 general rate cases?

    In addition, for each of these general rate cases, provide the following additional information:

    a. The actual rate case cost incurred by the Company

    b. The actual rate increase ($amount) eventually granted by the KPSC as compared to the original rate increase requested by the Company.

    c. Explanation whether any aspects of the pro forma test period data used in each of these rate case filing were based on the Company's budgets approved during these cases.

12. Isn't it true that in the determination of the first AAC under the Company's proposed ARP, the Company will have to spend time and resources to determine the budgeted ROE, and that then a sort of "mini- rate case" will have to take place in which other interested parties such as the PSC Staff and the AG will have to spend considerable time and resources to verify the appropriateness of the Company's budgeted ROE, including all of the rate making components underlying this proposed budgeted ROE (capital structure, short term and long term debt rates, rate base, appropriate revenue, expense and tax levels on a "PSC-approved" basis -- i.e., based on PSC rate making principles), and may then make adjustments based on this "mini rate case" review? If you do not agree, explain your disagreement in detail.

13. Isn't it true that in the determination of the second and third AAC factors under the Company's proposed ARP mechanism the same amount of time and resources will have to be spent by the Company, PSC Staff, the AG and other interested parties on exactly the same type of "mini rate case" activities as described in the prior date request? If you do not agree, explain your disagreement in detail.

14. Isn't it true that in the determination of the first actual AAF factor under the Company's proposed ARP, the Company will have to spend time and resources to determine the actual achieved ROE, and that then a sort of "mini- rate case" will have to take place in which other interested parties such as the PSC Staff and the AG will have to spend considerable time and resources to verify the appropriateness of the Company's actual ROE number, including all of the rate making components underlying this actual ROE number (capital structure, short term

and long term debt rates, rate base, appropriate revenue, expense and tax levels on a "PSC-approved" basis -- i.e., based on PSC rate making principles), and may then make adjustments based on this "mini rate case" review? If you do not agree, explain your disagreement in detail.

15. Isn't it true that in the determination of the second and third actual AAF factors under the Company's proposed ARP mechanism the same amount of time and resources will have to be spent by the Company, PSC Staff, the AG and other interested parties on exactly the same type of "mini rate case" activities as described in the prior date request? If you do not agree, explain your disagreement in detail.

16. Considering the very extensive type of regulatory activities by the Company, Staff, AG and other interested parties proposed by the Company on an *annual basis* for the next three years, and considering the complexity of the Plan with many AAC, AAF and BAF surcharge reconciliation aspects to keep track of, explain why the Company believes that its proposed ARP will result in the commitment of less resources and costs and more cost savings on an average annual basis than under the current traditional rate mechanism.

17. With regard to the statement made by the Company on page 5 of the ARP, why does the Company believe that the proposed ARP "would likely result in a less adversarial process for adjusting rates."? Please be specific in your response.

18. Explain in detail whether the proposed ARP applies to all of Delta's utility operations or only to the non-gas utility revenue, expense, tax and ROR aspects. In other words, will the Company's GCR mechanism continue to be in effect in addition to the proposed ARP for all non-gas cost aspects? Please be specific in your explanations.

19. With regard to any "automatic adjustment clauses" that are currently in effect for Delta and will continue to be in effect separate from, but in combination with, the proposed ARP, please provide the following information:

    a. Name and function of the automatic adjustment clause and the type of costs to be recovered through the clause.

    b. Brief management summary of the rate making mechanics of the clause.

    c. For the most recent year (e.g. 1998), the annual cost level for the type of costs recovered in each of the automatic adjustments clauses and the percentage of these costs of the Company's total annual operating costs.

20. With regard to the two "safeguards" mentioned on page 7 of the ARP, please provide the following information:

    a. How exactly would the Company make the determination that another rate increase would bring its rates at an uncompetitive level? What criteria will be used by the Company to make this determination?

b. How did the Company arrive at the specific "5% of total utility revenue" limitation for the annual AAC rate increase?

c. Are the GCR revenues (for the separate gas cost recovery mechanism) included in the "total utility revenue" to which the 5% limitation factor will be applied?

d. Since the GCR revenues included in the "total utility revenue" are automatically recovered through a separate rate mechanism, why shouldn't the limitation % be applied to the total *net* (of gas costs) utility revenues? Explain this in detail.

21. Please provide the following information with regard to Delta's utility rates:

a. Actual annual overall composite *base* rate increase/(decrease); actual annual overall composite *GCR* rate increase/(decrease); and the actual annual overall composite *total* (base plus GCR) rate increase/(decrease) during each of the last 10 years.

b. Average annual overall composite *base* rate increases/(decreases); average annual overall composite *GCR* rate increases/(decreases); and the average annual overall composite *total* (base plus GCR) rate increases/(decreases) for the entire 10-year period.

22. At the bottom of page 8 of the ARP, the Company states, ..."A key element in many of the alternative regulation plans approved around the country is "symmetry". Please provide the actual source documentation relied upon by the Company is making this statements, preferably including a description of all of the alternative regulations plans approved around the country.

23. Please provide a copy of all of the *Gas Utility Reports* listed in footnote 5 of page 9 of the ARP.

24. The description on page 11 of the ARP seems to suggest that Delta is proposing to change its current rates (through the AAC surcharge) on an automatic basis based on the financial budget approved by its Board of Directors for the next fiscal year rather than through a traditional rate case with all of the required reviews (and potential adjustments) by all interested parties. Does the proposed ARP intend to give other interested parties, such as the Staff and the AG, an opportunity to review the appropriateness of this budget and make any adjustments and amendments deemed to be necessary by these parties?

25. How does the ARP intend to specifically address the calculation of the actual AAF factor. Will this factor be determined by Delta simply based on actual results it happens to have recorded on its books? Will it be adjusted for PSC rate making principles? Will other interested parties such as the Staff and the AG have the opportunity for review and analysis regarding the

appropriateness of all of the ratemaking components underlying the actually achieved ROE for purposes of determining the AAF factor?

26. To the extent that the "5% rate increase limitation" factor is implemented, how would the Company propose to treat the rate increase portion that is foregone due to the limitation factor? Will this non-implemented AAC rate increase be deferred for future years and then applied when the calculated AAC rate increase is less than the rate increase equal to 5%of prior year's total utility revenues? Please explain in detail.

27. On page 19, section 6.0 of the ARP, the Company states that, ..."On average, the budget-based revenue deficiencies calculated for the AAC for this [3-year] period are slightly less than $1.45 million per year". In this regard, please provide the following information:

    a. Confirm that this average budget-based revenue deficiency number of $1.45 million was calculated after having to use the "5% revenue increase limitation" factor for two out of the three years? If you do not agree, explain your disagreement.

    b. Confirm that the average budget-based revenue deficiency number without application of the artificial "5% revenue increase limitation" factor was $2,453,187 [($996,830 + $3,442,407 + $2,920,324) / 3 yrs]. If you do not agree, explain your disagreement.

    c. Confirm that the calculated unadjusted average budget-based revenue deficiency of $2,453,187 for this 3-year period is approximately 37% higher than Delta's revenue deficiency of $1,785,931 found by the KPSC in the Company's most recent rate case. If you do not agree, explain your disagreement.

28. On page 3, lines 9-10 of his testimony, Mr. Hall states, ... "In addition, Delta's rates will automatically be reduced should the cost of providing service decrease." In this regard, please confirm that if the Company's cost of providing service decreases, then Delta's rates -- under the proposed ARP -- would only be reduced to such an extent that the Company will still be earning 12.1% on equity (i.e., up to the top of the allowed ROE range of 11.1%- 12.1%). I f you do not agree, please explain your disagreement.

29. Please provide a detailed explanation and the relevant implications of the statement made on page 3, lines 21-25 of Mr. Hall's testimony.

30. Please provide all of the information contained in the 9-page package entitled "ANALYSIS of Proposed Alternative Ratemaking Methodology" on 3.5 x 5 disk, preferable in Lotus or Excel format.

31. Please provide copies of the actual source documentation underlying all of the budgeted and actual data listed on pages 1 through 5 of the document entitled "ANALYSIS of Proposed Alternative Ratemaking Methodology".

32. Please show how you calculated the three annual revenue amounts of \$27,912,362, \$30,711,266 and \$36,116,328 on page 6 from all of the other data shown in the "ANALYSIS of Proposed Alternative Ratemaking Methodology".

33. The second column of page 3 of the "ANALYSIS of Proposed Alternative Ratemaking Methodology" shows actual common equity balances for each month from July 1995 through June 1998. In this regard, provide the following information:

    a. Extend all actual equity balances through December 1998.

    b. For each of the actual balances as of December 1995, 1996, 1997 and 1998 shown on this updated page 3, provide the actual per books starting point, and all adjustments made to these per books starting points (for Canada Mountain, non-regulated subs, etc.) to arrive at the adjusted utility common equity balances. Indicate specifically to what extent (expressed in percentage) Canada Mountain, the non-regulated subs, etc, were removed from the per books equity balance.

    c. Explain whether the budgeted equity balances shown in the second column of page 1 were determined through the exact same methodology as the methodology described in part b above for the actual equity balances. If not, explain to what extent it was determined differently.

34. The third column of page 3 of the "ANALYSIS of Proposed Alternative Ratemaking Methodology" shows actual NIAC for each month from July 1995 through June 1998. In this regard, provide the following information:

    a. Extend all actual adjusted NIAC balances through December 1998.

    b. For each of the *calendar years*[1] 1996, 1997 and 1998, provide workpapers showing all calculations made to arrive at the annual NIAC amounts for these years. The workpapers should show the actual capital structures, capital structure cost rates and the corresponding actual interest expense adjustments used to arrive at the NIAC numbers for each year. These workpapers should also show actual per books data as the starting point, and all adjustments made to arrive at the Utility NIAC amounts. Such adjustments should include all items that are typically treated below the line for ratemaking purposes, reflect PSC ratemaking principles, and interest synchronization consistent with the capital structure and capital structure weighted debt rates used, etc.

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[1] This request asks for calendar year information so that all numbers and calculations to be provided in response to this request can more easily be verified by the AG by comparison to the calendar year data in the Company's FERC Form 2 Annual Reports

c. Explain whether the budgeted NIAC balances shown in the third column of page 1 were determined through the exact same methodology as the methodology described in part b above for the actual NIAC numbers. If not, explain to what extent it was determined differently.

35. The second column of page 3 of the "ANALYSIS of Proposed Alternative Ratemaking Methodology" shows actual common equity balances for each month from July 1995 through June 1998. In this regard, provide the following information:

a. Extend all actual adjusted equity balances through December 1998.

b. For each of the months for which the actual adjusted equity balances are shown (through December 1998), provide the complete adjusted capital structure (dollar amounts and percentage ratios), showing equity, long term debt, short term debt and total balances, including long term and short term cost rates. Indicate for which items adjustments were made to the actual capital structure.

36. The data on the "ANALYSIS of Proposed Alternative Ratemaking Methodology" shows that the Company has consistently under-budgeted its NIAC, as evidenced by the following data:

	Actual NIAC	Budgeted NIAC	Actual vs. Budget	
			Amount	%
FY 7/95 - 6/96	$2,066,998	$1,784,600	$ 282,398	16
FY 7/96 - 6/97	$1,407,939	$ 778,850	$ 629,089	81
FY 7/97 - 6/98	$2,025,723	$ 875,900	$1,149,823	131

In this regard, provide the following information:

a. Confirm the numbers in the above table. If you do not agree, explain in detail why not.

b. As can be seen on pages 1 and 3 of Schedule B attached to the ARP, this NIAC under-budgeting resulted in the very high achieved ROE numbers of 13.29% and 13.61% in two out of the three years in the Company's hypothetical historic analysis. Please confirm this. If you don't agree, explain your disagreement in detail.

c. Under the proposed ARP, a portion of the excess ROE numbers of 13.29% and 13.61% referenced in part b above must be returned to the customers, but only up to the point where the Company will still be allowed to earn 12.1% ROE (the upper range of the band). Please confirm this. If you don't agree, explain your disagreement in detail.

37. The Company has provided an analysis of sample results for its fiscal years ended July 1996, 1997 and 1998. Please provide the a similar analysis of historic sample results for fiscal years ended July 1994 and 1995 and for calendar year 1998

38. For each of the last 10 years (through 1998), provide Delta's actual utility construction expenditures (capital expenditure program) as compared to the budgeted construction expenditures (capital expenditure program) approved for each corresponding year by the Board of Directors.

39. For each of the last 10 years (through 1998), provide Delta's actual utility O&M expenses as compared to the budgeted O&M expense approved for each corresponding year by the Board of Directors.

40. For each of the last 10 years (through 1998), provide the following for Delta:

    a. Delta's actual utility operating income (utility operating revenues less utility operating expenses and taxes) as compared to the budgeted utility operating income approved for each corresponding year by the Board of Directors.

    b. Delta's actual utility Net Income Available for Common Stock ("NIAC") as compared to the budgeted Net Income Available for Common Stock approved for each corresponding year by the Board of Directors.

41. In the same format as per Schedule A, supported by budgeted data in the same format as per the "ANALYSIS" package, provide the Board of Director's approved budgeted ROE for purposes of the proposed AAC calculation for the period July 1, 1999 - June 30, 2000, and calculate the required change to current rates (the AAC surcharge or credit).

    This analysis should show the assumed budgeted capital structure and capital structure ratios between equity and debt and the assumed debt cost rates that will be in existence on average during this future AAC period. The analysis should also show how the average per books equity balance for the future AAC period has been adjusted and for what items. In addition, the analysis should show what PSC rate making adjustments have been made to the Board of Directors approved budget for the future AAC period in order to put everything on a basis consistent with PSC-espoused ratemaking policies.

42. For each of the last 10 years (through 1998), provide the actual non-gas O&M cost per employee for Delta and provide the average compound annual growth rate during this 10-year period.

43. For each of the last 10 years (through 1998), provide the actual CPI-U numbers and the average compound annual growth rate during this 10-year period.

44. Please provide a copy of all proxy and other materials sent to Delta Natural Gas Company's stockholders for the year 1998 and for the period January through May, 1999.

45. Please provide a copy of all studies performed by Delta or by its Consultants which show that an appropriate capital structure for Delta should contain 60% equity.

46. Does Delta have any preferred stock outstanding? If the answer is yes, please provide for each series that is outstanding, the principal amount in the series, the dividend rate or amount, and the payment dates.

47. Please provide the fiscal year-end consolidated capital structure for Delta Natural Gas Company, including all subsidiary companies, showing the amount and percentage of long-term debt, short-term debt, preferred stock, and common equity for each year 1995 through 1998.

48. Please provide the fiscal year-end company only capital structure for Delta Natural Gas Company, which excludes subsidiary companies, showing the amount and percentage of long-term debt, short-term debt, preferred stock, and common equity for each year 1995 through 1998.

49. Please provide a brief description, which includes the principal amount, of each debt obligation of subsidiary companies, joint ventures, or other businesses enterprises engaged in by Delta Natural Gas Company.

50. Please provide Delta Natural Gas Company's average daily amount of short-term debt outstanding for the years 1995, 1996, 1997, and 1998.

51. Please provide Delta Natural Gas Company's average daily interest rate on the amount of short-term debt outstanding for the years 1995, 1996, 1997, and 1998.

52. Please provide a copy of all studies performed by Delta or by its Consultants which show that its cost of equity has not changed from the range of 11.1% to 12.1% which the Commission found to be reasonable in the Order from Case No. 97-066 issued on December 8, 1997.

53. Please provide a copy of all studies performed by Delta or by its Consultants where the proposed alternative regulation plan was tested using actual data and which were not already included in Schedules A, B, and C that were included in the Direct Testimony.

54. Please provide a copy of all studies which were performed by Delta or by its Consultants which examined the effect of the proposed alternative regulation plan on the risk premium that is embedded in the cost of equity.

55. Please provide a copy of the Rate Stabilization and Equalization Plan which was developed for Alabama Power Company in response to the Alabama Supreme Court Order and adopted for the Alabama Gas Company. This is the plan that is referred to in the first full paragraph on page 9 of the February 5, 1999 letter to Ms. Helen C. Helton, Executive Director of the Kentucky PSC that is shown in Seelye Exhibit 1.

56. Please provide a copy of the July 31, 1998; February 14, 1997; and March 28, 1997 Gas *Utility Reports* referred to in footnote 5 on page 9 of the February 5, 1999 letter to Ms. Helen C. Helton, Executive Director of the Kentucky PSC that is shown in Seelye Exhibit 1. Also provide a copy of the March 19, 1997 Gas Daily referred to in that same footnote.

57. Please explain the reasons for setting a 1.50% band around the actual non-gas supply O&M expenses per customer for making comparisons to the Indexed O&M Expenses per customer.

58. Please provide all studies, including the work papers and sensitivity analysis in which other percentage bands have been tested, which have been performed using the 1.50% ban1010d around the non-gas supply O&M expenses per customer.

59. Please provide an analysis, using actual data from each year for the last five years 1994 through 1998, the manner by which the 1.50% band around the non-gas supply O&M expenses per customer would operate. In the analysis, assume that the non-gas supply O&M expenses per customer that occurred in 1993 represent the base for the "Indexed O&M Expenses." In the analysis, please provide all work papers and data sources.

60. With reference to Delta's 2/5/99 transmittal letter to the PSC, pp. 2-3.

   a. Admit or deny that traditional regulation, as that term is used by Delta, continues to be a reasonable method for the setting of rates consistent with regulatory practice in Kentucky.

   b. If the answer to a) is anything but an unqualified admission, please provide an explanation of why traditional regulation is unreasonable as applied to the determination of Delta's rates, along with all evidence and numerical proof that traditional regulation has become an unreasonable basis for the setting of Delta's rates.

61. Is Delta proposing to eliminate traditional regulation in the State of Kentucky as a basis for the setting of Delta's rates? Or is Delta proposing an additional regulatory approach for Commission consideration? Explain.

62. During the proposed experimental period, would rates based on the proposed Alternative Regulation Plan (ARP) be collected subject to refund?

63. If the range or zone of reasonableness of a fair rate of return for Delta were to change during the ARP experimental period, how would that cost change affect Delta rates under the ARP? What mechanism would effectuate a change in Delta's rates related to any change in Delta's fair rate of return during the experimental period?

64. If a traditional regulatory process were to be commenced during any period in which Delta's rates were set on the basis of its proposed ARP, when, in the Company's opinion, would its rates be changed consistent with PSC findings, conclusions and Order? At the time of the initiation of the traditional regulatory proceeding? At the time of the Order? Other? Explain.

65. Would the Actual Adjustment Factor, among other things, be larger if the review period rate of return was lower due to revenues being lower because review period weather was warmer than normal? If the answer is no, please explain what ARP features prevent the effects of weather on revenues from affecting the magnitude of the ARMAC.

66. Does the Company claim that any non-gas supply O&M expenses are not controllable by management? If yes, please indicate which non-gas supply expenses the Company believes are not controllable by management, and explain why they are not within management's control.

67. Please provide the number of customers, by customer class, at the end of each year from 1989 to present.

68. Please provide all information in the Company's possession that indicates the percentage of new residential construction central heating by type of fuel or equipment.

69. What is Delta's fiscal year?

70. Please provide monthly budget variance reports, including explanation of variances, for the Company's two most recently completed fiscal years.

71. With reference to the cover letter to Ms. Helen C. Helton accompanying Delta's Application at page 3, the first bullet item: If the ARP mechanism ensures that Delta's rate of return falls within the range authorized by the Commission, as claimed, please explain with specificity exactly what events would trigger the filing of a traditional regulatory proceeding initiated by the Company. Please be exhaustive in identifying the requested events.

72. Referring to the Application cover letter to Ms. Helen C. Helton, page 4, and the second fully completed bullet item alleging cost savings to the utility:

    c. Define and explain in detail exactly what Delta's opinion is regarding what a "likely comprehensive 3-year review" is.

    d. Would a fair rate of return applicable to Delta be at issue in the 3-year review?

    e. If the answer to b) is yes, would a change in the Commission-determined fair rate of return be effective only prospectively? If yes, why?

    f. In a 3-year review, could the Commission find that a fair rate of return for Delta had gone down for the last 2 years of the review period? If not, why not? If yes, are the review period revenues collected subject to refund?

    g. What Commission rules and procedures would apply to a 3-year review? Who bears the burden of proof? What time schedules apply? What notice requirements apply? Where in Delta's application or testimony are procedures for the likely 3-year review found and discussed?

    h. In Delta's opinion, should the Commission approve the proposed ARP prior to determining procedures applicable to a likely 3-year review? If yes, what is Delta's proposal for establishing the filing requirements and the Kentucky administrative regulations and the rules and regulations that would be applied to and followed in the 3-year review proceeding?

73. Please explain what opportunities exist for typical PSC Staff and other intervenors in Delta's traditional rate cases to provide comment on and affect the utility's financial budget submitted to Delta's Board of Directors for approval.

74. Please explain the procedural steps the Commission must go through, in the Company's opinion, to determine the filing requirements and the rules of procedure that will apply to the

contemplated 3-year review.

75. Referring to the Application cover letter to Ms. Helen C. Helton at page 9: Please provide a copy of the two referenced Alabama PSC court cases.

76. Referring to the Application cover letter to Ms. Helen C. Helton at pages 9-10: Please provide a copy of all Alabama Gas Company documents in the Company's possession related to Alagasco's RSE Plan that were utilized by Delta in fashioning its proposed ARP.

77. Referring to the proposed Experimental Alternative Ratemaking Mechanism tariff: Where, in this tariff, is it stated that the term of the rate schedule is for a three-year period? If there is no such term in the tariff, please explain why not.

78. The ULROE and LLROE defined in the proposed tariff create a bandwidth 50 basis points above and 50 basis points below the authorized return. The application notes the Commission determined a 100 basis point reasonable return on equity range. Is the 100 basis point range included in the proposed tariff based on the Commission having defined a 100 basis point range? If the Commission were to find at a later date that say, an 80 basis point range around a new rate of return were reasonable, does Delta propose to retain its 100 basis point ULROE/LLROE definition? Why?

79. Reference Mr. Hall's testimony at page 3, line 6. Please provide whatever numerical calculations the Company has developed which support Mr. Hall's testimony that the ARP benefits Delta's customers. Please provide all supporting workpapers.

80. Please provide new copies of Schedules A, B, and C, accompanying the Application. Please make sure all information on the original schedules is included on the copies, with no columns of information "cut off" in the copying process. Also, please number each page of the copied schedules, so page references included within individual schedules can be found by the reader. Hand numbering of pages will suffice.

81. Please provide a complete set of Delta rate schedules.

82. If a residential customer is scheduled to commence service on Day-1 of the 12th month of your fiscal year:

    i. How much revenue is budgeted for that customer (in dollars, and in months of service)?

    j. How much net investment is budgeted for that customer for the fiscal year (in dollars and number of months the net investment is presumed to require a return)?

    k. How much non-gas supply expense is related to the commencement of service to the referenced customer addition (in dollars and in number of months the expense is presumed to be included in the budgeted fiscal year)?

83. Please explain the impact on budget equity related to the existence of declared, but unpaid dividends. Please provide a numerical example of budget equity determination both with and without the existence of periodic budget year declared but unpaid dividends.

84. Explain the relationship between "budget equity" and budgeted plant in service.

85. In Case No. 97-066, did the Commission determine that rate base equals the amount of investor supplied capital? If yes, please provide the amounts of rate base and individual amounts of investor supplied capital summing to equivalence between rate base and investor supplied capital.

86. Please provide utility plant in service for each month June 1995 through December 1998. If possible, provide this information on the schedule entitled Proposed Alternative Ratemaking Methodology, page 1, by including another column on that schedule for plant in service.

87. Confirm that the Information Provided by Company, P.S.C. 8, Sheet No. 35 is information that would be filed by Delta with the Commission annually during the effective period of the Experimental Alternative Ratemaking Mechanism. If this is not so, please explain what this tariff language obligates the Company to do.

88. For each year of the sample AAC calculations, please provide the amount of dollars budgeted for contingency use.

89. Please confirm that the financial budget approved by Delta's Board of Directors is not binding on management as regards:

    l. any requirement that the total dollars budgeted must be spent by the end of the fiscal year;

    m. no more and no less than the dollars budgeted in each account must be spent; and

    n. if a. or b. above is denied, please explain what it is that binds management to the Board Approved budget just prior to the beginning of a fiscal year.

90. Please explain whatever constraints exist at Delta to prevent managers responsible for various portions of the budget to increase spending significantly above average monthly spending near the end of a fiscal year while still remaining within the annual budgeted amounts under the budget portions each manager is responsible for.

91. Confirm that the board-approved budget is based on the sales expected under normal weather conditions.

92. Please list all assumptions underlying the budget presented to the Board just prior to the beginning of a fiscal year.

93. Please present all materials presented to the Board and related to the financial budget most recently approved by the Board. If the Board altered the proposed budget, please so state and provide the Board-authorized changes to the proposed budget.

94. Please provide CWIP balances at year-end for 1984 to present.

95. Please provide test year AFUDC in Case No. 97-066.

96. If not included in your Case No. 97-066 Order, please provide the Commission-approved capital structure, by dollar amount, of type of capital and percentage and cost.

97. Please provide whatever documents, measurements, quantifications or statistics are in Delta's possession that indicate customer satisfaction with Delta service. You can interpret the term customer satisfaction as broadly as you want in providing response to this question, since the term is not uniquely defined.

98. Is the annual budget approved by the Board adjusted by management during the ensuing year? If so, please describe the process by which the budget is adjusted, including but not limited to:

    o. the number of times, and when;

    p. the highest level of management approval required for changes to be authorized; and

    q. the purpose of adjusting the budget.

99. Provide Delta's Annual Report to Stockholders for 1996, 1997, 1998.

100. If Delta is an affiliate of any other company, please provide a schematic illustration of Delta and all of its affiliates. Please also verbally describe the affiliate relations among all affiliates.

101. Reference page 1 of the Analysis of Proposed Alternative Ratemaking Methodology (analysis) accompanying Application.

    r. Please provide workpapers detailing the derivation of the Common Equity (Utility) column of numbers, from their source data to the reported numbers; and

    s. Please provide workpapers detailing the derivation of the Net Income Available for Common (Utility) column of numbers from the source data to the reported numbers.

102. Reference Analysis, pages 4-5. In deriving the net revenue by class actuals:

t. What "gas cost revenues" are included in revenues (i.e., actual PGA revenues collected?, inclusive or exclusive of any true-up component from prior periods?, revenues from weather-normalized sales?, revenues that include any over- or under-collection of that current year's gas costs?, etc.) Please explain as precisely as possible.

u. What gas costs are deducted from revenues in deriving net revenues (i.e., actual gas costs expensed each month?, weather-normalized gas costs?, other?) Please explain as precisely as possible;

v. Explain how cycle billing impacts referenced revenues and gas costs;

w. Explain how unbilled revenues impact referenced revenues and gas costs; and

x. Finally, whatever revenues and gas costs are reported on the referenced pages 4-5, explain why they provide the "best" determination of net revenues in any determination of whether Delta has the proper amount of revenues, producing the proper amount of net income for its claimed equity income requirement.

y. What standards describe the "best" determination of net revenues, and how does Delta's proposed net revenue determination comport with such standards?

103. In general, why shouldn't the results of the operation of any GCR be totally removed from the Company's ARP proposal, on the assumption that, over time, the GCR operations produce revenues that exactly recover gas costs?

104. Are GCR revenues and costs included in any calculations leading to the ARMAC? If yes, explain why.

105. Reference Analysis, page 3. Are the numbers in the Common Equity (Utility) column based on the same equity ratio utilized by the Commission in deriving the overall rate of return in Case No. 97-066? Other? Explain.

106. If Delta were to lose a major industrial customer, explain the impact on residential and commercial and remaining industrial customers from operation of the proposed ARP.

107. Reference Application transmittal letter to Ms. Helen C. Helton, page 2. Both the quoted material on that page and Delta's own description of "... guiding principles of rate regulation ..." refer to providing or affording an *opportunity* to earn a fair rate of return. Please explain and provide an illustrative example, for each way that Delta is aware, that the proposed ARP could result in anything but an assured rate of return that falls within the rate of return range of reasonableness (11.1 percent to 12.1 percent in Case No. 97-066) found reasonable by the Commission.

108. Please provide the Company's detailed budget for the time period corresponding to the test year in the Company's last rate case. If the test year overlaps two budget years, provide the budgeted amounts from the applicable months of each budget.

109. Please explain how the Company proposes to account for any Commission disallowances and/or other Commission adjustment in determining the revenue deficiency or surplus under the proposed ARP. If the Company does not intend to account for any Commission adjustments which would affect the required revenue, please explain in detail why the Company believes such adjustments should not be made.

110. Please state whether there would be any limits on the equity ratio under the Company's proposed ARP. If yes, please identify the limits. If not, please explain why the Company believes no limitations are necessary or appropriate.

CERTIFICATE OF SERVICE AND OF FILING

I hereby certify that this the 4th day of June, 1999, I have filed the original and ten true copies of the foregoing with Hon. Helen C. Helton, Executive Director of the Kentucky Public Service Commission, 730 Schenkel Lane, Frankfort, Kentucky, 40601 and that I have served the parties by mailing same, postage prepaid to:

ROBERT M WATT III ESQ
STOLL KEENON & PARK LLP
201 EAST MAIN STREET
LEXINGTON KY 40507-1380

JOHN F HALL
DELTA NATURAL GAS COMPANY INC
3617 LEXINGTON ROAD
WINCHESTER KY 40391

[signature]

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-046
DELTA NATURAL GAS COMPANY, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on June 4, 1999.

Parties of Record:

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601

Stephanie J. Bell

Secretary of the Commission

SB
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC. EXPERIMENTAL ALTERNATIVE REGULATION PLAN	) CASE NO.) 99-046

<u>ORDER</u>

IT IS ORDERED that Delta Natural Gas Company ("Delta") shall file the original and 8 copies of the following information with the Commission no later than June 18, 1999, with a copy to all parties of record. Each copy of the information requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet shall be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. a. What analyses of its finances and operations, if any, has Delta performed to determine why it has been unable to earn its authorized rate of return over the last 10 years? Provide each analysis and describe its results.

b. If no analyses have been performed, explain why not.

2. Provide a schedule that compares for each year since 1987 Delta's earned rate of return with its authorized rate of return.

3. Refer to letter from John F. Hall to Helen C. Helton of February 5, 1999 ("Application") at 3. Provide a schedule that compares for each year since 1987 Delta's marginal cost of serving new customers to its embedded cost per customer.

4. Refer to Application at 3. Why is Delta's marginal cost of serving new customers greater than the embedded cost of providing service?

5. Refer to Application at 3.

a. Has Delta's average unit cost increased over the past 10 years?

b. Provide a schedule that compares for each year since 1987 Delta's average unit cost, the percentage increase in Delta's average unit cost, and the rate of inflation.

6. a. Provide a schedule that compares for each year since 1987 the percentage increase in Delta's marginal cost of serving new customers with the rate of inflation.

b. For each instance where the percentage increase in Delta's marginal cost of serving new customers differs from the rate of inflation, explain why the amounts differ.

7. Assume that Delta had, beginning on January 1, 1988, implemented the proposed mechanism (with the inflation adjustment discussed in Mr. Seeyle's testimony).

a. What would the annual percentage increase in revenue to Delta be for each year following implementation?

b. What would Delta's current rates, by customer class, be?

8. At page 4 of the Application, Mr. Hall writes: "Although the alternative rate mechanism would likely involve a comprehensive 3-year review, it is anticipated that such a review would be less resource intensive and costly than a full-blown rate case."

a. Describe the scope of the 3-year review proceeding.

b. Describe how the 3-year review proceeding will differ from a full-blown rate case.

c. Explain why the 3-year review proceeding will be less resource intensive and costly than a full-blown rate case.

9. Refer to Application at 4.

a. How often would the "zone of reasonableness" be revised?

b. What type of proceeding would be used to revise the "zone of reasonableness"?

10. Refer to the Application at 5. Describe the type of annual review of the utility's rate of return that would occur under Delta's proposal.

11. How will the Commission meet its statutory duty to ensure "fair, just and reasonable" rates if no review of a utility's costs is made when adjusting the utility's rates?

12. a. Is the process of adjusting rates based on the budgeted level of expenses tantamount to establishing rates based on a forecasted test year?

b. (1) If yes, explain why the Commission should approve a mechanism that relinquishes any oversight authority over the reasonableness of costs to be included in rates.

(2) If no, why not?

13. At page 4 of the Application, Mr. Hall states: "The proposed alternative ratemaking mechanism would save time and resources at the Commission while still allowing the Commission to fulfill its obligations of ensuring that the utility is not over or under earning."

a. Under Delta's proposal, will the Commission be reviewing Delta's operating costs and earnings on an annual basis?

b. If yes,

(1) Describe the scope of the annual review proceeding.

(2) Describe how the annual review proceeding will differ from a full-blown rate case.

(3) Describe how the annual review proceeding will be time saving for the Commission.

14. Refer to the Application at 5. Explain why an annual review proceeding would not be as adversarial as a general rate case proceeding.

15. a. Explain why Delta has chosen to adjust rates on an annual basis to achieve its desired level of earnings rather than implementing cost saving measures.

b. Describe the actions that Delta has taken in the last 5 years to control or reduce costs and their resutls.

c. Describe how Delta will used its additional revenues to "create new services and to enhance existing services in order to attract and retain customers."

16. a. What effect will Delta's proposal have on Delta's retail prices over

(1) the short term?

(2) the long term?

b. If the effect of the proposal is to increase Delta's retail prices for natural gas, how will the proposal better enable Delta to compete with alternative sources of energy (e.g., electricity or propane)?

17. Given current economic conditions and the current price of alternate fuels, how much could Delta's current rates increase and still remain competitive with alternative sources of energy? (The response shall state all assumptions and identify the level of rates Delta could charge and the price of each alternate fuel.)

18. a. Is the proposed mechanism designed to improve Delta's operational and financial performance?

b. (1) If yes, identify the components of the proposed mechanism (other than increased earnings) that would accomplish this result.

(2) If no, explain why the proposed mechanism should not be modified to include components to improve Delta's operational and financial performance.

19. Provide a copy of the references listed in footnote 5 of the Application.

20. Refer to the Application at 8 - 10.

a. Provide a copy of the current Rate Stabilization and Equalization Plans for Alabama Power Company and Alabama Gas Company and the Orders of the Alabama Public Service Commission in which approval for those plans was granted.

b. (1) List all other regulated public natural gas or electric utilities that have alternative regulation plans similar to Delta's proposal.

(2) For each utility listed above, provide its alternative regulation plan and the order of the appropriate regulatory commission in which the plan was approved.

c. For each plan provided in response to Item 20(a) and 20(b),

(1) Identify the provisions that are similar to those contained in Delta's proposal.

(2) Identify and describe all provisions for cost containment.

(3) Describe the extent of regulatory oversight of the level of operating costs that are included in the annual rate adjustments.

(4) State if the utility is subject to any annual review of revenues and expenses prior to implementation of the annual adjustment.

(5) Describe how changes in the allowed rate of return can be made.

21. Refer to the Application at 11.

a. List and describe each step in the process by which Delta's Board of Directors reviews and approves Delta annual budget.

b. What information is provided to Delta's Board of Directors during its budgetary process?

c. Provide all written procedures, guidelines, internal standards, rules, policies, and regulations that govern Delta's budget process and are used to evaluate the budgetary proposals.

22. Refer to the Application at 12.

a. Describe how the "Budgeted ROE" is determined.

b. Provide details of the Budgeted ROE used in the calculations set forth in Schedule A.

23. At page 12 of the Application, Mr. Hall states that "if the application of the AAC [Annual Adjustment Clause] would increase Delta's rates to an uncompetitive level, then, subject to Commission approval, we could reduce the annual revenue deficiency amount."

a. How will Delta determine that rates will be at an uncompetitive level? Describe in detail the analysis of energy costs that Delta will use to make this determination.

b. How will Delta determine the amount of the requested increase if the amount permitted under the AAC would place rates at an uncompetitive level?

24. a. What is the effect of using budgeted costs in establishing rates through the proposed mechanism as opposed to using the level of costs included in Delta's last rate case?

b. Does the use of the budgeted costs effectively negate any Commission decision in Delta's last rate case to disallow certain costs?

c. Why is the use of budgeted costs a reasonable approach to ratemaking?

25. a. How will Delta determine the 12-month average equity for purposes of calculating the AAC?

b. Will Commission adjustments, if any, from prior rate cases be taken into consideration in calculating this amount?

c. Why would a 12-month average of equity better represent the amount to use in the calculation of AAC, contrasted with a 13-month average, as is commonly used by the Commission for determining average balance sheet accounts in rate cases?

26. Provide the calculations supporting the Composite State and Federal Tax Rate used in the calculations found in Schedule A.

27. Explain why Delta did not use the fiscal year 1998-99 budget for the preparation of its example in Schedule A to the Application.

28. a. Provide a revised version of Schedule A to the Application using the Budget year 1999-2000 as the basis for the rate adjustment. Include all supporting schedules as if Delta were filing the Alternative Regulation Mechanism for the first time to be effective July 1, 1999.

b. Provide a comparison of the budgeted costs and return on equity used to calculate the amount of increase based on the fiscal year ending June 30, 2000 with the revenue requirement found reasonable in Delta's last rate case. Provide a detailed explanation of any differences in the operating expenses and calculation of the capitalization and cost of capital.

29. Refer to the Application at 20. Explain why "it is unlikely that the implementation of the alternative regulation plan will not have an impact on how investors will view Delta's long-term risk profile."

30. Refer to Direct Testimony of John R. Hall at 2. Explain how Delta's proposal will ensure that Delta's customers are receiving "the lowest and most current rates."

31. Refer to Direct Testimony of John R. Hall at 3.

a. What are "the cost control measures in the plan" to which Mr. Hall refers?

b. How do these measures ensure that specific costs are reasonable?

32. Refer to Direct Testimony of John R. Hall at 3. List and describe the differences in Delta's proposal and Alabama Gas Company's current Rate Stabilization and Equalization Plan.

33. Refer to Direct Testimony of William Steven Seelye at 4.

a. Describe the "performance-based ratemaking mechanism" that was the subject of Case No. 97-171.[1]

b. Is it correct to describe the mechanism proposed in Case No. 97-171 as a targeted incentive program?

c. Is it correct that the mechanism proposed in Case No. 97-171 required certain performance criteria to be met before ratepayers bore any additional costs or shared any cost savings?

d. How is the mechanism proposed in Case No. 97-171 similar to Delta's proposed Alternative Regulation Plan?

e. How does the mechanism proposed in Case No. 97-171 differ from Delta's proposed Alternative Regulation Plan?

f. Does Delta's proposed plan in Mr. Seelye's opinion contain any incentive mechanism to improve performance in any particular area?

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[1] Case No. 97-171, Modifications To Louisville Gas And Electric Company's Gas Supply Clause To Incorporate An Experimental Performance-Based Ratemaking Mechanism.

34. At page 4, lines 15 – 17 of his testimony, Mr. Seelye states: "[T]he primary objective of the proposed mechanism is to establish a process, on an experimental basis, for ensuring that Delta's rate of return falls within the range found fair, just, and reasonable by the Commission."

a. What, if any, are the other objectives of the proposed mechanism?

b. List and describe any benefits, other than a refund of excess earnings, that will accrue to Delta's customers from the proposed plan.

35. Refer to Direct Testimony of William Steven Seelye at 5. Would the revenue requirements resulting from the Annual Adjustment Component ("AAC") be any different from the revenue requirements that would be determined under a forecasted test year rate case filing under KRS 278.190? If yes, explain the differences.

36. What is the effect on revenues for the budget periods ending in 1999 and 2000 of the two "performance-based ratemaking measures" which Mr. Seelye describes at pages 7 through 9 of his testimony? Provide all supporting assumptions, calculations, and underlying data used to make these calculations.

37. a. Why was the Consumer Price Index for Urban Consumers ("CPI-U") selected as the index to measure the reasonable level of cost increases since Delta's last rate case?

b. (1) Identify the other indices that Delta considered for this purpose.

(2) For each index identified above, state why it was not selected.

c. Provide all workpapers, show all calculations, and state all assumptions used in evaluating each index.

38. Provide a schedule that compares for each year since 1987 annual changes in Delta's non-gas supply operation and maintenance expenses with changes in the CPI-U.

39. Refer to Direct Testimony of William Steven Seelye at 8, lines 8 - 14.

a. Explain the impact of the indexed O&M expenses in one year on the budgeted level of expenses in the following year that are included in the AAC.

b. What limitations on cost increases for the annual increase in the budgeted revenue requirement used in the AAC, if any, did Delta consider?

40. Refer to Direct Testimony of William Steven Seelye at 9, line 3. Why should Delta be permitted to recover any of the expenses that exceed the indexed level of expenses?

41. a. Would Delta's incentive to contain costs under the proposed mechanism be less than under traditional regulation where no shortfall in earnings is recoverable? Explain.

b. How is the non-gas supply O&M expense control provision beneficial to the customers of Delta?

c. If Delta is permitted to recover the full amount of any excessive cost increases through the proposed mechanism, why should the proposed mechanism be considered a performance-based ratemaking concept?

42. a. Have either of the performance-based controls been factored into the calculations set forth in Schedule A to Mr. Seelye's testimony?

b. If no, provide a revised Schedule A that reflects the effect of these controls.

43. Provide a copy of first Rate Stabilization and Equalization Plan that the Alabama Public Service Commission approved for Alabama Gas Company.

44. Refer to Direct Testimony of William Steven Seelye at 9.

a. How was the average common equity level of 60% determined?

b. Provide an analysis of the average common equity for the past 5 years for companies comparable to Delta.

45. Refer to the Application at 15, note 7.

a. Why is the revenue recovered from the application of the customer charge attributed to the first billing block only?

b. Does this method of calculating the ACC increase the proposed mechanism's rate impact on residential and smaller usage customers?

46. Refer to the Application, Schedule A, at 4. Provide the workpapers, show all supporting calculations, and state all assumptions used to establish the allocations to rate class billing blocks shown.

47. Assume that the customer charge revenue was attributed to billing blocks on the basis of net revenue recovered from the application of each billing block.

a. Provide a revised Schedule A, page 4 that reflects this assumption.

b. Provide the workpapers and show all supporting calculations used to prepare the revised schedule.

48. a. Does Alabama Gas Company's current Rate Stabilization and Equalization Plan include a weather normalization component?

b. If yes,

(1) Did Delta consider including such a component in its proposed plan? Explain.

(2) Provide an analysis of the impact weather normalization would have had on Delta's revenues, net income and return on equity for each of the last 10 years if such mechanism had been in place.

Done at Frankfort, Kentucky, this 4th day of June, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 7, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601

RE: Case No. 99-046

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie J. Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC. EXPERIMENTAL ALTERNATIVE REGULATION PLAN	))	CASE NO. 99-046

<u>ORDER</u>

The Attorney General ("AG") has moved to dismiss this matter for non-compliance with KRS 278.190 and 278.192 and Administrative Regulations 807 KAR 5:001 and 807 KAR 5:011. Delta Natural Gas Company, Inc. ("Delta") has submitted a response in opposition to the motion. By this Order, we deny the motion, order Delta to publish notice of its proposed Alternative Regulation Plan, and establish a procedural schedule in this matter.

On February 5, 1999, Delta filed with the Commission revised tariff sheets containing an experimental alternative regulation plan. This plan establishes a rate mechanism that is designed to ensure Delta's recovery of revenues sufficient to achieve its authorized rate of return on equity. This mechanism would add three billing components to each customer's monthly bill, but would not change Delta's base rates.

Describing the proposal as a "general adjustment of rates," the AG has moved to dismiss the filing. He contends that KRS 278.190 and KRS 278.192 and Administrative Regulations 807 KAR 5:001 and 807 KAR 5:011 require Delta to make a formal application for rate adjustment and to submit certain financial materials in support of such application. Delta may not, the AG asserts, file "a new tariff which accomplishes a general rate increase accompanied by a letter of explanation, without calling the matter an application for general increase of existing rates or complying with the regulatory and statutory requirements that accompany an application for a general increase of rates." AG's Motion at 2-3. Delta's actions, the AG asserts, represent an attempt to subvert the existing regulatory process.

Delta rejects the AG's characterization of its proposed Alternative Regulation Plan as a filing for general rate adjustment. It terms its proposal as a "formula or plan for the automatic increase or decrease of Delta's rates and charges upon the occurrence of certain events." Delta's Response at 2. Delta further notes that its base rates will not change if the proposed plan is approved and that the submission of the plan is consistent with other alternative rate regulation proposals which the Commission has reviewed.

Based upon its review of the proposed Alternative Regulation Plan and the pertinent provisions of KRS Chapter 278, the Commission finds that Delta's application is not a request for general rate adjustment, but a request for the establishment of a new rate. While Delta's proposal will create a mechanism that may result in additional charges assessed to Delta's customers and thus is a "rate,"[1] it will not alter the utility's existing general service rates. Administrative Regulation 807 KAR 5:001, Section 10, requires a utility to file an application only for a general rate adjustment in existing rates. It does not require an application for the assessment of a new charge or rate. Administrative Regulation 807 KAR 5:011, Sections 6 and 9, expressly permit a utility to amend its tariff by filing revised rate schedules when such amendments do not involve a

[1] See KRS 278.010(12).

general adjustment of existing rates. Neither KRS 278.180 nor KRS 278.190 expressly requires the filing of a rate application. Previous applications for alternative rate regulation plans[2] were not required to meet the requirements of Administrative Regulation 807 KAR 5:001, Section 10.

Based upon the above, the Commission finds that the AG's motion to dismiss should be denied. We further find that, as Delta's proposed Alternative Regulation Plan will likely affect every Delta customer's bill, Delta should publish notice of the Plan's filing to ensure public awareness of this proceeding.

The Commission shares the AG's concerns about Delta's reservation of the "right to either choose to implement the modified version or continue to remain under traditional regulation" should its Plan be modified.[3] Delta contends that this reservation is necessary since any modifications may limit Delta's right to "demand, collect and receive fair, just and reasonable rates."[4] Since KRS Chapter 278 already affords protections for this right, see KRS 278.400 and 278.410, such reservation is unlawful and is not recognized by the Commission.

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[2] See, e.g., Case No. 97-513, Modification To Western Kentucky Gas Company, A Division Of Atmos Energy Corporation (WKG) Gas Cost Adjustment To Incorporate An Experimental Performance-Based Ratemaking Mechanism (PBR) (June 1, 1998); Case No. 97-171, Modifications To Louisville Gas And Electric Company's Gas Supply Clause To Incorporate An Experimental Performance-Based Ratemaking Mechanism (Sept. 30, 1997); Case No. 96-079, The Tariff Filing Of Columbia Gas Of Kentucky, Inc. To Implement Gas Cost Incentive Rate Mechanisms (July 31, 1996). The AG participated in two of these proceedings and apparently did not object to the lack of any application meeting the requirements of Administrative Regulation 807 KAR 5:001, Section 10.

[3] Letter from John F. Hall to Helen C. Helton of February 5, 1999, at 21.

[4] Id.

IT IS HEREBY ORDERED that:

1. The AG's Motion to Dismiss is denied.

2. Within 20 days of the date of this Order, Delta shall publish notice of the filing of its proposed Alternative Regulation Plan in a form that generally conforms with Administrative Regulation 807 KAR 5:001, Section 10(3). In lieu of the content required by Administrative Regulation 807 KAR 5:001, Sections 3(a) – 3(d), Delta shall provide a brief description of the proposed Alternative Regulation Plan and its potential effects on customer bills. Within 45 days of the date of this Order, Delta shall file proof of such publication with the Commission.

3. The procedural schedule set forth in the Appendix to this Order shall be followed.

4. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 10 copies to the Commission.

5. Delta shall give notice of the hearing in accordance with the provisions set out in 807 KAR 5:011, Section 8(5). At the time publication is requested, it shall forward a duplicate of the notice and request to the Commission.

6. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

7. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

8. All documents that this Order requires to be filed with the Commission shall be served upon all other parties by first class mail or express mail.

9. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

Done at Frankfort, Kentucky, this 7th day of May, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-046 DATED MAY 7, 1999

Delta shall file with the Commission and serve upon each party the direct testimony in written verified form of each witness that it intends to call 05/21/99

All requests for information to Delta shall be served upon Delta no later than 06/04/99

Delta shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than 06/18/99

All supplemental requests for information to Delta shall be served upon Delta no later than 07/02/99

Delta shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than 07/16/99

Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than 07/30/99

All requests for information to Intervenors shall be served no later than 08/13/99

Intervenors shall file with the Commission and serve upon all parties of record its responses to requests for information no later than 08/25/99

Last day for Delta to publish notice of hearing date 09/01/99

Public Hearing is to begin at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses 09/08/99

Written briefs shall be filed with the Commission and served upon all parties of record no later than 10/08/99

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APR 22 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of;

DELTA NATURAL GAS COMPA Y, INC.)
EXPERIMENTAL ALTERNATIVE) CASE NO. 99-046
REGULATION PLAN)

REPLY OF ATTORNEY GENERAL TO
RESPONSE OF DELTA NATURAL GAS COMPANY, INC.

The central flaw of Delta's position is found at pages 6 through 7 of its Response to the Attorney General's Motion to Dismiss. There, Delta cites draft legislation which was considered in Administrative Case No. 367. That legislation would have provided for retail choice, the unbundling of services and alternative regulation for gas utilities. It is cited by Delta for the proposition that the Commission currently has authority to consider a tariff which will affect every rate charged by the utility and will clearly result in an increase to the rates charged by the utility outside the extant procedures. Administrative Case No. 367 proves quite the opposite, for the legislation cited was not enacted into law. Hence, the cited language does not exit. The authority that language would have conveyed had it been enacted as legislation does not exist.

Furthermore, the draft legislative language cited by Delta was but one sentence in a large piece of legislation designed to move toward unbundling gas services, toward customer choice and toward establishing competitive markets for the provision of gas. It was never intended to promote the type of proceeding brought by Delta in this action.

Delta's attempt to elevate form over substance must also fall. It contends that the proposed formula might decrease or increase rates, and therefore is not a proposal for a general increase of rates. To ignore the intended immediate result the proposal would create, a general rate increase, looks at form rather than substance. Delta's contention that the formula might result in a rate decrease sometime in the future is made despite the clearly intended and desired effect the formula would have immediately, an increase in the general rates and revenues of the company. Because the intended immediate function of the proposal is a general rate increase, it begs credulity to view the application as anything other than an application for a general rate increase. The current regulatory scheme for the regulation of gas rates has been in effect for many years. Under that scheme, a general rate case has been the means by which general rate increases have been reviewed and implemented.

The Attorney General is not taking a position with reference to Delta that is inconsistent with its position elsewhere. Delta's points to the Attorney General's agreements in Cincinnati Bell (98-292) and in LG&E (98-426) and KU (98-474) as grounds to contend that having participated in those cases the Attorney General is foreclosed or estopped from arguing that alternative ratemaking as proposed by Delta is outside the statutory and regulatory scheme. Delta's proposal is distinct and distinguishable from those cases. It is appropriate to challenge this proposal for it is unlike any other.

In the first place, the legislature has specifically authorized the use of alternative regulation with reference to telephone utilities. The Attorney General's participation in Cincinnati Bell indicates nothing other than compliance with a legislatively mandated process.

Secondly, this matter is different from the participation of the Attorney General in the first proposal for demand side management (93-150). That proposal did not simply develop a new means of charging for the same services. Rather, it developed a completely new concept and service. The new service and the cost of the service were spread over only the classes which would benefit from them. The use of the tariff proceeding to develop a new service and the rates associated with that service is entirely different from what is happening here.

Finally, Delta's alternative rate plan is subject to KRS 278.192 pertaining to general rate increases where the performance based rates proposed by LG&E (Case No. 98-426) and Kentucky Utilities (98-474) are not. Not only do the rate caps approved in the Order entered approving the merger of the two companies (97-300) prevent a rate increase for LGE and KU, the PBR element of the rates of those companies as proposed in the Amended Application was agreed to by the Attorney General in the context of an over all absolute rate reduction which will insure that the rates do not suffer a net increase as the result of the operation of the PBR. KRS 278.192 does not apply to the LGE/KU proposal.

By contrast, the intended function of the proposed tariff in this case is to cause a general increase of all rates charged by the company and an increase in revenues received by the Company. KSR 278.192 applies by definition to general rate increases. KRS 278.192 gives the Commission the authority to allow either the historic or future test year to be used to "justify the reasonableness" of the proposed increase. It does not allow the Commission to permit an increase in the absence of any supporting evidence to justify the reasonableness of the increase sought.

While the Commission has the authority to permit a proposed tariff change without suspending the proposed rate or tariff changes and without engaging in a hearing, that has nothing to do with the independent requirement of KRS 278.192. Furthermore, these rates have been suspended and a hearing ordered. KRS 278.192 is clearly applicable. The applicablility of that statute and the fact that no new service is at issue distinguishes this proposal from those cited by Delta. This proposal is unlawful.

Respectfully Submitted,

Elizabeth E. Blackford

CERTIFICATE OF SERVICE AND OF FILING

I hereby certify that this the 22nd day of April, 1999, I have filed the original and eight copies of the foregoing with the Public Service Commission at 730 Schenkel Lane, Frankfort, KY, 40601 and have served the parties by mailing a true copy of the foregoing to Robert M. Watt, III, Stoll, Keenon & Park, LLP, 201 East Main Street, Suite 1000, Lexington, KY, 40507, Counsel for Delta Natural Gas, Inc.

RECEIVED

APR 1 9 1999

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April 19, 1999

Hon. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Re: Delta Natural Gas Company, Inc.
Case No. 99-046

Dear Ms. Helton:

We enclose for filing an original and eleven (11) copies of the Response of Delta Natural Gas Company, Inc. to the Motion of the Attorney General to Dismiss the above-captioned case. We would appreciate your placing this Response with the other papers in this case and bringing it to the attention of the Commission. Thank you for your kind assistance in connection with this matter.

Sincerely,

Robert M. Watt, III

rmw
encl.
cc: Mr. John F. Hall (w/encl.)
Counsel of Record (w/encl.)

RECEIVED
APR 19 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DELTA NATURAL GAS COMPANY, INC.	)	
EXPERIMENTAL ALTERNATIVE	)	**CASE NO. 99-046**
REGULATION PLAN	)	

* * * * * * * * * *

RESPONSE OF DELTA NATURAL GAS COMPANY, INC.
TO ATTORNEY GENERAL'S MOTION TO DISMISS

Delta Natural Gas Company, Inc. ("Delta") respectfully submits this Response to the Motion of the Attorney General to Dismiss this proceeding "as unlawful." The thrust of the Motion is that Delta's filing is "unlawful" because it has not followed the statutory and regulatory procedures relating to applications for general increases in rates. Delta is not, in this proceeding, attempting to make a general adjustment of rates.

Delta's proposed Experimental Alternative Regulation Plan ("Alt Reg Plan") is a formula; it is not a request for an increase or decrease in rates. The Commission has the latitude under the statutes and regulations to conduct this case as a tariff approval case or a rate case or at some level between the two. Alternative regulation is not new in Kentucky. In fact, the Attorney General has recently agreed to the implementation of alternative regulation plans by Cincinnati Bell Telephone Company (Case No. 98-292, January 25, 1999), Louisville Gas & Electric Company (Case No. 98-426, April 13, 1999) and Kentucky Utilities Company (Case No. 98-474, April 13, 1999). The filing is not "unlawful" and the Motion to Dismiss should be denied.

The Attorney General's approach in his Motion to Dismiss is to prop up straw men and then knock them over. He first characterizes Delta's Alt Reg Plan as a "filing for a general adjustment of rates." Motion to Dismiss at 1. He then spends approximately 2 ½ pages arguing that the filing does not comply with the statutes and regulations governing general rate cases. His initial characterization is incorrect and, thus, his arguments are inapplicable. Moreover, his interpretation of the statutes and regulations cited is incorrect.

Delta's Alt Reg Plan is not a filing for a general increase in rates. It is a filing seeking approval of tariffs which contain a formula or plan for the automatic increase or decrease of Delta's rates and charges upon the occurrence of certain events. If the Commission approves Delta's Alt Reg Plan, the order need not and should not set forth a new schedule of rates and charges for Delta's sales and services. It should simply approve the Alt Reg Plan. It is true that tariffs like these are sometimes included in general rate cases when presented to the Commission, but there is no reason that they have to be presented in general rate cases. The Commission has approved a number of plans and mechanisms that allow a utility to change rates and charges outside of general rate cases, such as performance based mechanisms, gas supply cost recovery mechanisms, fuel cost recovery mechanisms, purchased water cost recovery mechanisms, environmental cost recovery mechanisms, demand-side management mechanisms and sharing mechanisms related to projected merger savings. When these plans and mechanisms are proposed and considered by the Commission, they need not be characterized as general rate cases, even though their approval may result in surcharges or credits applicable to utility sales. They do not change the utility's base rates, which have been approved by the Commission. In most instances, these plans and mechanisms have historically been implemented outside of a general rate case. The performance-based ratemaking mechanisms implemented by Columbia Gas of Kentucky, Inc., Louisville Gas and Electric Company and Western Kentucky Gas

Company were implemented outside of general rate cases.[1] In addition, the demand-side management mechanisms implemented by several utilities in Kentucky were also implemented outside of general rate cases, with the full support of the Attorney General. For example, in Case No. 93-150, Louisville Gas and Electric Company, the Attorney General and several other parties filed a joint application for approval of a demand-side management recovery mechanism.[2] The Attorney General's position in this proceeding that a ratemaking mechanism cannot be implemented outside of a general rate case is contrary to Commission precedent and inconsistent with prior positions taken by the Attorney General. Unlike a general rate case, where permanent rates are implemented pursuant to a Commission order, Delta is proposing to implement its Alt Reg Plan on an experimental basis for a period of three years. Therefore, at the end of three years, the Commission may terminate the Alt Reg Plan, which further distinguishes Delta's proposal from a general rate case.

After having mischaracterized Delta's Alt Reg Plan filing as a request for a general rate increase, the Attorney General then attempts to demonstrate how Delta's filing does not comport with general rate case statutes and regulations. His argument consists primarily of assertions that statutes which give the Commission discretionary authority to order certain events are mandatory directions to the Commission. For example, the Attorney General argues on the first page of his motion that 807 KAR 5:011, Section 6, "requires that any hearing on a proposed tariff be conducted

[1]Columbia Gas of Kentucky, Inc., Case No. 96-079, July 31, 1996; Louisville Gas and Electric Company, Case No. 97-171, September 30, 1997; Western Kentucky Gas Company, Case No. 97-513, June 1, 1998.

[2]The joint application filed by Louisville Gas and Electric Company, Attorney General, et al was approved prior to the introduction of KRS 278.285 which mandates the consideration by the Commission of demand-side management mechanisms. The joint application was supported by the testimony of David H. Kinloch on behalf of the Attorney General.

pursuant to KRS 278.190." While the statement is true, the implication is not. The Commission is not required to have a hearing to approve a tariff filing.

Similarly, the Attorney General argues on page 2 of his Motion to Dismiss that KRS 278.190 "requires for its operation that the filing be accompanied by an historic or a forecasted test period." There is no requirement in KRS 278.190 that **any** test period be utilized. The Attorney General then characterizes KRS 278.192 as **requiring** the use of a historic or forecasted test period. In fact, KRS 278.192 **allows** a utility to use a forecasted or historic test period; it requires the use of nothing. On page 3 of the Motion the Attorney General argues that Delta's Alt Reg Plan filing would render KRS 278.192 a nullity and repeats his assertion that KRS 278.192 mandates the use of some sort of test period. Again, the statute's language is permissive, not mandatory. The Commission is not required to order a utility seeking approval of tariffs to use any test period. The Attorney General continues his nullity argument on page 3 by asserting that Delta's Alt Reg Plan filing would render 807 KAR 5:001, Section 10, a nullity. Again, Delta is not seeking a general increase in rates with its Alt Reg Plan filing. It is seeking approval of the implementation of a plan by which rates and charges can be changed without the necessity of engaging in a costly and time consuming general rate case.[3] It is specifically trying to implement an alternative for the procedure whose perceived elimination the Attorney General laments. It is a good thing, not a bad thing, that the procedure for adjusting rates might be changed.

[3] Rate cases in Kentucky cost utilities and, thus, their customers hundreds of thousands of dollars in fees and employee time and resources. They cause regulatory agencies to spend countless hours evaluating evidence relating to cost of service and cost of money. It seems that the Attorney General would welcome a plan which would reduce or eliminate these costs.

The procedural framework exists in Kentucky by which the Commission may consider and approve Delta's Alt Reg Plan. Since it is set forth in Delta's proposed tariffs, the tariff filing statutes and regulations may be followed by the Commission as it makes its determinations regarding implementation of the Plan. The Alt Reg Plan could be approved after the tariffs are filed without any further formal action. KRS 278.160(1) provides that each utility shall file with the Commission schedules showing rates and conditions for service. 807 KAR 5:011, Section 2, provides that all utilities shall file a tariff containing schedules of all its rates, charges, tolls and maps and all its rules and administrative regulations. That is all that is being done here and the Commission can approve the Alt Reg Plan without any further notices or hearings or proceedings.

While the tariff filing statutes and regulations provide sufficient procedural framework for Commission approval of the Alt Reg Plan, there are other sections of the statutes and regulations which permit the Commission to gather information and consider such plans. For example, 807 KAR 5:011, Section 6(1) provides that no tariff, or any provision thereof, may be changed, canceled or withdrawn except upon such terms and conditions as the Commission may impose and in compliance with KRS 278.180 and Sections 6 and 9 of 807 KAR 5:001. The regulation gives the Commission the authority to impose terms and conditions, but it does not require the Commission to do so.

Further, the Commission has latitude in the formulation of a procedural plan when a new tariff is filed. For example, when a rate is increased, notice to the Commission is required but not necessarily to anyone else. While Delta is proposing a new rather than a changed tariff, KRS 278.180(1) provides that no change shall be made by any utility in any rate except upon 30 days' notice to the Commission, stating plainly the changes proposed to be made and the time when the changed rates will go into effect. "The commission **may** [but is not required to] order the utility to give notice of its proposed rate increase to that utility's customers in the manner set forth in its regulations." KRS 278.180(1). The Commission may hold a hearing, but is not required to hold one. KRS 278.190(1) provides that whenever any utility files with the Commission any schedule stating new rates, the Commission **may** [but is not required to] upon reasonable notice hold a hearing concerning the reasonableness of the new rates. 807 KAR 5:011, Section 9(1) provides that when a new tariff has been so issued and notice thereof given to the Commission and the public in all respects as hereinbefore provided, such tariff will become effective on the date stated therein **unless** the operation thereof be suspended and the rates and administrative regulations therein be deferred by an order of the Commission pending a hearing concerning the propriety of the proposed rates and administrative regulations under KRS 278.190. Again, the Commission has the authority to require notices and hold hearings, but it is not required to do so.

Thus, alternative regulation plans may, but are not required to, be considered in the same fashion as a general rate case. The performance based mechanisms for Columbia, LG&E and Western Kentucky Gas described above were all approved outside of a general rate case. Since Delta's Alt Reg Plan does not necessarily result in a rate increase, the general rate increase provisions do not fit the situation. If a rate case approach is followed, the statutes and regulations permit wide Commission latitude in formulating a procedural plan. For example, an abbreviated filing has been utilized in municipal water/water district rate cases. Alternative rate filing procedures also exist for small utilities. 807 KAR 5:076. Prior to the fourth collaborative meeting in Administrative Case No. 367, the Commission issued an order with draft legislation attached setting forth a procedural plan for consideration of utilities' proposals for alternative forms of regulation.

Administrative Case No. 367, January 9, 1998, 1998 WL 413503, pp. 8-9. The draft legislation provided, "The application shall not be governed by the commission's regulations concerning changes or withdrawal of rate schedules, notice or general adjustment of rates." The Commission has the authority under the current state of its legislative authority to consider and approve Delta's Alt Reg Plan and, therefore, similar alternatives could be considered for this case if the plan is not approved simply as a new tariff. Because of time and cost considerations, Delta urges the Commission to consider the most efficient avenue available to proceed in this case.

The Attorney General concludes his motion with criticism of Delta's proposal to have the right to withdraw its Alt Reg Plan if the Commission approves tariffs with unacceptable modifications to Delta's proposal. This is the only manageable way to proceed in this case. Delta agrees that if the Commission orders the use of a tariff containing a \$2.50 rate instead of a proposed \$2.75 rate, that the utility should appeal or comply with the order. But if significant modifications are made to a plan proposed by the utility for the automatic adjustment of rates, the utility should have the freedom to utilize tariffs which were in effect on the date of filing the plan rather than try to live with a new plan that is unworkable for the utility. Again, the Attorney General is approaching this proceeding with a general rate case mind set rather than an alternative regulation mind set. Every filing at the Commission which affects a utility's rates need not be forced into the general rate case pigeonhole.

The Attorney General, throughout his Motion, accuses Delta of attempting to sidestep the general rate adjustment process. See, for example, Motion at 5. While Delta would like to adjust its rates and charges without the expense and delay of a general rate case, it is not trying to sidestep that process. It simply is not seeking a general adjustment of rates. The rate of return and cost of service which will be at the foundation of Delta's rates using the Alt Reg Plan were specifically approved in Delta's last general rate case in which a final order was issued on June 1, 1998, less than eight months before the Alt Reg Plan was filed. There is no reason to incur the cost to revisit those issues here.

Respectfully submitted,

STOLL, KEENON & PARK, LLP

Robert M. Watt, III
201 East Main Street, Suite 1000
Lexington, KY 40507
(606) 231-3000

Counsel for Delta Natural Gas Company, Inc.

CERTIFICATE OF SERVICE

This is to certify that the foregoing pleading has been served by mailing a copy of same, postage prepaid, to the following persons on this 19th day of April 1999:

Gerald Wuetcher, Esq.
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40601

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601-8204

Robert M. Watt, III

Paul E. Patton
Governor

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www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Ronald McCloud,
Secretary
Public Protection and
Regulation Cabinet

April 13, 1999

Mr. John F. Hall
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391-9797

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204

Re: Case No. 99-046
Delta Natural Gas Company, Inc.

Dear Mr. Hall and Ms. Blackford:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Commission counsel, at (502) 564-3940, Extension 259.

Sincerely,

Helen C. Helton

Helen C. Helton
Executive Director

gw
Enclosure

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INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 99-046

FROM: Gerald Wuetcher GW
Staff Attorney

DATE: April 13, 1999

SUBJECT: Conference of March 30, 1999

On March 30, 1999, the Commission convened a conference in Case No. 99-046 to discuss Delta Natural Gas Company's Experimental Alternative Regulation Plan. Present were:

John F. Hall	-	Delta Natural Gas Company
Glenn Jennings	-	Delta Natural Gas Company
Randall Walker	-	Delta Natural Gas Company
Betsy Blackford	-	Attorney General's Office
Bill Bowker	-	Commission Staff
Leah Faulkner	-	Commission Staff
Gary Forman	-	Commission Staff
Aaron Greenwell	-	Commission Staff
Becky Phillips	-	Commission Staff
John Williams	-	Commission Staff
Bill Willis	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

By Order of March 24, 1999, the Commission had ordered the conference to "discuss the extraordinary nature of the relief sought . . . and the appropriateness of such relief under the existing regulatory structure."

Mr. Jennings briefly explained Delta Natural Gas Company's ("Delta") proposed plan and noted that the plan's purpose was to avoid costly rate adjustment cases. The plan is based upon the "Rate Stabilization and Equalization Plan" that the Alabama Public Service Commission implemented for the Alabama Gas Company ("Algasco"). While based upon the Algasco Plan, Delta's plan is different in several respects, the most notable of which is its "true-up mechanism."

Mr. Jennings stated that Delta must take some action shortly to protect its financial position. He noted that, because of the warm winter, Delta's earnings are lower than expected. To continue its current dividend payments, a rate adjustment is necessary if the proposed plan is not shortly approved and implemented.

Mr. Jennings noted that Delta views its proposed plan as a means of avoiding a rate adjustment proceeding. He noted that Delta has a very small rate staff and that its most recent rate adjustment proceedings have been lengthy and costly. Mr. Jennings further stated that Delta believed that the experimental plan could, after negotiations with Commission Staff, the Attorney General ("AG"), and other interested parties, produce a better result. He also stated that Delta requires prompt action from the Commission. Delta is developing its budget for the next year. Its board of directors must shortly decide whether to proceed with the experimental plan or pursue a rate adjustment proceeding. Delta, he stated, does not have the luxury of waiting until August 1999 or beyond for a Commission decision. He also stated that, should Delta file an application for a rate adjustment, it may submit its proposed plan of alternative rate regulation as part of its application.

Ms. Blackford stated that the AG is considering a motion to dismiss the case. Such a motion, she stated, could be based upon several grounds. The AG believes, Ms. Blackford stated, that the proposed plan constitutes an application for rate adjustment. Delta has not published notice of its proposed plan nor met any of the filing requirements set forth in Administrative Regulation 807 KAR 5:001, Section 10. The AG also believes that the Commission lacks the statutory authority to implement an alternative rate regulation plan for natural gas utilities. Given that KRS Chapter 278 currently authorizes alternative rate regulation for telephone utilities only, the lack of any provision for natural gas utilities suggests that the General Assembly has not authorized the Commission to engage in alternative rate regulation for other types of utilities. The Commission's general ratemaking authority, Ms. Blackford stated, is insufficient to authorize the requested relief.

Mr. Jennings disagreed. He stated that the Commission has the statutory authority to approve the proposed plan. He noted that the Algasco Plan submitted to the Alabama Public Service Commission in the form of a tariff filing, not as a general rate case proceeding. He further stated that the Commission's regulations did not require public notice of Delta's plan.

Commission Staff identified some areas of concern with the proposed plan. It noted that the plan requires extensive use of forecasts, contains no pricing caps or measures for cost containment, and makes no provision for the sharing of the benefits of improved performance.

Mr. Jennings stated the use of forecasts is appropriate. Delta's proposed plan is based upon accurate company budgets. He noted that Delta has a very intense review of its budgets to ensure their accuracy. These budgets must be submitted to Delta's Board of Directors for its review and approval. Such review is subject to public review. Mr. Jennings noted that the Alabama Public Service Commission has some review over

Algasco's budget and stated that some Commission oversight role in its budget process may be required. He rejected the suggestion that the proposed plan merely constitutes a passthrough of all expenses to Delta's ratepayers.

Mr. Jennings also rejected the assertion that the proposed plan places no controls on Delta. He stated that Delta is currently subject to intense competitive pressure from local electric utilities. Electricity represents a virtual substitute for Delta's commodity. Delta, therefore, currently faces strong limitations on its rates. Should it increase rates to noncompetitive levels, its customers will flee to the electric utilities. This "very stiff competition" is a controlling feature of the plan. Mr. Jennings stated that Delta is willing to consider changes to the proposed plan to provide for performance-based incentives. He noted that such incentives, however, are difficult to design.

Ms. Blackford stated that AG has some concerns about the proposed plan's reliance upon Delta's budgeting process. She stated that such reliance is subject to possible abuse. Mr. Walker responded by noting that, as a result of the proposed plan's true-up mechanism, the rates will ultimately be based upon actual costs, not budgeted costs

Mr. Jennings stated Delta's willingness to modify its proposal to meet Commission Staff and the AG's concerns. He emphasized the need for prompt action. Mr. Wuetcher stated that, given the AG's current policy regarding settlements with Commission Staff, a settlement agreement among the conference's participants was unlikely. Ms. Blackford then explained that the AG as a matter of policy would not enter into any settlement agreement to which Commission Staff is a signatory. Mr. Wuetcher stated that the AG and Delta could negotiate a settlement without Commission Staff participation and submit that settlement to the Commission.

Ms. Blackford agreed to advise Delta and Commission Staff by April 2, 1999 as to whether the AG would file a motion to dismiss in this matter. Mr. Wuetcher stated that he would circulate a proposed procedural schedule to the parties for their comments.

Commission Staff stated that Delta's plan raises important issues of first impression. The plan will require considerable review since it may be used as a model by other utilities. Because of its significance, Commission Staff noted, this case may be lengthy. Extensive discovery is likely as well as hearings. Mr. Forman and Mr. Greenwell stated that it is very unlikely that the Commission could complete its review by July 1, 1999 as Delta has requested.

The conference then adjourned.

cc: Parties of Record

Paul E. Patton
Governor

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
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FRANKFORT, KENTUCKY 40602
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Ronald McCloud,
Secretary
Public Protection and
Regulation Cabinet

April 13, 1999

Mr. Glenn Jennings
Mr. John F. Hall
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391-9797

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204

Robert M. Watt, III, Esq.
201 East Main Street
Suite 1000
Lexington, Kentucky 40507-1380

Re: Case No. 99-046
Delta Natural Gas Company, Inc.

Dear Ms. Blackford and Gentlemen:

Enclosed is a proposed procedural schedule for the above-referenced case. Please provide me with any proposed revisions no later than April 20, 1999. This proposal assumes that the Commission will address the Attorney General's Motion to Dismiss no later than April 23, 1999 and that the Commission will deny the motion. Should the Commission grant the Attorney General's Motion, no procedural schedule will be required.

If you have any questions regarding the proposed procedural schedule, please telephone me at (502) 564-3940, Extension 259.

Sincerely,

Gerald Wuetcher
Staff Attorney

cc: Case File
Enclosure

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EDUCATION PAYS

PROPOSED PROCEDURAL SCHEDULE

Delta shall file with the Commission and serve upon each party the direct testimony in written verified form of each witness that it intends to call	05/07/99
All requests for information to Delta shall be served upon Delta no later than	05/21/99
Delta shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than	06/04/99
All supplemental requests for information to Delta shall be served upon Delta no later than	06/18/99
Delta shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than	07/02/99
Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than	07/16/99
All requests for information to Intervenors shall be served no later than	07/30/99
Last day for Delta to publish notice of hearing date	08/11/99
Intervenors shall file with the Commission and serve upon all parties of record its responses to requests for information no later than	08/13/99
Public Hearing is to begin at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses	08/18/99
Written briefs shall be filed with the Commission and served upon all parties of record no later than	09/19/99

RECEIVED
APR 0 8 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

Delta Natural Gas Company, Inc.	)	Case No. 99-046
Experimental Alternative Regulation Plan	)	

MOTION TO DISMISS AS UNLAWFUL

Comes the Attorney General, by and through his Office for Rate Intervention, and moves the Commission to dismiss the filing of Delta Natural Gas Company, Inc. as unlawful for the following reasons:

The filing is clearly a filing for a general adjustment of rates as the proposal would impact every rate charged by the company. Further, as is shown by the filing's reference to its current under-earnings, and by the candid discussion of Delta's spokesmen outlining a several year long history of under-earning for the company, it is an application for a rate increase. Nevertheless, the filing in no way complies with the affirmative statutory and regulatory mandates pertaining to filings for a general adjustment of rates and filings for a rate increase.

Delta contends at page 20 of its filing that the Commission may adopt the tariff proposed outside of an application for a general adjustment of rates under KRS 278.160 and 807 KAR 5:011. KRS 278.160 requires that tariffs be filed. 807 KAR 5:011 establishes requirements and procedures for tariff filings. Delta's contention is unfounded as the regulation itself requires that any hearing on a proposed tariff be conducted pursuant to KRS 278.190.

Pursuant to Section 6 of 807 KAR 5:011;

> No tariff, or any provision thereof may be changed, canceled or withdrawn except upon such terms and conditions as the commission may impose and in compliance with KRS 278.180 and Sections 6 and

9 of this regulation.

Pursuant to Section 9 of that regulation, once proper notice has been given to the commission and the public, the tariff is to become effective on the date named therein,

> . . . unless the operation thereof be suspended and the rates and regulations therein be deferred by an order of the commission pending a hearing concerning the propriety of the proposed rates and regulations under KRS 278.190.

Pursuant to KRS 278.190, the duration of the period of suspension the Commission is permitted to make is dictated by whether an historic or a forecasted test period is used. Thus, the regulations pertaining to tariff filings, other than tariffs pertaining to nonrecurring charges, require the utility to abide by KRS 278.190, which in turn requires for its operation that the filing be accompanied by an historic or a forecasted test period. The historic and forecasted test years are mechanisms of applications for a general rate increase.

Furthermore, KRS 278.192 directs the Commission to allow the use of a forecasted test year in lieu of an historic test year for the purposes of justifying the reasonableness of a proposed general rate increase. It does not permit an unsupported general rate increase filing. Neither do the Commission's regulations permit an unsupported filing. Other than the alternative rate adjustment procedure set out in 807 KAR 5:076, the only mechanisms recognized by regulation to support the general rate increase are the historic and the forecasted test year. 807 KAR 5:001, Section 10.

This filing, despite its coy effort to pass itself off as something else, is seeking a general increase in rates. That is the intended effect of the proposed tariff. Delta's contention to the contrary, simply filing a new tariff which accomplishes a general rate increase accompanied by a letter of explanation, without calling the matter an application for a general increase of existing rates or complying with the regulatory and statutory requirements that accompany an application for a general increase of rates is unlawful. Were Delta's contention that the utility may accomplish a general rate increase simply by filing for a tariff change which happens to adjust and increase all rates charged by the company without applying for a general adjustment of rates, then the entire statutory and regulatory scheme pertaining to applications for a general increase of rates would be an unnecessary duplication of the general tariff process.

Under a scenario in which the application for a general adjustment of rates is not necessary to accomplish a general increase of rates, the statutory provisions of KRS 278.192 would be for naught . KRS 278.192's provisions speak directly to actions for a general increase of rates. If a simple tariff filing were legally sufficient to effect a general rate increase without an application for a general rate adjustment there would never be a need to pursue an action for a general increase of rates. The provisions of KRS 278.192 would be meaningless. Standard statutory construction dictates that interpretations of a statutory scheme which render legislative provisions mere surplusage are to be avoided. Effect must be given to every part of a statute. Keeton v. City of Ashland, Ky. App., 883 S.W.2d 894 (1994); Brooks v Meyers, Ky., 270 S.W.2d 764 (1955).

In the same fashion, the regulatory scheme set out in 807 KAR 5:001, Section 10 implementing the application for a general adjustment of rates would be a nullity. The long history of accomplishing general rate increases via the application for a general adjustment of rates would be an unnecessary exercise of the regulatory process. Interpretations which ignore the agency's historic implementation of the statutes and which render portions of the regulatory scheme surplus are to be avoided. A simple tariff filing to accomplish a general rate increase is not sufficient under the statutes or the regulations. The filing is unlawful.

By like token, were the general tariff process the proper vehicle for a general adjustment of rates, then the utility could not elect to disregard the Commission's ruling with reference to any tariff filed for approval, even if the tariff provisions the utility proposes were to be changed by the Commission. The process of regulation inherently entails the authority of the regulating authority to bind the regulated entity to all decisions it may enter in the regulatory process. This general principle is recognized in KRS 278.430 which provides:

> In all trials, actions or proceedings arising under the preceding provisions of this chapter or growing out of the commission's exercise of the authority or powers granted to it, the party seeking to set aside any determination, requirement, direction or order of the commission shall have the burden of proof to show by clear and satisfactory evidence that the determination, requirement, direction or order is unreasonable or unlawful.

Delta has reserved "the right" to choose to implement any modifications the Commission may make to its proposed tariff or to remain under traditional regulation at page 21 of its filing. With that statement, Delta is asserting that the Commission is without authority to bind it to any decision the Commission may render at the conclusion of this tariff process. With the assertion of the "right" to simply disregard or elect not to follow a decision of the Commission, Delta is asserting that the provision of KRS 278.430 will not apply to this filing. If the process proposed by Delta is a valid regulatory process, the decision of the Commission at the conclusion of the process would be binding and could be set aside under KRS 278.430 only if proven to be unlawful or unreasonable. That is certainly the case in an application for a general rate adjustment. Since the Commission clearly has the authority to bind a utility to a result it does not like as the consequence of a general application for an adjustment of rates, Delta is asserting by necessary implication that the Commission has no authority to regulate this matter by the process which it, Delta, has initiated. As

Delta asserts is cannot be bound by the Commission's ruling on this filing, the filing is not a valid regulatory procedure, and should be dismissed.

Delta's effort to sidestep the general rate adjustment process is all the more egregious because it wishes to continue to receive cost of service based rates. The only "alternative" aspect of its filing is that the Company is asking the Commission to abdicate its oversight of the Company's costs and performance in the course of allowing cost of service based rate adjustments. The filing is unlawful. It should be dismissed.

Respectfully Submitted,

EE Blackford

Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40601
(502) 696-5458

CERTIFICATE OF SERVICE AND OF FILING

I hereby certify that this the 8th day of April, 1999, I have file the original and eight copies of the foregoing Motion with the Kentucky Public Service Commission at 730 Schenkel Lane, Frankfort, Ky., 40601, and that I have served the parties by mailing a copy of same, postage prepaid, to:

JOHN F HALL
DELTA NATURAL GAS COMPANY INC
3617 LEXINGTON ROAD
WINCHESTER KY 40391

EE Blackford

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 24, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601

RE: Case No. 99-046

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL GAS COMPANY, INC. TO IMPLEMENT AN EXPERIMENTAL ALTERNATIVE REGULATION PLAN) CASE NO. 99-046

ORDER

The Commission, on its own motion, HEREBY ORDERS that an informal conference be held in this matter on March 30, 1999, at 1:00 p.m., Eastern Standard Time, in Conference Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky to discuss the extraordinary nature of the relief sought in Delta's filing and the appropriateness of such relief under the existing regulatory structure.

Done at Frankfort, Kentucky, this 24th day of March, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 17, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

Honorable Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601

RE: Case No. 99-046

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL GAS COMPANY, INC. TO IMPLEMENT AN EXPERIMENTAL ALTERNATIVE REGULATION PLAN	))))	CASE NO. 99-046

ORDER

This matter arising upon the motion of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), filed March 4, 1999, pursuant to KRS 367.150(8), for full intervention, such intervention being authorized by statute, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that the motion is granted and the Attorney General is hereby made a party to these proceedings.

Done at Frankfort, Kentucky, this 17th day of March, 1999.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 5, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

RE: Case No. 99-046

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL GAS COMPANY, INC. TO IMPLEMENT AN EXPERIMENTAL ALTERNATIVE REGULATION PLAN	))))	CASE NO. 99-046

O R D E R

On February 5, 1999, Delta Natural Gas Company, Inc. ("Delta") filed an application with the Commission wherein it proposes to implement an experimental alternative regulation plan effective March 7, 1999.

The Commission finds that, pursuant to KRS 278.190, further proceedings are necessary in order to determine the reasonableness of the proposed tariff sheets and related plan and that such proceedings cannot be completed prior to the proposed effective date.

IT IS THEREFORE ORDERED that:

1. The proposed tariff sheets are hereby suspended for 5 months from March 7, 1999 up to and including August 6, 1999.

2. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period.

Done at Frankfort, Kentucky, this 5th day of March, 1999.

ATTEST:

By the Commission

Helen C Helton
Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

RECEIVED
MAR - 4 1999
PUBLIC SERVICE COMMISSION

Delta Natural Gas Company, Inc.) Case No. 99-046
Experimental Alternative Regulation Plan)

MOTION TO INTERVENE

Comes the Attorney General, A. B. Chandler, III, pursuant to KRS 367.150 (8) which grants him the right and obligation to appear before regulatory bodies of the Commonwealth of Kentucky to represent the consumers' interests, and moves the Public Service Commission to grant him full intervener status in this action pursuant to 807 KAR 5:001(8).

ELIZABETH E. BLACKFORD
ASSISTANT ATTORNEY GENERAL
1024 CAPITAL CENTER DRIVE
FRANKFORT KY 40601
(502) 696-5453
FAX: (502) 573-4814

CERTIFICATE OF SERVICE AND OF FILING

I hereby certify that this the 4th day of March I have file the original and ten copies of the foregoing Motion to Intervene with the Kentucky Public Service Commission at 730 Schenkel Lane, Frankfort, Ky., 40601, and that I have served the parties by mailing a copy of same, postage prepaid to:

JOHN F HALL
DELTA NATURAL GAS COMPANY INC
3617 LEXINGTON ROAD
WINCHESTER KY 40391

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 8, 1999

John F. Hall
Vice President-Finance, Sec.,Treas.
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391

RE: Case No. 99-046
DELTA NATURAL GAS COMPANY, INC.
(Tariffs) EXPERIMENTAL ALTERNATIVE REGULATION PLAN

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received February 5, 1999 and has been assigned Case No. 99-046. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/jc

Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391-9797
Phone: 606-744-6171
Fax: 606-744-3623

February 5, 1999

Ms. Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Post Office Box 615
Frankfort, Kentucky 40602

Case No. 99-046

Re: Experimental Alternative Regulation Plan

Dear Ms. Helton:

Enclosed please find an original and four copies of the following sheets of our Tariff PSC No. 8:

Original Sheet No. 30
Original Sheet No. 31
Original Sheet No. 32
Original Sheet No. 33
Original Sheet No. 34
Original Sheet No. 35

1.0 Background and Purpose of Filing

Delta Natural Gas Company, Inc. ("Delta") is proposing an alternative regulation plan on an experimental basis for a period of three years. At the end of the three-year experimental period the program would be evaluated in order to determine whether the alternative regulation plan should continue beyond the initial period.

The purpose of the proposed mechanism is to provide an alternative regulatory process for adjusting gas service rates. Under the traditional regulatory process in Kentucky, a general adjustment in rates can be made in two ways: (1) a utility can file an application pursuant to 807 KAR 5:001, Section 10, or (2) the Commission can adjust rates pursuant to an investigation initiated by a complaint or on its own motion. Delta's proposed mechanism would establish a process for making rate adjustments in a timely and expeditious manner while remaining consistent with the underlying principles that govern rate regulation.

One of the guiding principles of rate regulation is to establish rates that will provide the utility an opportunity to earn a fair, just and reasonable return on invested capital. Implicit in this is the concept that rate regulation should balance both the interests of consumers and the interests of investors. This point is underscored by Dr. Charles F. Phillips in the following passage from *The Regulation of Public Utilities* (Arlington, Virginia: Public Utilities Reports, 1988), page 357:

> At a minimum, a public utility must be afforded the opportunity not only of assuring its financial integrity so that it can maintain its credit standing and attract additional capital as needed, but also of achieving earnings comparable to those of other companies having corresponding risks. Further, regulation may use the rate of return as an incentive by awarding returns that are higher than the minimum to those utilities with relatively greater efficiency. But in determining a rate, a commission may not set it so high as to exploit consumers. The concept of a fair return, therefore, represents a range or zone of reasonableness.

Under traditional regulation, utilities are typically allowed to earn a rate of return that falls within a specified range based on historical test year operating results adjusted for known and measurable changes. Even with the use of a historical test year, there is an underlying assumption that the resultant rates will afford the utility an opportunity to earn a fair, just and reasonable rate of return on a going forward basis. *Ex ante* it is reasonable to assume that the use of an adjusted historical test year will be sufficient for setting rates that will provide the utility an opportunity to earn a fair, just and reasonable rate of return, but not allow the utility to extract an excessive level of earnings. However, *ex post* the use of an adjusted historical test year (or even a forecasted test year[1]) does not always result in rates that actually allow the utility to earn a rate of return within the range found reasonable by the Commission. For any number of reasons, rates established under traditional regulation can result in the situation where the utility earns a rate of return that exceeds the upper end of the range found fair, just and reasonable by the Commission or earns a rate of return that is below the bottom end of the range established by the Commission.

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[1] For purposes of this discussion, both the use of an historical test year and a forecasted test year as provided by 807 KAR 5:001, Section 10, are grouped under the rubric of "traditional ratemaking."

Rates established through traditional regulation often fail to result in a rate of return within the range authorized by the Commission because a utility's average unit costs have either increased or decreased after the end of the historical or forecasted test year. Increases in average unit costs typically occur either because of inflation or because of growth. Inflation results in the inputs used to provide gas service to customers costing more than they did in the test year used to set rates. Growth can cause an increase in average unit cost if the marginal cost of serving new customers is higher than the utility's embedded cost. Growth can also result in a decrease in average unit costs if the marginal cost of serving new customers is lower than the utility's embedded cost. For these reasons, actual rates of return frequently fall outside of the range authorized by the Commission.

When the marginal cost of serving new customers is higher than the utility's embedded cost, growth puts a double strain on the utility's resources. Not only must the utility finance new capital additions and utilize resources to provide quality service to these new customers, but it must also devote significant managerial attention and resources to filing a formal petition for a rate case to address its low rate of return. In the natural gas business generally and for Delta in particular, the marginal cost of serving new customers has been higher than the embedded cost of providing service and the growth that many gas utilities have experienced has resulted in increased average unit costs and a low rate of return. We believe that there is a more cost effective mechanism for ensuring that a utility's rate of return falls within the range authorized by the Commission.

Accordingly, our goal with this filing is to establish an orderly and expeditious process for automatically making rate adjustments to keep the Delta's rate of return within the range authorized by the Commission. As will be discussed in greater detail below, Delta's proposed alternative ratemaking mechanism will produce the following benefits:

- **The proposed alternative ratemaking mechanism would ensure that Delta's rate of return falls within the range authorized by the Commission.** Under Delta's proposal, the Commission would establish a zone of reasonableness for Delta's rate of return and the proposed mechanism would automatically keep Delta's rate of return within this range. Subject to certain constraints, Delta's rates would be adjusted to bring its rate of return within the range established by the Commission. Delta's proposed mechanism would ensure that it is not over-earning or under-earning.

- **The proposed alternative ratemaking mechanism would be more consistent with the ratemaking principle of "gradualism" than traditional regulation.**

Because there is often a number of years between adjustments in base rates, traditional regulation frequently results in abrupt changes in rates. By providing a mechanism for examining a utility's rate of return and adjusting rates on an annual basis, Delta's proposed mechanism would provide a more gradual mechanism for increasing or decreasing rates than traditional regulation.

- **By providing a less resource intensive process for keeping Delta's rate of return within a Commission prescribed zone of reasonableness, the proposed alternative ratemaking mechanism would allow the utility to focus on improving utility operations rather than using management talent to conduct a full blown rate case.** When a utility files an application for a general adjustment in rates, a significant amount management time, attention and resources must be committed to the process. During a rate case, a utility must divert management attention from making operational improvements, connecting new customers, developing new marketing initiatives, strategic business development, and other activities generally involved with running the business and instead focus its attention on preparing financial pro-formas, conducting cost of service studies, determining where to spread a rate increase, developing pre-filed written testimony, responding to data requests, attending hearings, preparing pleadings, etc. These activities are particularly burdensome and costly for small utilities and their customers.

- **By providing a less resource intensive process for keeping Delta's rate of return within a Commission prescribed zone of reasonableness, the proposed alternative ratemaking mechanism would result in cost savings to the utility.** Conducting a general rate proceeding is resource intensive and costly. Utilities incur significant internal and external costs in conducting general rate cases. Once an alternative ratemaking mechanism is operational, the cost of keeping Delta's rate of return within a Commission prescribed zone of reasonableness will be significantly lower. Although the alternative rate mechanism would likely involve a comprehensive 3-year review, it is anticipated that such a review would be less resource intensive and costly than a full-blown rate case.

- **The proposed alternative ratemaking mechanism would save time and resources at the Commission while still allowing the Commission to fulfill its obligations of ensuring that the utility is not over or under earning.** As with utilities, the Commission and its staff devotes considerable resources in conducting general rate cases. Streamlining the process for keeping Delta's rate of return within a Commission prescribed zone of reasonableness would leave more time for considering important public policy issues instead of managing data requests, conducting hearings and performing other tasks involved with a formal rate case. Streamlining the process, however, would not impede the Commission's ability to prevent customers from being overcharged by allowing the utility to earn an excessive rate of return. Unlike traditional regulation, under Delta's proposal there would be an annual review of the utility's rate of return.

- **The proposed alternative ratemaking mechanism would free up the resources necessary for the Commission to prepare for competition.** In a competitive environment, the Commission will need to devote resources to setting and enforcing the rules of the competitive game by addressing such issues as cross subsidization, affiliate transactions and non-discriminatory access to essential monopoly facilities which provide competitors with access to the market. One means of freeing up resources to devote to such issues is by utilizing alternative ratemaking mechanisms like the one that Delta is proposing.

- **The proposed alternative ratemaking mechanism would likely result in a less adversarial process for adjusting rates.** The process for making general adjustment in rates set forth in 807 KAR 5:001, Section 10, is inherently adversarial. Other adjustment mechanisms utilized by utilities in Kentucky have generally proven to be less adversarial, such as purchased gas adjustment mechanisms (PGAs) and fuel adjustment clause mechanisms.

- **Delta's proposed alternative ratemaking mechanism would help it prepare for a more robustly competitive energy services market.** From Delta's perspective, the energy services market in Kentucky is already fiercely competitive. Natural gas utilities face competitive pressures from a number of fronts, including: (1) competition for residential customers from propane and fuel oil providers, (2) competition in commercial and industrial markets from alternative fuels such as coal and fuel oil, (3) competition in all sectors from electric utilities, and (4) customers physically bypassing the local distribution provider. Utilities that earn an inadequate return on invested capital are often at a competitive disadvantage to utilities and other energy service providers that have the opportunity to earn a significantly higher rate of return. Businesses with stronger earnings can typically devote resources to providing more and better services to attract new customers and retain existing customers. A solid financial position that reflects a reasonable rate of return would make it easier for Delta to finance the investments needed to provide quality service, to create new services and to enhance existing services in order to attract and retain customers.

2.0 Competitive Dynamics in the Gas Distribution Business

Natural gas is a fuel. Therefore, in contrast to electric utilities, gas distribution companies are in the business of selling and/or transporting a fuel. As a fuel, natural gas can be easily substituted with other products and services. None of the other products and services typically regulated by public utility commissions (electric, water, sewer and telephone service) can be substituted by other products and services as easily as natural gas. In general, it is much more difficult for customers to find economically viable substitutes for electric, water, sewer, and telephone service than it is for natural gas. Generally, the "retail switching cost" in these other industries involves a significant capital investment, which is not necessarily the case with natural gas.

For example, many residential and commercial gas furnaces can be retrofitted with propane by simply replacing the orifice on the furnace. In some cases, the customer may have to also change out the burners and/or gas valves which would be more costly. Some gas burning equipment is designed with a valve which will allow consumers to switch back and forth between natural gas and propane. In addition to propane, gas distributors face fierce competition in residential and commercial markets from electric utilities. Because electric rates in Kentucky are among the lowest in the country, it is extremely difficult for Delta to compete for new residential and commercial customers.

Because industrial customers will often have more fuel and energy service options than residential and commercial consumers, the competitive pressures in the industrial market are even more intense. Coal, fuel oil, and propane are frequently utilized in lieu of natural gas in industrial boilers. In addition to other fuels and energy services which can easily serve as substitutes, gas distributors often face the threat of customers physically by-passing the local distribution company by building a line that connects the customer directly with a gas pipeline running through the area.

The highly competitive environment in which natural gas utilities operate makes alternative ratemaking particularly suitable for gas utilities. In addition to the safeguards introduced in Delta's proposed alternative ratemaking mechanism that prevents the utility's rate of return from exceeding the upper bound found reasonable by the Commission, there is an additional constraint introduced by the competitive pressures that exist in the environment in which Delta operates. Gas utilities simply cannot allow their rates to increase too much without losing customers to alternative energy service providers. This is particularly true in Delta's case since it operates in a geographical region with extremely low electric rates.

For this reason we have introduced two provisions, as will be discussed in greater detail below, which would allow Delta to limit price increases under the alternative ratemaking mechanism. First, if it is determined that the mechanism would increase rates to an uncompetitive level, then Delta would be permitted, subject to Commission approval, to reduce the annual revenue deficiency amount (i.e., the amount used to calculate the Annual Adjustment Component, which will be defined below) that otherwise would be charged to customers under the mechanism. Second, we are also proposing to place an overall limitation on the amount used to calculate the Annual Adjustment Component equal to 5 percent of Delta's total utility revenue. This provision would have the effect of limiting increases through the application of the Annual Adjustment Component to 5% of the average price of gas to applicable customers.

3.0 Differences Between Alternative Ratemaking and Performance Based Ratemaking

In our view, alternative ratemaking (or "alternative regulation") is an altogether different concept from performance based ratemaking and accomplishes different purposes. A performance based ratemaking mechanism is a system of rewards and penalties designed to improve the operational and financial performance of the utility. Consequently, a performance based ratemaking mechanism does not explicitly consider whether the utility is earning a fair and reasonable return on its invested capital. Under a performance based ratemaking mechanism, the utility could continue to earn a rate of return that falls either below or above a level that the Commission finds to be fair, just and reasonable.

An alternative ratemaking mechanism, on the other hand, is designed to provide an alternative process (viz., a process other than a full-blown rate case) for ensuring that the "utility may demand, collect and receive fair, just and reasonable rates for the services rendered" as required by KRS 278.030. By implementing a mechanism that helps ensure that the utility's rate of return falls within the range found to be fair, just and reasonable by the Commission, Delta's alternative ratemaking proposal would, therefore, provide the Commission with an alternative process for performing its statutory duties.

4.0 Alternative Regulation in Kentucky and Other Jurisdictions

On a number of occasions the Commission has approved plans and mechanisms that allow a utility to adjust rates outside of a general rate case. For example, the Commission has approved performance-based mechanisms for Columbia Gas of Kentucky, Western Kentucky Gas Company, and Louisville Gas and Electric Company.[2] The Commission has also approved gas supply cost recovery, environmental cost recovery, and demand-side management mechanisms for various utilities in Kentucky which provide an alternative means for adjusting rates.[3] Additionally, 807 KAR 5:076 of the Commission's regulations provides an alternative rate filing procedure for small utilities.

None of these procedures or mechanisms, however, can be considered "alternative regulation" in the sense that we are using the term. Alternative regulation, as we are defining it, has been used extensively in the regulation of telephone utilities. An alternative regulation plan will typically select a benchmark figure for return on equity and a range of reasonableness surrounding the benchmark, extending one percentage point or more above and below the midpoint of the range. If the telephone utilities return on equity remains within the band it can retain all of the earnings, and outside the bandwidth there is typically a some sort of sharing mechanism that provides for an allocation of over- or under-earning between the utility and its customers.[4]

A key element in many of the alternative regulation plans approved around the country is "symmetry." A symmetric mechanism provides a reverse, albeit commensurate, treatment of

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[2] See the Commission's Orders in Columbia Gas of Kentucky, Inc., Case No. 96-079, dated July 31, 1996; Louisville Gas and Electric Company, Case No. 97-171, dated September 30, 1997; and Western Kentucky Gas Company, Case No. 97-513, dated June 1, 1998.

[3] KRS 278.183 and KRS 278.285 provides statutory authority for the Commission to implement environmental cost recovery and demand-side management mechanisms, respectively. In its Order in Case No. 93-150, dated November 12, 1994, the Commission approved a demand-side management mechanism for Louisville Gas and Electric Company prior to the enactment of KRS 278.285, which became effective July 15, 1994.

[4] *Fortnightly*, April 15, 1994, p. 41. Although it is no longer in effect, the Kentucky Public Service Commission approved a pilot rate of return sharing mechanism ("Experimental Incentive Regulation Plan") for South Central Bell in Case No. 10105. A revised Incentive Regulation Plan was approved in Case No. 89-076, but was eliminated in Case No. 94-121.

earnings that fall either below or above an established rate of return range. In other words, if the utility's rate of return is above the range then the excess earnings are returned to customers either in whole or on a partial sharing basis; and, conversely, if the utility's rate of return falls below the range of reasonableness then the utility is allowed to recover the deficiency either in whole or in part using the same allocation between utility and customers used for over-earnings.

Alternative regulation of gas utilities is currently being explored by several regulatory commissions around the country.[5] One alternative ratemaking mechanism, however, has been in place for a number years for gas and electric utilities in Alabama. The alternative ratemaking mechanism in Alabama was developed in response to a order by the *Alabama Supreme Court in Alabama Power Co. v. Alabama Public Service Commission*, 422 So. 2d 767 (Ala. 1982) directing the Alabama PSC to establish rates which were not confiscatory. (See also *Alabama Metallurgical Corp. v Alabama Public Service Commission*, 441 So. 2d 565 (Ala. 1983).) In response to the Alabama Supreme Court's order, a Rate Stabilization and Equalization Plan ("Rate RSE" or "RSE Plan") was developed for Alabama Power Company. Since then, an RSE Plan was also adopted for the Alabama Gas Company.

Under Alabama Gas Company's Rate RSE, utility rates are adjusted on a quarterly basis to bring the rate of return on common equity within the range found reasonable by the Alabama PSC. Specifically, there is one annual adjustment going into the beginning of the fiscal year and three subsequent quarterly adjustments. In computing the annual adjustment, the utility's budgeted rate of return on equity for the fiscal year is compared to the authorized rate of return (i.e., the midpoint of the range). At that point, the utility adjusts its rates to bring the rate of return to the authorized level, based on budget data. The annual adjustment is placed into effect beginning with the third month of the fiscal year. The first quarterly adjustment contains four months of actual results and eight months of budget results, and a new RSE adjustment is established based on this information and placed into effect beginning with the seventh month of the fiscal year. The second quarterly adjustment contains seven months of actual results and five months of budgeted information. These rates are placed into effect at the beginning of the tenth month. The third quarterly adjustment contains ten months of actual results and two months of budgeted information. These rates are placed into effect at the beginning of the next fiscal year, and are in effect for only two months.

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[5] For example, see *Gas Utility Report*, July 31, 1998, (Nevada PUC); *Gas Utility Report*, February 14, 1997, (Georgia PSC); Gas Daily, March 19, 1997 (Pennsylvania legislation); *Gas Utility Report*, March 28, 1997, (Ohio PUC).

Rate RSE is similar to the alternative ratemaking plan proposed by Delta Gas. However, unlike Delta's proposed plan, the Alabama mechanism never fully reconciles actual results for a fiscal year. We believe that it is important that any alternative ratemaking mechanism reflect the actual earnings realized by the utility as a result of the operation of the mechanism. For this reason, we are proposing to incorporate an Actual Adjustment and Balancing Adjustment which are similar to those used in the gas supply clause mechanisms of various gas utilities in Kentucky. The Actual Adjustment and Balancing Adjustment will insure that the utility neither over-earns or under-earns as a result of the mechanism.

A feature that we adopted from Alabama Gas Company's RSE is the methodology used to allocate the RSE adjustments to rate classes. In its RSE, Alabama Gas Company allocates revenue excess and deficiency amounts to the rate class billing blocks on the basis of the net revenue collected in each block. As will be discussed below, we believe that this is the appropriate methodology for allocating revenue excess and deficiency amounts.

5.0 Proposed Alternative Ratemaking Mechanism

5.1 Overview of the Proposed Mechanism

Delta's proposed alternative ratemaking mechanism consists of three components:

- Annual Adjustment Component (AAC)
- Actual Adjustment Factor (AAF)
- Balancing Adjustment Factor (BAF)

The primary objective of the proposed mechanism is to establish a process for ensuring that the utility's rate of return falls within the range found to be fair, just and reasonable by the Commission. The three individual components of the mechanism work together on an annual cycle to accomplish this objective. To the extent possible, we have attempted to integrate some of the basic elements of the Gas Supply Adjustment Clause utilized by Delta and other gas utilities in Kentucky. In particular, the proposed alternative ratemaking mechanism includes an Actual Adjustment and Balance Adjustment to perform a true-up calculation to reflect actual cost recoveries within the parameters established by the mechanism.

The purpose of the Annual Adjustment Component (AAC) is to adjust rates for an upcoming fiscal year to bring the utility's rate of return on equity to the mid-point of the range found to fair, just and reasonable by the Commission, subject to certain limitations which will be discussed below. The AAC would be determined based on budgeted information for the upcoming fiscal year based on the utility's financial budget approved by Delta's Board of Directors just prior to the beginning of the fiscal year.

After the AAC has been in effect for a full year, The Actual Adjustment Factor (AAF) will perform a *true-up* calculation based on actual results for the fiscal year. Through the application of the AAF, the utility's rates would be increased or decreased based on whether the utility's actual rate of return on equity is, respectively, below or above the range found to be fair, just and reasonable by the Commission. If the utility's actual rate of return falls within the range established by the Commission, then no AAF would be calculated. Should the utility's actual rate of return fall below the bottom end of the range, then the amount to be charged to customers (i.e., the AAF amount) would reflect the increase in revenue requirements necessary to bring the utility's rate of return on equity up to the bottom end of the range. Conversely, if the utility's rate of return is above the top end of the range, then the amount to be credited to customers (i.e., the AAF amount) would reflect the reduction in revenue requirements necessary to bring the utility's rate of return on common equity down to the top end of the range.

The Balancing Adjustment Factor (BAF) acts as a true-up mechanism for the AAF and previous BAFs. The BAF amount would reflect any over- or under-recoveries realized through the application of the AAF and through the application of the BAF for preceding 12-month periods.

5.2 Annual Adjustment Component (AAC)

The Annual Adjustment Component (AAC) is designed to increase or decrease rates for an upcoming fiscal year based on whether the utility's expected rate of return on common equity falls, respectively, below or above the mid-point of the range found to be fair, just and reasonable by the Commission in its most recent rate case (i.e., the "authorized rate of return"). Because the Order in Delta's most recent rate case was issued a little over a year ago,[6] there would be little justification, at this time, to adjust the range established by the Commission in that case. The

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[6] The Commission's initial Order in Case No. 97-066 was issued on December 8, 1997. In its Order, the Commission found a range of 11.1 to 12.1 percent to be the reasonable return on equity for Delta. Delta's motion for rehearing on this issued was denied in the Commission's Order dated January 20, 1998. (Due to a typographical error, in the Order dated December 8, 1997, the range was incorrectly stated as "11.11 to 12.1" percent. The correct range of 11.1 to 12.1 percent was stated *nunc pro tunc* in the Order on rehearing dated January 20, 1998.)

AAC would be determined by first examining whether the budgeted rate of return on equity for the upcoming fiscal year is (i) below the authorized rate of return (i.e., below 11.6 percent), or (ii) above the authorized rate of return (i.e., above 11.6 percent).

If the utility's budgeted rate of return falls below 11.6 percent, then a revenue deficiency is calculated. The revenue deficiency would be equal to the revenue requirement necessary to bring the utility's rate of return to the authorized rate of return. The revenue deficiency amount is derived by (1) subtracting the budgeted rate of return on equity for the upcoming fiscal year ("Budgeted ROE" or "BROE") from the authorized rate of return, (2) multiplying by the 12 month average common equity for the budget year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

$$\textbf{Revenue Deficiency} = \frac{\textbf{(.116 – Budgeted ROE)} \times \textbf{12 Month Avg Equity}}{\textbf{(1 – SFIT)}}$$

Unless one of the two limiting provisions discussed earlier happen to apply, the revenue deficiency would be used to calculate the AAC amount to be charged to customers during the fiscal year. As mentioned above, we are including two provisions which will allow Delta to limit the AAC amount which would charged to customers. Under the first provision, if the application of the AAC would increase Delta's rates to an uncompetitive level, then, subject to Commission approval, we could reduce the annual revenue deficiency amount. Under the second provision there would be a limitation on the amount used to calculate the AAC equal to 5 percent of Delta's total utility revenue.

If the utility's estimated rate of return is above 11.6 percent, the formula would indicate an amount to be credited, or a "revenue excess". The revenue excess would be equal to the revenue requirement necessary to bring the utility's rate of return to the authorized rate of return. The revenue excess amount is derived by (1) subtracting the Budgeted ROE for the upcoming fiscal year from the authorized rate of return, (2) multiplying by the 12 month average common equity for the budget year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

$$\textbf{Revenue Excess} = \frac{\textbf{(.116 - Budgeted ROE)} \times \textbf{12 Month Avg Equity}}{\textbf{(1 - SFIT)}}$$

The revenue excess would be used to calculate the AAC amount to be credited to customers during the fiscal year.

The AAC surcharge or credit per Mcf for the upcoming fiscal year would be calculated by (1) allocating the AAC amount to the rate blocks of the applicable rate schedules and (2) dividing the allocated amount by the estimated Mcf sales and transportation volume in each rate block for the upcoming fiscal year. The methodology for allocating the AAC amount to the rate blocks is described in Section 5.4, below. The steps involved in performing the AAC calculation are described in the flow chart shown in Table 1.

5.3 Actual Adjustment Factor (AAF)

The purpose of the Actual Adjustment Factor (AAF) is to perform a true-up calculation based on actual financial results for the fiscal year. The AAF is designed to increase or decrease rates for an upcoming 12 month period based on whether the utility's actual rate of return on common equity during the previous fiscal year (i.e., the fiscal year during which the AAC was applicable) was below or above the the range found to be fair, just and reasonable by the Commission in its most recent rate case. The AAF would be determined by first examining whether the actual rate of return on equity for the fiscal year was (i) below the bottom end of the range established by the Commission (i.e., below 11.1 percent), (ii) above the top end of the range established by the Commission (i.e., above 12.1 percent), or (iii) within the range established by the Commission (i.e., within a range of 11.1 percent and 12.1 percent).

If the utility's actual rate of return fell below 11.1 percent during the fiscal year, then a revenue deficiency is calculated. The revenue deficiency would be equal to the revenue requirement necessary to bring the utility's rate of return to the bottom end of the range established by the Commission. The revenue deficiency amount is derived by (1) subtracting the actual rate of return on equity for the fiscal year ("Earned ROE" or "EROR") from the bottom end of the range, (2) multiplying by the 12 month average common equity for the fiscal year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

Annual Adjustment Component (AAC)

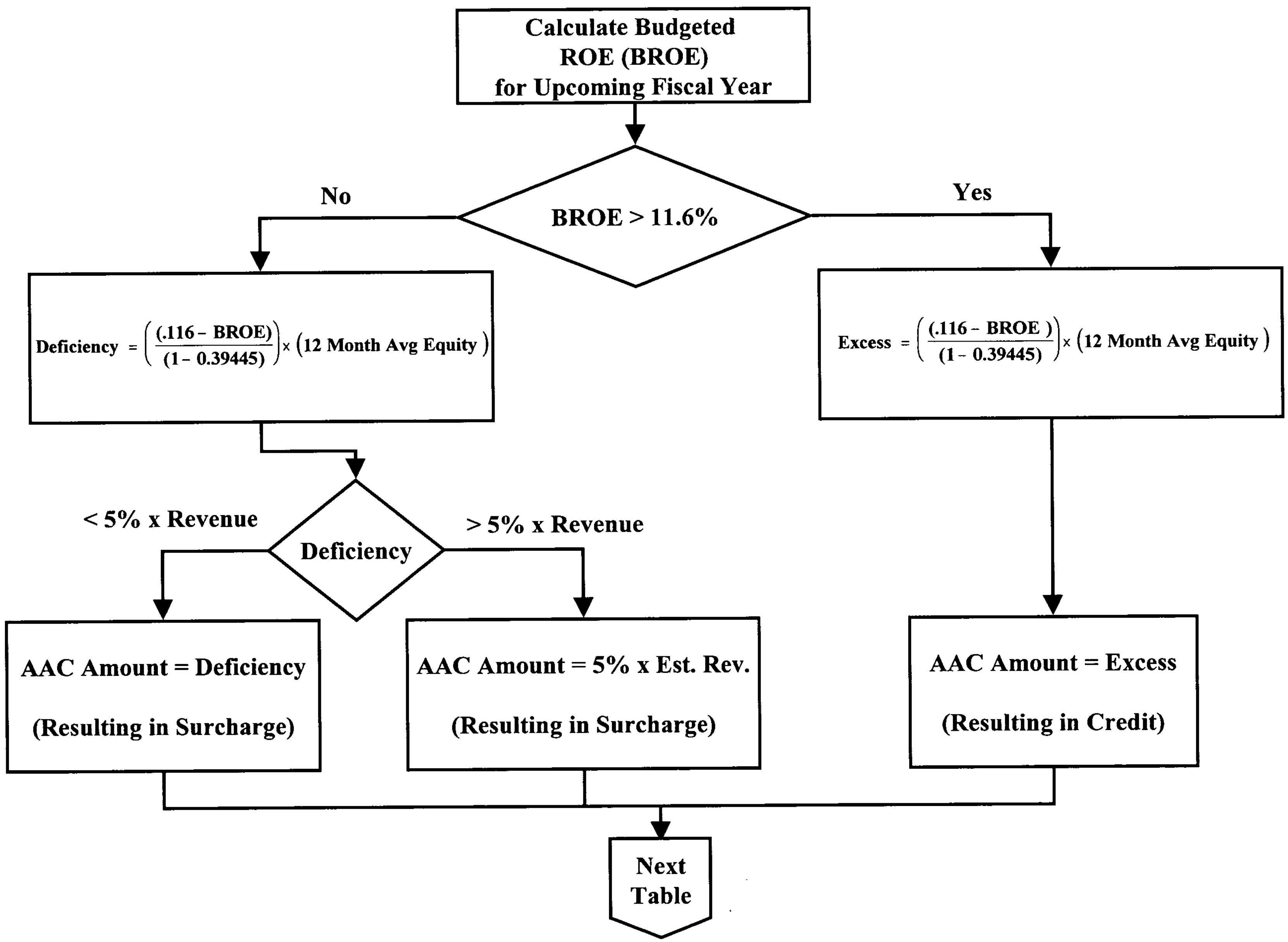

Table 1.1

Annual Adjustment Component (AAC)

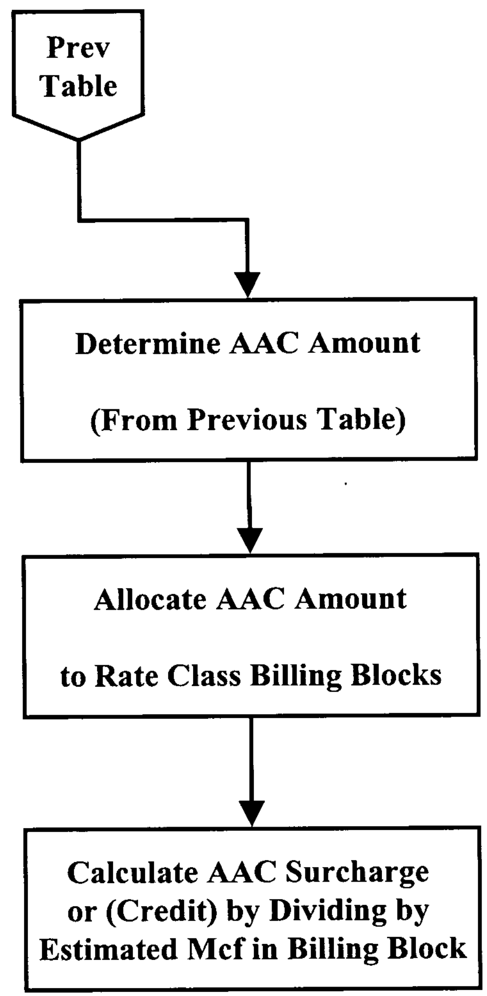

Table 1.2

$$\textbf{Revenue Deficiency} = \frac{\textbf{(.111 - Earned ROE)} \times \textbf{12 Month Avg Equity}}{\textbf{(1 - SFIT)}}$$

The revenue deficiency would be used to calculate the AAF amount to be charged to customers during the fiscal year.

If the utility's actual rate of return was above 12.1 percent, then a "revenue excess" is calculated. The revenue excess would be equal to the revenue requirement necessary to bring the utility's rate of return to the top end of the range established by the Commission. The revenue excess amount is derived by (1) subtracting the Earned ROE from the top end of the range, (2) multiplying by the 12 month average common equity for the fiscal year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

$$\textbf{Revenue Excess} = \frac{\textbf{(.121 - Earned ROE)} \times \textbf{12 Month Avg Equity}}{\textbf{(1 - SFIT)}}$$

The revenue excess would be used to calculate the AAC amount to be credited to customers during the fiscal year.

If the utility's actual rate of return was within the range established by the Commission then there would be no adjustment. In other words, if Delta's actual rate of return was within a range of 11.1 percent and 12.1 percent then the AAF amount would be zero and no AAF would be applied for the upcoming 12 month period.

The AAF surcharge or credit per Mcf for the upcoming 12 month period would be calculated by (1) allocating the AAF amount to the rate blocks of the applicable rate schedules and (2) dividing the allocated amount by the estimated Mcf sales and transportation volume in each rate block for the upcoming 12 month period. The methodology for allocating the AAF amount to the rate blocks is described in Section 5.4, below. The steps involved in performing the AAF calculation are described in the flow chart shown in Table 2.

Actual Adjustment Factor (AAF)

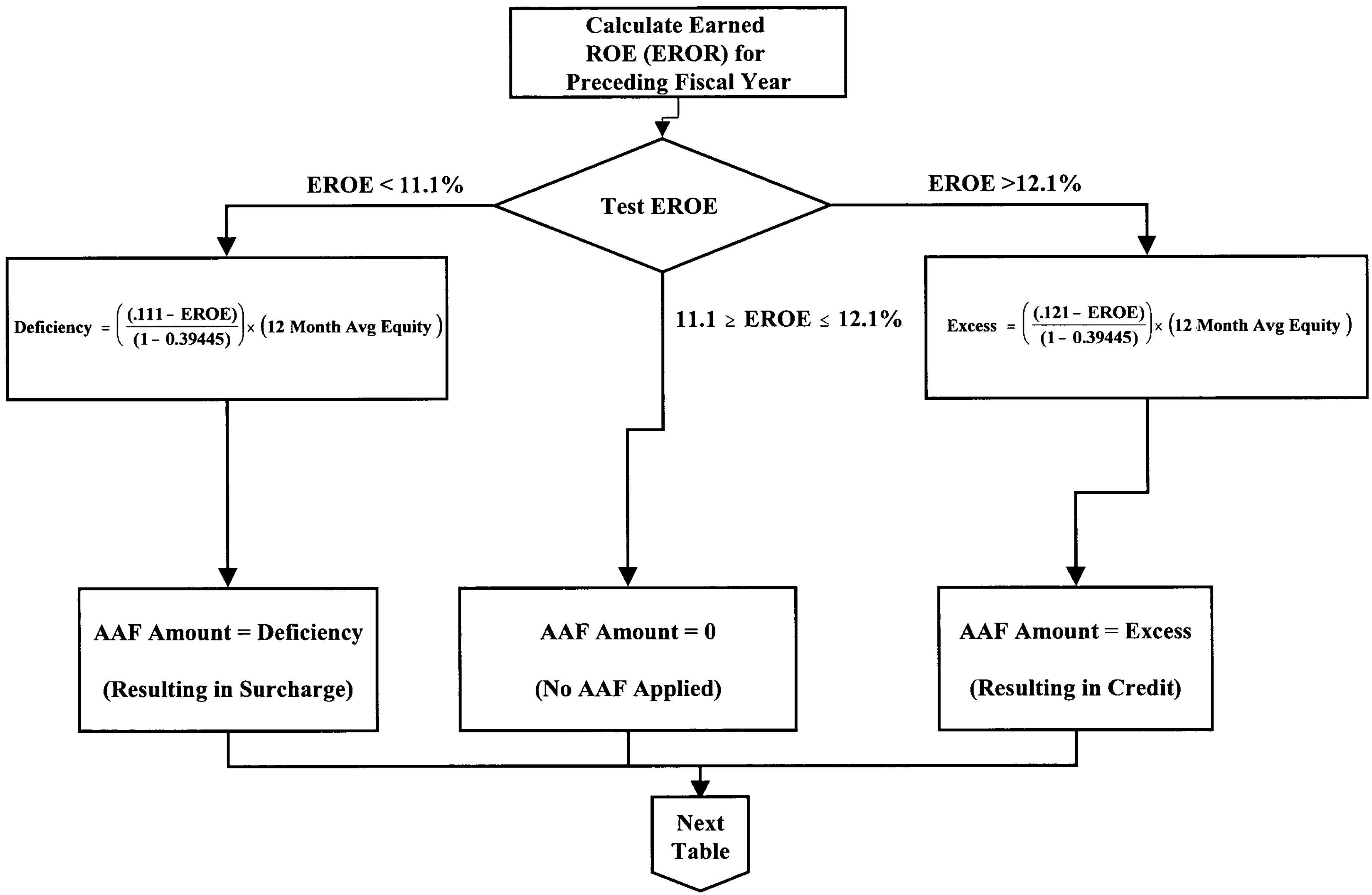

Table 2.1

Actual Adjustment Factor (AAF)

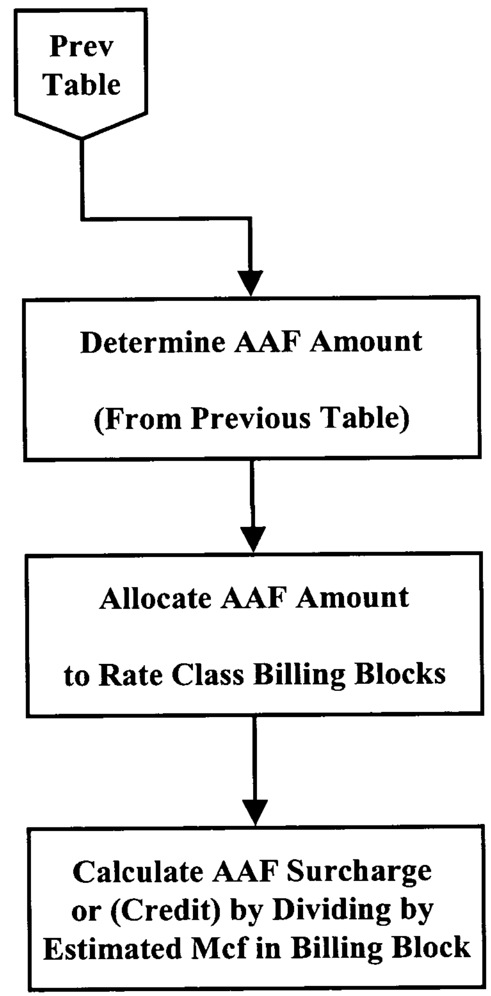

Table 2.2

5.4 Allocation of AAC and AAF to Rate Classes

The AAC and AAF components relate to revenue requirements for utility service recovered through base rates. Because Delta's rates have a declining block structure, it is necessary to allocate the AAC and AAF amounts to the rate class billing blocks. Therefore, in calculating the surcharge or credit, the AAC and AAF amounts will be allocated to billing blocks within each customer class identified in Delta's General Service and Interruptible Rate Schedule. Delta's current General Service Rate identifies three customer classes: (1) residential, (2) small commercial with no meter larger than AL425, and (3) All Other (i.e. Large Commercial and Industrial). Under the General Service Rate, there is a different customer charge for each customer class; however, the Mcf charge, which is structured as a declining block rate, is not differentiated by customer class. Table 3.0 shows Delta's current General Service Rate.

The purpose of allocating the AAC and AAF amounts to each rate class billing block is to reflect the same relative increase or decrease within each customer class on the basis of the level of Delta's base rates. In other words, since the purpose of the proposed alternative ratemaking mechanism is to reflect necessary increases or decreases in *base rates*, and since the level of base rates varies by billing block *and* by rate class it is necessary to allocate the AAC and AAF amounts *pro rata* on the basis of the amount of net revenue (i.e., revenue collected from base rates) recovered from the application of each billing block.[7]

[7] For purposes of calculating the AAC, the revenue recovered from the application of the customer charge will be included in net revenue attributable to the first billing block. The reason for allocating customer-charge related portions of the AAC to the first billing block is to prevent the customer charge from varying each month. We believe that an adjustment factor applicable to the customer charge might confuse the customer.

Delta Natural Gas Company, Inc. Current General Service Rate Schedule	
General Service	**Base Rates**
Customer Charge	
Residential	$ 8.0000 /Cust/Mo
Small Commercial	$ 18.3600 /Cust/Mo
All Others (Large Commercial and Industrial)	$ 25.0000 /Cust/Mo
Mcf Charges	
.1 - 200 Mcf	$ 2.7212 /Mcf
200.1 - 1000 Mcf	$ 2.5000 /Mcf
1000.1 - 5000 Mcf	$ 2.1000 /Mcf
5000.1 - 10000 Mcf	$ 1.5000 /Mcf
Over 10000 Mcf	$ 1.1000 /Mcf

Table 3.0

As can be seen from Table 3, the customer charge varies by customer class and the Mcf charge varies by consumption block. Because the AAC and AAF relate to adjustments in revenue requirements recovered through these rate components it is necessary to allocate the AAC and AAF amounts to these components.

Delta's Interruptible Rate includes a $200 customer charge and therefore would generally only be applicable to large commercial and industrial customers. Table 4.0 shows Delta's current Interruptible Rate.

Delta Natural Gas Company, Inc. **Current Interruptible Rate Schedule**	
Interruptible	**Base Rates**
Customer Charge	$200.00/Cust/Mo
Mcf Charges	
.1 - 1000 Mcf	$ 1.7000 /Mcf
1000.1 - 5000 Mcf	$ 1.3000 /Mcf
5000.1 - 10000 Mcf	$ 0.9000 /Mcf
Over 10000 Mcf	$ 0.5000 /Mcf

Table 4.0

A sample calculation allocating the AAC for the 1996-1997 fiscal year is included on page 4 of Schedule A, attached hereto. Schedule A shows the derivation of the AAC for the three most recent fiscal years. Page 4 of Schedule A performs a pro rata allocation of the AAC amount for 1996-1997 fiscal year to the rate class billing blocks that were in effect at that time. During the 1996-1997 fiscal year, the General Service rate consisted of four billing blocks instead of the current five billing blocks.[8]

[8] Prior to Delta's last rate case (Case No. 97-066), the General Service Rate Schedule consisted of the following billing blocks: (1) .1 - 1000 Mcf; (2) 1000.1 - 5000 Mcf; (3) 5000.1 - 10000 Mcf; (4) over 10000 Mcf. Additionally, the non-residential customer charge did not vary by meter size.

5.5 Balancing Adjustment Factor (BAF)

The purpose of the Balancing Adjustment Factor (BAF) is to serve as a true-up mechanism for the AAF and previous BAFs. The BAF amount would reflect any over- or under-recoveries realized through the application of the AAF and through the application of the BAF for the preceding 12-month periods. Accordingly, the BAF amount would reflect the accumulated differences between (i) the amount to be credited or charged under the AAF and the BAF from previous periods, and (ii) the amounts used to establish the credits or charges (i.e., the AAF and BAF amounts) for the applicable periods. The BAF would be calculated by dividing the BAF amount by the estimated Mcf sales and transportation volumes during the upcoming 12 month period.

5.6 Component Timeline

The Annual Adjustment Component (AAC) would be implemented on July 1 of each year and would run for a period of 12 months corresponding to Delta's fiscal year. Delta's fiscal year runs from July 1 to June 30.

The Actual Adjustment Factor (AAF) would be implemented on October 1 of each year and would run for a period of 12 months. Because the AAF is designed to serve as a true-up mechanism for the AAC, there will be no AAF charge or credit during the alternative ratemaking mechanism's first year of operation. The first AAF, if any, will go into effect on October 1 after a full year of operation of the AAC.

The Balancing Adjustment Factor (BAF) would be implemented on January 1 of each year and would run for a period of 12 months. Because the AAF is designed to serve as a true-up mechanism for the AAF and previous BAFs, there will be no BAF charge or credit during the alternative ratemaking mechanism's first two years of operation. The first BAF, if any, will go into effect on January 1 after a full year of operation of the AAF (or after two full years of operation of the AAC).

If the alternative ratemaking mechanism terminates at the end of the three-year experimental period, the mechanism would require that the AAF and BAF continue until all of the over or under-recoveries are reconciled.

Table 5.0 shows a timeline for the first three years of operation of the proposed alternative ratemaking mechanism.

Component Timeline

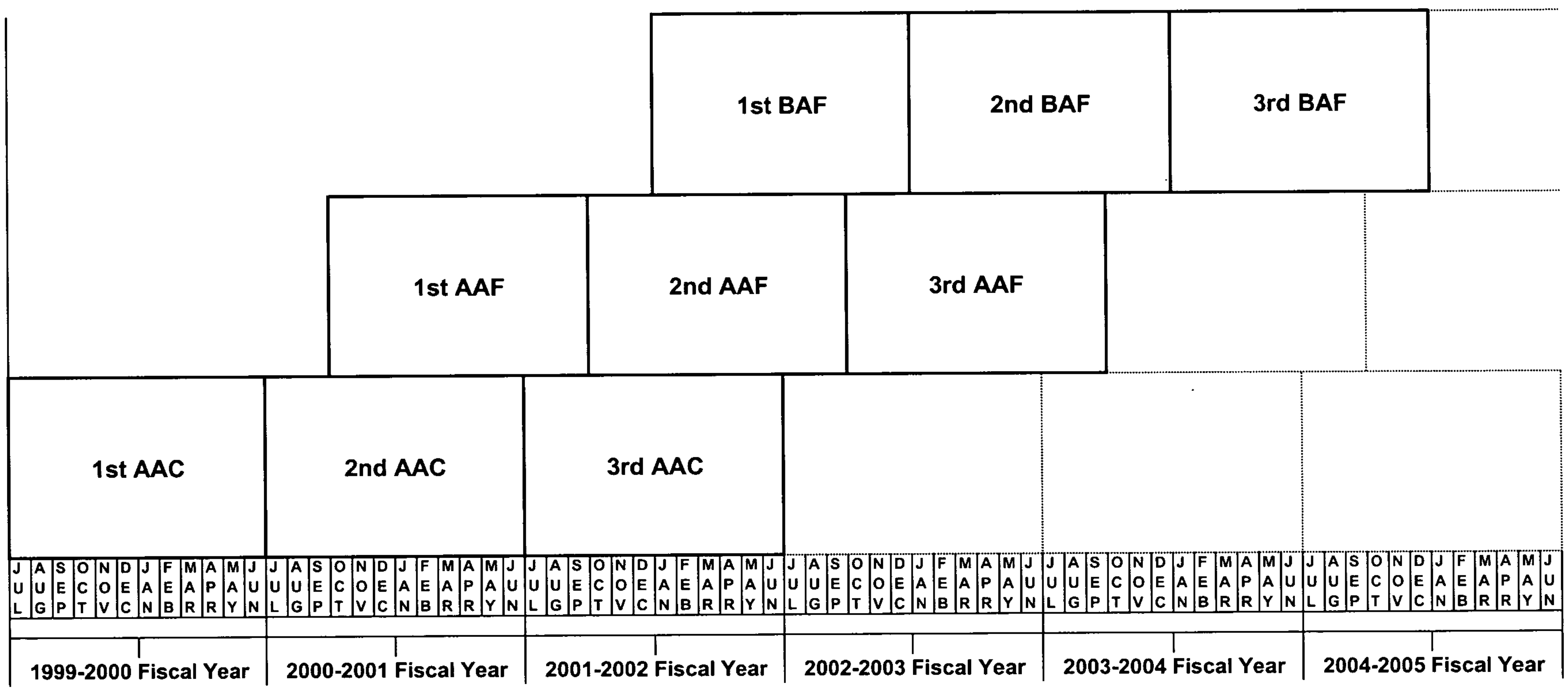

Table 5.0

6.0 Analysis of Sample Results

In evaluating the experimental alternative ratemaking mechanism, we applied the proposed mechanism to historical (budgeted and actual) data based on the three most recent fiscal years.

Schedule A shows the derivation of the Annual Adjustment Component (AAC) for the three most recent fiscal years. This schedule indicates a revenue deficiency for each of the three years used in the analysis. On average, the budget-based revenue deficiencies calculated for the AAC for this period are slightly less than $1.45 million per year.[9] However, it should be noted that the data used in the calculation of the AAC were based on budgets developed prior to the implementation of rates from Delta's last rate case[10] and therefore did not reflect the rate increase. In Delta's last rate case, the Commission determined that there was a revenue deficiency of $1.67 million per year. Therefore, it is not surprising that Schedule A shows an average revenue deficiency of $1.45 million per year for the three years prior to Delta's last rate increase.

Schedule B shows the derivation of the Actual Adjustment Factor (AAF) based on data for the three most recent fiscal years. An AAF charge or credit per Mcf is not calculated for the last 12 month period (Schedule B, Page 3), because the implementation period would go beyond the end of the current budget year. Therefore, budgeted revenue and Mcf were not available for the entire period.

Schedule C shows the derivation of the Balancing Adjustment Factor (BAF) based on data for the three most recent fiscal years. A BAF charge or credit is not calculated for the last two 12 month periods (Schedule B, Pages 2 and 3), because the implementation periods would go beyond the end of the current budget year. Therefore, budgeted revenue and Mcf were not available for these two periods.

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[9] The average revenue deficiency from the AAC is further reduced by an average of slightly more than $100,000 per year from the AAF, resulting in a combined impact from the AAC and AAF of $1.34 million.

[10] New rates from Case No. 97-066 (Order dated December 8, 1997) were approved with an effective date November 30, 1997.

Schedules A, B and C are in the general format that we anticipate would be used for the annual filings with the Commission to implement the components of the alternative ratemaking mechanism.

Also enclosed is an exhibit titled "Analysis of Proposed Alternative Ratemaking Methodology" which shows in summary form the calculations set forth in Schedule A, B, and C. The exhibit also includes the underlying financial data (budgeted and actual data) necessary to make these calculations.

7.0 Implementation Outside of a General Rate Proceeding

There is no reason that Delta's proposed alternative regulation plan cannot be implemented outside of a general rate proceeding. KRS 278.160 and 807 KAR 5:011 prescribe the procedures for filing new tariffs. They need not be filed as part of a general rate proceeding. As mentioned above, there are several Commission precedents for implementing a rate adjustment mechanism without filing an application for a general adjustment in rates pursuant to 807 KAR 5:001, Section 10. For example, in its Order in Case No. 96-079, dated July 31, 1996, the Commission approved, on a pilot basis, two incentive rate mechanism for Columbia Gas outside of a general rate case. In its Order in Case No. 97-171, dated September 30, 1997, the Commission approved a performance-based ratemaking mechanism for Louisville Gas and Electric Company. In its Order in Case No. 97-513, dated June 1, 1998, the Commission approved a performance-based ratemaking mechanism for Western Kentucky Gas Company that was similar to the one approved for Louisville Gas and Electric Company.

In addition, since the Commission's Order in Case No. 97-066 was issued on December 8, 1997, which was little over one year ago, there is no compelling reason to revisit the rate of return on common equity to be used in the proposed alternative ratemaking mechanism. Since Delta's proposed alternative regulation plan would be implemented on a experimental basis for a period of three years, it is unlikely that the implementation of the alternative regulation plan would have an impact on how investors will view Delta's long-term risk profile. Thus there should be no impact on Delta's cost of equity capital (i.e., its rate of return on equity) resulting from the implementation of the alternative regulation plan, nor is there any reason to believe that Delta's cost of equity capital would have changed significantly during the short period of time since the Order was issued in its last rate case.

8.0 Proposed Implementation Schedule

Delta proposes that the alternative ratemaking mechanism would go into effect with final meter readings on and after July 1, 1999, and continue for an experimental period of 3 years. At the end of the three-year experimental period the program would be evaluated in order to determine whether the alternative ratemaking mechanism should continue beyond the initial period. If the alternative ratemaking mechanism terminates at the end of the three-year experimental period, the mechanism would require that the AAF and BAF continue until all of the over or under-recoveries are reconciled.

9.0 Request for Expeditious Approval

If the rate schedules filed herewith are suspended for the full five months from the effective date of the tariff sheets, as provided by KRS 278.190, then the proposed alternative ratemaking mechanism could not be implemented until the fiscal year beginning July 1, 2000, which is more than 18 months from the date of this filing. Should the proposed rate schedules be suspended, Delta hereby requests that the Commission adopt a procedural schedule that will allow the proposed alternative ratemaking mechanism to be implemented with an effective date of July 1, 1999.

10.0 Conclusion

With this filing, Delta is proposing an alternative to the traditional form of regulation currently applicable to Delta. We believe that this proposal, if adopted by the Commission, will achieve essentially the same end results over time as traditional regulation without the protracted and costly process of general rate proceedings. However, we are concerned that approval of a modified mechanism that differs from what we are filing herein may limit our rights under KRS 278.030 to "demand, collect and receive fair, just and reasonable rates" during the three-year experimental period. Therefore, if modifications are made to the proposed alternative ratemaking mechanism, Delta respectfully reserves the right to either choose to implement the modified version or continue to remain under traditional regulation.

We hereby request that the Commission allow Delta to implement its proposed alternative regulation plan by approving the tariff sheets submitted herewith. We request that the proposed tariff sheets be placed into effect on March 7, 1999, which will allow the proposed mechanism to be implemented with Delta's next fiscal year beginning July 1, 1999.

Respectfully Submitted,

John F. Hall

John F. Hall
Vice President - Finance, Secretary and Treasurer
Delta Natural Gas Company, Inc.

Enclosure

PROPOSED TARIFF

Applicable to

Proposed Alternative Ratemaking Methodology

	FOR All Service Areas
	P.S.C. NO. 8
DELTA NATURAL GAS COMPANY, INC.	Original SHEET NO. 30
Name of Issuing Corporation	CANCELLING P.S.C. NO.
	SHEET NO.

CLASSIFICATION OF SERVICE

RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

Applicability

Applicable to gas sold under the Company's General Service and Interruptible Rate Schedule and gas transported under the Transportation Of Gas For Others On System Utilization Rate Schedule.

Rate Mechanism

The monthly amount computed under each of the rate schedules to which this Alternative Ratemaking Mechanism is applicable shall include an Alternative Ratemaking Mechanism Adjustment Component (ARMAC) per Mcf of gas deliveries. The ARMAC to be applied to customer billings shall be equal to the sum of the following components:

$$ARMAC = AAC + AAF + BAF$$

The **AAC** is the Annual Adjustment Component per Mcf for each twelve month period during which this experimental alternative ratemaking mechanism is in effect. A discrete AAC charge or credit shall be computed for each applicable rate class billing block. Monthly bills shall be adjusted (increased or decreased) beginning July 1 of each fiscal year in accordance with the procedures described herein with respect to the return on common equity produced by the Company's budget for the fiscal year.

The **AAF** is the Actual Adjustment Factor per Mcf which, upon completion of the previous AAC period, reconciles any departures in the Company's earned return on common equity (ROE) that is outside the Commission's authorized ROE band-width. As with the AAC, a discrete charge or credit shall be computed for each applicable rate class billing block. Monthly bills shall be adjusted (increased or decreased) annually beginning October 1 of each year in accordance with the procedures described herein. The initial AAF would become effective on October 1 during the second year of the experimental mechanism following completion of the first year's AAC which would expire at the end of June.

The **BAF** is the Balance Adjustment Factor per Mcf which compensates for any differences between the amounts targeted and the amounts actually credited or charged upon application of the AAF and BAF. A single BAF charge or credit shall be calculated and shall apply uniformly to all applicable rate class billing blocks. Monthly bills shall be adjusted (increased or decreased) annually beginning January 1 of each year in accordance with the procedures described herein. The initial BAF would become effective on January 1 during the third year of the

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Name of Issuing Corporation	P.S.C. NO. 8
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CLASSIFICATION OF SERVICE

RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

experimental mechanism following completion of the first year's AAF which would expire at the end of the previous September.

Calculation Procedures

Annual Adjustment Component (AAC)

The total amount from which the per Mcf AAC credits or charges are determined shall be calculated by:

1. comparing the budgeted return on common equity to the Commission authorized return on common equity, and
2. multiplying such difference by the 12-month average budgeted common equity; and
3. then adjusting the resulting deficient or excess earnings available for common equity for federal and state income taxes to determine the total amount of surcharge or credit for the twelve month AAC period.

However, in no case shall the total amount which the surcharge or credit is based exceed 5% of actual Company revenues during the most recent twelve month period for which actual results are available prior to the ACC filing.

Therefore, the total AAC amount shall be the lesser of:

$$((AROE - BROE) \times BCE) \div (1\text{-}SFIT) \quad \text{or} \quad AR \times 5\%$$

where:

AROE is the Commission authorized return on common equity, and
BROE is the budgeted return on common equity based on the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period, and
BCE is the is the budgeted common equity applicable to the 12 month AAC period based on the Company's budget as approved by its Board of Directors, and
SFIT is the applicable composite state and federal income tax rate.
AR is the actual revenue during the most recent twelve month period for which actual results are available prior to the filing of the AAC.

The Annual Adjustment Component (AAC) per Mcf applicable to each rate class billing block shall be calculated by multiplying the total AAC amount to be credited or surcharged, as calculated above, by the ratio of budgeted net revenue (exclusive of GCR revenue) in the applicable rate class billing block to the total budgeted net revenue of all applicable billing blocks in order to determine the amount applicable to the specific rate class

DATE OF ISSUE February 5, 1999 DATE EFFECTIVE March 7, 1999
ISSUED BY Glenn R. Jennings TITLE President
Name of Officer
Issued by authority of an Order of the Public Service Commission of KY in
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DELTA NATURAL GAS COMPANY, INC.	FOR All Service Areas
Name of Issuing Corporation	P.S.C. NO. 8
	Original SHEET NO. 32
	CANCELLING P.S.C. NO.
	SHEET NO.

CLASSIFICATION OF SERVICE

RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

billing block. The resulting amount applicable to the specific billing block shall then be divided by the budgeted Mcf for such billing block to determine the AAC credit or charge per Mcf, as follows:

$$AAC = (\text{Total AAC Amount} \times (NRRB \div NRT)) \div RBMcf$$

where:

NRRB is the budgeted net revenue (exclusive of Gas Cost Recovery revenue) for the applicable rate class billing block in the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period (customer charge revenues are included in the initial billing of each rate class), and

NRT is the total budgeted net revenue of all rate class billing blocks to which this mechanism applies, and

RBMcf is the is the budgeted Mcf for the applicable rate class billing block.

Actual Adjustment Factor (AAF)

The total amount from which the AAF charges or credits are determined shall be calculated as follows:

1. The earned return on common equity at the end of the previous fiscal year is compared with the upper and lower limits of a return bandwidth which are ±50 basis points from the Commission authorized return on common. The earned return shall include amounts credited or charged under the AAC but shall not include amounts credited or charged under the AAF and the BAF.
2. If the earned return falls within the bandwidth, no Actual Adjustment Factor will be made.
3. If the earned return is higher than the upper limit or less than the lower limit of the bandwidth, such difference in return on common equity shall be multiplied by the actual 12-month average of common equity during the previous fiscal year to determine the amount of net income available for common which is subject to refund or recovery.
4. The net income subject to refund or recovery shall be adjusted for federal and state income taxes to determine the total amount of credit or surcharge for the twelve month AAF period.

Therefore, if the earned return on common is greater than the upper limit of the bandwidth, the amount of credit for the 12-month AAF period shall be determined in accordance with the following formula:

$$((ULROE - EROE) \times ACE) \div (1\text{-}SFIT)$$

However, if the earned return on common is less than the lower limit of the bandwidth, the amount of surcharge for the 12-month AAF period shall be determined in accordance with the following formula:

$$((LLROE - EROE) \times ACE) \div (1\text{-}SFIT)$$

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where:

ULROE is the upper limit of the bandwidth (50 basis points above the Commission authorized return on common equity), and

LLROE is the lower limit of the bandwidth (50 basis points below the Commission authorized return on common equity), and

EROE is the earned return on common equity achieved in the previous fiscal year, which includes amounts credited or charged under the AAC and excludes amounts credited or charged under the AAF and BAF, and

ACE is the is the actual 12 months average common equity during the previous fiscal year, and

SFIT is the applicable composite state and federal income tax rate.

The Actual Adjustment Factor (AAF) per Mcf applicable to each rate class billing block shall be calculated by multiplying the total AAF amount to be credited or surcharged, as computed above, by the ratio of budgeted net revenue (exclusive of GCR revenue) in the applicable rate class billing block to the total budgeted net revenue of all applicable billing blocks in order to determine the amount applicable to the specific rate class billing block. The resulting amount applicable to the specific billing block shall then be divided by the budgeted Mcf for such billing block to determine the AAF credit or charge per Mcf, as follows:

$$AAF = (\text{Total AAF Amount} \times (NRRB \div NRT)) \div RBMcf$$

where:

NRRB is the budgeted net revenue (exclusive of Gas Cost Recovery revenue) for the applicable rate class billing block in the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period (customer charge revenues are included in the initial billing of each rate class), and

NRT is the total budgeted net revenue of all rate class billing blocks to which this mechanism applies, and

RBMcf is the is the budgeted Mcf for the applicable rate class billing block.

Balancing Adjustment Factor (BAF)

The BAF amount to be credited or charged shall be the accumulated differences between the amounts actually credited or charged under the AAF and the BAF from previous periods and the amounts used to establish the credits or charges (the targeted amounts) for such periods. The resulting BAF amount to be credited or charged shall be divided by the total budgeted Mcf sales and transportation volumes during the 12-month BAF period to determine the applicable BAF credit or charge per Mcf., as follows:

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CLASSIFICATION OF SERVICE

RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

$$((AAFt - AAFa) + (BAFt - BAFa)) \div TBMcf$$

where:

AAFt is the amount used to establish the credit or charge during the previous AAF period (the targeted amount), and

AAFa is the actual amount credited or charged during the previous AAF period, and

BAFt is the amount used to establish the credit or charge during the second previous BAF period (the targeted amount), and

BAFa is the actual amount credited or charged during the second previous BAF period, and

TBMcf is the is the total budgeted Mcf for all applicable rate classes during the 12-month BAF period.

DATE OF ISSUE February 5, 1999 DATE EFFECTIVE March 7, 1999

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Name of Officer

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CASE NO. DATED

FOR All Service Areas
P.S.C. NO. 8
Original SHEET NO. 35
CANCELLING P.S.C. NO.
SHEET NO.

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

CLASSIFICATION OF SERVICE
RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

Information Provided by Company

1. Annual Operating Budget, as approved by the Company's Board of Directors, for the fiscal year that coincides with the 12-month period in which the Annual Adjustment Component (AAC) applies. This document shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
2. Monthly budgeted net revenues (exclusive of gas supply costs) and Mcf sales of each rate class billing block for the sales and transportation rate classes to which this mechanism applies. The Company shall also include a monthly forecast of net revenues, by rate class billing block, for an additional three months beyond the budget-year along with a monthly forecast of Mcf sales and transportation, by rate class billing block, for an additional six months beyond the budget-year. This information shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
3. Statement of Budgeted Income setting forth the calculations of expected net income available for common equity as well as the return on common equity for the budget-year along with the supporting documentation. This information and the supporting documents shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
4. Statement showing the actual net revenues and Mcf sales for 12 months of the previous fiscal year. This information shall be provided with the filing of the Actual Adjustment Factor (AAF) on September 1 of each year.
5. Statement of Actual Income setting forth the calculations of actual net income available for common equity as well as the return on common equity for the previous fiscal year along with the supporting documentation. The calculations of net income available for common equity shall not include amounts credited or charged as result of application of the Actual Adjustment Factor (AAF) and/or the Balancing Adjustment Factor (BAF) under this mechanism. These calculations and the supporting documents shall be provided with the filing of the Actual Adjustment Factor (AAF) on September 1 of each year.
6. The Company will provide other information related to the Experimental Alternative Ratemaking Mechanism requested by the Commission.

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ISSUED BY Glenn R. Jennings TITLE President
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SCHEDULE A

Derivation of
Annual Adjustment Component
AAC

DERIVATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

The AAC adjusts rates upward or downward to compensate for expected departures from the Company's authorized return on common equity

AAC Period - July 1, 1995 through June 30, 1996
Filing Date - June 1, 1995

Authorized Return on Common Equity		11.60%
Budget Equity 12 mos. avg. - *pages 1 & 6 of Analysis*	$	20,588,193
Budget Net Income Available for Common - *page 1 of Analysis*	$	1,784,600
Budget Return on Equity - *also on page 6 of Analysis*		8.67%
Annual Revenue 12 mos. prior to budget year - *page 6 of Analysis*	$	27,912,362
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
Calculated Return-based Revenue Deficiency or (Excess) - *also on page 6 of Analysis*	$	996,830
AAC Limitation (5% of prior year's revenue) - *also on page 6 of Analysis*	$	1,395,618
AAC Amount to be Charged or (Credited) - *also on page 7 of Analysis*	**$**	**996,830**
Net Budget Revenue During AAC Period - *page 2 of Analysis*		
Residential	$	8,483,735
Commercial		4,524,710
Industrial		2,731,855
Total	$	15,740,300
Amount to be Charged or (Credited) - *also on page 7 of Analysis*		
Residential	**$**	**537,273**
Commercial		**286,549**
Industrial		**173,008**
Total	$	996,830
Budgeted Mcf During AAC Period - *page 1 of Analysis*		
Residential		2,565,800
Commercial		1,441,300
Industrial		1,594,600
Total		5,601,700
AAC Surcharge or (Credit) per Mcf - *also on page 7 of Analysis*		
Residential	**$**	**0.2094**
Commercial	**$**	**0.1988**
Industrial	**$**	**0.1085**

DERIVATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

The AAC adjusts rates upward or downward to compensate for expected departures from the Company's authorized return on common equity

AAC Period - July 1, 1996 through June 30, 1997
Filing Date - June 1, 1996

Authorized Return on Common Equity		11.60%
Budget Equity 12 mos. avg. - *pages 1 & 6 of Analysis*	$	24,684,480
Budget Net Income Available for Common - *page 1 of Analysis*		
Budget Return on Equity - *also on page 6 of Analysis*		3.16%
Annual Revenue 12 mos. prior to budget year - *page 6 of Analysis*	$	30,711,266
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
Calculated Return-based Revenue Deficiency or (Excess) - *also on page 6 of Analysis*	$	3,442,407
AAC Limitation (5% of prior year's revenue) - *also on page 6 of Analysis*	$	1,535,563
AAC Amount to be Charged or (Credited) - *also on page 7 of Analysis*	**$**	**1,535,563**
Net Budget Revenue During AAC Period - *page 2 of Analysis*		
Residential	$	8,684,294
Commercial		4,634,108
Industrial		2,962,199
Total	$	16,280,600
Amount to be Charged or (Credited) - *also on page 7 of Analysis*		
Residential	**$**	**819,090**
Commercial		**437,083**
Industrial		**279,390**
Total	$	1,535,563
Budgeted Mcf During AAC Period - *page 1 of Analysis*		
Residential		2,626,700
Commercial		1,478,200
Industrial		1,739,300
Total		5,844,200
AAC Surcharge or (Credit) per Mcf - *also on page 7 of Analysis*		
Residential	**$**	**0.3118**
Commercial	**$**	**0.2957**
Industrial	**$**	**0.1606**

DERIVATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

The AAC adjusts rates upward or downward to compensate for expected departures from the Company's authorized return on common equity

AAC Period - July 1, 1997 through June 30, 1998
Filing Date - June 1, 1997

Authorized Return on Common Equity		11.60%
Budget Equity 12 mos. avg. - *pages 1 & 6 of Analysis*	$	22,795,707
Budget Net Income Available for Common - *page 1 of Analysis*		
Budget Return on Equity - *also on page 6 of Analysis*		3.84%
Annual Revenue 12 mos. prior to budget year - *page 6 of Analysis*	$	36,116,328
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
Calculated Return-based Revenue Deficiency or (Excess) - *also on page 6 of Analysis*	$	2,920,324
AAC Limitation (5% of prior year's revenue) - *also on page 6 of Analysis*	$	1,805,816
AAC Amount to be Charged or (Credited) - *also on page 7 of Analysis*	$	**1,805,816**
Net Budget Revenue During AAC Period - *page 2 of Analysis*		
Residential	$	8,244,899
Commercial		5,060,025
Industrial		2,634,696
Total	$	15,939,620
Amount to be Charged or (Credited) - *also on page 7 of Analysis*		
Residential	$	**934,073**
Commercial		**573,256**
Industrial		**298,488**
Total	$	1,805,816
Budgeted Mcf During AAC Period - *page 1 of Analysis*		
Residential		2,422,700
Commercial		1,679,800
Industrial		1,934,800
Total		6,037,300
AAC Surcharge or (Credit) per Mcf - *also on page 7 of Analysis*		
Residential	$	**0.3856**
Commercial	$	**0.3413**
Industrial	$	**0.1543**

Calculation of Annual Adjustment Component - (AAC)

By Rate Class Billing Blocks

he AAC adjusts rates upward or downward to compensate for expected epartures from the Company's authorized return on common equity

This is an example of how the ACC would be <u>calculated for the Rate Class Billing Blocks.</u>

Inasmuch as revenue and Mcf sales were not budgeted by the Rate Class Billing Blocks, the budgeted revenue and Mcf for each Rate Class Billing Block was estimated based on the bill frequency analysis of actual results for the same 12-month period.

The same AAC period as shown on Schedule A, page 2.

AC Period - July 1, 1996 through June 30, 1997
iling Date - June 1, 1996

uthorized Return on Common Equity	11.60%
udget Equity 12 mos. avg.	$ 24,684,480
udget Net Income Available for Common	
udget Return on Equity	3.16%
nnual Revenue 12 mos. prior to budget year	$ 30,711,266
omposite State and Federal Tax Rate	39.445%
alculated Return-based Revenue Deficiency or (Excess)	$ 3,442,407
AC Limitation (5% of prior year's revenue)	$ 1,535,563
AC Amount to be Charged or (Credited)	$ 1,535,563

	Firm Sales and Transportation				Interruptible Sales and Transportation				
	Block 1-1000	Block 1001-5000	Block 5001-10000	Block over 10000	Block 1-1000	Block 1001-5000	Block 5001-10000	Block over 10000	Total
et Budget Revenue During AAC Period									
Residential	8,684,294	-	-	-					8,684,294
Commercial	4,479,756	138,563	15,789	-					4,634,108
Industrial	827,289	688,966	194,113	192,592	389,069	551,675	93,752	24,743	2,962,199
Total									$ 16,280,601
mount to be Charged or (Credited)									Total
Residential	819,090	-	-	-	-	-	-	-	819,090
Commercial	422,524	13,069	1,489	-	-	-	-	-	437,083
Industrial	78,029	64,982	18,308	18,165	36,696	52,033	8,843	2,334	279,390
Total									$ 1,535,563
udgeted Mcf During AAC Period									Total
Residential	2,626,700	-	-	-					2,626,700
Commercial	1,402,074	66,700	9,426	-					1,478,200
Industrial	331,202	333,886	116,585	152,247	227,934	423,792	104,168	49,486	1,739,300
Total									5,844,200
AC Surcharge or (Credit) per Mcf									Composite
Residential	0.3118								0.3118
Commercial	0.3014	0.1959	0.1580						0.2957
Industrial	0.2356	0.1946	0.1570	0.1193	0.1610	0.1228	0.0849	0.0472	0.1606

SCHEDULE B

Derivation of
Actual Adjustment Factor
AAF

DERIVATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

The AAF adjusts rates upward or downward to reconcile any departures in the earned ROE outside the allowable bandwidth of plus or minus 0.5% from the Commission authorized ROE upon completion of the the previous AAC period.

AAF Period - October 1, 1996 through September 30, 1997
Filing Date - September 1, 1996

AAC Surcharges or (Credits) for 12 mos. ended 6/30/96 - *(Schedule B-1 and page 7 of Analysis)*	$	1,111,017
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
AAC impact on NIAC	$	672,776
Actual NIAC - *page 3 of Analysis*		2,066,998
NIAC as adjusted after application of AAC	$	2,739,774
12-Mos. Avg. Common Equity during AAC period - *page 3 of Analysis*	$	20,611,726
ROE as adjusted after application of AAC - *also on page 7 of Analysis*		**13.29%**
Return on Common Equity (ROE) Bandwidth - *page 6 of Analysis*		
Lower Limits of ROE Bandwidth		11.10%
Commission Authorized ROE		11.60%
Upper Limits of ROE Bandwidth		12.10%
AAF Amount to be Charged or (Credited) - *also on page 8 of Analysis*	**$**	**(405,838)**
Net Budget Revenue During AAF Period - *page 2 of Analysis*		
Residential	$	8,635,637
Commercial		4,657,992
Industrial		2,923,379
Total	$	16,217,008
Amount to be Charged or (Credited) - *also on page 8 of Analysis*		
Residential	$	(216,111)
Commercial		(116,569)
Industrial		(73,159)
Total	$	(405,838)
Budgeted Mcf During AAF Period - *page 1 of Analysis*		
Residential		2,602,300
Commercial		1,487,600
Industrial		1,772,300
Total		5,862,200
AAF Surcharge or (Credit) per Mcf - *also on page 8 of Analysis*		
Residential	$	(0.0830)
Commercial	$	(0.0784)
Industrial	$	(0.0413)

DERIVATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

The AAF adjusts rates upward or downward to reconcile any departures in the earned ROE outside the allowable bandwidth of plus or minus 0.5% from the Commission authorized ROE upon completion of the the previous AAC period.

AAF Period - October 1, 1997 through September 30, 1998
Filing Date - September 1, 1997

AAC Surcharges or (Credits) for 12 mos. ended 6/30/97 - *(Schedule B-1 and page 7 of Analysis)*	$	1,540,778
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
AAC impact on NIAC	$	933,018
Actual NIAC - *page 3 of Analysis*		1,407,939
NIAC as adjusted after application of AAC	$	2,340,957
12-Mos. Avg. Common Equity during AAC period - *page 3 of Analysis*	$	24,736,904
ROE as adjusted after application of AAC - *also on page 7 of Analysis*		**9.46%**
Return on Common Equity (ROE) Bandwidth - *page 6 of Analysis*		
Lower Limits of ROE Bandwidth		11.10%
Commission Authorized ROE		11.60%
Upper Limits of ROE Bandwidth		12.10%
AAF Amount to be Charged or (Credited) - *also on page 8 of Analysis*	$	**668,548**
Net Budget Revenue During AAF Period - *page 2 of Analysis*		
Residential	$	8,646,161
Commercial		5,207,235
Industrial		2,928,053
Total	$	16,781,448
Amount to be Charged or (Credited) - *also on page 8 of Analysis*		
Residential	$	**344,450**
Commercial		**207,448**
Industrial		**116,649**
Total	$	668,548
Budgeted Mcf During AAF Period - *page 1 of Analysis*		
Residential		2,479,300
Commercial		1,713,900
Industrial		2,139,800
Total		6,333,000
AAF Surcharge or (Credit) per Mcf - *also on page 8 of Analysis*		
Residential	$	**0.1389**
Commercial	$	**0.1210**
Industrial	$	**0.0545**

DERIVATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

The AAF adjusts rates upward or downward to reconcile any departures in the earned ROE outside the allowable bandwidth of plus or minus 0.5% from the Commission authorized ROE upon completion of the the previous AAC period.

AAF Period - October 1, 1998 through September 30, 1999
Filing Date - September 1, 1998

AAC Surcharges or (Credits) for 12 mos. ended 6/30/97 - *(Schedule B-1 and page 7 of Analysis)*	$	1,799,288
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
AAC impact on NIAC	$	1,089,559
Actual NIAC - *page 3 of Analysis*		2,025,723
NIAC as adjusted after application of AAC	$	3,115,282
12-Mos. Avg. Common Equity during AAC period - *page 3 of Analysis*	$	22,891,526
ROE as adjusted after application of AAC - *also on page 7 of Analysis*		**13.61%**
Return on Common Equity (ROE) Bandwidth - *page 6 of Analysis*		
Lower Limits of ROE Bandwidth		11.10%
Commission Authorized ROE		11.60%
Upper Limits of ROE Bandwidth		12.10%
AAF Amount to be Charged or (Credited) - *also on page 8 of Analysis*	$	(570,402)
Net Budget Revenue During AAF Period - *page 2 of Analysis*		
Residential		*Will require a forecast of*
Commercial		*revenues 3 months beyond*
Industrial		*the end of the budget year*
Total		
Amount to be Charged or (Credited) - *also on page 8 of Analysis*		
Residential		#REF!
Commercial		#REF!
Industrial		#REF!
Total		#REF!
Budgeted Mcf During AAF Period - *page 1 of Analysis*		
Residential		*Will require a forecast of*
Commercial		*Mcf's 3 months beyond*
Industrial		*the end of the budget year*
Total		
AAF Surcharge or (Credit) per Mcf - *also on page 8 of Analysis*		
Residential		#REF!
Commercial		#REF!
Industrial		#REF!

APPLICATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

Monthly and Annual Amounts Charged or (Credited)

	Mcf Sales & Transportation Tariff End-Users			AAC - Year 1 12 Month Period (July 1, 1995 - June 30, 1996)				AAC - Year 2 12 Month Period (July 1, 1996 - June 30, 1997)				AAC - Year 3 12 Month Period (July 1, 1997 - June 30, 1998)			
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total
ıarge or (Credit) / Mcf				$ 0.2094	$ 0.1988	$ 0.1085		$ 0.3118	$ 0.2957	$ 0.1606		$ 0.3856	$ 0.3413	$ 0.1543	
Jul-95	43,480	40,980	126,333	$ 9,105	$ 8,147	$ 13,707	$ 30,959								
Aug-95	30,727	30,282	98,953	6,434	6,020	10,736	23,191								
Sep-95	31,051	29,656	108,693	6,502	5,896	11,793	24,191								
Oct-95	74,973	53,064	159,517	15,699	10,550	17,307	43,556								
Nov-95	198,212	112,132	158,808	41,505	22,293	17,230	81,029								
Dec-95	345,708	201,940	187,230	72,391	40,148	20,314	132,853								
Jan-96	571,368	339,231	244,558	119,643	67,443	26,534	213,620								
Feb-96	489,263	288,738	189,692	102,451	57,405	20,581	180,436								
Mar-96	387,990	233,075	168,631	81,244	46,338	18,296	145,878								
Apr-96	382,023	224,179	195,973	79,995	44,570	21,262	145,827								
May-96	131,717	77,607	127,180	27,581	15,429	13,799	56,809								
Jun-96	54,298	42,122	119,127	11,370	8,374	12,925	32,669								
Jul-96	41,592	41,236	127,076					$ 12,970	$ 12,193	$ 20,413	$ 45,575				
Aug-96	34,259	33,578	117,314					10,683	9,929	18,845	39,456				
Sep-96	32,500	34,768	111,280					10,135	10,280	17,875	38,290				
Oct-96	79,458	70,113	46,721					24,778	20,731	7,505	53,014				
Nov-96	178,539	96,808	190,714					55,674	28,625	30,635	114,934				
Dec-96	321,758	191,879	213,133					100,335	56,736	34,236	191,307				
Jan-97	496,935	313,619	247,659					154,960	92,733	39,782	287,476				
Feb-97	445,694	274,202	224,419					138,982	81,078	36,049	256,109				
Mar-97	312,244	179,791	163,724					97,368	53,162	26,300	176,829				
Apr-97	276,042	166,294	193,768					86,079	49,171	31,126	166,375				
May-97	161,829	97,726	155,112					50,464	28,896	24,916	104,276				
Jun-97	83,168	56,397	152,687					25,934	16,676	24,527	67,137				
Jul-97	51,372	46,666	179,587									$ 19,807	$ 15,925	$ 27,705	$ 63,437
Aug-97	35,102	35,992	240,039									13,534	12,283	37,032	62,848
Sep-97	32,586	32,691	165,826									12,564	11,156	25,582	49,302
Oct-97	63,018	54,732	211,677									24,297	18,678	32,656	75,631
Nov-97	217,882	125,853	202,338									84,005	42,949	31,215	158,169
Dec-97	352,019	207,173	259,389									135,721	70,701	40,017	246,439
Jan-98	461,424	278,548	228,731									177,902	95,058	35,287	308,248
Feb-98	387,235	231,941	209,334									149,299	79,153	32,295	260,746
Mar-98	322,067	193,343	212,275									124,173	65,981	32,748	222,902
Apr-98	289,340	177,856	196,468									111,555	60,696	30,310	202,561
May-98	121,212	59,472	167,582									46,733	20,296	25,853	92,882
Jun-98	43,803	43,170	158,817									16,888	14,732	24,501	56,122
Jul-98	42,384	45,693	150,982												
Aug-98	30,117	34,157	158,124												
Sep-98	31,261	34,760	160,335												
Oct-98	50,697	52,748	215,088												
Nov-98	114,441	81,517	237,450												
Dec-98	323,100	193,300	252,200 (Est)												
ɿnount Charged or (Credited) During 12 Month Period							$ 1,111,017				$ 1,540,778				$ 1,799,288

SCHEDULE C

Derivation of
Balancing Adjustment Factor
BAF

DERIVATION OF BALANCING ADJUSTMENT FACTOR - (BAF)

The BAF adjusts rates upward or downward to compensate for any differences between the amounts targeted and the amounts actually charged or credited during application of the AAF and BAF

BAF Period - January 1, 1998 through December 31, 1998
Filing Date - December 1, 1997

Amount Remaining from Application of previous AAF - *Schedule C-1 and page 9 of Analysis*	$	11,806
Amount Remaining from Application of 2nd previous BAF - *Schedule C-2 and page 9 of Analysis* *(unknown until 3rd BAF)*		
Total Amount to be Charged or (Credited) - *also on page 9 of Analysis*	$	11,806
Budgeted Mcf During BAF Period - *page 1 of Analysis*		6,349,800
BAF Surcharge or (Credit) per Mcf - *also on page 9 of Analysis*	$	0.0019

DERIVATION OF BALANCING ADJUSTMENT FACTOR - (BAF)

The BAF adjusts rates upward or downward to compensate for any differences between the amounts targeted and the amounts actually charged or credited during application of the AAF and BAF

BAF Period - January 1, 1999 through December 31, 1999
Filing Date - December 1, 1998

Amount Remaining from Application of previous AAF - *Schedule C-1 and page 9 of Analysis*		$ 34,222
Amount Remaining from Application of 2nd previous BAF - *Schedule C-2 and page 9 of Analysis* *(unknown until 3rd BAF)*		
Total Amount to be Charged or (Credited) - *also on page 9 of Analysis*		**$ 34,222**
Budgeted Mcf During BAF Period - *page 1 of Analysis*	*(SEE NOTE)*	
BAF Surcharge or (Credit) per Mcf - *also on page 9 of Analysis*		*unknown* *(SEE NOTE)*

*NOTE: The application of the **BAF** will require the Mcf's to be forecasted for an additional 6 months beyond the budget-year. The **AAF** requires net revenues to be forecasted for an additional 3 months beyond the budget-year.*

DERIVATION OF BALANCING ADJUSTMENT FACTOR - (BAF)

The BAF adjusts rates upward or downward to compensate for any differences between the amounts targeted and the amounts actually charged or credited during application of the AAF and BAF

BAF Period - January 1, 2000 through December 31, 2000
Filing Date - December 1, 1999

Amount Remaining from Application of previous AAF - *Schedule C-1 and page 9 of Analysis (unknown until 4th BAF)*	$	-
Amount Remaining from Application of 2nd previous BAF - *Schedule C-2 and page 9 of Analysis*	$	667
Total Amount to be Charged or (Credited) - *also on page 9 of Analysis*		
Budgeted Mcf During BAF Period - *page 1 of Analysis* *(SEE NOTE)*		
BAF Surcharge or (Credit) per Mcf - *also on page 9 of Analysis*		*unknown (beyond analysis period)*

NOTE: *The application of the **BAF** will require the Mcf's to be forecasted for an additional 6 months beyond the budget-year. The **AAF** requires net revenues to be forecasted for an additional 3 months beyond the budget-year.*

APPLICATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

Monthly and Annual Amounts Charged or (Credited)

	Mcf Sales & Transportation Tariff End-Users			AAF - Year 1 12 Month Period (Oct. 1, 1996 - Sep. 30, 1997)				AAF - Year 2 12 Month Period (Oct. 1, 1997 - Sep. 30, 1998)				AAF - Year 3 12 Month Period (Oct. 1, 1998 - Sep. 30, 1999)			
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total
ıarge or (Credit) / Mcf				$ (0.0830)	$ (0.0784)	$ (0.0413)		$ 0.1389	$ 0.1210	$ 0.0545		unknown	unknown	unknown	
												(beyond analysis period) (would require budget information 3 mos beyond budget period)			
Jul-95	43,480	40,980	126,333												
Aug-95	30,727	30,282	98,953												
Sep-95	31,051	29,656	108,693												
Oct-95	74,973	53,064	159,517												
Nov-95	198,212	112,132	158,808												
Dec-95	345,708	201,940	187,230												
Jan-96	571,368	339,231	244,558												
Feb-96	489,263	288,738	189,692												
Mar-96	387,990	233,075	168,631												
Apr-96	382,023	224,179	195,973												
May-96	131,717	77,607	127,180												
Jun-96	54,298	42,122	119,127												
Jul-96	41,592	41,236	127,076												
Aug-96	34,259	33,578	117,314												
Sep-96	32,500	34,768	111,280												
Oct-96	79,458	70,113	46,721	$ (6,599)	$ (5,494)	$ (1,929)	$ (14,021)								
Nov-96	178,539	96,808	190,714	(14,827)	(7,586)	(7,873)	(30,285)								
Dec-96	321,758	191,879	213,133	(26,721)	(15,036)	(8,798)	(50,554)								
Jan-97	496,935	313,619	247,659	(41,269)	(24,575)	(10,223)	(76,067)								
Feb-97	445,694	274,202	224,419	(37,013)	(21,486)	(9,264)	(67,763)								
Mar-97	312,244	179,791	163,724	(25,931)	(14,088)	(6,758)	(46,777)								
Apr-97	276,042	166,294	193,768	(22,924)	(13,031)	(7,999)	(43,954)								
May-97	161,829	97,726	155,112	(13,439)	(7,658)	(6,403)	(27,500)								
Jun-97	83,168	56,397	152,687	(6,907)	(4,419)	(6,303)	(17,629)								
Jul-97	51,372	46,668	179,587	(4,266)	(3,657)	(7,413)	(15,336)								
Aug-97	35,102	35,992	240,039	(2,915)	(2,820)	(9,909)	(15,644)								
Sep-97	32,586	32,691	165,826	(2,706)	(2,562)	(6,845)	(12,113)								
Oct-97	63,018	54,732	211,677					$ 8,755	$ 6,625	$ 11,539	$ 26,919				
Nov-97	217,882	125,853	202,338					30,270	15,233	11,030	56,534				
Dec-97	352,019	207,173	259,389					48,906	25,076	14,140	88,122				
Jan-98	461,424	278,548	228,731					64,106	33,715	12,469	110,290				
Feb-98	387,235	231,941	209,334					53,799	28,074	11,412	93,284				
Mar-98	322,067	193,343	212,275					44,745	23,402	11,572	79,719				
Apr-98	289,340	177,856	196,468					40,198	21,527	10,710	72,436				
May-98	121,212	59,472	167,582					16,840	7,198	9,136	33,174				
Jun-98	43,803	43,170	158,817					6,088	5,225	8,658	19,969				
Jul-98	42,384	45,693	150,982					5,888	5,531	8,231	19,650				
Aug-98	30,117	34,157	158,124					4,184	4,134	8,620	16,938				
Sep-98	31,261	34,760	160,335					4,343	4,207	8,741	17,291				
Oct-98	50,697	52,748	215,088									#VALUE!	#VALUE!	#VALUE!	#VALUE!
Nov-98	114,441	81,517	237,450									#VALUE!	#VALUE!	#VALUE!	#VALUE!
Dec-98	323,100	193,300	252,200 (Est)									#VALUE!	#VALUE!	#VALUE!	#VALUE!
ıount Charged or (Credited) During 12 Month Period							$ (417,645)				$ 634,326				#VALUE!
ırget Amount to be Charged or (Credited) During 12 Month Period							$ (405,838)				$ 668,548				$ (570,402)
Remaining Amount to be Charged or (Credited) through BAF							$ 11,806				$ 34,222				#VALUE!

APPLICATION OF BALANCING ADJUSTMENT - (BAF)

Monthly and Annual Amounts Charged or (Credited)

	Mcf Sales and Transportation Tariff End-Users	BAF - Year 1 12 Month Period (Jan. 1 - Dec. 31, 1998)	BAF - Year 2 12 Month Period (Jan. 1 - Dec. 31, 1999)	BAF - Year 3 12 Month Period (Jan. 1 - Dec. 31, 2000)	
Charge or (Credit) / Mcf		$ 0.0019	unknown *would have required budget numbers through December 1999*	unknown *beyond analysis period of AAF*	
Jul-95	210,793				
Aug-95	159,962				
Sep-95	169,400				
Oct-95	287,554				
Nov-95	469,152				
Dec-95	734,878				
Jan-96	1,155,157				
Feb-96	967,693				
Mar-96	789,696				
Apr-96	802,175				
May-96	336,504				
Jun-96	215,547				
Jul-96	209,904				
Aug-96	185,151				
Sep-96	178,548				
Oct-96	196,292				
Nov-96	466,061				
Dec-96	726,770				
Jan-97	1,058,213				
Feb-97	944,315				
Mar-97	655,759				
Apr-97	636,104				
May-97	414,687				
Jun-97	292,252				
Jul-97	277,625				
Aug-97	311,133				
Sep-97	231,103				
Oct-97	329,427				
Nov-97	546,073				
Dec-97	818,581				
Jan-98	968,703	$ 1,801			
Feb-98	828,510	1,540			
Mar-98	727,685	1,353			
Apr-98	663,664	1,234			
May-98	348,266	648			
Jun-98	245,790	457			
Jul-98	239,059	444			
Aug-98	222,398	414			
Sep-98	226,356	421			
Oct-98	318,533	592			
Nov-98	433,408	806			
Dec-98	768,600	1,429			
Amount Charged or (Credited) During 12 Month Period		$ 11,139	$ -	$ -	
Target Amount to be Charged or (Credited) During 12 Month Period		$ 11,806	$ 34,222	$ -	*(from second previous BAF)* *(beyond analysis period)*
Remaining Amount to be Charged or (Credited) through BAF		$ 667			

ANALYSIS

of

ProposedAlternative
Ratemaking Methodology

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING BUDGET DATA	Budget Total Revenue Utility	Budget Common Equity (Utility)	Budget Net Income Available for Common (Utility)	Budget Mcf Residential	Budget Mcf Commercial	Budget Mcf Industrial Sales	Budget Mcf Industrial Transport	Budget Mcf Industrial	Budget Mcf Residential Commercial Industrial
Jun-95									
Jul-95	967,200	21,123,808	(255,500)	41,400	33,400	8,000	112,200	120,200	195,000
Aug-95	958,700	20,888,691	(308,000)	41,300	33,000	8,000	105,200	113,200	187,500
Sep-95	958,900	20,085,694	(288,100)	41,400	32,800	8,000	105,100	113,100	187,300
Oct-95	1,593,200	19,924,785	(128,200)	114,600	62,700	16,500	103,300	119,800	297,100
Nov-95	2,686,900	19,511,348	174,100	240,300	120,700	23,100	110,400	133,500	494,500
Dec-95	4,429,400	19,507,046	660,000	429,600	226,600	32,500	122,200	154,700	810,900
Jan-96	5,329,300	20,315,306	923,800	519,400	284,700	42,500	128,000	170,500	974,600
Feb-96	4,836,300	21,197,236	802,000	463,300	256,200	41,500	122,500	164,000	883,500
Mar-96	3,637,100	21,142,671	471,400	332,900	183,700	33,500	114,500	148,000	664,600
Apr-96	2,359,000	21,179,190	111,300	192,300	109,500	25,100	102,800	127,900	429,700
May-96	1,494,400	21,473,398	(124,500)	101,400	61,100	11,000	105,200	116,200	278,700
Jun-96	1,035,100	20,711,145	(253,700)	47,900	36,900	9,200	104,300	113,500	198,300
Jul-96	953,000	25,902,359	(353,125)	42,500	33,600	7,000	123,900	130,900	207,000
Aug-96	944,500	25,419,371	(375,225)	42,300	33,300	7,000	117,000	124,000	199,600
Sep-96	944,600	24,319,069	(391,625)	42,200	33,200	7,000	117,400	124,400	199,800
Oct-96	1,536,700	24,009,547	(231,525)	116,200	63,900	15,400	115,200	130,600	310,700
Nov-96	2,623,300	24,292,881	123,175	248,900	126,800	22,200	125,400	147,600	523,300
Dec-96	4,285,800	24,126,968	621,775	441,800	238,500	30,800	136,600	167,400	847,700
Jan-97	5,045,700	24,762,115	854,975	528,000	286,800	38,600	147,500	186,100	1,000,900
Feb-97	4,614,400	25,483,063	727,475	472,400	263,100	37,500	140,200	177,700	913,200
Mar-97	3,480,900	25,263,730	385,575	340,900	187,800	31,500	126,700	158,200	686,900
Apr-97	2,263,300	24,932,167	13,125	196,600	111,300	24,000	113,000	137,000	444,900
May-97	1,468,200	24,697,676	(227,025)	105,700	62,700	10,900	119,100	130,000	298,400
Jun-97	1,012,700	23,004,817	(368,725)	49,200	37,200	8,400	117,000	125,400	211,800
Jul-97	1,084,600	22,745,178	(413,700)	34,400	36,500	7,000	137,500	144,500	215,400
Aug-97	1,079,200	22,024,273	(404,200)	34,100	36,500	7,000	126,700	133,700	204,300
Sep-97	1,080,000	21,134,873	(429,900)	34,100	36,500	7,000	127,100	134,100	204,700
Oct-97	2,037,900	20,764,966	(208,000)	91,100	102,200	15,400	134,000	149,400	342,700
Nov-97	3,571,300	22,222,855	157,100	251,300	146,200	22,200	143,400	165,600	563,100
Dec-97	5,225,800	22,225,809	552,300	374,700	241,700	30,800	162,900	193,700	810,100
Jan-98	7,410,900	23,271,884	1,035,900	547,400	363,800	38,600	175,000	213,600	1,124,800
Feb-98	5,873,600	23,978,421	722,800	420,700	277,400	37,500	166,800	204,300	902,400
Mar-98	4,524,300	23,681,602	389,000	317,900	201,700	31,500	151,400	182,900	702,500
Apr-98	3,018,200	23,883,580	61,500	191,600	129,100	24,000	126,100	150,100	470,800
May-98	1,726,900	24,176,094	(217,000)	87,700	67,400	10,900	121,800	132,700	287,800
Jun-98	1,150,600	23,438,951	(369,900)	37,700	40,800	8,400	121,800	130,200	208,700
Jul-98				53,100	51,300	16,900	178,350	195,250	299,650
Aug-98				51,900	45,900	14,900	222,750	237,650	335,450
Sep-98				54,200	46,400	9,300	175,100	184,400	285,000
Oct-98				108,000	69,900	15,900	210,200	226,100	404,000
Nov-98				202,200	147,500	19,300	191,100	210,400	560,100
Dec-98				323,100	193,300	24,200	228,000	252,200	768,600

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING BUDGET DATA	Budget Revenue Residential	Budget Revenue Commercial	Budget Revenue Industrial	Budget Revenue Residential Commercial Industrial	Budget Cost of Gas per Mcf Sold	Budget Net Revenue Residential	Budget Net Revenue Commercial	Budget Net Revenue Industrial	Budget Net Revenue Residential Commercial Industrial
Jun-95									
Jul-95	407,100	266,600	219,508	893,208	3.20	274,550	159,664	193,894	628,108
Aug-95	405,800	263,600	215,308	884,708	3.20	273,570	157,944	189,694	621,208
Sep-95	406,800	262,000	216,124	884,924	3.20	274,239	156,976	190,508	621,724
Oct-95	824,500	431,700	262,976	1,519,176	3.20	457,638	230,982	210,156	898,776
Nov-95	1,541,700	763,800	307,376	2,612,876	3.20	772,377	377,378	233,421	1,383,176
Dec-95	2,618,400	1,366,000	370,976	4,355,376	3.20	1,243,081	640,564	266,931	2,150,576
Jan-96	3,129,000	1,696,500	429,776	5,255,276	3.20	1,466,196	785,063	293,717	2,544,976
Feb-96	2,811,900	1,536,300	414,124	4,762,324	3.20	1,328,670	716,090	281,264	2,326,024
Mar-96	2,072,800	1,126,300	364,008	3,563,108	3.20	1,007,048	538,200	256,760	1,802,008
Apr-96	1,274,100	706,000	304,908	2,285,008	3.20	658,493	355,459	224,556	1,238,508
May-96	755,600	429,900	234,908	1,420,408	3.20	431,003	234,310	199,695	865,008
Jun-96	450,200	290,200	220,708	961,108	3.20	296,869	172,081	191,258	660,208
Jul-96	400,300	254,400	227,168	881,868	2.79	281,852	160,757	207,659	650,268
Aug-96	398,100	252,100	223,168	873,368	2.79	280,213	159,295	203,660	643,168
Sep-96	397,400	251,400	224,684	873,484	2.79	279,762	158,851	205,171	643,784
Oct-96	789,100	413,400	271,684	1,474,184	2.79	465,226	235,297	228,761	929,284
Nov-96	1,492,000	749,000	319,284	2,560,284	2.79	798,220	395,560	257,404	1,451,184
Dec-96	2,508,400	1,338,400	375,984	4,222,784	2.79	1,276,939	673,612	290,133	2,240,684
Jan-97	2,963,200	1,590,600	428,884	4,982,684	2.79	1,491,432	791,163	321,289	2,603,884
Feb-97	2,671,800	1,468,800	410,784	4,551,384	2.79	1,355,008	735,422	306,255	2,396,684
Mar-97	1,981,400	1,073,500	362,968	3,417,868	2.79	1,031,176	550,027	275,165	1,856,368
Apr-97	1,221,300	671,300	306,668	2,199,268	2.79	673,320	361,075	239,773	1,274,168
May-97	741,000	414,200	249,968	1,405,168	2.79	446,361	239,423	219,584	905,368
Jun-97	441,900	277,300	230,756	949,956	2.79	304,784	173,627	207,346	685,756
Jul-97	427,100	338,900	228,276	994,276	4.69	265,654	167,598	195,424	628,676
Aug-97	423,800	338,900	223,176	985,876	4.69	263,759	167,595	190,323	621,676
Sep-97	423,800	338,900	224,776	987,476	4.69	263,759	167,595	191,923	623,276
Oct-97	835,400	806,100	242,576	1,884,076	4.69	407,837	326,441	170,299	904,576
Nov-97	1,988,100	1,121,600	305,828	3,415,528	4.69	808,661	435,432	201,638	1,445,728
Dec-97	2,875,600	1,807,800	369,028	5,052,428	4.69	1,116,965	673,393	224,470	2,014,828
Jan-98	4,115,500	2,675,100	424,528	7,215,128	4.69	1,546,328	967,638	243,362	2,757,328
Feb-98	3,208,500	2,057,100	426,528	5,692,128	4.69	1,233,967	755,138	250,524	2,239,628
Mar-98	2,472,600	1,518,600	394,676	4,385,876	4.69	980,587	571,953	246,836	1,799,376
Apr-98	1,566,700	1,002,700	355,176	2,924,576	4.69	667,453	396,788	242,535	1,306,776
May-98	820,000	565,700	315,876	1,701,576	4.69	408,391	249,367	264,718	922,476
Jun-98	458,500	372,600	252,076	1,083,176	4.69	281,540	181,089	212,647	675,276
Jul-98	651,100	469,700	360,500	1,481,300	4.72	400,309	227,410	280,681	908,400
Aug-98	639,500	427,600	395,100	1,462,200	4.72	394,532	210,952	324,772	930,256
Sep-98	655,600	430,800	309,500	1,395,900	4.72	399,593	211,635	265,573	876,800
Oct-98	1,058,800	604,700	403,100	2,066,600	4.72	549,040	274,772	328,052	1,151,864
Nov-98	1,987,800	1,183,700	430,500	3,602,000	4.72	1,033,416	487,500	339,404	1,860,320
Dec-98	2,667,100	1,522,700	553,900	4,743,700	4.72	1,142,068	610,324	439,676	2,192,068

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING ACTUAL DATA	Actual Total Revenue Utility	Actual Common Equity (Utility)	Actual Net Income Available for Common (Utility)	Actual Mcf Residential	Actual Mcf Commercial	Actual Mcf Industrial Sales	Actual Mcf Industrial Transport	Actual Mcf Industrial	Actual Mcf Residential Commercial Industrial	
Jun-95										
Jul-95	1,011,793	21,165,221	(214,087)	43,480	40,980	10,562	115,771	126,333	210,793	
Aug-95	903,932	20,832,709	(361,982)	30,727	30,282	8,294	90,659	98,953	159,962	
Sep-95	931,168	20,057,108	(316,686)	31,051	29,656	10,545	98,148	108,693	169,400	
Oct-95	1,469,172	19,863,319	(189,666)	74,973	53,064	15,109	144,408	159,517	287,554	
Nov-95	2,180,795	19,461,862	124,614	198,212	112,132	19,737	139,071	158,808	469,152	
Dec-95	3,453,910	19,402,236	555,190	345,708	201,940	35,360	151,870	187,230	734,878	
Jan-96	5,394,650	20,500,781	1,109,275	571,368	339,231	57,987	186,571	244,558	1,155,157	
Feb-96	4,841,875	21,250,021	854,785	489,263	288,738	34,611	155,081	189,692	967,693	
Mar-96	3,984,761	21,252,571	581,300	387,990	233,075	31,117	137,514	168,631	789,696	
Apr-96	3,991,372	21,777,822	709,932	382,023	224,179	36,556	159,417	195,973	802,175	
May-96	1,898,431	21,520,732	(77,166)	131,717	77,607	17,846	109,334	127,180	336,504	
Jun-96	1,173,410	20,256,334	(708,511)	54,298	42,122	12,635	106,492	119,127	215,547	
Jul-96	1,103,500	25,955,092	(300,392)	41,592	41,236	12,654	114,422	127,076	209,904	
Aug-96	1,009,575	25,473,520	(321,076)	34,259	33,578	11,074	106,240	117,314	185,151	
Sep-96	1,026,022	24,427,291	(283,403)	32,500	34,768	10,879	100,401	111,280	178,548	
Oct-96	1,660,656	24,040,476	(200,596)	79,458	70,113	13,617	33,104	46,721	196,292	
Nov-96	2,614,213	24,259,426	89,720	178,539	96,808	15,725	174,989	190,714	466,061	
Dec-96	4,353,564	23,906,726	401,533	321,758	191,879	27,854	185,279	213,133	726,770	
Jan-97	6,605,207	24,759,284	852,144	496,935	313,619	55,012	192,647	247,659	1,058,213	
Feb-97	6,263,523	25,527,262	771,674	445,694	274,202	48,931	175,488	224,419	944,315	
Mar-97	4,362,207	25,231,425	353,270	312,244	179,791	18,149	145,575	163,724	655,759	
Apr-97	4,046,020	25,215,280	296,238	276,042	166,294	26,877	166,891	193,768	636,104	
May-97	2,534,625	24,884,876	(39,825)	161,829	97,726	17,121	137,991	155,112	414,667	
Jun-97	1,686,327	23,162,194	(211,348)	83,168	56,397	20,221	132,466	152,687	292,252	
Jul-97	1,405,285	22,858,758	(300,120)	51,372	46,666	16,196	163,391	179,587	277,625	
Aug-97	1,258,141	22,229,799	(198,674)	35,102	35,992	14,188	225,851	240,039	311,133	
Sep-97	1,100,161	21,155,299	(409,474)	32,586	32,691	8,848	156,978	165,826	231,103	
Oct-97	1,552,507	20,748,789	(224,177)	63,018	54,732	15,348	196,329	211,677	329,427	
Nov-97	3,280,642	22,236,823	171,068	217,882	125,853	18,367	183,971	202,338	546,073	
Dec-97	5,090,617	22,240,726	567,217	352,019	207,173	29,880	229,509	259,389	818,581	
Jan-98	6,500,225	23,238,088	1,002,104	461,424	278,548	36,291	192,440	228,731	968,703	
Feb-98	5,436,263	23,885,079	629,458	387,235	231,941	30,274	179,060	209,334	828,510	
Mar-98	4,744,096	23,906,888	614,284	322,067	193,343	22,982	189,293	212,275	727,685	
Apr-98	4,333,172	24,368,514	544,434	289,340	177,856	20,257	176,211	196,468	663,664	
May-98	1,964,031	24,396,161	3,067	121,212	59,472	28,426	139,156	167,582	348,266	
Jun-98	1,257,145	23,435,387	(373,484)	43,803	43,170	6,599	152,218	158,817	245,790	
Jul-98	1,254,840			42,384	45,693	7,367	143,615	150,982	239,059	
Aug-98	1,161,228			30,117	34,157	5,039	153,085	158,124	222,398	
Sep-98	1,176,935			31,261	34,760	5,332	155,003	160,335	226,356	
Oct-98	1,537,698			50,697	52,748	9,833	205,255	215,088	318,533	
Nov-98	2,348,768			114,441	81,517	11,941	225,509	237,450	433,408	
Dec-98				323,100	193,300	24,200	228,000	252,200	768,600	budget amt.

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING ACTUAL DATA	Actual Revenue Residential	Actual Revenue Firm Commercial Sales	Actual Revenue Interruptible Commercial Sales	Actual Revenue Commercial	Actual Revenue Firm Industrial Sales	Actual Revenue Interruptible Industrial Sales	Actual Net Revenue Industrial Transportation Standard Rate	Actual Revenue Industrial	Actual Revenue Residential Commercial Industrial	Actual Sales Revenue Residential Commercial Industrial
Jun-95										
Jul-95	407,345	290,999	4,674	295,673	39,218	17,175	182,835	239,228	942,246	759,411
Aug-95	369,311	265,864	4,367	270,231	35,829	18,001	148,314	202,144	841,686	693,372
Sep-95	371,577	262,554	3,276	265,830	50,365	17,210	160,891	228,466	865,873	704,982
Oct-95	658,469	407,412	8,740	416,152	70,788	24,995	219,901	315,684	1,390,305	1,170,404
Nov-95	1,160,463	628,318	7,658	635,976	70,658	23,874	229,006	323,538	2,119,977	1,890,971
Dec-95	1,893,902	1,071,900	9,972	1,081,872	110,525	52,567	253,588	416,680	3,392,454	3,138,866
Jan-96	3,010,417	1,736,391	15,083	1,751,474	174,856	86,317	303,167	564,340	5,326,231	5,023,064
Feb-96	2,757,291	1,585,635	13,199	1,598,834	98,816	70,395	259,264	428,475	4,784,600	4,525,336
Mar-96	2,221,812	1,285,507	19,486	1,304,993	118,062	38,616	230,114	386,792	3,913,597	3,683,483
Apr-96	2,195,068	1,252,131	14,353	1,266,484	141,198	40,225	263,520	444,943	3,906,495	3,642,975
May-96	979,640	553,198	6,358	559,556	84,404	22,303	181,883	288,590	1,827,786	1,645,903
Jun-96	513,676	335,785	4,855	340,640	59,868	17,190	174,226	251,284	1,105,600	931,374
Jul-96	434,771	326,859	5,622	332,481	53,082	23,330	186,391	262,803	1,030,055	843,664
Aug-96	397,329	293,178	5,663	298,841	52,631	19,590	175,974	248,195	944,365	768,391
Sep-96	394,816	305,768	6,277	312,045	50,814	21,776	169,032	241,622	948,483	779,451
Oct-96	715,848	531,411	7,565	538,976	58,524	31,340	253,719	343,583	1,598,407	1,344,688
Nov-96	1,418,757	744,124	12,017	756,141	66,319	39,006	273,566	378,891	2,553,789	2,280,223
Dec-96	2,411,475	1,402,603	9,841	1,412,444	131,827	53,214	290,394	475,435	4,299,354	4,008,960
Jan-97	3,619,125	2,219,045	25,068	2,244,113	289,998	71,957	303,625	665,580	6,528,818	6,225,193
Feb-97	3,499,183	2,086,545	20,116	2,106,661	259,821	84,089	288,489	632,399	6,238,243	5,949,754
Mar-97	2,489,299	1,382,871	16,472	1,399,343	86,380	46,702	243,206	376,288	4,264,930	4,021,724
Apr-97	2,204,494	1,286,152	17,627	1,303,779	137,916	54,388	266,860	459,164	3,967,437	3,700,577
May-97	1,328,976	775,150	11,843	786,993	91,501	29,488	223,134	344,123	2,460,092	2,236,958
Jun-97	779,221	477,184	8,384	485,568	76,007	60,630	209,138	345,775	1,610,564	1,401,426
Jul-97	550,900	417,170		417,170	80,763	16,324	249,765	346,852	1,314,922	1,065,157
Aug-97	429,723	330,603		330,603	67,640	15,963	328,953	412,556	1,172,882	843,929
Sep-97	406,623	308,895		308,895	46,852	15,454	239,249	301,555	1,017,073	777,824
Oct-97	623,500	464,167		464,167	63,817	39,597	267,333	370,747	1,458,414	1,191,081
Nov-97	1,762,031	997,107		997,107	97,526	32,458	299,706	429,690	3,188,828	2,889,122
Dec-97	2,832,869	1,604,511		1,604,511	168,366	42,783	355,314	566,463	5,003,843	4,648,529
Jan-98	3,693,351	2,147,618		2,147,618	207,658	49,292	313,112	570,062	6,411,031	6,097,919
Feb-98	3,074,914	1,770,434		1,770,434	168,468	41,290	296,544	506,302	5,351,650	5,055,106
Mar-98	2,652,330	1,517,176	3,659	1,520,835	129,968	33,860	306,217	470,045	4,643,210	4,336,993
Apr-98	2,403,884	1,402,564	3,828	1,406,392	120,069	25,592	271,325	416,986	4,227,262	3,955,937
May-98	1,013,055	562,043	2,354	564,397	57,047	12,898	223,442	293,387	1,870,839	1,647,397
Jun-98	525,656	357,238	541	357,779	34,063	8,080	234,134	276,277	1,159,712	925,578
Jul-98	515,881	370,290	200	370,490	37,388	9,028	219,992	266,408	1,152,779	932,787
Aug-98	461,321	328,648	200	328,848	28,236	8,772	238,215	275,223	1,065,392	827,177
Sep-98	471,418	333,986	200	334,186	30,857	8,080	239,514	278,451	1,084,055	844,541
Oct-98	611,247	458,264	200	458,464	59,889	8,920	301,988	370,797	1,440,508	1,138,520
Nov-98	1,193,700	620,070	1,778	621,848	62,346	13,578	345,500	421,424	2,236,972	1,891,472
Dec-98				-				-	-	-

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING ACTUAL DATA	Actual Cost of Gas per Mcf Sold	Actual Net Revenue Residential	Actual Net Revenue Commercial	Actual Net Revenue Industrial	Actual Net Revenue Residential Commercial Industrial	Actual Net Revenue Residential Commercial Industrial	Actual Composite SFIT
Jun-95							
Jul-95	2.910	280,812	176,415	208,491	665,718	665,718	0.39445
Aug-95	4.042	245,102	147,821	168,617	561,539	561,539	0.39445
Sep-95	4.042	246,057	145,949	185,839	577,846	577,846	0.39445
Oct-95	3.923	364,353	207,984	256,412	828,749	828,749	0.39445
Nov-95	2.480	668,826	357,849	274,583	1,301,258	1,301,258	0.39445
Dec-95	2.480	1,036,417	580,985	328,974	1,946,376	1,946,376	0.39445
Jan-96	2.480	1,593,207	910,052	420,510	2,923,769	2,923,769	0.39445
Feb-96	2.787	1,393,519	794,006	332,000	2,519,525	2,519,525	0.39445
Mar-96	2.787	1,140,329	655,320	300,056	2,095,705	2,095,705	0.39445
Apr-96	2.787	1,130,217	641,607	343,047	2,114,871	2,114,871	0.39445
May-96	3.621	502,646	278,514	223,963	1,005,123	1,005,123	0.39445
Jun-96	4.128	289,548	166,771	199,130	655,449	655,449	0.39445
Jul-96	3.167	303,031	201,869	222,722	727,622	727,622	0.39445
Aug-96	4.280	250,708	155,135	200,801	606,644	606,644	0.39445
Sep-96	4.280	255,724	163,246	195,062	614,032	614,032	0.39445
Oct-96	4.280	375,784	238,906	285,305	899,995	899,995	0.39445
Nov-96	4.442	625,687	326,120	309,041	1,260,847	1,260,847	0.39445
Dec-96	4.442	982,226	560,117	351,708	1,894,051	1,894,051	0.39445
Jan-97	4.442	1,411,740	851,017	421,217	2,683,974	2,683,974	0.39445
Feb-97	4.934	1,300,043	753,695	390,964	2,444,702	2,444,702	0.39445
Mar-97	4.934	948,625	512,218	286,737	1,747,580	1,747,580	0.39445
Apr-97	4.827	871,918	501,005	329,417	1,702,340	1,702,340	0.39445
May-97	4.693	569,445	328,324	263,767	1,161,536	1,161,536	0.39445
Jun-97	4.693	388,880	220,874	250,870	860,624	860,624	0.39445
Jul-97	4.693	309,791	198,148	270,838	778,776	778,776	0.39445
Aug-97	4.508	271,487	168,355	348,598	788,439	788,439	0.39445
Sep-97	4.508	259,729	161,527	261,669	682,925	682,925	0.39445
Oct-97	4.508	339,421	217,441	301,560	858,422	858,422	0.39445
Nov-97	4.747	727,680	399,645	342,496	1,469,821	1,469,821	0.39445
Dec-97	4.747	1,161,729	620,998	424,614	2,207,341	2,207,341	0.39445
Jan-98	4.747	1,502,833	825,267	397,778	2,725,878	2,725,878	0.39445
Feb-98	4.575	1,303,197	709,234	367,789	2,380,221	2,380,221	0.39445
Mar-98	4.723	1,131,243	607,697	361,504	2,100,443	2,100,443	0.39445
Apr-98	4.723	1,037,360	566,396	321,314	1,925,070	1,925,070	0.39445
May-98	3.515	586,971	355,341	193,464	1,135,776	1,135,776	0.39445
Jun-98	3.515	371,680	206,028	253,080	830,788	830,788	0.39445
Jul-98	3.515	366,893	209,870	240,512	817,275	817,275	0.39445
Aug-98	4.376	329,535	179,384	253,173	762,092	762,092	0.39445
Sep-98	4.376	334,626	182,083	255,119	771,829	771,829	0.39445
Oct-98	4.376	389,405	227,647	327,769	944,822	944,822	0.39445
Nov-98	4.297	701,975	271,589	370,116	1,343,681	1,343,681	0.39445
Dec-98							

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

Derivation of ANNUAL ADJUSTMENT COMPONENT (AAC)	Lower Limit of Return Range	Authorized Equity Return	Upper Limit of Return Range	Budget Calculated Equity Return	Budget Common Equity 12-mos average	Actual Annual Revenue 12 mos prior to budget year *(2 mos. lag)*	Budget Applicable Mcf expected during following 12-month period	Calculated Return-Based Revenue deficiency or (excess)	5% Limitation	
ANNUAL FILING - Year 1	11.10%	11.60%	12.10%	8.67%	20,588,193	27,912,362	5,601,700	996,830	1,395,618	Jul-95
(File June 1; Effective July 1; Based on 12 mos budget)					20,986,406		5,613,700			Aug-95
					21,364,129		5,625,800			Sep-95
					21,716,910		5,638,300			Oct-95
					22,057,307		5,651,900			Nov-95
					22,455,768		5,680,700			Dec-95
					22,840,762		5,717,500			Jan-96
					23,211,329		5,743,800			Feb-96
					23,568,481		5,773,500			Mar-96
					23,911,903		5,795,800			Apr-96
					24,224,651		5,811,000			May-96
	11.10%	11.60%	12.10%		24,493,341		5,830,700			Jun-96
ANNUAL FILING - Year 2	11.10%	11.60%	12.10%	3.16%	24,684,480	30,711,266	5,844,200	3,442,407	1,535,563	Jul-96
(File June 1; Effective July 1; Based on 12 mos budget)					24,421,382		5,852,600			Aug-96
					24,138,457		5,857,300			Sep-96
					23,873,107		5,862,200			Oct-96
					23,602,725		5,894,200			Nov-96
					23,430,223		5,934,000			Dec-96
					23,271,793		5,896,400			Jan-97
					23,147,607		6,020,300			Feb-97
					23,022,221		6,009,500			Mar-97
					22,890,377		6,025,100			Apr-97
					22,802,994		6,051,000			May-97
	11.10%	11.60%	12.10%		22,759,529		6,040,400			Jun-97
ANNUAL FILING - Year 3	11.10%	11.60%	12.10%	3.84%	22,795,707	36,116,328	6,037,300	2,920,324	1,805,816	Jul-97
(File June 1; Effective July 1; Based on 12 mos budget)										Aug-97
										Sep-97
										Oct-97
										Nov-97
										Dec-97
										Jan-98
										Feb-98
										Mar-98
										Apr-98
										May-98
	11.10%	11.60%	12.10%							Jun-98
										Jul-98
										Aug-98
										Sep-98
										Oct-98
										Nov-98
										Dec-98

Application of ANNUAL ADJUSTMENT COMPONENT (AAC)

	AAC	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			AAC	AAC		
	Total Amount to be Recovered or (given back)	Amount Applicable to Residential	AAC Annual Adjustment Component per Mcf Residential	AAC Monthly Amount Residential	Amount Applicable to Commercial	AAC Annual Adjustment Component per Mcf Commerial	AAC Monthly Amount Commercial	Amount Applicable to Industrial	AAC Annual Adjustment Component per Mcf Industrial	AAC Monthly Amount Industrial	Total Amount Recovered or (given back)	AAC (over) or under targeted amount	Common Equity Return incl. AAC Revenue	
ANNUAL FILING - Year 1	996,830	537,273	0.2094	9,105	286,549	0.1988	8,147	173,008	0.1085	13,707				Jul-95
(File June 1; Effective July 1; Based on 12 mos budget)			0.2094	6,434		0.1988	6,020		0.1085	10,736				Aug-95
			0.2094	6,502		0.1988	5,896		0.1085	11,793				Sep-95
			0.2094	15,699		0.1988	10,550		0.1085	17,307				Oct-95
			0.2094	41,505		0.1988	22,293		0.1085	17,230				Nov-95
			0.2094	72,391		0.1988	40,148		0.1085	20,314				Dec-95
			0.2094	119,643		0.1988	67,443		0.1085	26,534				Jan-96
			0.2094	102,451		0.1988	57,405		0.1085	20,581				Feb-96
			0.2094	81,244		0.1988	46,338		0.1085	18,296				Mar-96
			0.2094	79,995		0.1988	44,570		0.1085	21,262				Apr-96
			0.2094	27,581		0.1988	15,429		0.1085	13,799				May-96
			0.2094	11,370		0.1988	8,374		0.1085	12,925	1,111,017	(114,187)	13.29%	Jun-96
ANNUAL AAC FILING - Year 2	1,535,563	819,090	0.3118	12,970	437,083	0.2957	12,193	279,390	0.1606	20,413				Jul-96
(File June 1; Effective July 1; Based on 12 mos budget)			0.3118	10,683		0.2957	9,929		0.1606	18,845				Aug-96
			0.3118	10,135		0.2957	10,280		0.1606	17,875				Sep-96
			0.3118	24,778		0.2957	20,731		0.1606	7,505				Oct-96
			0.3118	55,674		0.2957	28,625		0.1606	30,635				Nov-96
			0.3118	100,335		0.2957	58,736		0.1606	34,236				Dec-96
			0.3118	154,960		0.2957	92,733		0.1606	39,782				Jan-97
			0.3118	138,982		0.2957	81,078		0.1606	36,049				Feb-97
			0.3118	97,368		0.2957	53,162		0.1606	26,300				Mar-97
			0.3118	86,079		0.2957	49,171		0.1606	31,126				Apr-97
			0.3118	50,464		0.2957	28,896		0.1606	24,916				May-97
			0.3118	25,934		0.2957	16,676		0.1606	24,527	1,540,778	(5,215)	9.46%	Jun-97
ANNUAL AAC FILING - Year 3	1,805,816	934,073	0.3856	19,807	573,256	0.3413	15,925	298,488	0.1543	27,705				Jul-97
(File June 1; Effective July 1; Based on 12 mos budget)			0.3856	13,534		0.3413	12,283		0.1543	37,032				Aug-97
			0.3856	12,564		0.3413	11,156		0.1543	25,582				Sep-97
			0.3856	24,297		0.3413	18,678		0.1543	32,656				Oct-97
			0.3856	84,005		0.3413	42,949		0.1543	31,215				Nov-97
			0.3856	135,721		0.3413	70,701		0.1543	40,017				Dec-97
			0.3856	177,902		0.3413	95,058		0.1543	35,287				Jan-98
			0.3856	149,299		0.3413	79,153		0.1543	32,295				Feb-98
			0.3856	124,173		0.3413	65,981		0.1543	32,748				Mar-98
			0.3856	111,555		0.3413	60,696		0.1543	30,310				Apr-98
			0.3856	46,733		0.3413	20,296		0.1543	25,853				May-98
			0.3856	16,888		0.3413	14,732		0.1543	24,501	1,799,288	6,529	13.61%	Jun-98
														Jul-98
														Aug-98
														Sep-98
														Oct-98
														Nov-98
														Dec-98

Application of ACTUAL ADJUSTMENT FACTOR (AAF)

	AAF	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			AAF	AAF	
	AAF Amt. (Over)/under Return Range after prev. AAC period	Amount Applicable to Residential	AAF Actual Adjustment Factor per Mcf Residential	AAF Monthly Amount Residential	Amount Applicable to Commercial	AAF Actual Adjustment Factor per Mcf Commerial	AAF Monthly Amount Commercial	Amount Applicable to Industrial	AAF Actual Adjustment Factor per Mcf Industrial	AAF Monthly Amount Industrial	Total Amount Recovered or (given back)	AAF (over) or under Recovery	
													Jul-95
													Aug-95
													Sep-95
													Oct-95
													Nov-95
													Dec-95
													Jan-96
													Feb-96
													Mar-96
													Apr-96
													May-96
													Jun-96
													Jul-96
													Aug-96
ANNUAL AAF FILING - Year 1 (File Sep 1; Effective Oct 1; based on prev. AAC period)	(405,838)	(216,111)			(116,569)			(73,159)					Sep-96
			(0.0830)	(6,599)		(0.0784)	(5,494)		(0.0413)	(1,929)			Oct-96
			(0.0830)	(14,827)		(0.0784)	(7,586)		(0.0413)	(7,873)			Nov-96
			(0.0830)	(26,721)		(0.0784)	(15,036)		(0.0413)	(8,798)			Dec-96
			(0.0830)	(41,269)		(0.0784)	(24,575)		(0.0413)	(10,223)			Jan-97
			(0.0830)	(37,013)		(0.0784)	(21,486)		(0.0413)	(9,264)			Feb-97
			(0.0830)	(25,931)		(0.0784)	(14,088)		(0.0413)	(6,758)			Mar-97
			(0.0830)	(22,924)		(0.0784)	(13,031)		(0.0413)	(7,999)			Apr-97
			(0.0830)	(13,439)		(0.0784)	(7,658)		(0.0413)	(6,403)			May-97
			(0.0830)	(6,907)		(0.0784)	(4,419)		(0.0413)	(6,303)			Jun-97
			(0.0830)	(4,266)		(0.0784)	(3,657)		(0.0413)	(7,413)			Jul-97
			(0.0830)	(2,915)		(0.0784)	(2,820)		(0.0413)	(9,909)			Aug-97
ANNUAL AAF FILING - Year 2 (File Sep 1; Effective Oct 1; based on prev. AAC period)	668,548	344,450	(0.0830)	(2,706)	207,448	(0.0784)	(2,562)	116,649	(0.0413)	(6,845)	(417,645)	11,806	Sep-97
			0.1389	8,755		0.1210	6,625		0.0545	11,539			Oct-97
			0.1389	30,270		0.1210	15,233		0.0545	11,030			Nov-97
			0.1389	48,906		0.1210	25,076		0.0545	14,140			Dec-97
			0.1389	64,106		0.1210	33,715		0.0545	12,469			Jan-98
			0.1389	53,799		0.1210	28,074		0.0545	11,412			Feb-98
			0.1389	44,745		0.1210	23,402		0.0545	11,572			Mar-98
			0.1389	40,198		0.1210	21,527		0.0545	10,710			Apr-98
			0.1389	16,840		0.1210	7,198		0.0545	9,136			May-98
			0.1389	6,086		0.1210	5,225		0.0545	8,658			Jun-98
			0.1389	5,888		0.1210	5,531		0.0545	8,231			Jul-98
			0.1389	4,184		0.1210	4,134		0.0545	8,620			Aug-98
ANNUAL AAF FILING - Year 3 (File Sep 1; Effective Oct 1; based on prev. AAC period)	(570,402)		0.1389	4,343		0.1210	4,207		0.0545	8,741	634,326	34,222	Sep-98
													Oct-98
													Nov-98
													Dec-98

Application of **BALANCING ADJUSTMENT FACTOR (BAF)**	BAF BAF Amt. (Over)/under Recovery from prev. AAF period	BAF BAF Balancing Adjustment Factor per Mcf	BAF BAF Monthly Amount	BAF Total Amount Recovered or (given back)	BAF BAF (over) or under Recovery	
						Jul-95
						Aug-95
						Sep-95
						Oct-95
						Nov-95
						Dec-95
						Jan-96
						Feb-96
						Mar-96
						Apr-96
						May-96
						Jun-96
						Jul-96
						Aug-96
						Sep-96
						Oct-96
						Nov-96
						Dec-96
						Jan-97
						Feb-97
						Mar-97
						Apr-97
						May-97
						Jun-97
						Jul-97
						Aug-97
						Sep-97
						Oct-97
						Nov-97
ANNUAL BAF FILING - Year 1 (File Dec 1; Effective Jan 1; based on prev. AAF period)	11,806					Dec-97
		0.0019	1,801			Jan-98
		0.0019	1,540			Feb-98
		0.0019	1,353			Mar-98
		0.0019	1,234			Apr-98
		0.0019	648			May-98
		0.0019	457			Jun-98
		0.0019	444			Jul-98
		0.0019	414			Aug-98
		0.0019	421			Sep-98
		0.0019	592			Oct-98
		0.0019	806			Nov-98
ANNUAL BAF FILING - Year 2 (File Dec 1; Effective Jan 1; based on prev. AAF period)	34,222	0.0019	1,429	11,139	667	Dec-98

CASE NUMBER:

99-046

Filed 5.21.99

Forman
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May 21, 1999

Hon. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

RECEIVED
MAY 21 1999
PUBLIC SERVICE
COMMISSION

Re: Delta Natural Gas Company, Inc.
Case No. 99-046

Dear Ms. Helton:

We enclose for filing an original and eleven (11) copies of the Direct Testimony of Delta Natural Gas Company, Inc. in the above-captioned case. We would appreciate your placing this testimony with the other papers in this case. Thank you for your kind assistance in connection with this matter.

Sincerely,

Robert Watt

Robert M. Watt, III

rmw
encl.
cc: Mr. John F. Hall (w/encl.)
Counsel of Record (w/encl.)

Hall

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF DELTA NATURAL GAS COMPANY, INC. TO IMPLEMENT AN EXPERIMENTAL ALTERNATIVE REGULATION PLAN	))))	CASE NO. 99-046

DIRECT TESTIMONY OF

JOHN F. HALL

AFFIDAVIT

The affiant, John F. Hall, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 99-046, in the Matter of: Delta Natural Gas Company, Inc. to Implement an Experimental Alternative Regulation Plan and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct testimony.

Affiant further states that he will be present and available for cross-examination and for such additional direct examination as may be appropriate at any hearing in Case No. 99-046 scheduled by the Commission, at which time affiant will further reaffirm the attached prepared testimony as his direct testimony in such case.

John F. Hall
JOHN F. HALL

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me by John F. Hall, this the 20th day of May, 1999.

My Commission Expires: 3/8/2000

Emily P. Bennett
Notary Public, State at Large, Kentucky

Q. Please state your name and business address.

A. John F. Hall, Delta Natural Gas Company, Inc., 3617 Lexington Road, Winchester, Kentucky 40391.

Q. What is your present employment?

A. I am employed as Vice President - Finance, Secretary and Treasurer of Delta Natural Gas Company, Inc.

Q. For what period of time have you been so employed?

A. I have been employed by Delta since April of 1979 in accounting and financial areas. I was promoted to Manager - Rates and Treasury in 1983, to Vice President - Regulatory Matters and Treasurer in 1988, and assumed my current position in 1994.

Q. Will you state your educational background?

A. I graduated from Eastern Kentucky University in 1978, receiving a B.B.A. with a major in Accounting.

Q. Generally what are your duties with Delta?

A. My duties and responsibilities include the responsibility for the administration of the rates of the Company, overseeing and directing the accounting, data processing and cash management activities, assuring the proper maintenance of stockholder and bondholder records, directing the preparation and filing of gas cost recovery adjustments, and planning and coordinating the preparation and filing of reports to the Securities and Exchange Commission and stockholders. I have previously testified before the Public Service Commission on Delta's behalf.

Q. Are you generally familiar with the business affairs of Delta?

A. Yes.

Q. What is the scope of your testimony in this proceeding?

A. My testimony will address the purpose of Delta's filing alternative regulation plan tariff sheets.

Q. Why did Delta file for an alternative regulation plan?

A. We believe the alternative regulation plan will help us continue to provide our customers with a high degree of service. Delta's system has grown to the point that it now provides service to approximately 39,000 customers in twenty counties in primarily smaller Kentucky communities or rural areas where there are no large concentrations of customers. Thus, the cost of service per customer is higher than for those utilities whose customers are located in larger communities. These demographics do not relieve us of our obligation to provide the highest level of service that we can provide. In order to fulfill this obligation, Delta must be able to maintain financial stability so that we can raise debt and equity capital. The maintenance of an adequate return to our shareholders is the key to financial stability. If we have unstable and inadequate returns, our efforts to raise debt and equity capital will be both more difficult and more costly. One of the best ways to assure that our return on equity is adequate is to maintain current prices for the products and services we sell. The traditional way of adjusting these prices – a general rate case – is a very expensive and time-consuming venture for Delta and all parties involved. We believe that the proposed alternative regulation plan as set forth in the tariff sheets filed on February 5, 1999, and amended on May 7, 1999, is a significantly improved method of regulation. The plan is a less costly method of providing Delta with stable and adequate returns and of providing our customers with the lowest and most current rates.

Q. How did Delta develop its alternative regulation plan?

A. Delta has studied the operation of the Rate Stabilization and Equalization Plan (rate RSE) that was adopted in 1983 by the Alabama Gas Corporation. Rate RSE is similar to the alternative regulation plan proposed by Delta. Delta's amended plan differs in that we improved the rate RSE by including a mechanism that incorporates an actual adjustment and a balancing adjustment that will allow Delta to reconcile the actual results for a fiscal year. This is discussed in more detail in testimony filed by Mr. Steve Seelye in this case.

Q. Who benefits from this alternative regulation plan?

A. We believe that the alternative regulation plan benefits Delta's customers, Delta's shareholders and the Commission. Delta's customers are served in that the cost control measures in the plan will encourage Delta to control the growth of its operations and its maintenance expenses. In addition, Delta's rates will automatically be reduced should the cost of providing service decrease. Delta's shareholders receive the benefit of a better and more stable return on their investments because of the more current pricing of Delta's products and services. Delta's customers, its shareholders and the Commission all benefit from the fact that the traditional general rate case will no longer be the only way to adjust rates. Cost will be saved. Time will be saved. The Commission and Delta can work together, rather than as adversaries, to provide more cost-effective, high quality utility service.

Q. Why did Delta amend the proposed Alternative Regulation Plan?

A. Delta started where Alabama Gas Company started with its rate RSE in 1983. Because Delta's plan is a three year experimental plan, we believed that we needed experience to see how it worked before we fine tuned the plan. At the informal conference in the case held on March 30, 1999, it seemed to be the consensus that the starting point should be more toward the point to which the rate RSE of Alabama Gas Company has evolved and not the beginning. Thus, Delta amended the alternative regulation plan to reflect that thinking.

Q. Does this conclude your testimony at this time?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF DELTA NATURAL	)	
GAS COMPANY, INC. TO IMPLEMENT	)	
AN EXPERIMENTAL ALTERNATIVE	)	CASE NO. 99-046
REGULATION PLAN	)	

DIRECT TESTIMONY OF

WILLIAM STEVEN SEELYE

AFFIDAVIT

The affiant, William Steven Seelye, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared direct testimony of this affiant in Case No. 99-046, in the Matter of: Delta Natural Gas Company, Inc. to Implement an Experimental Alternative Regulation Plan and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared direct testimony.

Affiant further states that he will be present and available for cross-examination and for such additional direct examination as may be appropriate at any hearing in Case No. 990-046 scheduled by the Commission, at which time affiant will further reaffirm the attached testimony as his direct testimony in such case.

William Steven Seelye

William Steven Seelye

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn to before me by William Steven Seelye, this the 20th day of May, 1999.

My Commission Expires: 3/8/2000

Emily P. Bennett

Notary Public, State at Large, Kentucky

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is William Steven Seelye and my business address is The Prime Group, LLC, 6711 Fallen Leaf, Louisville, Kentucky, 40241.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am a senior consultant and principal for The Prime Group, LLC, a firm located in Louisville, Kentucky, providing consulting and educational services in the areas of utility marketing, regulatory analysis, cost of service, rate design and fuel and power procurement.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PRIOR WORK EXPERIENCE.

A. I received a Bachelor of Science degree in Mathematics from the University of Louisville in 1979. I have also completed 54 hours of graduate level course work in Industrial Engineering and Physics. From May 1979 until July 1996, I was employed by Louisville Gas and Electric Company ("LG&E"). From May 1979 until December, 1990, I held various positions within the Rate Department of LG&E. In December 1990, I became Manager of Rates and Regulatory Analysis. In May 1994, I was given additional responsibilities in the marketing area and was promoted to Manager of Market Management and Rates. I left LG&E in July 1996 to form The Prime Group, LLC, with two other former employees of LG&E.

Since leaving LG&E, I have provided consulting services to numerous investor-owned utilities, rural electric cooperatives, and municipal utilities regarding utility rate and regulatory filings, cost of service and wholesale and retail rate designs. Specifically, I have prepared and filed Order No. 888 and Order No. 889 compliance filings at the Federal Energy Regulatory Commission ("FERC") for a number of electric utilities as well as Order No. 888 and Order No. 889 waiver requests for other utilities. I have prepared market power analyses in support of market-based rate filings at FERC for utilities and their marketing affiliates, as well as assisting other utilities with their market-based rate filings. I have assisted utilities with developing strategic marketing plans and implementing these plans. I have provided utility clients with assistance regarding regulatory policy and strategy; state and federal regulatory filing development; cost of service development and support; the development of innovative rates to achieve strategic objectives; the unbundling of rates and the development of menus of rate alternatives for use with customers; performance-based rate development; and energy marketing and brokering capability development. I have provided training to account executives in sales and customer negotiation, as well as providing training in ratemaking and utility finance regarding basic utility marketing. I have provided marketing, market research and marketing support services for utility clients and have assisted them in assessing their marketing capabilities and processes.

Q. HAVE YOU EVER TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. Yes, on a number of occasions. I testified in Administrative Case No. 244 regarding rates for cogenerators and small power producers, Case No. 8924 regarding marginal cost of service, and in several 6-month and 2-year fuel adjustment clause proceedings. Most recently, I testified in Case No. 96-161 and Case No. 96-362 regarding complaints filed with the Commission regarding Prestonsburg City's Utilities Commission ("Prestonsburg") rates.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. On February 5, 1999, Delta Natural Gas Company, Inc. ("Delta") filed an Experimental Alternative Regulation Plan ("Alt Reg Plan" or "alternative ratemaking mechanism") with the Kentucky Public Service Commission ("Commission"). I have been asked to provide testimony in support of Delta's Alt Reg Plan and to answer conceptual and technical questions that may be asked during the course of this proceeding. For convenience, a copy of Delta's initial filing in this proceeding is attached as Seelye Exhibit 1. On behalf of Delta, I am also submitting an amendment to Delta's Alt Reg Plan which would incorporate additional performance-based cost controls into the alternative ratemaking mechanism.

Q. WAS DELTA'S ALT REG PLAN SET FORTH IN SEELYE EXHIBIT 1 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. Randall J. Walker, who is another associate of The Prime Group, and I worked very closely with Delta's staff to prepare the filing and were largely responsible for developing the Alt Reg Plan. Mr. Walker will also be available to answer technical questions regarding Delta's filing.

Q. DO YOU HAVE SPECIFIC EXPERIENCE RELATED TO ALTERNATIVE FORMS OF REGULATION?

A. Yes. While employed at LG&E, I was one of the two principal team members that developed the performance-based ratemaking mechanism that was filed by LG&E and approved by the Commission in Case No. 97-171. (See the Commission's Order, dated September 30, 1997.) Although I played a major role in developing LG&E's performance-based ratemaking mechanism and in preparing the filing, I had left LG&E prior to the actual filing date. In addition, I was the person primarily responsible for developing the cost recovery mechanisms utilized in LG&E's demand-side management mechanism filed in Case No. 93-150 and environmental cost recovery mechanism filed in Case No. 94-332. These mechanisms utilize an approach to determining revenue requirements that is similar to the mechanism used in Delta's Alt Reg Plan.

Q. PLEASE PROVIDE AN OVERVIEW OF DELTA'S ALT REG PLAN.

A. The purpose of the proposed mechanism is to provide an alternative regulatory process for adjusting rates. Therefore, the primary objective of the proposed mechanism is to establish a process, on an experimental basis, for ensuring that Delta's rate of return falls within the range found to be fair, just and reasonable by the Commission. In order to accomplish this objective, Delta's proposed alternative ratemaking mechanism consists of three components: (1) an Annual Adjustment Component ("AAC"); (2) an Actual Adjustment Factor ("AAF"); and (3) a Balancing Adjustment Factor ("BAF"). These three components would work together on an annual cycle to ensure that Delta's earnings fall within the range established by the Commission in Delta's last rate case. Delta is proposing to implement the Alt Reg Plan on an experimental basis for a period of three years. At the end of the three-year period, the program would be evaluated in order to determine whether the Alt Reg Plan should continue beyond the initial period.

Q. WHAT FUNCTIONS ARE PERFORMED BY THE ANNUAL ADJUSTMENT COMPONENT (AAC), ANNUAL ADJUSTMENT FACTOR (AAF), AND BALANCING ADJUSTMENT FACTOR (BAF)?

A. The purpose of the Annual Adjustment Component (AAC) is to adjust rates for an upcoming fiscal year to bring Delta's rate of return on equity to the mid-point of the range found to fair, just and reasonable by the Commission, subject to certain limitations which will be discussed below. The AAC would be determined based on budgeted information for the upcoming fiscal year based on the utility's financial budget approved by Delta's Board of Directors just prior to the beginning of the fiscal year.

After the AAC has been in effect for a full year, The Actual Adjustment Factor (AAF) will perform a *true-up* calculation based on actual results for the fiscal year. Through the application of the AAF, Delta's rates would be increased or decreased based on whether its actual rate of return on equity is, respectively, below or above the range found to be fair, just and reasonable by the Commission. If Delta's actual rate of return falls within the range established by the Commission, then no AAF would be calculated. Should Delta's actual rate of return fall below the bottom end of the range, then the amount to be charged to customers (i.e., the AAF amount) would reflect the increase in revenue requirements necessary to bring Delta's rate of return on equity up to the bottom end of the range. Conversely, if Delta's rate of return is above the top end of the range, then the amount to be credited to customers (i.e., the AAF amount) would reflect the reduction in revenue requirements necessary to bring Delta's rate of return on common equity down to the top end of the range.

The Balancing Adjustment Factor (BAF) acts as a true-up mechanism for the AAF and previous BAFs. The BAF amount would reflect any over- or under-recoveries realized through the application of the AAF and through the application of the BAF for preceding 12-month periods.

These three components are described in much greater detail in the letter of transmittal set forth in Seelye Exhibit 1.

Q. IS DELTA'S PROPOSED ALT REG PLAN SIMILAR TO THE ALTERNATIVE RATEMAKING MECHANISM USED BY ALABAMA GAS COMPANY AND OTHER UTILITIES IN ALABAMA?

A. Although there are some similarities, there are also some notable differences. For example, the Alabama mechanism never fully reconciles actual results for a fiscal year, unlike Delta's proposed plan. In Delta's proposed Alt Reg Plan, the Actual Adjustment and Balancing Adjustment are designed to provide a full reconciliation in order to insure that Delta will not over- or under-earn as a result of the mechanism.

An important feature that was adopted from Alabama Gas Company's mechanism is the methodology used to allocate adjustment amounts to rate classes. In its mechanism, Alabama Gas Company allocates revenue excess and deficiency amounts to the rate class billing blocks on the basis of the net revenue collected in each block. As explained in greater detail in the letter of transmittal included in Seelye Exhibit 1, we believe that this methodology is a fair approach for allocating revenue excess and deficiency amounts. Because this methodology allocates revenue excesses and deficiencies in a manner that is consistent with Delta's underlying base rates, it follows the same rate design principles approved by the Commission in Delta's last rate case and does not represent a change in rate design.

Q. IS DELTA PROPOSING TO AMEND ITS INITIAL FILING TO INCORPORATE PERFORMANCE CONTROLS?

A. Yes. An amended rate schedule for the Experimental Alternative Ratemaking Mechanism is set forth in Seelye Exhibit 2. On page 33 of the amended rate schedule, we have included a new section titled "Performance-Based Cost Controls." The purpose of this section is to introduce two new performance-based controls.

Q. PLEASE DESCRIBE THE FIRST NEW CONTROL.

A. The first control is a performance-based ratemaking measure that would compare Delta's non-gas supply O&M expenses per customer to the non-gas supply O&M expenses on a per customer basis approved in Delta's last rate case, after adjusting for changes in the Consumer Price Index for Urban Consumers (CPI-U) (the "Indexed O&M Expenses") since that rate case. If the previous fiscal year's actual non-gas supply expenses fall within ± 1.50% of the Indexed O&M Expenses, then actual O&M expenses will be used to compute the earned return on common equity achieved in the previous fiscal year ("EROE") for purposes of calculating the AAF. In other words, there is a 3.00 percentage-point dead band around (i.e. 1.50% above and 1.50% below) the Indexed O&M Expenses where no adjustment would be made to Delta's non-gas supply costs for purposes of calculating the AAF.

If the previous fiscal year's actual O&M expenses per customer exceed the Indexed O&M Expenses by more than 1.50%, then Delta would be limited to inclusion of only 50% of the expenses that are in excess of the Indexed O&M Expenses for purposes of calculating the AAF. If the previous fiscal year's actual O&M expenses per customer are lower than the Indexed O&M Expenses by more than 1.50%, then Delta would be allowed to increase the actual expenses used to calculate the AAF by 50% of the amount by which the actual expenses are below 98.50% of the Indexed O&M expenses.

By introducing this non-gas supply O&M expense control, we have integrated performance-based ratemaking concepts into Delta's Alt Reg Plan. If Delta performs better than the Indexed O&M Expenses (i.e., its actual non-gas supply O&M expenses are less than 98.50% of the Indexed O&M expenses), then Delta is *rewarded* for its performance by being allowed to retain 50% of the amount by which its actual expenses are below 98.50% of the Indexed O&M expenses. Delta's customers would receive the benefit of the other 50% savings. However, if Delta performs worse than the Indexed

O&M Expenses (i.e., its actual non-gas supply O&M expenses are more than 101.50% of the Indexed O&M expenses), then Delta is *penalized* for its performance by being allowed to include only 50% of the expenses that are in excess of 101.50% of the Indexed O&M Expenses. Delta would be required to absorb the other 50% excess amount. This system of penalties and rewards should provide a powerful incentive for Delta to minimize its operation and maintenance expenses.

It should also be pointed out that using the approved O&M expenses from Delta's last rate case as the baseline for computing the Indexed O&M expenses introduces another control element into the Alt Reg Plan.

Q. PLEASE DESCRIBE THE SECOND NEW PERFORMANCE-BASED CONTROL.

A. The second performance-based control places a limit on the amount of common equity that can be included in Delta's total capitalization for purposes of computing the AAF. In calculating the revenue requirement used in the AAF, Delta's average common equity will be limited to no more than 60% of total capitalization. In other words, Delta's actual average common equity will be used in calculating the revenue requirement for the AAF if Delta's common equity represents 60% or less of total capitalization, and 60% common equity will be used if the actual average common equity is greater than 60%. This control, if triggered, would result in a reduction in revenue requirements used to compute the AAF because (1) the cost of common equity is higher than other forms of capital utilized by Delta, and (2) unlike debt, the cost of common equity is grossed up for income taxes.

Q. DOES DELTA'S ALT REG PLAN INCLUDE ANY OTHER CONTROLS?

A. Yes. The Alt Reg Plan initially filed in this proceeding included two other controls. First, if Delta determines that the mechanism would increase rates to an uncompetitive level, then Delta would be permitted, subject to Commission approval, to reduce the annual revenue deficiency amount (i.e., the amount used to calculate the Annual Adjustment Component, which will be defined below) that otherwise would be charged to customers under the mechanism. Second, increases in the Annual Adjustment Component would be limited to 5 percent of Delta's total utility revenue. These controls are described in greater detail in the initial filing set forth in Seelye Exhibit 1.

Q. IS DELTA PROPOSING TO ELIMINATE THESE TWO CONTROLS INCLUDED IN THE INITIAL FILING?

A. No.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391-9797
Phone: 606-744-6171
Fax: 606-744-3623

February 5, 1999

Ms. Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Post Office Box 615
Frankfort, Kentucky 40602

Re: Experimental Alternative Regulation Plan

Dear Ms. Helton:

Enclosed please find an original and four copies of the following sheets of our Tariff PSC No. 8:

Original Sheet No. 30
Original Sheet No. 31
Original Sheet No. 32
Original Sheet No. 33
Original Sheet No. 34
Original Sheet No. 35

1.0 Background and Purpose of Filing

Delta Natural Gas Company, Inc. ("Delta") is proposing an alternative regulation plan on an experimental basis for a period of three years. At the end of the three-year experimental period the program would be evaluated in order to determine whether the alternative regulation plan should continue beyond the initial period.

The purpose of the proposed mechanism is to provide an alternative regulatory process for adjusting gas service rates. Under the traditional regulatory process in Kentucky, a general adjustment in rates can be made in two ways: (1) a utility can file an application pursuant to 807 KAR 5:001, Section 10, or (2) the Commission can adjust rates pursuant to an investigation initiated by a complaint or on its own motion. Delta's proposed mechanism would establish a process for making rate adjustments in a timely and expeditious manner while remaining consistent with the underlying principles that govern rate regulation.

One of the guiding principles of rate regulation is to establish rates that will provide the utility an opportunity to earn a fair, just and reasonable return on invested capital. Implicit in this is the concept that rate regulation should balance both the interests of consumers and the interests of investors. This point is underscored by Dr. Charles F. Phillips in the following passage from *The Regulation of Public Utilities* (Arlington, Virginia: Public Utilities Reports, 1988), page 357:

> At a minimum, a public utility must be afforded the opportunity not only of assuring its financial integrity so that it can maintain its credit standing and attract additional capital as needed, but also of achieving earnings comparable to those of other companies having corresponding risks. Further, regulation may use the rate of return as an incentive by awarding returns that are higher than the minimum to those utilities with relatively greater efficiency. But in determining a rate, a commission may not set it so high as to exploit consumers. The concept of a fair return, therefore, represents a range or zone of reasonableness.

Under traditional regulation, utilities are typically allowed to earn a rate of return that falls within a specified range based on historical test year operating results adjusted for known and measurable changes. Even with the use of a historical test year, there is an underlying assumption that the resultant rates will afford the utility an opportunity to earn a fair, just and reasonable rate of return on a going forward basis. *Ex ante* it is reasonable to assume that the use of an adjusted historical test year will be sufficient for setting rates that will provide the utility an opportunity to earn a fair, just and reasonable rate of return, but not allow the utility to extract an excessive level of earnings. However, *ex post* the use of an adjusted historical test year (or even a forecasted test year[1]) does not always result in rates that actually allow the utility to earn a rate of return within the range found reasonable by the Commission. For any number of reasons, rates established under traditional regulation can result in the situation where the utility earns a rate of return that exceeds the upper end of the range found fair, just and reasonable by the Commission or earns a rate of return that is below the bottom end of the range established by the Commission.

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[1] For purposes of this discussion, both the use of an historical test year and a forecasted test year as provided by 807 KAR 5:001, Section 10, are grouped under the rubric of "traditional ratemaking."

Rates established through traditional regulation often fail to result in a rate of return within the range authorized by the Commission because a utility's average unit costs have either increased or decreased after the end of the historical or forecasted test year. Increases in average unit costs typically occur either because of inflation or because of growth. Inflation results in the inputs used to provide gas service to customers costing more than they did in the test year used to set rates. Growth can cause an increase in average unit cost if the marginal cost of serving new customers is higher than the utility's embedded cost. Growth can also result in a decrease in average unit costs if the marginal cost of serving new customers is lower than the utility's embedded cost. For these reasons, actual rates of return frequently fall outside of the range authorized by the Commission.

When the marginal cost of serving new customers is higher than the utility's embedded cost, growth puts a double strain on the utility's resources. Not only must the utility finance new capital additions and utilize resources to provide quality service to these new customers, but it must also devote significant managerial attention and resources to filing a formal petition for a rate case to address its low rate of return. In the natural gas business generally and for Delta in particular, the marginal cost of serving new customers has been higher than the embedded cost of providing service and the growth that many gas utilities have experienced has resulted in increased average unit costs and a low rate of return. We believe that there is a more cost effective mechanism for ensuring that a utility's rate of return falls within the range authorized by the Commission.

Accordingly, our goal with this filing is to establish an orderly and expeditious process for automatically making rate adjustments to keep the Delta's rate of return within the range authorized by the Commission. As will be discussed in greater detail below, Delta's proposed alternative ratemaking mechanism will produce the following benefits:

- **The proposed alternative ratemaking mechanism would ensure that Delta's rate of return falls within the range authorized by the Commission.** Under Delta's proposal, the Commission would establish a zone of reasonableness for Delta's rate of return and the proposed mechanism would automatically keep Delta's rate of return within this range. Subject to certain constraints, Delta's rates would be adjusted to bring its rate of return within the range established by the Commission. Delta's proposed mechanism would ensure that it is not over-earning or under-earning.

- **The proposed alternative ratemaking mechanism would be more consistent with the ratemaking principle of "gradualism" than traditional regulation.**

Because there is often a number of years between adjustments in base rates, traditional regulation frequently results in abrupt changes in rates. By providing a mechanism for examining a utility's rate of return and adjusting rates on an annual basis, Delta's proposed mechanism would provide a more gradual mechanism for increasing or decreasing rates than traditional regulation.

- **By providing a less resource intensive process for keeping Delta's rate of return within a Commission prescribed zone of reasonableness, the proposed alternative ratemaking mechanism would allow the utility to focus on improving utility operations rather than using management talent to conduct a full blown rate case.** When a utility files an application for a general adjustment in rates, a significant amount management time, attention and resources must be committed to the process. During a rate case, a utility must divert management attention from making operational improvements, connecting new customers, developing new marketing initiatives, strategic business development, and other activities generally involved with running the business and instead focus its attention on preparing financial pro-formas, conducting cost of service studies, determining where to spread a rate increase, developing pre-filed written testimony, responding to data requests, attending hearings, preparing pleadings, etc. These activities are particularly burdensome and costly for small utilities and their customers.

- **By providing a less resource intensive process for keeping Delta's rate of return within a Commission prescribed zone of reasonableness, the proposed alternative ratemaking mechanism would result in cost savings to the utility.** Conducting a general rate proceeding is resource intensive and costly. Utilities incur significant internal and external costs in conducting general rate cases. Once an alternative ratemaking mechanism is operational, the cost of keeping Delta's rate of return within a Commission prescribed zone of reasonableness will be significantly lower. Although the alternative rate mechanism would likely involve a comprehensive 3-year review, it is anticipated that such a review would be less resource intensive and costly than a full-blown rate case.

- **The proposed alternative ratemaking mechanism would save time and resources at the Commission while still allowing the Commission to fulfill its obligations of ensuring that the utility is not over or under earning.** As with utilities, the Commission and its staff devotes considerable resources in conducting general rate cases. Streamlining the process for keeping Delta's rate of return within a Commission prescribed zone of reasonableness would leave more time for considering important public policy issues instead of managing data requests, conducting hearings and performing other tasks involved with a formal rate case. Streamlining the process, however, would not impede the Commission's ability to prevent customers from being overcharged by allowing the utility to earn an excessive rate of return. Unlike traditional regulation, under Delta's proposal there would be an annual review of the utility's rate of return.

- **The proposed alternative ratemaking mechanism would free up the resources necessary for the Commission to prepare for competition.** In a competitive environment, the Commission will need to devote resources to setting and enforcing the rules of the competitive game by addressing such issues as cross subsidization, affiliate transactions and non-discriminatory access to essential monopoly facilities which provide competitors with access to the market. One means of freeing up resources to devote to such issues is by utilizing alternative ratemaking mechanisms like the one that Delta is proposing.

- **The proposed alternative ratemaking mechanism would likely result in a less adversarial process for adjusting rates.** The process for making general adjustment in rates set forth in 807 KAR 5:001, Section 10, is inherently adversarial. Other adjustment mechanisms utilized by utilities in Kentucky have generally proven to be less adversarial, such as purchased gas adjustment mechanisms (PGAs) and fuel adjustment clause mechanisms.

- **Delta's proposed alternative ratemaking mechanism would help it prepare for a more robustly competitive energy services market.** From Delta's perspective, the energy services market in Kentucky is already fiercely competitive. Natural gas utilities face competitive pressures from a number of fronts, including: (1) competition for residential customers from propane and fuel oil providers, (2) competition in commercial and industrial markets from alternative fuels such as coal and fuel oil, (3) competition in all sectors from electric utilities, and (4) customers physically bypassing the local distribution provider. Utilities that earn an inadequate return on invested capital are often at a competitive disadvantage to utilities and other energy service providers that have the opportunity to earn a significantly higher rate of return. Businesses with stronger earnings can typically devote resources to providing more and better services to attract new customers and retain existing customers. A solid financial position that reflects a reasonable rate of return would make it easier for Delta to finance the investments needed to provide quality service, to create new services and to enhance existing services in order to attract and retain customers.

2.0 Competitive Dynamics in the Gas Distribution Business

Natural gas is a fuel. Therefore, in contrast to electric utilities, gas distribution companies are in the business of selling and/or transporting a fuel. As a fuel, natural gas can be easily substituted with other products and services. None of the other products and services typically regulated by public utility commissions (electric, water, sewer and telephone service) can be substituted by other products and services as easily as natural gas. In general, it is much more difficult for customers to find economically viable substitutes for electric, water, sewer, and telephone service than it is for natural gas. Generally, the "retail switching cost" in these other industries involves a significant capital investment, which is not necessarily the case with natural gas.

For example, many residential and commercial gas furnaces can be retrofitted with propane by simply replacing the orifice on the furnace. In some cases, the customer may have to also change out the burners and/or gas valves which would be more costly. Some gas burning equipment is designed with a valve which will allow consumers to switch back and forth between natural gas and propane. In addition to propane, gas distributors face fierce competition in residential and commercial markets from electric utilities. Because electric rates in Kentucky are among the lowest in the country, it is extremely difficult for Delta to compete for new residential and commercial customers.

Because industrial customers will often have more fuel and energy service options than residential and commercial consumers, the competitive pressures in the industrial market are even more intense. Coal, fuel oil, and propane are frequently utilized in lieu of natural gas in industrial boilers. In addition to other fuels and energy services which can easily serve as substitutes, gas distributors often face the threat of customers physically by-passing the local distribution company by building a line that connects the customer directly with a gas pipeline running through the area.

The highly competitive environment in which natural gas utilities operate makes alternative ratemaking particularly suitable for gas utilities. In addition to the safeguards introduced in Delta's proposed alternative ratemaking mechanism that prevents the utility's rate of return from exceeding the upper bound found reasonable by the Commission, there is an additional constraint introduced by the competitive pressures that exist in the environment in which Delta operates. Gas utilities simply cannot allow their rates to increase too much without losing customers to alternative energy service providers. This is particularly true in Delta's case since it operates in a geographical region with extremely low electric rates.

For this reason we have introduced two provisions, as will be discussed in greater detail below, which would allow Delta to limit price increases under the alternative ratemaking mechanism. First, if it is determined that the mechanism would increase rates to an uncompetitive level, then Delta would be permitted, subject to Commission approval, to reduce the annual revenue deficiency amount (i.e., the amount used to calculate the Annual Adjustment Component, which will be defined below) that otherwise would be charged to customers under the mechanism. Second, we are also proposing to place an overall limitation on the amount used to calculate the Annual Adjustment Component equal to 5 percent of Delta's total utility revenue. This provision would have the effect of limiting increases through the application of the Annual Adjustment Component to 5% of the average price of gas to applicable customers.

3.0 Differences Between Alternative Ratemaking and Performance Based Ratemaking

In our view, alternative ratemaking (or "alternative regulation") is an altogether different concept from performance based ratemaking and accomplishes different purposes. A performance based ratemaking mechanism is a system of rewards and penalties designed to improve the operational and financial performance of the utility. Consequently, a performance based ratemaking mechanism does not explicitly consider whether the utility is earning a fair and reasonable return on its invested capital. Under a performance based ratemaking mechanism, the utility could continue to earn a rate of return that falls either below or above a level that the Commission finds to be fair, just and reasonable.

An alternative ratemaking mechanism, on the other hand, is designed to provide an alternative process (viz., a process other than a full-blown rate case) for ensuring that the "utility may demand, collect and receive fair, just and reasonable rates for the services rendered" as required by KRS 278.030. By implementing a mechanism that helps ensure that the utility's rate of return falls within the range found to be fair, just and reasonable by the Commission, Delta's alternative ratemaking proposal would, therefore, provide the Commission with an alternative process for performing its statutory duties.

4.0 Alternative Regulation in Kentucky and Other Jurisdictions

On a number of occasions the Commission has approved plans and mechanisms that allow a utility to adjust rates outside of a general rate case. For example, the Commission has approved performance-based mechanisms for Columbia Gas of Kentucky, Western Kentucky Gas Company, and Louisville Gas and Electric Company.[2] The Commission has also approved gas supply cost recovery, environmental cost recovery, and demand-side management mechanisms for various utilities in Kentucky which provide an alternative means for adjusting rates.[3] Additionally, 807 KAR 5:076 of the Commission's regulations provides an alternative rate filing procedure for small utilities.

None of these procedures or mechanisms, however, can be considered "alternative regulation" in the sense that we are using the term. Alternative regulation, as we are defining it, has been used extensively in the regulation of telephone utilities. An alternative regulation plan will typically select a benchmark figure for return on equity and a range of reasonableness surrounding the benchmark, extending one percentage point or more above and below the midpoint of the range. If the telephone utilities return on equity remains within the band it can retain all of the earnings, and outside the bandwidth there is typically a some sort of sharing mechanism that provides for an allocation of over- or under-earning between the utility and its customers.[4]

A key element in many of the alternative regulation plans approved around the country is "symmetry." A symmetric mechanism provides a reverse, albeit commensurate, treatment of

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[2] See the Commission's Orders in Columbia Gas of Kentucky, Inc., Case No. 96-079, dated July 31, 1996; Louisville Gas and Electric Company, Case No. 97-171, dated September 30, 1997; and Western Kentucky Gas Company, Case No. 97-513, dated June 1, 1998.

[3] KRS 278.183 and KRS 278.285 provides statutory authority for the Commission to implement environmental cost recovery and demand-side management mechanisms, respectively. In its Order in Case No. 93-150, dated November 12, 1994, the Commission approved a demand-side management mechanism for Louisville Gas and Electric Company prior to the enactment of KRS 278.285, which became effective July 15, 1994.

[4] *Fortnightly*, April 15, 1994, p. 41. Although it is no longer in effect, the Kentucky Public Service Commission approved a pilot rate of return sharing mechanism ("Experimental Incentive Regulation Plan") for South Central Bell in Case No. 10105. A revised Incentive Regulation Plan was approved in Case No. 89-076, but was eliminated in Case No. 94-121.

earnings that fall either below or above an established rate of return range. In other words, if the utility's rate of return is above the range then the excess earnings are returned to customers either in whole or on a partial sharing basis; and, conversely, if the utility's rate of return falls below the range of reasonableness then the utility is allowed to recover the deficiency either in whole or in part using the same allocation between utility and customers used for over-earnings.

Alternative regulation of gas utilities is currently being explored by several regulatory commissions around the country.[5] One alternative ratemaking mechanism, however, has been in place for a number years for gas and electric utilities in Alabama. The alternative ratemaking mechanism in Alabama was developed in response to a order by the *Alabama Supreme Court in Alabama Power Co. v. Alabama Public Service Commission*, 422 So. 2d 767 (Ala. 1982) directing the Alabama PSC to establish rates which were not confiscatory. (See also *Alabama Metallurgical Corp. v Alabama Public Service Commission*, 441 So. 2d 565 (Ala. 1983).) In response to the Alabama Supreme Court's order, a Rate Stabilization and Equalization Plan ("Rate RSE" or "RSE Plan") was developed for Alabama Power Company. Since then, an RSE Plan was also adopted for the Alabama Gas Company.

Under Alabama Gas Company's Rate RSE, utility rates are adjusted on a quarterly basis to bring the rate of return on common equity within the range found reasonable by the Alabama PSC. Specifically, there is one annual adjustment going into the beginning of the fiscal year and three subsequent quarterly adjustments. In computing the annual adjustment, the utility's budgeted rate of return on equity for the fiscal year is compared to the authorized rate of return (i.e., the midpoint of the range). At that point, the utility adjusts its rates to bring the rate of return to the authorized level, based on budget data. The annual adjustment is placed into effect beginning with the third month of the fiscal year. The first quarterly adjustment contains four months of actual results and eight months of budget results, and a new RSE adjustment is established based on this information and placed into effect beginning with the seventh month of the fiscal year. The second quarterly adjustment contains seven months of actual results and five months of budgeted information. These rates are placed into effect at the beginning of the tenth month. The third quarterly adjustment contains ten months of actual results and two months of budgeted information. These rates are placed into effect at the beginning of the next fiscal year, and are in effect for only two months.

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[5] For example, see *Gas Utility Report*, July 31, 1998, (Nevada PUC); *Gas Utility Report*, February 14, 1997, (Georgia PSC); Gas Daily, March 19, 1997 (Pennsylvania legislation); *Gas Utility Report*, March 28, 1997, (Ohio PUC).

Rate RSE is similar to the alternative ratemaking plan proposed by Delta Gas. However, unlike Delta's proposed plan, the Alabama mechanism never fully reconciles actual results for a fiscal year. We believe that it is important that any alternative ratemaking mechanism reflect the actual earnings realized by the utility as a result of the operation of the mechanism. For this reason, we are proposing to incorporate an Actual Adjustment and Balancing Adjustment which are similar to those used in the gas supply clause mechanisms of various gas utilities in Kentucky. The Actual Adjustment and Balancing Adjustment will insure that the utility neither over-earns or under-earns as a result of the mechanism.

A feature that we adopted from Alabama Gas Company's RSE is the methodology used to allocate the RSE adjustments to rate classes. In its RSE, Alabama Gas Company allocates revenue excess and deficiency amounts to the rate class billing blocks on the basis of the net revenue collected in each block. As will be discussed below, we believe that this is the appropriate methodology for allocating revenue excess and deficiency amounts.

5.0 Proposed Alternative Ratemaking Mechanism

5.1 Overview of the Proposed Mechanism

Delta's proposed alternative ratemaking mechanism consists of three components:

- Annual Adjustment Component (AAC)
- Actual Adjustment Factor (AAF)
- Balancing Adjustment Factor (BAF)

The primary objective of the proposed mechanism is to establish a process for ensuring that the utility's rate of return falls within the range found to be fair, just and reasonable by the Commission. The three individual components of the mechanism work together on an annual cycle to accomplish this objective. To the extent possible, we have attempted to integrate some of the basic elements of the Gas Supply Adjustment Clause utilized by Delta and other gas utilities in Kentucky. In particular, the proposed alternative ratemaking mechanism includes an Actual Adjustment and Balance Adjustment to perform a true-up calculation to reflect actual cost recoveries within the parameters established by the mechanism.

The purpose of the Annual Adjustment Component (AAC) is to adjust rates for an upcoming fiscal year to bring the utility's rate of return on equity to the mid-point of the range found to fair, just and reasonable by the Commission, subject to certain limitations which will be discussed below. The AAC would be determined based on budgeted information for the upcoming fiscal year based on the utility's financial budget approved by Delta's Board of Directors just prior to the beginning of the fiscal year.

After the AAC has been in effect for a full year, The Actual Adjustment Factor (AAF) will perform a *true-up* calculation based on actual results for the fiscal year. Through the application of the AAF, the utility's rates would be increased or decreased based on whether the utility's actual rate of return on equity is, respectively, below or above the range found to be fair, just and reasonable by the Commission. If the utility's actual rate of return falls within the range established by the Commission, then no AAF would be calculated. Should the utility's actual rate of return fall below the bottom end of the range, then the amount to be charged to customers (i.e., the AAF amount) would reflect the increase in revenue requirements necessary to bring the utility's rate of return on equity up to the bottom end of the range. Conversely, if the utility's rate of return is above the top end of the range, then the amount to be credited to customers (i.e., the AAF amount) would reflect the reduction in revenue requirements necessary to bring the utility's rate of return on common equity down to the top end of the range.

The Balancing Adjustment Factor (BAF) acts as a true-up mechanism for the AAF and previous BAFs. The BAF amount would reflect any over- or under-recoveries realized through the application of the AAF and through the application of the BAF for preceding 12-month periods.

5.2 Annual Adjustment Component (AAC)

The Annual Adjustment Component (AAC) is designed to increase or decrease rates for an upcoming fiscal year based on whether the utility's expected rate of return on common equity falls, respectively, below or above the mid-point of the range found to be fair, just and reasonable by the Commission in its most recent rate case (i.e., the "authorized rate of return"). Because the Order in Delta's most recent rate case was issued a little over a year ago,[6] there would be little justification, at this time, to adjust the range established by the Commission in that case. The

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[6] The Commission's initial Order in Case No. 97-066 was issued on December 8, 1997. In its Order, the Commission found a range of 11.1 to 12.1 percent to be the reasonable return on equity for Delta. Delta's motion for rehearing on this issued was denied in the Commission's Order dated January 20, 1998. (Due to a typographical error, in the Order dated December 8, 1997, the range was incorrectly stated as "11.11 to 12.1" percent. The correct range of 11.1 to 12.1 percent was stated *nunc pro tunc* in the Order on rehearing dated January 20, 1998.)

AAC would be determined by first examining whether the budgeted rate of return on equity for the upcoming fiscal year is (i) below the authorized rate of return (i.e., below 11.6 percent), or (ii) above the authorized rate of return (i.e., above 11.6 percent).

If the utility's budgeted rate of return falls below 11.6 percent, then a revenue deficiency is calculated. The revenue deficiency would be equal to the revenue requirement necessary to bring the utility's rate of return to the authorized rate of return. The revenue deficiency amount is derived by (1) subtracting the budgeted rate of return on equity for the upcoming fiscal year ("Budgeted ROE" or "BROE") from the authorized rate of return, (2) multiplying by the 12 month average common equity for the budget year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

$$\textbf{Revenue Deficiency} = \frac{\textbf{(.116 - Budgeted ROE)} \times \textbf{12 Month Avg Equity}}{\textbf{(1 - SFIT)}}$$

Unless one of the two limiting provisions discussed earlier happen to apply, the revenue deficiency would be used to calculate the AAC amount to be charged to customers during the fiscal year. As mentioned above, we are including two provisions which will allow Delta to limit the AAC amount which would charged to customers. Under the first provision, if the application of the AAC would increase Delta's rates to an uncompetitive level, then, subject to Commission approval, we could reduce the annual revenue deficiency amount. Under the second provision there would be a limitation on the amount used to calculate the AAC equal to 5 percent of Delta's total utility revenue.

If the utility's estimated rate of return is above 11.6 percent, the formula would indicate an amount to be credited, or a "revenue excess". The revenue excess would be equal to the revenue requirement necessary to bring the utility's rate of return to the authorized rate of return. The revenue excess amount is derived by (1) subtracting the Budgeted ROE for the upcoming fiscal year from the authorized rate of return, (2) multiplying by the 12 month average common equity for the budget year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

$$\text{Revenue Excess} = \frac{(.116 - \text{Budgeted ROE}) \times 12 \text{ Month Avg Equity}}{(1 - \text{SFIT})}$$

The revenue excess would be used to calculate the AAC amount to be credited to customers during the fiscal year.

The AAC surcharge or credit per Mcf for the upcoming fiscal year would be calculated by (1) allocating the AAC amount to the rate blocks of the applicable rate schedules and (2) dividing the allocated amount by the estimated Mcf sales and transportation volume in each rate block for the upcoming fiscal year. The methodology for allocating the AAC amount to the rate blocks is described in Section 5.4, below. The steps involved in performing the AAC calculation are described in the flow chart shown in Table 1.

5.3 Actual Adjustment Factor (AAF)

The purpose of the Actual Adjustment Factor (AAF) is to perform a true-up calculation based on actual financial results for the fiscal year. The AAF is designed to increase or decrease rates for an upcoming 12 month period based on whether the utility's actual rate of return on common equity during the previous fiscal year (i.e., the fiscal year during which the AAC was applicable) was below or above the the range found to be fair, just and reasonable by the Commission in its most recent rate case. The AAF would be determined by first examining whether the actual rate of return on equity for the fiscal year was (i) below the bottom end of the range established by the Commission (i.e., below 11.1 percent), (ii) above the top end of the range established by the Commission (i.e., above 12.1 percent), or (iii) within the range established by the Commission (i.e., within a range of 11.1 percent and 12.1 percent).

If the utility's actual rate of return fell below 11.1 percent during the fiscal year, then a revenue deficiency is calculated. The revenue deficiency would be equal to the revenue requirement necessary to bring the utility's rate of return to the bottom end of the range established by the Commission. The revenue deficiency amount is derived by (1) subtracting the actual rate of return on equity for the fiscal year ("Earned ROE" or "EROR") from the bottom end of the range, (2) multiplying by the 12 month average common equity for the fiscal year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

Annual Adjustment Component (AAC)

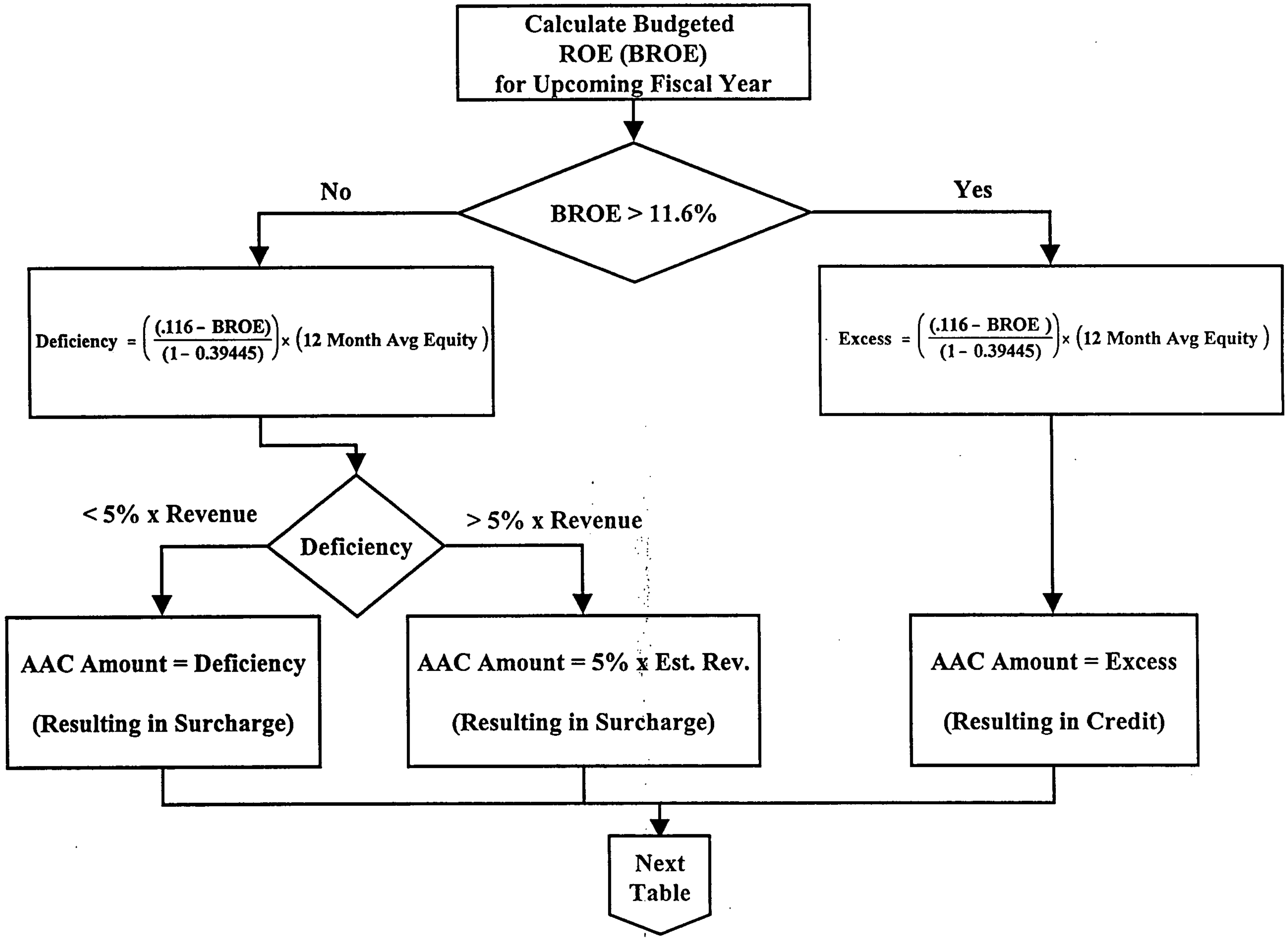

Table 1.1

Annual Adjustment Component (AAC)

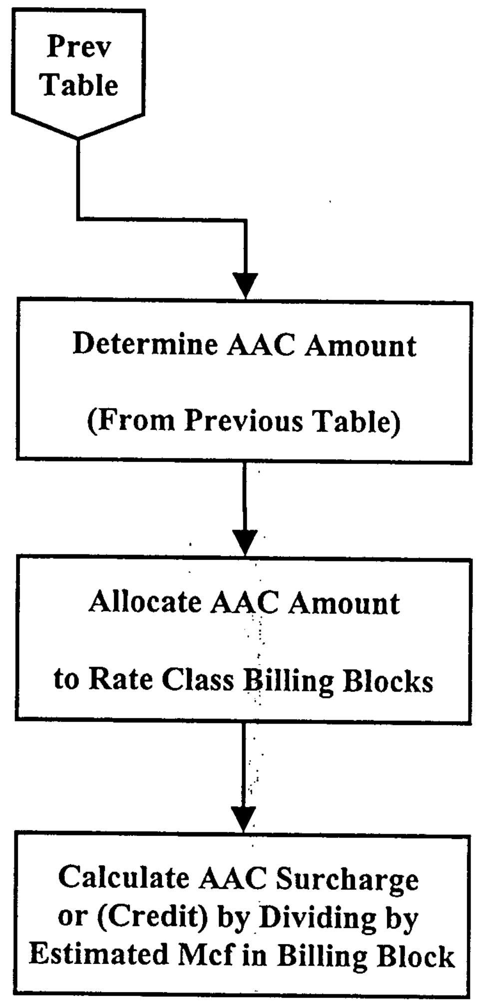

Table 1.2

$$\textbf{Revenue Deficiency} = \frac{\textbf{(.111 − Earned ROE)} \times \textbf{12 Month Avg Equity}}{\textbf{(1 − SFIT)}}$$

The revenue deficiency would be used to calculate the AAF amount to be charged to customers during the fiscal year.

If the utility's actual rate of return was above 12.1 percent, then a "revenue excess" is calculated. The revenue excess would be equal to the revenue requirement necessary to bring the utility's rate of return to the top end of the range established by the Commission. The revenue excess amount is derived by (1) subtracting the Earned ROE from the top end of the range, (2) multiplying by the 12 month average common equity for the fiscal year, and (3) adjusting this difference in the rate of return on equity for state and federal income taxes (i.e., "grossing up" the rate of return by the composite state and federal income tax rate ("SFIT")), as follows:

$$\textbf{Revenue Excess} = \frac{\textbf{(.121 − Earned ROE)} \times \textbf{12 Month Avg Equity}}{\textbf{(1 − SFIT)}}$$

The revenue excess would be used to calculate the AAC amount to be credited to customers during the fiscal year.

If the utility's actual rate of return was within the range established by the Commission then there would be no adjustment. In other words, if Delta's actual rate of return was within a range of 11.1 percent and 12.1 percent then the AAF amount would be zero and no AAF would be applied for the upcoming 12 month period.

The AAF surcharge or credit per Mcf for the upcoming 12 month period would be calculated by (1) allocating the AAF amount to the rate blocks of the applicable rate schedules and (2) dividing the allocated amount by the estimated Mcf sales and transportation volume in each rate block for the upcoming 12 month period. The methodology for allocating the AAF amount to the rate blocks is described in Section 5.4, below. The steps involved in performing the AAF calculation are described in the flow chart shown in Table 2.

Actual Adjustment Factor (AAF)

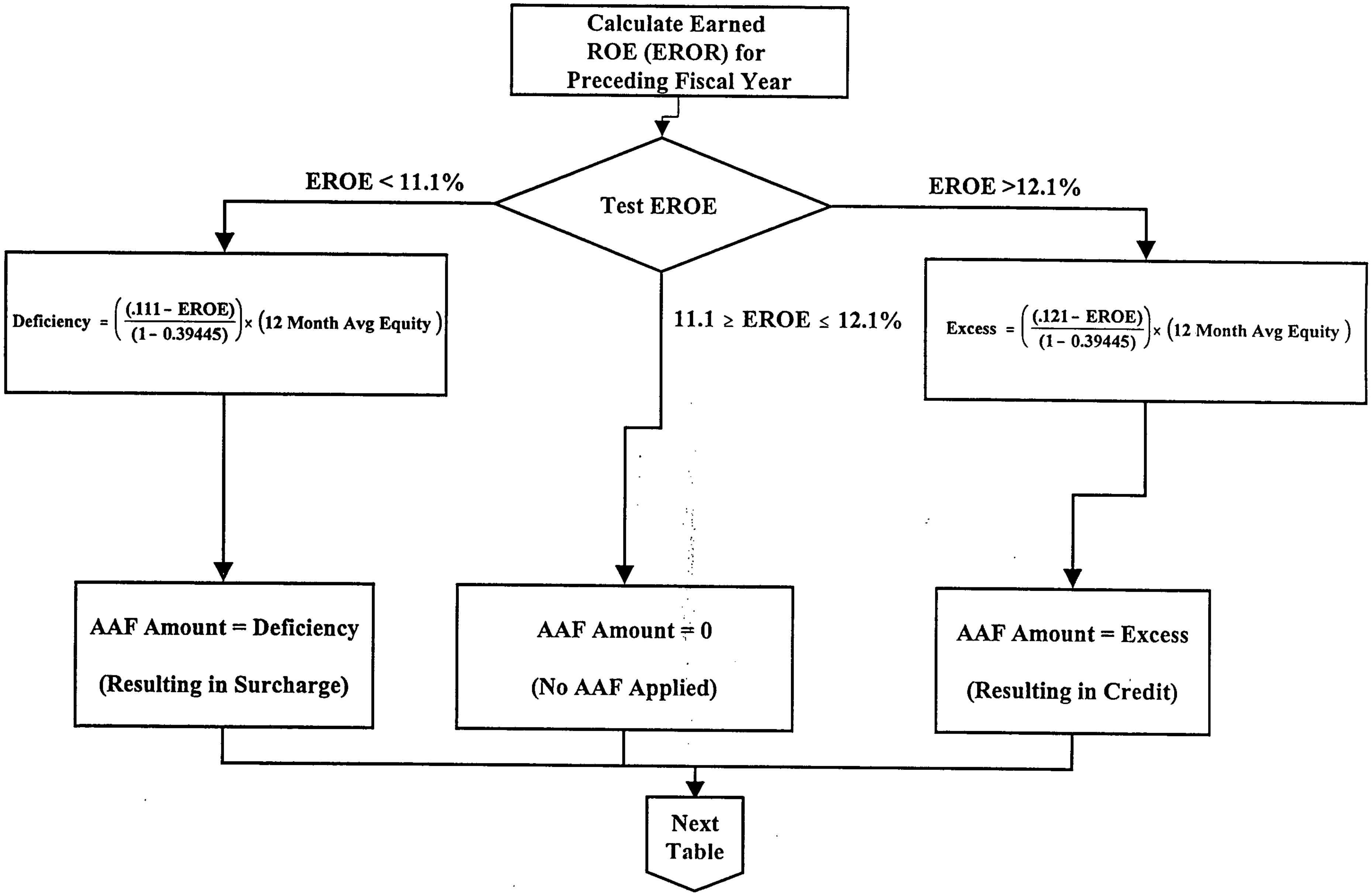

Table 2.1

Actual Adjustment Factor (AAF)

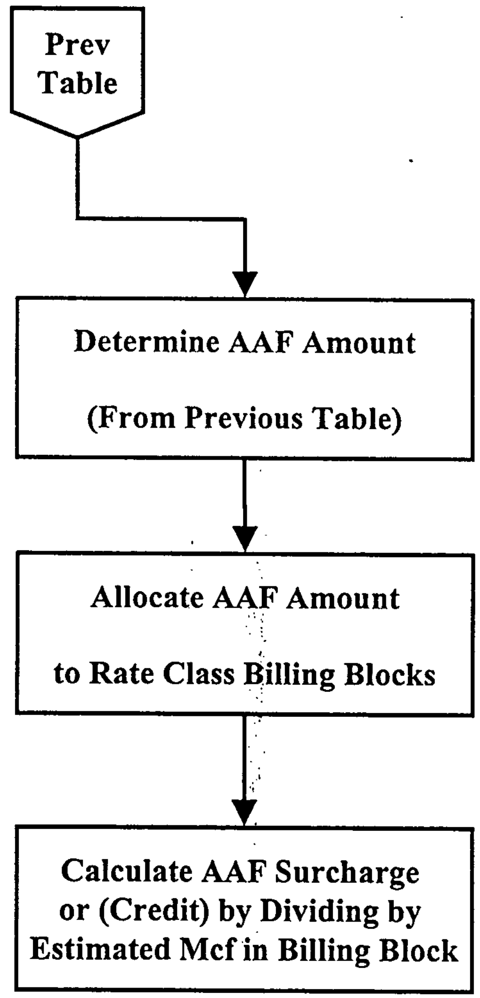

Table 2.2

5.4 Allocation of AAC and AAF to Rate Classes

The AAC and AAF components relate to revenue requirements for utility service recovered through base rates. Because Delta's rates have a declining block structure, it is necessary to allocate the AAC and AAF amounts to the rate class billing blocks. Therefore, in calculating the surcharge or credit, the AAC and AAF amounts will be allocated to billing blocks within each customer class identified in Delta's General Service and Interruptible Rate Schedule. Delta's current General Service Rate identifies three customer classes: (1) residential, (2) small commercial with no meter larger than AL425, and (3) All Other (i.e. Large Commercial and Industrial). Under the General Service Rate, there is a different customer charge for each customer class; however, the Mcf charge, which is structured as a declining block rate, is not differentiated by customer class. Table 3.0 shows Delta's current General Service Rate.

The purpose of allocating the AAC and AAF amounts to each rate class billing block is to reflect the same relative increase or decrease within each customer class on the basis of the level of Delta's base rates. In other words, since the purpose of the proposed alternative ratemaking mechanism is to reflect necessary increases or decreases in *base rates*, and since the level of base rates varies by billing block *and* by rate class it is necessary to allocate the AAC and AAF amounts *pro rata* on the basis of the amount of net revenue (i.e., revenue collected from base rates) recovered from the application of each billing block.[7]

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[7] For purposes of calculating the AAC, the revenue recovered from the application of the customer charge will be included in net revenue attributable to the first billing block. The reason for allocating customer-charge related portions of the AAC to the first billing block is to prevent the customer charge from varying each month. We believe that an adjustment factor applicable to the customer charge might confuse the customer.

Delta Natural Gas Company, Inc. Current General Service Rate Schedule	
General Service	**Base Rates**
Customer Charge	
Residential	$ 8.0000 /Cust/Mo
Small Commercial	$ 18.3600 /Cust/Mo
All Others (Large Commercial and Industrial)	$ 25.0000 /Cust/Mo
Mcf Charges	
.1 - 200 Mcf	$ 2.7212 /Mcf
200.1 - 1000 Mcf	$ 2.5000 /Mcf
1000.1 - 5000 Mcf	$ 2.1000 /Mcf
5000.1 - 10000 Mcf	$ 1.5000 /Mcf
Over 10000 Mcf	$ 1.1000 /Mcf

Table 3.0

As can be seen from Table 3, the customer charge varies by customer class and the Mcf charge varies by consumption block. Because the AAC and AAF relate to adjustments in revenue requirements recovered through these rate components it is necessary to allocate the AAC and AAF amounts to these components.

Delta's Interruptible Rate includes a $200 customer charge and therefore would generally only be applicable to large commercial and industrial customers. Table 4.0 shows Delta's current Interruptible Rate.

Delta Natural Gas Company, Inc. Current Interruptible Rate Schedule	
Interruptible	**Base Rates**
Customer Charge	$200.00/Cust/Mo
Mcf Charges	
.1 - 1000 Mcf	$ 1.7000 /Mcf
1000.1 - 5000 Mcf	$ 1.3000 /Mcf
5000.1 - 10000 Mcf	$ 0.9000 /Mcf
Over 10000 Mcf	$ 0.5000 /Mcf

Table 4.0

A sample calculation allocating the AAC for the 1996-1997 fiscal year is included on page 4 of Schedule A, attached hereto. Schedule A shows the derivation of the AAC for the three most recent fiscal years. Page 4 of Schedule A performs a pro rata allocation of the AAC amount for 1996-1997 fiscal year to the rate class billing blocks that were in effect at that time. During the 1996-1997 fiscal year, the General Service rate consisted of four billing blocks instead of the current five billing blocks.[8]

[8] Prior to Delta's last rate case (Case No. 97-066), the General Service Rate Schedule consisted of the following billing blocks: (1) .1 - 1000 Mcf; (2) 1000.1 - 5000 Mcf; (3) 5000.1 - 10000 Mcf; (4) over 10000 Mcf. Additionally, the non-residential customer charge did not vary by meter size.

5.5 Balancing Adjustment Factor (BAF)

The purpose of the Balancing Adjustment Factor (BAF) is to serve as a true-up mechanism for the AAF and previous BAFs. The BAF amount would reflect any over- or under-recoveries realized through the application of the AAF and through the application of the BAF for the preceding 12-month periods. Accordingly, the BAF amount would reflect the accumulated differences between (i) the amount to be credited or charged under the AAF and the BAF from previous periods, and (ii) the amounts used to establish the credits or charges (i.e., the AAF and BAF amounts) for the applicable periods. The BAF would be calculated by dividing the BAF amount by the estimated Mcf sales and transportation volumes during the upcoming 12 month period.

5.6 Component Timeline

The Annual Adjustment Component (AAC) would be implemented on July 1 of each year and would run for a period of 12 months corresponding to Delta's fiscal year. Delta's fiscal year runs from July 1 to June 30.

The Actual Adjustment Factor (AAF) would be implemented on October 1 of each year and would run for a period of 12 months. Because the AAF is designed to serve as a true-up mechanism for the AAC, there will be no AAF charge or credit during the alternative ratemaking mechanism's first year of operation. The first AAF, if any, will go into effect on October 1 after a full year of operation of the AAC.

The Balancing Adjustment Factor (BAF) would be implemented on January 1 of each year and would run for a period of 12 months. Because the AAF is designed to serve as a true-up mechanism for the AAF and previous BAFs, there will be no BAF charge or credit during the alternative ratemaking mechanism's first two years of operation. The first BAF, if any, will go into effect on January 1 after a full year of operation of the AAF (or after two full years of operation of the AAC).

If the alternative ratemaking mechanism terminates at the end of the three-year experimental period, the mechanism would require that the AAF and BAF continue until all of the over or under-recoveries are reconciled.

Table 5.0 shows a timeline for the first three years of operation of the proposed alternative ratemaking mechanism.

Component Timeline

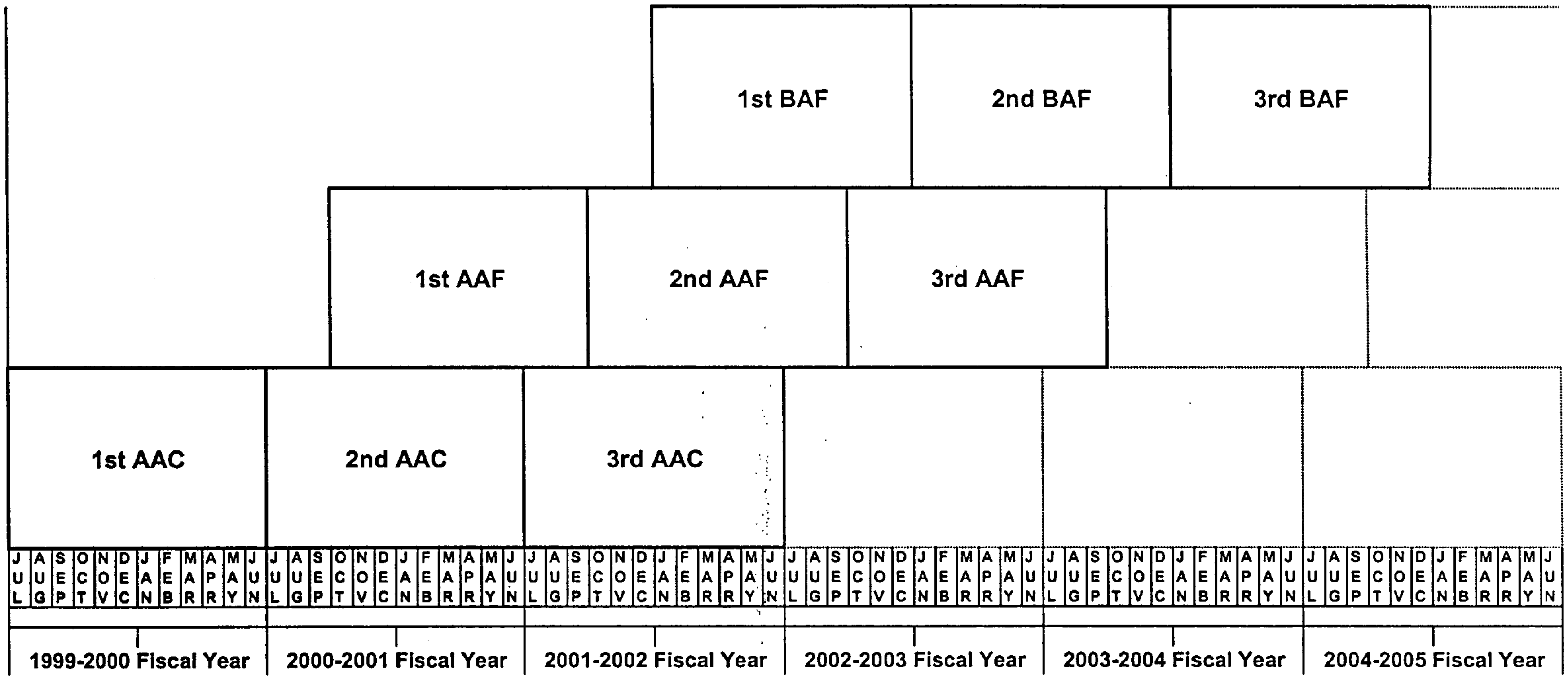

Table 5.0

6.0 Analysis of Sample Results

In evaluating the experimental alternative ratemaking mechanism, we applied the proposed mechanism to historical (budgeted and actual) data based on the three most recent fiscal years.

Schedule A shows the derivation of the Annual Adjustment Component (AAC) for the three most recent fiscal years. This schedule indicates a revenue deficiency for each of the three years used in the analysis. On average, the budget-based revenue deficiencies calculated for the AAC for this period are slightly less than $1.45 million per year.[9] However, it should be noted that the data used in the calculation of the AAC were based on budgets developed prior to the implementation of rates from Delta's last rate case[10] and therefore did not reflect the rate increase. In Delta's last rate case, the Commission determined that there was a revenue deficiency of $1.67 million per year. Therefore, it is not surprising that Schedule A shows an average revenue deficiency of $1.45 million per year for the three years prior to Delta's last rate increase.

Schedule B shows the derivation of the Actual Adjustment Factor (AAF) based on data for the three most recent fiscal years. An AAF charge or credit per Mcf is not calculated for the last 12 month period (Schedule B, Page 3), because the implementation period would go beyond the end of the current budget year. Therefore, budgeted revenue and Mcf were not available for the entire period.

Schedule C shows the derivation of the Balancing Adjustment Factor (BAF) based on data for the three most recent fiscal years. A BAF charge or credit is not calculated for the last two 12 month periods (Schedule B, Pages 2 and 3), because the implementation periods would go beyond the end of the current budget year. Therefore, budgeted revenue and Mcf were not available for these two periods.

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[9] The average revenue deficiency from the AAC is further reduced by an average of slightly more than $100,000 per year from the AAF, resulting in a combined impact from the AAC and AAF of $1.34 million.

[10] New rates from Case No. 97-066 (Order dated December 8, 1997) were approved with an effective date November 30, 1997.

Schedules A, B and C are in the general format that we anticipate would be used for the annual filings with the Commission to implement the components of the alternative ratemaking mechanism.

Also enclosed is an exhibit titled "Analysis of Proposed Alternative Ratemaking Methodology" which shows in summary form the calculations set forth in Schedule A, B, and C. The exhibit also includes the underlying financial data (budgeted and actual data) necessary to make these calculations.

7.0 Implementation Outside of a General Rate Proceeding

There is no reason that Delta's proposed alternative regulation plan cannot be implemented outside of a general rate proceeding. KRS 278.160 and 807 KAR 5:011 prescribe the procedures for filing new tariffs. They need not be filed as part of a general rate proceeding. As mentioned above, there are several Commission precedents for implementing a rate adjustment mechanism without filing an application for a general adjustment in rates pursuant to 807 KAR 5:001, Section 10. For example, in its Order in Case No. 96-079, dated July 31, 1996, the Commission approved, on a pilot basis, two incentive rate mechanism for Columbia Gas outside of a general rate case. In its Order in Case No. 97-171, dated September 30, 1997, the Commission approved a performance-based ratemaking mechanism for Louisville Gas and Electric Company. In its Order in Case No. 97-513, dated June 1, 1998, the Commission approved a performance-based ratemaking mechanism for Western Kentucky Gas Company that was similar to the one approved for Louisville Gas and Electric Company.

In addition, since the Commission's Order in Case No. 97-066 was issued on December 8, 1997, which was little over one year ago, there is no compelling reason to revisit the rate of return on common equity to be used in the proposed alternative ratemaking mechanism. Since Delta's proposed alternative regulation plan would be implemented on a experimental basis for a period of three years, it is unlikely that the implementation of the alternative regulation plan would have an impact on how investors will view Delta's long-term risk profile. Thus there should be no impact on Delta's cost of equity capital (i.e., its rate of return on equity) resulting from the implementation of the alternative regulation plan, nor is there any reason to believe that Delta's cost of equity capital would have changed significantly during the short period of time since the Order was issued in its last rate case.

8.0 Proposed Implementation Schedule

Delta proposes that the alternative ratemaking mechanism would go into effect with final meter readings on and after July 1, 1999, and continue for an experimental period of 3 years. At the end of the three-year experimental period the program would be evaluated in order to determine whether the alternative ratemaking mechanism should continue beyond the initial period. If the alternative ratemaking mechanism terminates at the end of the three-year experimental period, the mechanism would require that the AAF and BAF continue until all of the over or under-recoveries are reconciled.

9.0 Request for Expeditious Approval

If the rate schedules filed herewith are suspended for the full five months from the effective date of the tariff sheets, as provided by KRS 278.190, then the proposed alternative ratemaking mechanism could not be implemented until the fiscal year beginning July 1, 2000, which is more than 18 months from the date of this filing. Should the proposed rate schedules be suspended, Delta hereby requests that the Commission adopt a procedural schedule that will allow the proposed alternative ratemaking mechanism to be implemented with an effective date of July 1, 1999.

10.0 Conclusion

With this filing, Delta is proposing an alternative to the traditional form of regulation currently applicable to Delta. We believe that this proposal, if adopted by the Commission, will achieve essentially the same end results over time as traditional regulation without the protracted and costly process of general rate proceedings. However, we are concerned that approval of a modified mechanism that differs from what we are filing herein may limit our rights under KRS 278.030 to "demand, collect and receive fair, just and reasonable rates" during the three-year experimental period. Therefore, if modifications are made to the proposed alternative ratemaking mechanism, Delta respectfully reserves the right to either choose to implement the modified version or continue to remain under traditional regulation.

We hereby request that the Commission allow Delta to implement its proposed alternative regulation plan by approving the tariff sheets submitted herewith. We request that the proposed tariff sheets be placed into effect on March 7, 1999, which will allow the proposed mechanism to be implemented with Delta's next fiscal year beginning July 1, 1999.

Respectfully Submitted,

John F. Hall

John F. Hall
Vice President - Finance, Secretary and Treasurer
Delta Natural Gas Company, Inc.

Enclosure

PROPOSED TARIFF

Applicable to
Proposed Alternative
Ratemaking Methodology

DELTA NATURAL GAS COMPANY, INC.	FOR All Service Areas
Name of Issuing Corporation	P.S.C. NO. 8
	Original SHEET NO. 30
	CANCELLING P.S.C. NO.
	SHEET NO.

CLASSIFICATION OF SERVICE

RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

Applicability

Applicable to gas sold under the Company's General Service and Interruptible Rate Schedule and gas transported under the Transportation Of Gas For Others On System Utilization Rate Schedule.

Rate Mechanism

The monthly amount computed under each of the rate schedules to which this Alternative Ratemaking Mechanism is applicable shall include an Alternative Ratemaking Mechanism Adjustment Component (ARMAC) per Mcf of gas deliveries. The ARMAC to be applied to customer billings shall be equal to the sum of the following components:

$$ARMAC = AAC + AAF + BAF$$

The AAC is the Annual Adjustment Component per Mcf for each twelve month period during which this experimental alternative ratemaking mechanism is in effect. A discrete AAC charge or credit shall be computed for each applicable rate class billing block. Monthly bills shall be adjusted (increased or decreased) beginning July 1 of each fiscal year in accordance with the procedures described herein with respect to the return on common equity produced by the Company's budget for the fiscal year.

The AAF is the Actual Adjustment Factor per Mcf which, upon completion of the previous AAC period, reconciles any departures in the Company's earned return on common equity (ROE) that is outside the Commission's authorized ROE band-width. As with the AAC, a discrete charge or credit shall be computed for each applicable rate class billing block. Monthly bills shall be adjusted (increased or decreased) annually beginning October 1 of each year in accordance with the procedures described herein. The initial AAF would become effective on October 1 during the second year of the experimental mechanism following completion of the first year's AAC which would expire at the end of June.

The BAF is the Balance Adjustment Factor per Mcf which compensates for any differences between the amounts targeted and the amounts actually credited or charged upon application of the AAF and BAF. A single BAF charge or credit shall be calculated and shall apply uniformly to all applicable rate class billing blocks. Monthly bills shall be adjusted (increased or decreased) annually beginning January 1 of each year in accordance with the procedures described herein. The initial BAF would become effective on January 1 during the third year of the

DATE OF ISSUE February 5, 1999 DATE EFFECTIVE March 7, 1999

ISSUED BY Glenn R. Jennings TITLE President

Name of Officer

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experimental mechanism following completion of the first year's AAF which would expire at the end of the previous September.

Calculation Procedures

Annual Adjustment Component (AAC)
The total amount from which the per Mcf AAC credits or charges are determined shall be calculated by:

1. comparing the budgeted return on common equity to the Commission authorized return on common equity, and
2. multiplying such difference by the 12-month average budgeted common equity; and
3. then adjusting the resulting deficient or excess earnings available for common equity for federal and state income taxes to determine the total amount of surcharge or credit for the twelve month AAC period.

However, in no case shall the total amount which the surcharge or credit is based exceed 5% of actual Company revenues during the most recent twelve month period for which actual results are available prior to the ACC filing.

Therefore, the total AAC amount shall be the lesser of:

$$((AROE - BROE) \times BCE) \div (1\text{-}SFIT) \quad \text{or} \quad AR \times 5\%$$

where:

AROE is the Commission authorized return on common equity, and
BROE is the budgeted return on common equity based on the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period, and
BCE is the is the budgeted common equity applicable to the 12 month AAC period based on the Company's budget as approved by its Board of Directors, and
SFIT is the applicable composite state and federal income tax rate.
AR is the actual revenue during the most recent twelve month period for which actual results are available prior to the filing of the AAC.

The Annual Adjustment Component (AAC) per Mcf applicable to each rate class billing block shall be calculated by multiplying the total AAC amount to be credited or surcharged, as calculated above, by the ratio of budgeted net revenue (exclusive of GCR revenue) in the applicable rate class billing block to the total budgeted net revenue of all applicable billing blocks in order to determine the amount applicable to the specific rate class

FOR All Service Areas
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DELTA NATURAL GAS COMPANY, INC. Original SHEET NO. 32
Name of Issuing Corporation CANCELLING P.S.C. NO.
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RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

billing block. The resulting amount applicable to the specific billing block shall then be divided by the budgeted Mcf for such billing block to determine the AAC credit or charge per Mcf, as follows:

$$AAC = (\text{Total AAC Amount} \times (NRRB \div NRT)) + RBMcf$$

where:

NRRB is the budgeted net revenue (exclusive of Gas Cost Recovery revenue) for the applicable rate class billing block in the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period (customer charge revenues are included in the initial billing of each rate class), and

NRT is the total budgeted net revenue of all rate class billing blocks to which this mechanism applies, and

RBMcf is the is the budgeted Mcf for the applicable rate class billing block.

Actual Adjustment Factor (AAF)

The total amount from which the AAF charges or credits are determined shall be calculated as follows:

1. The earned return on common equity at the end of the previous fiscal year is compared with the upper and lower limits of a return bandwidth which are ±50 basis points from the Commission authorized return on common. The earned return shall include amounts credited or charged under the AAC but shall not include amounts credited or charged under the AAF and the BAF.
2. If the earned return falls within the bandwidth, no Actual Adjustment Factor will be made.
3. If the earned return is higher than the upper limit or less than the lower limit of the bandwidth, such difference in return on common equity shall be multiplied by the actual 12-month average of common equity during the previous fiscal year to determine the amount of net income available for common which is subject to refund or recovery.
4. The net income subject to refund or recovery shall be adjusted for federal and state income taxes to determine the total amount of credit or surcharge for the twelve month AAF period.

Therefore, if the earned return on common is greater than the upper limit of the bandwidth, the amount of credit for the 12-month AAF period shall be determined in accordance with the following formula:

$$((ULROE - EROE) \times ACE) + (1-SFIT)$$

However, if the earned return on common is less than the lower limit of the bandwidth, the amount of surcharge for the 12-month AAF period shall be determined in accordance with the following formula:

$$((LLROE - EROE) \times ACE) \div (1-SFIT)$$

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EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

where:

ULROE is the upper limit of the bandwidth (50 basis points above the Commission authorized return on common equity), and
LLROE is the lower limit of the bandwidth (50 basis points below the Commission authorized return on common equity), and
EROE is the earned return on common equity achieved in the previous fiscal year, which includes amounts credited or charged under the AAC and excludes amounts credited or charged under the AAF and BAF, and
ACE is the is the actual 12 months average common equity during the previous fiscal year, and
SFIT is the applicable composite state and federal income tax rate.

The Actual Adjustment Factor (AAF) per Mcf applicable to each rate class billing block shall be calculated by multiplying the total AAF amount to be credited or surcharged, as computed above, by the ratio of budgeted net revenue (exclusive of GCR revenue) in the applicable rate class billing block to the total budgeted net revenue of all applicable billing blocks in order to determine the amount applicable to the specific rate class billing block. The resulting amount applicable to the specific billing block shall then be divided by the budgeted Mcf for such billing block to determine the AAF credit or charge per Mcf, as follows:

$$AAF = (\text{Total AAF Amount} \times (NRRB \div NRT)) \div RBMcf$$

where:

NRRB is the budgeted net revenue (exclusive of Gas Cost Recovery revenue) for the applicable rate class billing block in the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period (customer charge revenues are included in the initial billing of each rate class), and
NRT is the total budgeted net revenue of all rate class billing blocks to which this mechanism applies, and
RBMcf is the is the budgeted Mcf for the applicable rate class billing block.

<u>Balancing Adjustment Factor (BAF)</u>

The BAF amount to be credited or charged shall be the accumulated differences between the amounts actually credited or charged under the AAF and the BAF from previous periods and the amounts used to establish the credits or charges (the targeted amounts) for such periods. The resulting BAF amount to be credited or charged shall be divided by the total budgeted Mcf sales and transportation volumes during the 12-month BAF period to determine the applicable BAF credit or charge per Mcf., as follows:

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DELTA NATURAL GAS COMPANY, INC.	Original SHEET NO. 34
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$$((AAFt - AAFa) + (BAFt - BAFa)) \div TBMcf$$

where:

AAFt is the amount used to establish the credit or charge during the previous AAF period (the targeted amount), and

AAFa is the actual amount credited or charged during the previous AAF period, and

BAFt is the amount used to establish the credit or charge during the second previous BAF period (the targeted amount), and

BAFa is the actual amount credited or charged during the second previous BAF period, and

TBMcf is the is the total budgeted Mcf for all applicable rate classes during the 12-month BAF period.

DATE OF ISSUE February 5, 1999 DATE EFFECTIVE March 7, 1999

ISSUED BY Glenn R. Jennings TITLE President

Name of Officer

Issued by authority of an Order of the Public Service Commission of KY in

CASE NO. DATED

FOR All Service Areas
P.S.C. NO. 8
Original SHEET NO. 35
CANCELLING P.S.C. NO.
SHEET NO.

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

CLASSIFICATION OF SERVICE
RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

Information Provided by Company

1. Annual Operating Budget, as approved by the Company's Board of Directors, for the fiscal year that coincides with the 12-month period in which the Annual Adjustment Component (AAC) applies. This document shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
2. Monthly budgeted net revenues (exclusive of gas supply costs) and Mcf sales of each rate class billing block for the sales and transportation rate classes to which this mechanism applies. The Company shall also include a monthly forecast of net revenues, by rate class billing block, for an additional three months beyond the budget-year along with a monthly forecast of Mcf sales and transportation, by rate class billing block, for an additional six months beyond the budget-year. This information shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
3. Statement of Budgeted Income setting forth the calculations of expected net income available for common equity as well as the return on common equity for the budget-year along with the supporting documentation. This information and the supporting documents shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
4. Statement showing the actual net revenues and Mcf sales for 12 months of the previous fiscal year. This information shall be provided with the filing of the Actual Adjustment Factor (AAF) on September 1 of each year.
5. Statement of Actual Income setting forth the calculations of actual net income available for common equity as well as the return on common equity for the previous fiscal year along with the supporting documentation. The calculations of net income available for common equity shall not include amounts credited or charged as result of application of the Actual Adjustment Factor (AAF) and/or the Balancing Adjustment Factor (BAF) under this mechanism. These calculations and the supporting documents shall be provided with the filing of the Actual Adjustment Factor (AAF) on September 1 of each year.
6. The Company will provide other information related to the Experimental Alternative Ratemaking Mechanism requested by the Commission.

DATE OF ISSUE February 5, 1999 DATE EFFECTIVE March 7, 1999
ISSUED BY Glenn R. Jennings TITLE President
Name of Officer
Issued by authority of an Order of the Public Service Commission of KY in
CASE NO. DATED

SCHEDULE A

Derivation of
Annual Adjustment Component
AAC

DERIVATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

The AAC adjusts rates upward or downward to compensate for expected departures from the Company's authorized return on common equity

AAC Period - July 1, 1995 through June 30, 1996
Filing Date - June 1, 1995

Authorized Return on Common Equity		11.60%
Budget Equity 12 mos. avg. - *pages 1 & 6 of Analysis*	$	20,588,193
Budget Net Income Available for Common - *page 1 of Analysis*	$	1,784,600
Budget Return on Equity - *also on page 6 of Analysis*		8.67%
Annual Revenue 12 mos. prior to budget year - *page 6 of Analysis*	$	27,912,362
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
Calculated Return-based Revenue Deficiency or (Excess) - *also on page 6 of Analysis*	$	996,830
AAC Limitation (5% of prior year's revenue) - *also on page 6 of Analysis*	$	1,395,618
AAC Amount to be Charged or (Credited) - *also on page 7 of Analysis*	$	996,830
<u>Net Budget Revenue During AAC Period</u> - *page 2 of Analysis*		
Residential	$	8,483,735
Commercial		4,524,710
Industrial		2,731,855
Total	$	15,740,300
<u>Amount to be Charged or (Credited)</u> - *also on page 7 of Analysis*		
Residential	$	537,273
Commercial		286,549
Industrial		173,008
Total	$	996,830
<u>Budgeted Mcf During AAC Period</u> - *page 1 of Analysis*		
Residential		2,565,800
Commercial		1,441,300
Industrial		1,594,600
Total		5,601,700
<u>AAC Surcharge or (Credit) per Mcf</u> - *also on page 7 of Analysis*		
Residential	$	0.2094
Commercial	$	0.1988
Industrial	$	0.1085

DERIVATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

The AAC adjusts rates upward or downward to compensate for expected departures from the Company's authorized return on common equity

AAC Period - July 1, 1996 through June 30, 1997
Filing Date - June 1, 1996

Authorized Return on Common Equity		11.60%
Budget Equity 12 mos. avg. - *pages 1 & 6 of Analysis*	$	24,684,480
Budget Net Income Available for Common - *page 1 of Analysis*		
Budget Return on Equity - *also on page 6 of Analysis*		3.16%
Annual Revenue 12 mos. prior to budget year - *page 6 of Analysis*	$	30,711,266
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
Calculated Return-based Revenue Deficiency or (Excess) - *also on page 6 of Analysis*	$	3,442,407
AAC Limitation (5% of prior year's revenue) - *also on page 6 of Analysis*	$	1,535,563
AAC Amount to be Charged or (Credited) - *also on page 7 of Analysis*	$	1,535,563
Net Budget Revenue During AAC Period - *page 2 of Analysis*		
Residential	$	8,684,294
Commercial		4,634,108
Industrial		2,962,199
Total	$	16,280,600
Amount to be Charged or (Credited) - *also on page 7 of Analysis*		
Residential	$	**819,090**
Commercial		**437,083**
Industrial		**279,390**
Total	$	1,535,563
Budgeted Mcf During AAC Period - *page 1 of Analysis*		
Residential		2,626,700
Commercial		1,478,200
Industrial		1,739,300
Total		5,844,200
AAC Surcharge or (Credit) per Mcf - *also on page 7 of Analysis*		
Residential	$	**0.3118**
Commercial	$	**0.2957**
Industrial	$	**0.1606**

DERIVATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

The AAC adjusts rates upward or downward to compensate for expected departures from the Company's authorized return on common equity

AAC Period - July 1, 1997 through June 30, 1998
Filing Date - June 1, 1997

Authorized Return on Common Equity		11.60%
Budget Equity 12 mos. avg. - *pages 1 & 6 of Analysis*	$	22,795,707
Budget Net Income Available for Common - *page 1 of Analysis*		
Budget Return on Equity - *also on page 6 of Analysis*		3.84%
Annual Revenue 12 mos. prior to budget year - *page 6 of Analysis*	$	36,116,328
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
Calculated Return-based Revenue Deficiency or (Excess) - *also on page 6 of Analysis*	$	2,920,324
AAC Limitation (5% of prior year's revenue) - *also on page 6 of Analysis*	$	1,805,816
AAC Amount to be Charged or (Credited) - *also on page 7 of Analysis*	$	$\boxed{1,805,816}$
Net Budget Revenue During AAC Period - *page 2 of Analysis*		
Residential	$	8,244,899
Commercial		5,060,025
Industrial		2,634,696
Total	$	15,939,620
Amount to be Charged or (Credited) - *also on page 7 of Analysis*		
Residential	$	934,073
Commercial		573,256
Industrial		298,488
Total	$	1,805,816
Budgeted Mcf During AAC Period - *page 1 of Analysis*		
Residential		2,422,700
Commercial		1,679,800
Industrial		1,934,800
Total		6,037,300
AAC Surcharge or (Credit) per Mcf - *also on page 7 of Analysis*		
Residential	$	0.3856
Commercial	$	0.3413
Industrial	$	0.1543

Calculation of Annual Adjustm[illegible] Component - (AAC)
By Rate Class Billing Blocks

\C adjusts rates upward or downward to compensate for expected
ures from the Company's authorized return on common equity

This is an example of how the ACC would be calculated for the Rate Class Billing Blocks.
Inasmuch as revenue and Mcf sales were not budgeted by the Rate Class Billing Blocks, the budgeted revenue and Mcf for each Rate Class Billing Block was estimated based on the bill frequency analysis of actual results for the same 12-month period.
The same AAC period as shown on Schedule A, page 2.

Period - July 1, 1996 through June 30, 1997
| Date - June 1, 1996

·ized Return on Common Equity	11.60%
t Equity 12 mos. avg.	$ 24,684,480
t Net Income Available for Common	
·t Return on Equity	3.16%
:l Revenue 12 mos. prior to budget year	$ 30,711,266
osite State and Federal Tax Rate	39.445%
ated Return-based Revenue Deficiency or (Excess)	$ 3,442,407
imitation (5% of prior year's revenue)	$ 1,535,563
,mount to be Charged or (Credited)	$ 1,535,563

	Firm Sales and Transportation				Interruptible Sales and Transportation				
	Block 1-1000	Block 1001-5000	Block 5001-10000	Block over 10000	Block 1-1000	Block 1001-5000	Block 5001-10000	Block over 10000	Total
idget Revenue During AAC Period									
dential	8,684,294	-	-	-					8,684,294
mercial	4,479,756	138,563	15,789	-					4,634,108
strial	827,289	688,966	194,113	192,592	389,069	551,675	93,752	24,743	2,962,199
tal									$ 16,280,601
nt to be Charged or (Credited)									Total
dential	819,090	-	-	-	-	-	-	-	819,090
mercial	422,524	13,069	1,489	-	-	-	-	-	437,083
strial	78,029	64,982	18,308	18,165	36,696	52,033	8,843	2,334	279,390
tal									$ 1,535,563
·ted Mcf During AAC Period									Total
dential	2,626,700	-	-	-					2,626,700
mercial	1,402,074	66,700	9,426	-					1,478,200
strial	331,202	333,886	116,585	152,247	227,934	423,792	104,168	49,486	1,739,300
tal									5,844,200
:urcharge or (Credit) per Mcf									Composite
dential	0.3118								0.3118
mercial	0.3014	0.1959	0.1580						0.2957
strial	0.2356	0.1946	0.1570	0.1193	0.1610	0.1228	0.0849	0.0472	0.1606

SCHEDULE B

Derivation of
Actual Adjustment Factor
AAF

DERIVATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

The AAF adjusts rates upward or downward to reconcile any departures in the earned ROE outside the allowable bandwidth of plus or minus 0.5% from the Commission authorized ROE upon completion of the the previous AAC period.

AAF Period - October 1, 1996 through September 30, 1997
Filing Date - September 1, 1996

AAC Surcharges or (Credits) for 12 mos. ended 6/30/96 - *(Schedule B-1 and page 7 of Analysis)*	$	1,111,017
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
AAC impact on NIAC	$	672,776
Actual NIAC - *page 3 of Analysis*		2,066,998
NIAC as adjusted after application of AAC	$	2,739,774
12-Mos. Avg. Common Equity during AAC period - *page 3 of Analysis*	$	20,611,726
ROE as adjusted after application of AAC - *also on page 7 of Analysis*		**13.29%**
<u>Return on Common Equity (ROE) Bandwidth</u> - *page 6 of Analysis*		
Lower Limits of ROE Bandwidth		11.10%
Commission Authorized ROE		11.60%
Upper Limits of ROE Bandwidth		12.10%
AAF Amount to be Charged or (Credited) - *also on page 8 of Analysis*	**$**	**(405,838)**
<u>Net Budget Revenue During AAF Period</u> - *page 2 of Analysis*		
Residential	$	8,635,637
Commercial		4,657,992
Industrial		2,923,379
Total	$	16,217,008
<u>Amount to be Charged or (Credited)</u> - *also on page 8 of Analysis*		
Residential	$	(216,111)
Commercial		(116,569)
Industrial		(73,159)
Total	$	(405,838)
<u>Budgeted Mcf During AAF Period</u> - *page 1 of Analysis*		
Residential		2,602,300
Commercial		1,487,600
Industrial		1,772,300
Total		5,862,200
<u>AAF Surcharge or (Credit) per Mcf</u> - *also on page 8 of Analysis*		
Residential	$	(0.0830)
Commercial	$	(0.0784)
Industrial	$	(0.0413)

DERIVATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

The AAF adjusts rates upward or downward to reconcile any departures in the earned ROE *outside* the allowable bandwidth of plus or minus 0.5% from the Commission authorized ROE upon completion of the the previous AAC period.

AAF Period - October 1, 1997 through September 30, 1998
Filing Date - September 1, 1997

AAC Surcharges or (Credits) for 12 mos. ended 6/30/97 - *(Schedule B-1 and page 7 of Analysis)*	$	1,540,778
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
AAC impact on NIAC	$	933,018
Actual NIAC - *page 3 of Analysis*		1,407,939
NIAC as adjusted after application of AAC	$	2,340,957
12-Mos. Avg. Common Equity during AAC period - *page 3 of Analysis*	$	24,736,904
ROE as adjusted after application of AAC - *also on page 7 of Analysis*		9.46%
<u>**Return on Common Equity (ROE) Bandwidth**</u> - *page 6 of Analysis*		
Lower Limits of ROE Bandwidth		11.10%
Commission Authorized ROE		11.60%
Upper Limits of ROE Bandwidth		12.10%
AAF Amount to be Charged or (Credited) - *also on page 8 of Analysis*	$	668,548
<u>**Net Budget Revenue During AAF Period**</u> - *page 2 of Analysis*		
Residential	$	8,646,161
Commercial		5,207,235
Industrial		2,928,053
Total	$	16,781,448
<u>**Amount to be Charged or (Credited)**</u> - *also on page 8 of Analysis*		
Residential	$	344,450
Commercial		207,448
Industrial		116,649
Total	$	668,548
<u>**Budgeted Mcf During AAF Period**</u> - *page 1 of Analysis*		
Residential		2,479,300
Commercial		1,713,900
Industrial		2,139,800
Total		6,333,000
<u>**AAF Surcharge or (Credit) per Mcf**</u> - *also on page 8 of Analysis*		
Residential	$	0.1389
Commercial	$	0.1210
Industrial	$	0.0545

DERIVATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

The AAF adjusts rates upward or downward to reconcile any departures in the earned ROE outside the allowable bandwidth of plus or minus 0.5% from the Commission authorized ROE upon completion of the the previous AAC period.

AAF Period - October 1, 1998 through September 30, 1999
Filing Date - September 1, 1998

AAC Surcharges or (Credits) for 12 mos. ended 6/30/97 - *(Schedule B-1 and page 7 of Analysis)*	$	1,799,288
Composite State and Federal Tax Rate - *page 5 of Analysis*		39.445%
AAC impact on NIAC	$	1,089,559
Actual NIAC - *page 3 of Analysis*		2,025,723
NIAC as adjusted after application of AAC	$	3,115,282
12-Mos. Avg. Common Equity during AAC period - *page 3 of Analysis*	$	22,891,526
ROE as adjusted after application of AAC - *also on page 7 of Analysis*		**13.61%**
<u>Return on Common Equity (ROE) Bandwidth</u> - *page 6 of Analysis*		
Lower Limits of ROE Bandwidth		11.10%
Commission Authorized ROE		11.60%
Upper Limits of ROE Bandwidth		12.10%
AAF Amount to be Charged or (Credited) - *also on page 8 of Analysis*	$	(570,402)
<u>Net Budget Revenue During AAF Period</u> - *page 2 of Analysis*		
Residential		*Will require a forecast of*
Commercial		*revenues 3 months beyond*
Industrial		*the end of the budget year*
Total		
<u>Amount to be Charged or (Credited)</u> - *also on page 8 of Analysis*		
Residential		#REF!
Commercial		#REF!
Industrial		#REF!
Total		#REF!
<u>Budgeted Mcf During AAF Period</u> - *page 1 of Analysis*		
Residential		*Will require a forecast of*
Commercial		*Mcfs 3 months beyond*
Industrial		*the end of the budget year*
Total		
<u>AAF Surcharge or (Credit) per Mcf</u> - *also on page 8 of Analysis*		
Residential		#REF!
Commercial		#REF!
Industrial		#REF!

APPLICATION OF ANNUAL ADJUSTMENT COMPONENT - (AAC)

Monthly and Annual Amounts Charged or (Credited)

	Mcf Sales & Transportation Tariff End-Users			AAC - Year 1 12 Month Period (July 1, 1995 - June 30, 1996)				AAC - Year 2 12 Month Period (July 1, 1996 - June 30, 1997)				AAC - Year 3 12 Month Period (July 1, 1997 - June 30, 1998)			
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total
or (Credit) / Mcf				$ 0.2094	$ 0.1988	$ 0.1085		$ 0.3118	$ 0.2957	$ 0.1606		$ 0.3856	$ 0.3413	$ 0.1543	
Jul-95	43,480	40,980	126,333	$ 9,105	$ 8,147	$ 13,707	$ 30,959								
Aug-95	30,727	30,282	98,953	6,434	6,020	10,736	23,191								
Sep-95	31,051	29,656	108,693	6,502	5,896	11,793	24,191								
Oct-95	74,973	53,064	159,517	15,699	10,550	17,307	43,556								
Nov-95	198,212	112,132	158,808	41,505	22,293	17,230	81,029								
Dec-95	345,708	201,940	187,230	72,391	40,148	20,314	132,853								
Jan-96	571,368	339,231	244,558	119,643	67,443	26,534	213,620								
Feb-96	489,263	288,738	189,692	102,451	57,405	20,581	180,436								
Mar-96	387,990	233,075	168,631	81,244	46,338	18,296	145,878								
Apr-96	382,023	224,179	195,973	79,995	44,570	21,262	145,827								
May-96	131,717	77,607	127,180	27,581	15,429	13,799	56,809								
Jun-96	54,298	42,122	119,127	11,370	8,374	12,925	32,669								
Jul-96	41,592	41,236	127,076					$ 12,970	$ 12,193	$ 20,413	$ 45,575				
Aug-96	34,259	33,578	117,314					10,683	9,929	18,845	39,456				
Sep-96	32,500	34,768	111,280					10,135	10,280	17,875	38,290				
Oct-96	79,458	70,113	46,721					24,778	20,731	7,505	53,014				
Nov-96	178,539	96,808	190,714					55,674	28,625	30,635	114,934				
Dec-96	321,758	191,879	213,133					100,335	56,736	34,236	191,307				
Jan-97	496,935	313,619	247,659					154,960	92,733	39,782	287,476				
Feb-97	445,694	274,202	224,419					138,982	81,078	36,049	256,109				
Mar-97	312,244	179,791	163,724					97,368	53,162	26,300	176,829				
Apr-97	276,042	166,294	193,768					86,079	49,171	31,126	166,375				
May-97	161,829	97,726	155,112					50,464	28,896	24,916	104,276				
Jun-97	83,168	56,397	152,687					25,934	16,676	24,527	67,137				
Jul-97	51,372	46,666	179,587									$ 19,807	$ 15,925	$ 27,705	$ 63,437
Aug-97	35,102	35,992	240,039									13,534	12,283	37,032	62,848
Sep-97	32,586	32,691	165,826									12,564	11,156	25,582	49,302
Oct-97	63,018	54,732	211,677									24,297	18,678	32,656	75,631
Nov-97	217,882	125,853	202,338									84,005	42,949	31,215	158,169
Dec-97	352,019	207,173	259,389									135,721	70,701	40,017	246,439
Jan-98	461,424	278,548	228,731									177,902	95,058	35,287	308,248
Feb-98	387,235	231,941	209,334									149,299	79,153	32,295	260,746
Mar-98	322,067	193,343	212,275									124,173	65,981	32,748	222,902
Apr-98	289,340	177,856	196,468									111,555	60,696	30,310	202,561
May-98	121,212	59,472	167,582									46,733	20,296	25,853	92,882
Jun-98	43,803	43,170	158,817									16,888	14,732	24,501	56,122
Jul-98	42,384	45,693	150,982												
Aug-98	30,117	34,157	158,124												
Sep-98	31,261	34,760	160,335												
Oct-98	50,697	52,748	215,088												
Nov-98	114,441	81,517	237,450												
Dec-98	323,100	193,300	252,200 (Est)												
nt Charged or (Credited) During 12 Month Period							$ 1,111,017				$ 1,540,778				$ 1,799,288

Schedule B-1
Page 1

SCHEDULE C

Derivation of
Balancing Adjustment Factor
BAF

DERIVATION OF BALANCING ADJUSTMENT FACTOR - (BAF)

The BAF adjusts rates upward or downward to compensate for any differences between the amounts targeted and the amounts actually charged or credited during application of the AAF and BAF

BAF Period - January 1, 1998 through December 31, 1998
Filing Date - December 1, 1997

Amount Remaining from Application of previous AAF - *Schedule C-1 and page 9 of Analysis*	$	11,806
Amount Remaining from Application of 2nd previous BAF - *Schedule C-2 and page 9 of Analysis* *(unknown until 3rd BAF)*		
Total Amount to be Charged or (Credited) - *also on page 9 of Analysis*	$	11,806
Budgeted Mcf During BAF Period - *page 1 of Analysis*		6,349,800
BAF Surcharge or (Credit) per Mcf - *also on page 9 of Analysis*	$	0.0019

DERIVATION OF BALANCING ADJUSTMENT FACTOR - (BAF)

The BAF adjusts rates upward or downward to compensate for any differences between the amounts targeted and the amounts actually charged or credited during application of the AAF and BAF

BAF Period - January 1, 1999 through December 31, 1999
Filing Date - December 1, 1998

Amount Remaining from Application of previous AAF - *Schedule C-1 and page 9 of Analysis*	$	34,222
Amount Remaining from Application of 2nd previous BAF - *Schedule C-2 and page 9 of Analysis* *(unknown until 3rd BAF)*		
Total Amount to be Charged or (Credited) - *also on page 9 of Analysis*	$	34,222
Budgeted Mcf During BAF Period - *page 1 of Analysis* *(SEE NOTE)*		
BAF Surcharge or (Credit) per Mcf - *also on page 9 of Analysis*		*unknown* *(SEE NOTE)*

NOTE: The application of the BAF will require the Mcf's to be forecasted for an additional 6 months beyond the budget-year. The AAF requires net revenues to be forecasted for an additional 3 months beyond the budget-year.

DERIVATION OF BALANCING ADJUSTMENT FACTOR - (BAF)

The BAF adjusts rates upward or downward to compensate for any differences between the amounts targeted and the amounts actually charged or credited during application of the AAF and BAF

BAF Period - January 1, 2000 through December 31, 2000
Filing Date - December 1, 1999

Amount Remaining from Application of previous AAF - *Schedule C-1 and page 9 of Analysis* *(unknown until 4th BAF)*	$	-
Amount Remaining from Application of 2nd previous BAF - *Schedule C-2 and page 9 of Analysis*	$	667
Total Amount to be Charged or (Credited) - *also on page 9 of Analysis*		
Budgeted Mcf During BAF Period - *page 1 of Analysis* *(SEE NOTE)*		
BAF Surcharge or (Credit) per Mcf - *also on page 9 of Analysis*		*unknown* *(beyond analysis period)*

NOTE: The application of the BAF will require the Mcf's to be forecasted for an additional 6 months beyond the budget-year. The AAF requires net revenues to be forecasted for an additional 3 months beyond the budget-year.

APPLICATION OF ACTUAL ADJUSTMENT FACTOR - (AAF)

Monthly and Annual Amounts Charged or (Credited)

	Mcf Sales & Transportation Tariff End-Users			AAF - Year 1 12 Month Period (Oct. 1, 1996 - Sep. 30, 1997)				AAF - Year 2 12 Month Period (Oct. 1, 1997 - Sep. 30, 1998)				AAF - Year 3 12 Month Period (Oct. 1, 1998 - Sep. 30, 1999)			
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	Total
or (Credit) / Mcf				$ (0.0830)	$ (0.0784)	$ (0.0413)		$ 0.1389	$ 0.1210	$ 0.0545		unknown	unknown	unknown	
												(beyond analysis period) (would require budget information 3 mos beyond budget period)			
Jul-95	43,480	40,980	128,333												
Aug-95	30,727	30,282	98,953												
Sep-95	31,051	29,656	108,693												
Oct-95	74,973	53,064	159,517												
Nov-95	198,212	112,132	158,808												
Dec-95	345,708	201,940	187,230												
Jan-96	571,368	339,231	244,558												
Feb-96	489,263	288,738	189,692												
Mar-96	387,990	233,075	168,631												
Apr-96	382,023	224,179	195,973												
May-96	131,717	77,607	127,180												
Jun-96	54,298	42,122	119,127												
Jul-96	41,592	41,238	127,076												
Aug-96	34,259	33,578	117,314												
Sep-96	32,500	34,768	111,280												
Oct-96	79,458	70,113	46,721	$ (6,599)	$ (5,494)	$ (1,929)	$ (14,021)								
Nov-96	178,539	96,808	190,714	(14,827)	(7,586)	(7,873)	(30,285)								
Dec-96	321,758	191,879	213,133	(26,721)	(15,036)	(8,798)	(50,554)								
Jan-97	496,935	313,619	247,659	(41,269)	(24,575)	(10,223)	(76,067)								
Feb-97	445,694	274,202	224,419	(37,013)	(21,486)	(9,264)	(67,763)								
Mar-97	312,244	179,791	163,724	(25,931)	(14,088)	(6,758)	(46,777)								
Apr-97	276,042	166,294	193,768	(22,924)	(13,031)	(7,999)	(43,954)								
May-97	161,829	97,726	155,112	(13,439)	(7,658)	(6,403)	(27,500)								
Jun-97	83,168	56,397	152,687	(6,907)	(4,419)	(6,303)	(17,629)								
Jul-97	51,372	46,666	179,587	(4,266)	(3,657)	(7,413)	(15,336)								
Aug-97	35,102	35,992	240,039	(2,915)	(2,820)	(9,909)	(15,644)								
Sep-97	32,586	32,691	165,826	(2,706)	(2,562)	(6,845)	(12,113)								
Oct-97	63,018	54,732	211,677					$ 8,755	$ 6,625	$ 11,539	$ 26,919				
Nov-97	217,882	125,853	202,338					30,270	15,233	11,030	56,534				
Dec-97	352,019	207,173	259,389					48,906	25,076	14,140	88,122				
Jan-98	461,424	278,548	228,731					64,106	33,715	12,469	110,290				
Feb-98	387,235	231,941	209,334					53,799	28,074	11,412	93,284				
Mar-98	322,067	193,343	212,275					44,745	23,402	11,572	79,719				
Apr-98	289,340	177,856	196,468					40,198	21,527	10,710	72,436				
May-98	121,212	59,472	167,582					16,840	7,198	9,136	33,174				
Jun-98	43,803	43,170	158,817					6,086	5,225	8,658	19,969				
Jul-98	42,384	45,693	150,982					5,888	5,531	8,231	19,650				
Aug-98	30,117	34,157	158,124					4,184	4,134	8,620	16,938				
Sep-98	31,261	34,760	160,335					4,343	4,207	8,741	17,291				
Oct-98	50,697	52,748	215,088									#VALUE!	#VALUE!	#VALUE!	#VALUE!
Nov-98	114,441	81,517	237,450									#VALUE!	#VALUE!	#VALUE!	#VALUE!
Dec-98	423,400	193,300	252,200 (Est)									#VALUE!	#VALUE!	#VALUE!	#VALUE!
nt Charged or (Credited) During 12 Month Period							$ (417,645)				$ 634,326				#VALUE!
: Amount to be Charged or (Credited) During 12 Month Period							$ (405,838)				$ 668,548				$ (570,402)
maining Amount to be Charged or (Credited) through BAF							$ 11,806				$ 34,222				#VALUE!

APPLICATION OF BALANCING ADJUSTMENT - (BAF)

Monthly and Annual Amounts Charged or (Credited)

	Mcf Sales and Transportation Tariff End-Users	BAF - Year 1 12 Month Period (Jan. 1 - Dec. 31, 1998)	BAF - Year 2 12 Month Period (Jan. 1 - Dec. 31, 1999)	BAF - Year 3 12 Month Period (Jan. 1 - Dec. 31, 2000)	
rge or (Credit) / Mcf		$ 0.0019	unknown *would have required budget numbers through December 1999*	unknown *beyond analysis period of AAF*	
Jul-95	210,793				
Aug-95	159,962				
Sep-95	169,400				
Oct-95	287,554				
Nov-95	469,152				
Dec-95	734,878				
Jan-96	1,155,157				
Feb-96	967,693				
Mar-96	789,696				
Apr-96	802,175				
May-96	336,504				
Jun-96	215,547				
Jul-96	209,904				
Aug-96	185,151				
Sep-96	178,548				
Oct-96	196,292				
Nov-96	466,061				
Dec-96	726,770				
Jan-97	1,058,213				
Feb-97	944,315				
Mar-97	655,759				
Apr-97	636,104				
May-97	414,667				
Jun-97	292,252				
Jul-97	277,625				
Aug-97	311,133				
Sep-97	231,103				
Oct-97	329,427				
Nov-97	546,073				
Dec-97	818,581				
Jan-98	968,703	$ 1,801			
Feb-98	828,510	1,540			
Mar-98	727,685	1,353			
Apr-98	663,664	1,234			
May-98	348,266	648			
Jun-98	245,790	457			
Jul-98	239,059	444			
Aug-98	222,398	414			
Sep-98	226,356	421			
Oct-98	318,533	592			
Nov-98	433,408	806			
Dec-98	[redacted]	1,429			
nount Charged or (Credited) During 12 Month Period		$ 11,139	$ -	$ -	
rget Amount to be Charged or (Credited) During 12 Month Period		$ 11,808	$ 34,222	$ -	*(from second previous BAF) (beyond analysis period)*
Remaining Amount to be Charged or (Credited) through BAF		$ 667			

ANALYSIS

of
ProposedAlternative
Ratemaking Methodology

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING BUDGET DATA	Budget Total Revenue Utility	Budget Common Equity (Utility)	Budget Net Income Available for Common (Utility)	Budget Mcf Residential	Budget Mcf Commercial	Budget Mcf Industrial Sales	Budget Mcf Industrial Transport	Budget Mcf Industrial	Budget Mcf Residential Commercial Industrial
Jun-95									
Jul-95	967,200	21,123,808	(255,500)	41,400	33,400	8,000	112,200	120,200	195,000
Aug-95	958,700	20,886,691	(308,000)	41,300	33,000	8,000	105,200	113,200	187,500
Sep-95	958,900	20,085,694	(288,100)	41,400	32,800	8,000	105,100	113,100	187,300
Oct-95	1,593,200	19,924,785	(128,200)	114,600	62,700	16,500	103,300	119,800	297,100
Nov-95	2,686,900	19,511,348	174,100	240,300	120,700	23,100	110,400	133,500	494,500
Dec-95	4,429,400	19,507,046	660,000	429,600	226,600	32,500	122,200	154,700	810,900
Jan-96	5,329,300	20,315,306	923,800	519,400	284,700	42,500	128,000	170,500	974,600
Feb-96	4,836,300	21,197,236	802,000	463,300	256,200	41,500	122,500	164,000	883,500
Mar-96	3,637,100	21,142,671	471,400	332,900	183,700	33,500	114,500	148,000	664,600
Apr-96	2,359,000	21,179,190	111,300	192,300	109,500	25,100	102,800	127,900	429,700
May-96	1,494,400	21,473,398	(124,500)	101,400	61,100	11,000	105,200	116,200	278,700
Jun-96	1,035,100	20,711,145	(253,700)	47,900	36,900	9,200	104,300	113,500	198,300
Jul-96	953,000	25,902,359	(353,125)	42,500	33,600	7,000	123,900	130,900	207,000
Aug-96	944,500	25,419,371	(375,225)	42,300	33,300	7,000	117,000	124,000	199,600
Sep-96	944,600	24,319,069	(391,625)	42,200	33,200	7,000	117,400	124,400	199,800
Oct-96	1,536,700	24,009,547	(231,525)	118,200	63,900	15,400	115,200	130,600	310,700
Nov-96	2,623,300	24,292,881	123,175	248,900	126,800	22,200	125,400	147,600	523,300
Dec-96	4,285,800	24,126,968	621,775	441,800	238,500	30,800	136,600	167,400	847,700
Jan-97	5,045,700	24,762,115	854,975	528,000	286,800	38,600	147,500	186,100	1,000,900
Feb-97	4,614,400	25,483,063	727,475	472,400	263,100	37,500	140,200	177,700	913,200
Mar-97	3,480,900	25,263,730	385,575	340,900	187,800	31,500	126,700	158,200	686,900
Apr-97	2,263,300	24,932,167	13,125	196,600	111,300	24,000	113,000	137,000	444,900
May-97	1,468,200	24,697,676	(227,025)	105,700	62,700	10,900	119,100	130,000	298,400
Jun-97	1,012,700	23,004,817	(368,725)	49,200	37,200	8,400	117,000	125,400	211,800
Jul-97	1,084,600	22,745,178	(413,700)	34,400	36,500	7,000	137,500	144,500	215,400
Aug-97	1,079,200	22,024,273	(404,200)	34,100	36,500	7,000	126,700	133,700	204,300
Sep-97	1,080,000	21,134,873	(429,900)	34,100	36,500	7,000	127,100	134,100	204,700
Oct-97	2,037,900	20,764,966	(208,000)	91,100	102,200	15,400	134,000	149,400	342,700
Nov-97	3,571,300	22,222,855	157,100	251,300	146,200	22,200	143,400	165,600	563,100
Dec-97	5,225,800	22,225,809	552,300	374,700	241,700	30,800	162,900	193,700	810,100
Jan-98	7,410,900	23,271,884	1,035,900	547,400	363,800	38,600	175,000	213,600	1,124,800
Feb-98	5,873,600	23,978,421	722,800	420,700	277,400	37,500	166,800	204,300	902,400
Mar-98	4,524,300	23,681,602	389,000	317,900	201,700	31,500	151,400	182,900	702,500
Apr-98	3,018,200	23,883,580	61,500	191,600	129,100	24,000	126,100	150,100	470,800
May-98	1,726,900	24,176,094	(217,000)	87,700	67,400	10,900	121,800	132,700	287,800
Jun-98	1,150,600	23,438,951	(369,900)	37,700	40,800	8,400	121,800	130,200	208,700
Jul-98				53,100	51,300	16,900	178,350	195,250	299,650
Aug-98				51,900	45,900	14,900	222,750	237,650	335,450
Sep-98				54,200	46,400	9,300	175,100	184,400	285,000
Oct-98				108,000	69,900	15,900	210,200	226,100	404,000
Nov-98				202,200	147,500	19,300	191,100	210,400	560,100
Dec-98				323,100	193,300	24,200	228,000	252,200	768,600

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING BUDGET DATA	Budget Revenue Residential	Budget Revenue Commercial	Budget Revenue Industrial	Budget Revenue Residential Commercial Industrial	Budget Cost of Gas per Mcf Sold	Budget Net Revenue Residential	Budget Net Revenue Commercial	Budget Net Revenue Industrial	Budget Net Revenue Residential Commercial Industrial
Jun-95									
Jul-95	407,100	266,600	219,508	893,208	3.20	274,550	159,664	193,894	628,108
Aug-95	405,800	263,600	215,308	884,708	3.20	273,570	157,944	189,694	621,208
Sep-95	406,800	262,000	216,124	884,924	3.20	274,239	156,976	190,508	621,724
Oct-95	824,500	431,700	262,976	1,519,176	3.20	457,638	230,982	210,156	898,776
Nov-95	1,541,700	763,800	307,376	2,612,876	3.20	772,377	377,378	233,421	1,383,176
Dec-95	2,618,400	1,366,000	370,976	4,355,376	3.20	1,243,081	640,564	266,931	2,150,576
Jan-96	3,129,000	1,696,500	429,776	5,255,276	3.20	1,466,196	785,063	293,717	2,544,976
Feb-96	2,811,900	1,536,300	414,124	4,762,324	3.20	1,328,670	716,090	281,264	2,326,024
Mar-96	2,072,800	1,126,300	364,008	3,563,108	3.20	1,007,048	538,200	256,760	1,802,008
Apr-96	1,274,100	706,000	304,908	2,285,008	3.20	658,493	355,459	224,556	1,238,508
May-96	755,600	429,900	234,908	1,420,408	3.20	431,003	234,310	199,695	865,008
Jun-96	450,200	290,200	220,708	961,108	3.20	296,869	172,081	191,258	660,208
Jul-96	400,300	254,400	227,168	881,868	2.79	281,852	160,757	207,659	650,268
Aug-96	398,100	252,100	223,168	873,368	2.79	280,213	159,295	203,660	643,168
Sep-96	397,400	251,400	224,684	873,484	2.79	279,762	158,851	205,171	643,784
Oct-96	789,100	413,400	271,684	1,474,184	2.79	465,226	235,297	228,761	929,284
Nov-96	1,492,000	749,000	319,284	2,560,284	2.79	798,220	395,560	257,404	1,451,184
Dec-96	2,508,400	1,338,400	375,984	4,222,784	2.79	1,276,939	673,612	290,133	2,240,684
Jan-97	2,963,200	1,590,600	428,884	4,982,684	2.79	1,491,432	791,163	321,289	2,603,884
Feb-97	2,671,800	1,468,800	410,784	4,551,384	2.79	1,355,008	735,422	306,255	2,396,684
Mar-97	1,981,400	1,073,500	362,968	3,417,868	2.79	1,031,176	550,027	275,165	1,856,368
Apr-97	1,221,300	671,300	306,668	2,199,268	2.79	673,320	361,075	239,773	1,274,168
May-97	741,000	414,200	249,968	1,405,168	2.79	446,361	239,423	219,584	905,368
Jun-97	441,900	277,300	230,756	949,956	2.79	304,784	173,627	207,346	685,756
Jul-97	427,100	338,900	228,276	994,276	4.69	265,654	167,598	195,424	628,676
Aug-97	423,800	338,900	223,176	985,876	4.69	263,759	167,595	190,323	621,676
Sep-97	423,800	338,900	224,776	987,476	4.69	263,759	167,595	191,923	623,276
Oct-97	835,400	806,100	242,576	1,884,076	4.69	407,837	326,441	170,299	904,576
Nov-97	1,988,100	1,121,600	305,828	3,415,528	4.69	808,661	435,432	201,636	1,445,728
Dec-97	2,876,600	1,807,800	369,028	5,052,428	4.69	1,116,965	673,393	224,470	2,014,828
Jan-98	4,115,500	2,675,100	424,528	7,215,128	4.69	1,546,328	967,638	243,362	2,757,328
Feb-98	3,208,500	2,057,100	426,528	5,692,128	4.69	1,233,967	755,138	250,524	2,239,628
Mar-98	2,472,600	1,518,600	394,676	4,385,876	4.69	980,587	571,953	246,836	1,799,376
Apr-98	1,566,700	1,002,700	355,176	2,924,576	4.69	667,453	396,788	242,535	1,306,776
May-98	820,000	565,700	315,876	1,701,576	4.69	408,391	249,367	264,718	922,476
Jun-98	458,500	372,600	252,076	1,083,176	4.69	281,540	181,089	212,647	675,276
Jul-98	651,100	469,700	360,500	1,481,300	4.72	400,309	227,410	280,681	908,400
Aug-98	639,500	427,600	395,100	1,462,200	4.72	394,532	210,952	324,772	930,256
Sep-98	655,600	430,800	309,500	1,395,900	4.72	399,593	211,635	265,573	876,800
Oct-98	1,058,800	604,700	403,100	2,066,600	4.72	549,040	274,772	328,052	1,151,864
Nov-98	1,987,800	1,183,700	430,500	3,602,000	4.72	1,033,416	487,500	339,404	1,860,320
Dec-98	2,667,100	1,522,700	553,900	4,743,700	4.72	1,142,068	610,324	439,676	2,192,068

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING ACTUAL DATA	Actual Total Revenue Utility	Actual Common Equity (Utility)	Actual Net Income Available for Common (Utility)	Actual Mcf Residential	Actual Mcf Commercial	Actual Mcf Industrial Sales	Actual Mcf Industrial Transport	Actual Mcf Industrial	Actual Mcf Residential Commercial Industrial
Jun-95									
Jul-95	1,011,793	21,165,221	(214,087)	43,480	40,980	10,562	115,771	126,333	210,793
Aug-95	903,932	20,832,709	(361,982)	30,727	30,282	8,294	90,659	98,953	159,962
Sep-95	931,168	20,057,108	(316,686)	31,051	29,656	10,545	98,148	108,693	169,400
Oct-95	1,469,172	19,863,319	(189,666)	74,973	53,064	15,109	144,408	159,517	287,554
Nov-95	2,180,795	19,461,862	124,614	198,212	112,132	19,737	139,071	158,808	469,152
Dec-95	3,453,910	19,402,236	555,190	345,708	201,940	35,360	151,870	187,230	734,878
Jan-96	5,394,650	20,500,781	1,109,275	571,368	339,231	57,987	186,571	244,558	1,155,157
Feb-96	4,841,875	21,250,021	854,785	489,263	288,738	34,611	155,081	189,692	967,693
Mar-96	3,984,761	21,252,571	581,300	387,990	233,075	31,117	137,514	168,631	789,696
Apr-96	3,991,372	21,777,822	709,932	382,023	224,179	36,556	159,417	195,973	802,175
May-96	1,898,431	21,520,732	(77,166)	131,717	77,607	17,846	109,334	127,180	336,504
Jun-96	1,173,410	20,256,334	(708,511)	54,298	42,122	12,635	106,492	119,127	215,547
Jul-96	1,103,500	25,955,092	(300,392)	41,592	41,236	12,654	114,422	127,076	209,904
Aug-96	1,009,575	25,473,520	(321,076)	34,259	33,578	11,074	106,240	117,314	185,151
Sep-96	1,026,022	24,427,291	(283,403)	32,500	34,768	10,879	100,401	111,280	178,548
Oct-96	1,660,656	24,040,476	(200,596)	79,458	70,113	13,617	33,104	46,721	196,292
Nov-96	2,614,213	24,259,426	89,720	178,539	96,808	15,725	174,989	190,714	466,061
Dec-96	4,353,564	23,906,726	401,533	321,758	191,879	27,854	185,279	213,133	726,770
Jan-97	6,605,207	24,759,284	852,144	496,935	313,619	55,012	192,647	247,659	1,058,213
Feb-97	6,263,523	25,527,262	771,674	445,694	274,202	48,931	175,488	224,419	944,315
Mar-97	4,362,207	25,231,425	353,270	312,244	179,791	18,149	145,575	163,724	655,759
Apr-97	4,046,020	25,215,280	296,238	276,042	166,294	26,877	166,891	193,768	636,104
May-97	2,534,625	24,884,876	(39,825)	161,829	97,726	17,121	137,991	155,112	414,667
Jun-97	1,686,327	23,162,194	(211,348)	83,168	56,397	20,221	132,466	152,687	292,252
Jul-97	1,405,285	22,858,758	(300,120)	51,372	46,666	16,196	163,391	179,587	277,625
Aug-97	1,258,141	22,229,799	(198,674)	35,102	35,992	14,188	225,851	240,039	311,133
Sep-97	1,100,161	21,155,299	(409,474)	32,586	32,691	8,848	156,978	165,826	231,103
Oct-97	1,552,507	20,748,789	(224,177)	63,018	54,732	15,348	196,329	211,677	329,427
Nov-97	3,280,642	22,236,823	171,068	217,882	125,853	18,367	183,971	202,338	546,073
Dec-97	5,090,617	22,240,726	567,217	352,019	207,173	29,880	229,509	259,389	818,581
Jan-98	6,500,225	23,238,088	1,002,104	461,424	278,548	36,291	192,440	228,731	968,703
Feb-98	5,438,263	23,885,079	629,458	387,235	231,941	30,274	179,060	209,334	828,510
Mar-98	4,744,096	23,906,886	614,284	322,067	193,343	22,982	189,293	212,275	727,685
Apr-98	4,333,172	24,366,514	544,434	289,340	177,856	20,257	176,211	196,468	663,664
May-98	1,964,031	24,396,161	3,067	121,212	59,472	28,426	139,156	167,582	348,266
Jun-98	1,257,145	23,435,387	(373,464)	43,803	43,170	6,599	152,218	158,817	245,790
Jul-98	1,254,840			42,384	45,693	7,367	143,615	150,982	239,059
Aug-98	1,161,228			30,117	34,157	5,039	153,085	158,124	222,398
Sep-98	1,176,935			31,261	34,760	5,332	155,003	160,335	226,356
Oct-98	1,537,698			50,697	52,748	9,833	205,255	215,088	318,533
Nov-98	2,348,768			114,441	81,517	11,941	225,509	237,450	433,408
Dec-98				323,100	193,300	24,200	228,000	252,200	788,600 budget amt

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING ACTUAL DATA	Actual Revenue Residential	Actual Revenue Firm Commercial Sales	Actual Revenue Interruptible Commercial Sales	Actual Revenue Commercial	Actual Revenue Firm Industrial Sales	Actual Revenue Interruptible Industrial Sales	Actual Net Revenue Industrial Transportation Standard Rate	Actual Revenue Industrial	Actual Revenue Residential Commercial Industrial	Actual Sales Revenue Residential Commercial Industrial
Jun-95										
Jul-95	407,345	290,999	4,674	295,673	39,218	17,175	182,835	239,228	942,246	759,411
Aug-95	369,311	265,884	4,367	270,231	35,829	18,001	148,314	202,144	841,686	693,372
Sep-95	371,577	262,554	3,276	265,830	50,365	17,210	160,891	228,466	865,873	704,982
Oct-95	658,469	407,412	8,740	416,152	70,788	24,995	219,901	315,684	1,390,305	1,170,404
Nov-95	1,160,463	628,318	7,658	635,976	70,658	23,874	229,006	323,538	2,119,977	1,890,971
Dec-95	1,893,902	1,071,900	9,972	1,081,872	110,525	52,567	253,588	416,680	3,392,454	3,138,866
Jan-96	3,010,417	1,736,391	15,083	1,751,474	174,856	86,317	303,167	564,340	5,326,231	5,023,064
Feb-96	2,757,291	1,585,635	13,199	1,598,834	98,816	70,395	259,264	428,475	4,784,600	4,525,336
Mar-96	2,221,812	1,285,507	19,486	1,304,993	118,062	38,616	230,114	386,792	3,913,597	3,683,483
Apr-96	2,195,068	1,252,131	14,353	1,266,484	141,198	40,225	263,520	444,943	3,906,495	3,642,975
May-96	979,640	553,198	6,358	559,556	84,404	22,303	181,883	288,590	1,827,786	1,645,903
Jun-96	513,676	335,785	4,855	340,640	59,868	17,190	174,226	251,284	1,105,600	931,374
Jul-96	434,771	326,859	5,622	332,481	53,082	23,330	186,391	262,803	1,030,055	843,664
Aug-96	397,329	293,178	5,663	298,841	52,631	19,590	175,974	248,195	944,365	768,391
Sep-96	394,816	305,768	6,277	312,045	50,814	21,776	169,032	241,622	948,483	779,451
Oct-96	715,848	531,411	7,565	538,976	58,524	31,340	253,719	343,583	1,598,407	1,344,688
Nov-96	1,418,757	744,124	12,017	756,141	68,319	39,006	273,566	378,891	2,553,789	2,280,223
Dec-96	2,411,475	1,402,603	9,841	1,412,444	131,827	53,214	290,394	475,435	4,299,354	4,008,960
Jan-97	3,619,125	2,219,045	25,068	2,244,113	289,998	71,957	303,625	665,580	6,528,818	6,225,193
Feb-97	3,499,183	2,086,545	20,116	2,106,661	259,821	84,089	288,489	632,399	6,238,243	5,949,754
Mar-97	2,489,299	1,382,871	16,472	1,399,343	86,380	46,702	243,206	376,288	4,264,930	4,021,724
Apr-97	2,204,494	1,286,152	17,627	1,303,779	137,916	54,388	266,860	459,164	3,967,437	3,700,577
May-97	1,328,976	775,150	11,843	786,993	91,501	29,488	223,134	344,123	2,460,092	2,236,958
Jun-97	779,221	477,184	8,384	485,568	76,007	60,630	209,138	345,775	1,610,564	1,401,426
Jul-97	550,900	417,170		417,170	80,763	16,324	249,765	346,852	1,314,922	1,065,157
Aug-97	429,723	330,603		330,603	67,640	15,963	328,953	412,556	1,172,882	843,929
Sep-97	406,623	308,895		308,895	46,852	15,454	239,249	301,555	1,017,073	777,824
Oct-97	623,500	464,167		464,167	63,817	39,597	267,333	370,747	1,458,414	1,191,081
Nov-97	1,762,031	997,107		997,107	97,526	32,458	299,706	429,690	3,188,828	2,889,122
Dec-97	2,832,869	1,604,511		1,604,511	168,366	42,783	355,314	566,463	5,003,843	4,648,529
Jan-98	3,693,351	2,147,618		2,147,618	207,658	49,292	313,112	570,062	6,411,031	6,097,919
Feb-98	3,074,914	1,770,434		1,770,434	168,468	41,290	296,544	506,302	5,351,650	5,055,106
Mar-98	2,652,330	1,517,176	3,659	1,520,835	129,968	33,860	306,217	470,045	4,643,210	4,336,993
Apr-98	2,403,884	1,402,564	3,828	1,406,392	120,069	25,592	271,325	416,986	4,227,262	3,955,937
May-98	1,013,055	562,043	2,354	564,397	57,047	12,898	223,442	293,387	1,870,839	1,647,397
Jun-98	525,656	357,238	541	357,779	34,063	8,080	234,134	276,277	1,159,712	925,578
Jul-98	515,881	370,290	200	370,490	37,388	9,028	219,992	266,408	1,152,779	932,787
Aug-98	461,321	328,648	200	328,848	28,236	8,772	238,215	275,223	1,065,392	827,177
Sep-98	471,418	333,986	200	334,186	30,857	8,080	239,514	278,451	1,084,055	844,541
Oct-98	611,247	458,264	200	458,464	59,889	8,920	301,988	370,797	1,440,508	1,138,520
Nov-98	1,193,700	620,070	1,778	621,848	62,346	13,578	345,500	421,424	2,236,972	1,891,472
Dec-98										

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

UNDERLYING ACTUAL DATA	Actual Cost of Gas per Mcf Sold	Actual Net Revenue Residential	Actual Net Revenue Commercial	Actual Net Revenue Industrial	Actual Net Revenue Residential Commercial Industrial	Actual Net Revenue Residential Commercial Industrial	Actual Composite SFIT
Jun-95							
Jul-95	2.910	280,812	176,415	208,491	665,718	665,718	0.39445
Aug-95	4.042	245,102	147,821	168,617	561,539	561,539	0.39445
Sep-95	4.042	246,057	145,949	185,839	577,846	577,846	0.39445
Oct-95	3.923	364,353	207,984	256,412	828,749	828,749	0.39445
Nov-95	2.480	668,826	357,849	274,583	1,301,258	1,301,258	0.39445
Dec-95	2.480	1,036,417	580,985	328,974	1,946,376	1,946,376	0.39445
Jan-96	2.480	1,593,207	910,052	420,510	2,923,769	2,923,769	0.39445
Feb-96	2.787	1,393,519	794,006	332,000	2,519,525	2,519,525	0.39445
Mar-96	2.787	1,140,329	655,320	300,056	2,095,705	2,095,705	0.39445
Apr-96	2.787	1,130,217	641,607	343,047	2,114,871	2,114,871	0.39445
May-96	3.621	502,646	278,514	223,963	1,005,123	1,005,123	0.39445
Jun-96	4.128	289,548	166,771	199,130	655,449	655,449	0.39445
Jul-96	3.167	303,031	201,869	222,722	727,622	727,622	0.39445
Aug-96	4.280	250,708	155,135	200,801	606,644	606,644	0.39445
Sep-96	4.280	255,724	163,246	195,062	614,032	614,032	0.39445
Oct-96	4.280	375,784	238,906	285,305	899,995	899,995	0.39445
Nov-96	4.442	625,687	326,120	309,041	1,260,847	1,260,847	0.39445
Dec-96	4.442	982,226	560,117	351,708	1,894,051	1,894,051	0.39445
Jan-97	4.442	1,411,740	851,017	421,217	2,683,974	2,683,974	0.39445
Feb-97	4.934	1,300,043	753,695	390,964	2,444,702	2,444,702	0.39445
Mar-97	4.934	948,625	512,218	286,737	1,747,580	1,747,580	0.39445
Apr-97	4.827	871,918	501,005	329,417	1,702,340	1,702,340	0.39445
May-97	4.693	569,445	328,324	263,767	1,161,536	1,161,536	0.39445
Jun-97	4.693	388,880	220,874	250,870	860,624	860,624	0.39445
Jul-97	4.693	309,791	198,148	270,838	778,776	778,776	0.39445
Aug-97	4.508	271,487	168,355	348,598	788,439	788,439	0.39445
Sep-97	4.508	259,729	161,527	261,669	682,925	682,925	0.39445
Oct-97	4.508	339,421	217,441	301,560	858,422	858,422	0.39445
Nov-97	4.747	727,680	399,645	342,496	1,469,821	1,469,821	0.39445
Dec-97	4.747	1,161,729	620,998	424,614	2,207,341	2,207,341	0.39445
Jan-98	4.747	1,502,833	825,267	397,778	2,725,878	2,725,878	0.39445
Feb-98	4.575	1,303,197	709,234	367,789	2,380,221	2,380,221	0.39445
Mar-98	4.723	1,131,243	607,697	361,504	2,100,443	2,100,443	0.39445
Apr-98	4.723	1,037,360	566,396	321,314	1,925,070	1,925,070	0.39445
May-98	3.515	586,971	355,341	193,464	1,135,776	1,135,776	0.39445
Jun-98	3.515	371,680	206,028	253,080	830,788	830,788	0.39445
Jul-98	3.515	366,893	209,870	240,512	817,275	817,275	0.39445
Aug-98	4.376	329,535	179,384	253,173	762,092	762,092	0.39445
Sep-98	4.376	334,626	182,083	255,119	771,829	771,829	0.39445
Oct-98	4.376	389,405	227,647	327,769	944,822	944,822	0.39445
Nov-98	4.297	701,975	271,589	370,116	1,343,681	1,343,681	0.39445
Dec-98							

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

Derivation of ANNUAL ADJUSTMENT COMPONENT (AAC)	Lower Limit of Return Range	Authorized Equity Return	Upper Limit of Return Range	Budget Calculated Equity Return	Budget Common Equity 12-mos average	Actual Annual Revenue 12 mos prior to budget year *(2 mos. lag)*	Budget Applicable Mcf expected during following 12-month period	Calculated Return-Based Revenue deficiency or (excess)	5% Limitation	
ANNUAL FILING - Year 1	*11.10%*	11.60%	*12.10%*	8.67%	20,588,193	27,912,362	5,601,700	996,830	1,395,618	Jul-95
(File June 1; Effective July 1; Based on 12 mos budget)					20,986,406		5,613,700			Aug-95
					21,364,129		5,625,800			Sep-95
					21,716,910		5,638,300			Oct-95
					22,057,307		5,651,900			Nov-95
					22,455,768		5,680,700			Dec-95
					22,840,762		5,717,500			Jan-96
					23,211,329		5,743,800			Feb-96
					23,568,481		5,773,500			Mar-96
					23,911,903		5,795,800			Apr-96
					24,224,651		5,811,000			May-96
	11.10%	11.60%	12.10%		24,493,341		5,830,700			Jun-96
ANNUAL FILING - Year 2	11.10%	11.60%	12.10%	3.16%	24,684,480	30,711,266	5,844,200	3,442,407	1,535,563	Jul-96
(File June 1; Effective July 1; Based on 12 mos budget)					24,421,382		5,852,600			Aug-96
					24,138,457		5,857,300			Sep-96
					23,873,107		5,862,200			Oct-96
					23,602,725		5,894,200			Nov-96
					23,430,223		5,934,000			Dec-96
					23,271,783		5,898,400			Jan-97
					23,147,607		6,020,300			Feb-97
					23,022,221		6,009,500			Mar-97
					22,890,377		6,025,100			Apr-97
					22,802,994		6,051,000			May-97
	11.10%	11.60%	12.10%		22,759,529		6,040,400			Jun-97
ANNUAL FILING - Year 3	11.10%	11.60%	12.10%	3.84%	22,795,707	38,116,328	6,037,300	2,920,324	1,805,816	Jul-97
(File June 1; Effective July 1; Based on 12 mos budget)										Aug-97
										Sep-97
										Oct-97
										Nov-97
										Dec-97
										Jan-98
										Feb-98
										Mar-98
										Apr-98
										May-98
	11.10%	11.60%	12.10%							Jun-98
										Jul-98
										Aug-98
										Sep-98
										Oct-98
										Nov-98
										Dec-98

Application of ANNUAL ADJUSTMENT COMPONENT (AAC)

	AAC	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			AAC	AAC		
	Total Amount to be Recovered or (given back)	Amount Applicable to Residential	AAC Annual Adjustment Component per Mcf Residential	AAC Monthly Amount Residential	Amount Applicable to Commercial	AAC Annual Adjustment Component per Mcf Commerial	AAC Monthly Amount Commercial	Amount Applicable to Industrial	AAC Annual Adjustment Component per Mcf Industrial	AAC Monthly Amount Industrial	Total Amount Recovered or (given back)	AAC (over) or under targeted amount	Common Equity Return incl. AAC Revenue	
ANNUAL FILING - Year 1	996,830	537,273	0.2094	9,105	286,549	0.1988	8,147	173,008	0.1085	13,707				Jul-95
le June 1; Effective July 1; Based on 12 mos budget)			0.2094	6,434		0.1988	6,020		0.1085	10,736				Aug-95
			0.2094	6,502		0.1988	5,896		0.1085	11,793				Sep-95
			0.2094	15,699		0.1988	10,550		0.1085	17,307				Oct-95
			0.2094	41,505		0.1988	22,293		0.1085	17,230				Nov-95
			0.2094	72,391		0.1988	40,148		0.1085	20,314				Dec-95
			0.2094	119,643		0.1988	67,443		0.1085	26,534				Jan-96
			0.2094	102,451		0.1988	57,405		0.1085	20,581				Feb-96
			0.2094	81,244		0.1988	46,338		0.1085	18,296				Mar-96
			0.2094	79,995		0.1988	44,570		0.1085	21,262				Apr-96
			0.2094	27,581		0.1988	15,429		0.1085	13,799				May-96
			0.2094	11,370		0.1988	8,374		0.1085	12,925	1,111,017	(114,187)	13.29%	Jun-96
ANNUAL AAC FILING - Year 2	1,535,563	819,090	0.3118	12,970	437,083	0.2957	12,193	279,390	0.1606	20,413				Jul-96
e June 1; Effective July 1; Based on 12 mos budget)			0.3118	10,683		0.2957	9,929		0.1606	18,845				Aug-96
			0.3118	10,135		0.2957	10,280		0.1606	17,875				Sep-96
			0.3118	24,778		0.2957	20,731		0.1606	7,505				Oct-96
			0.3118	55,674		0.2957	28,625		0.1606	30,635				Nov-96
			0.3118	100,335		0.2957	58,736		0.1606	34,236				Dec-96
			0.3118	154,960		0.2957	92,733		0.1606	39,782				Jan-97
			0.3118	138,982		0.2957	81,078		0.1606	38,049				Feb-97
			0.3118	97,368		0.2957	53,162		0.1606	26,300				Mar-97
			0.3118	86,079		0.2957	49,171		0.1606	31,126				Apr-97
			0.3118	50,464		0.2957	28,896		0.1606	24,916				May-97
			0.3118	25,934		0.2957	16,676		0.1606	24,527	1,540,778	(5,215)	9.46%	Jun-97
ANNUAL AAC FILING - Year 3	1,805,816	934,073	0.3856	19,807	573,256	0.3413	15,925	298,488	0.1543	27,705				Jul-97
e June 1; Effective July 1; Based on 12 mos budget)			0.3856	13,534		0.3413	12,283		0.1543	37,032				Aug-97
			0.3856	12,564		0.3413	11,156		0.1543	25,582				Sep-97
			0.3856	24,297		0.3413	18,678		0.1543	32,656				Oct-97
			0.3856	84,005		0.3413	42,949		0.1543	31,215				Nov-97
			0.3856	135,721		0.3413	70,701		0.1543	40,017				Dec-97
			0.3856	177,902		0.3413	95,058		0.1543	35,287				Jan-98
			0.3856	149,299		0.3413	79,153		0.1543	32,295				Feb-98
			0.3856	124,173		0.3413	65,981		0.1543	32,748				Mar-98
			0.3856	111,555		0.3413	60,696		0.1543	30,310				Apr-98
			0.3856	46,733		0.3413	20,296		0.1543	25,853				May-98
			0.3856	16,888		0.3413	14,732		0.1543	24,501	1,799,288	6,529	13.61%	Jun-98
														Jul-98
														Aug-98
														Sep-98
														Oct-98
														Nov-98
														Dec-98

PROPOSED ALTERNATIVE RATEMAKING METHODOLOGY

Application of ACTUAL ADJUSTMENT FACTOR (AAF)

	AAF	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			AAF	AAF	
	AAF Amt. (Over)/under Return Range after prev. AAC period	Amount Applicable to Residential	AAF Actual Adjustment Factor per Mcf Residential	AAF Monthly Amount Residential	Amount Applicable to Commercial	AAF Actual Adjustment Factor per Mcf Commerial	AAF Monthly Amount Commercial	Amount Applicable to Industrial	AAF Actual Adjustment Factor per Mcf Industrial	AAF Monthly Amount Industrial	Total Amount Recovered or (given back)	AAF (over) or under Recovery	
													Jul-95
													Aug-95
													Sep-95
													Oct-95
													Nov-95
													Dec-95
													Jan-96
													Feb-96
													Mar-96
													Apr-96
													May-96
													Jun-96
													Jul-96
													Aug-96
ANNUAL AAF FILING - Year 1 le Sep 1; Effective Oct 1; based on prev. AAC period)	(405,838)	(216,111)	(0.0830)	(6,599)	(116,569)	(0.0784)	(5,494)	(73,159)	(0.0413)	(1,929)			Sep-96
			(0.0830)	(14,827)		(0.0784)	(7,586)		(0.0413)	(7,873)			Oct-96
			(0.0830)	(28,721)		(0.0784)	(15,036)		(0.0413)	(8,798)			Nov-96
			(0.0830)	(41,269)		(0.0784)	(24,575)		(0.0413)	(10,223)			Dec-96
			(0.0830)	(37,013)		(0.0784)	(21,486)		(0.0413)	(9,284)			Jan-97
			(0.0830)	(25,931)		(0.0784)	(14,088)		(0.0413)	(8,758)			Feb-97
			(0.0830)	(22,924)		(0.0784)	(13,031)		(0.0413)	(7,999)			Mar-97
			(0.0830)	(13,439)		(0.0784)	(7,658)		(0.0413)	(6,403)			Apr-97
			(0.0830)	(6,907)		(0.0784)	(4,419)		(0.0413)	(6,303)			May-97
			(0.0830)	(4,268)		(0.0784)	(3,657)		(0.0413)	(7,413)			Jun-97
			(0.0830)	(2,915)		(0.0784)	(2,820)		(0.0413)	(9,909)			Jul-97
			(0.0830)	(2,706)		(0.0784)	(2,562)		(0.0413)	(6,845)			Aug-97
ANNUAL AAF FILING - Year 2 , Sep 1; Effective Oct 1; based on prev. AAC period)	668,548	344,450	0.1389	8,755	207,448	0.1210	6,625	116,649	0.0545	11,539	(417,645)	11,806	Sep-97
			0.1389	30,270		0.1210	15,233		0.0545	11,030			Oct-97
			0.1389	48,906		0.1210	25,076		0.0545	14,140			Nov-97
			0.1389	64,106		0.1210	33,715		0.0545	12,469			Dec-97
			0.1389	53,799		0.1210	28,074		0.0545	11,412			Jan-98
			0.1389	44,745		0.1210	23,402		0.0545	11,572			Feb-98
			0.1389	40,198		0.1210	21,527		0.0545	10,710			Mar-98
			0.1389	18,840		0.1210	7,198		0.0545	9,136			Apr-98
			0.1389	6,086		0.1210	5,225		0.0545	8,658			May-98
			0.1389	5,888		0.1210	5,531		0.0545	8,231			Jun-98
			0.1389	4,184		0.1210	4,134		0.0545	8,620			Jul-98
			0.1389	4,343		0.1210	4,207		0.0545	8,741			Aug-98
ANNUAL AAF FILING - Year 3 Sep 1; Effective Oct 1; based on prev. AAC period)	(570,402)										634,328	34,222	Sep-98
													Oct-98
													Nov-98
													Dec-98

Application of BALANCING ADJUSTMENT FACTOR (BAF)	BAF BAF Amt. (Over)/under Recovery from prev. AAF period	BAF BAF Balancing Adjustment Factor per Mcf	BAF BAF Monthly Amount	BAF Total Amount Recovered or (given back)	BAF BAF (over) or under Recovery	
						Jul-95
						Aug-95
						Sep-95
						Oct-95
						Nov-95
						Dec-95
						Jan-96
						Feb-96
						Mar-96
						Apr-96
						May-96
						Jun-96
						Jul-96
						Aug-96
						Sep-96
						Oct-96
						Nov-96
						Dec-96
						Jan-97
						Feb-97
						Mar-97
						Apr-97
						May-97
						Jun-97
						Jul-97
						Aug-97
						Sep-97
						Oct-97
						Nov-97
ANNUAL BAF FILING - Year 1 Dec 1; Effective Jan 1; based on prev. AAF period)	11,806	0.0019	1,801			Dec-97
		0.0019	1,640			Jan-98
		0.0019	1,353			Feb-98
		0.0019	1,234			Mar-98
		0.0019	648			Apr-98
		0.0019	457			May-98
		0.0019	444			Jun-98
		0.0019	414			Jul-98
		0.0019	421			Aug-98
		0.0019	592			Sep-98
		0.0019	806			Oct-98
		0.0019	1,429	11,139	667	Nov-98
ANNUAL BAF FILING - Year 2 Dec 1; Effective Jan 1; based on prev. AAF period)	34,222					Dec-98

SEELYE EXHIBIT 2

FOR All Service Areas
P.S.C. NO. 8
Original SHEET NO. 30
CANCELLING P.S.C. NO.
SHEET NO.

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

CLASSIFICATION OF SERVICE
RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

Applicability

Applicable to gas sold under the Company's General Service and Interruptible Rate Schedule and gas transported under the Transportation Of Gas For Others On System Utilization Rate Schedule.

Rate Mechanism

The monthly amount computed under each of the rate schedules to which this Alternative Ratemaking Mechanism is applicable shall include an Alternative Ratemaking Mechanism Adjustment Component (ARMAC) per Mcf of gas deliveries. The ARMAC to be applied to customer billings shall be equal to the sum of the following components:

$$ARMAC = AAC + AAF + BAF$$

The **AAC** is the Annual Adjustment Component per Mcf for each twelve month period during which this experimental alternative ratemaking mechanism is in effect. A discrete AAC charge or credit shall be computed for each applicable rate class billing block. Monthly bills shall be adjusted (increased or decreased) beginning July 1 of each fiscal year in accordance with the procedures described herein with respect to the return on common equity produced by the Company's budget for the fiscal year.

The **AAF** is the Actual Adjustment Factor per Mcf which, upon completion of the previous AAC period, reconciles any departures in the Company's earned return on common equity (ROE) that is outside the Commission's authorized ROE band-width. As with the AAC, a discrete charge or credit shall be computed for each applicable rate class billing block. Monthly bills shall be adjusted (increased or decreased) annually beginning October 1 of each year in accordance with the procedures described herein. The initial AAF would become effective on October 1 during the second year of the experimental mechanism following completion of the first year's AAC which would expire at the end of June.

The **BAF** is the Balance Adjustment Factor per Mcf which compensates for any differences between the amounts targeted and the amounts actually credited or charged upon application of the AAF and BAF. A single BAF charge or credit shall be calculated and shall apply uniformly to all applicable rate class billing blocks. Monthly bills shall be adjusted (increased or decreased) annually beginning January 1 of each year in accordance with the procedures described herein. The initial BAF would become effective on January 1 during the third year of the

DATE OF ISSUE February 5, 1999 DATE EFFECTIVE March 7, 1999
ISSUED BY Glenn R. Jennings TITLE President
Name of Officer
Issued by authority of an Order of the Public Service Commission of KY in
CASE NO. DATED

CLASSIFICATION OF SERVICE
RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

experimental mechanism following completion of the first year's AAF which would expire at the end of the previous September.

Calculation Procedures

Annual Adjustment Component (AAC)
The total amount from which the per Mcf AAC credits or charges are determined shall be calculated by:
1. comparing the budgeted return on common equity to the Commission authorized return on common equity, and
2. multiplying such difference by the 12-month average budgeted common equity; and
3. then adjusting the resulting deficient or excess earnings available for common equity for federal and state income taxes to determine the total amount of surcharge or credit for the twelve month AAC period.

However, in no case shall the total amount which the surcharge or credit is based exceed 5% of actual Company revenues during the most recent twelve month period for which actual results are available prior to the ACC filing.

Therefore, the total AAC amount shall be the lesser of:

$$((AROE - BROE) \times BCE) \div (1\text{-}SFIT) \quad \text{or} \quad AR \times 5\%$$

where:

AROE is the Commission authorized return on common equity, and
BROE is the budgeted return on common equity based on the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period, and
BCE is the is the budgeted common equity applicable to the 12 month AAC period based on the Company's budget as approved by its Board of Directors, and
SFIT is the applicable composite state and federal income tax rate.
AR is the actual revenue during the most recent twelve month period for which actual results are available prior to the filing of the AAC.

The Annual Adjustment Component (AAC) per Mcf applicable to each rate class billing block shall be calculated by multiplying the total AAC amount to be credited or surcharged, as calculated above, by the ratio of budgeted net revenue (exclusive of GCR revenue) in the applicable rate class billing block to the total budgeted net revenue of all applicable billing blocks in order to determine the amount applicable to the specific rate class

CLASSIFICATION OF SERVICE
RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

billing block. The resulting amount applicable to the specific billing block shall then be divided by the budgeted Mcf for such billing block to determine the AAC credit or charge per Mcf, as follows:

$$AAC = (\text{Total AAC Amount} \times (NRRB \div NRT)) \div RBMcf$$

where:

NRRB is the budgeted net revenue (exclusive of Gas Cost Recovery revenue) for the applicable rate class billing block in the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period (customer charge revenues are included in the initial billing of each rate class), and

NRT is the total budgeted net revenue of all rate class billing blocks to which this mechanism applies, and

RBMcf is the is the budgeted Mcf for the applicable rate class billing block.

Actual Adjustment Factor (AAF)

e total amount from which the AAF charges or credits are determined shall be calculated as follows:

1. The earned return on common equity at the end of the previous fiscal year is compared with the upper and lower limits of a return bandwidth which are ±50 basis points from the Commission authorized return on common. The earned return shall include amounts credited or charged under the AAC but shall not include amounts credited or charged under the AAF and the BAF.
2. If the earned return falls within the bandwidth, no Actual Adjustment Factor will be made.
3. If the earned return is higher than the upper limit or less than the lower limit of the bandwidth, such difference in return on common equity shall be multiplied by the actual 12-month average of common equity during the previous fiscal year to determine the amount of net income available for common which is subject to refund or recovery.
4. The net income subject to refund or recovery shall be adjusted for federal and state income taxes to determine the total amount of credit or surcharge for the twelve month AAF period.

Therefore, if the earned return on common is greater than the upper limit of the bandwidth, the amount of credit for the 12-month AAF period shall be determined in accordance with the following formula:

$$((ULROE - EROE) \times ACE) \div (1\text{-}SFIT)$$

However, if the earned return on common is less than the lower limit of the bandwidth, the amount of surcharge for the 12-month AAF period shall be determined in accordance with the following formula:

$$((LLROE - EROE) \times ACE) \div (1\text{-}SFIT)$$

CLASSIFICATION OF SERVICE
RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

where:

ULROE is the upper limit of the bandwidth (50 basis points above the Commission authorized return on common equity), and
LLROE is the lower limit of the bandwidth (50 basis points below the Commission authorized return on common equity), and
EROE is the earned return on common equity achieved in the previous fiscal year, which includes amounts credited or charged under the AAC and excludes amounts credited or charged under the AAF and BAF, and
ACE is the is the actual 12 months average common equity during the previous fiscal year, and
SFIT is the applicable composite state and federal income tax rate.

Performance-Based Cost Controls

The non-gas supply operation and maintenance (O&M) expenses used to compute the earned return on common equity (EROE) shall be subject to the following performance-based cost controls:

(a) If the previous fiscal year's actual non-gas supply O&M expenses per customer are within plus (+) or minus (-) 1.50% of the non-gas supply O&M expenses (on a per customer basis) approved by the Commission for the test year in the Company's most recent adjustment of general rates (Case No. 97-066) after adjusting for changes in the Consumer Price Index for Urban Consumers (CPI-U) (the Indexed O&M Expenses), actual O&M expenses shall be used to compute the EROE.
(b) If the previous fiscal year's actual O&M expenses per customer exceed the Indexed O&M Expenses by more than 1.50%, Company shall be limited to the inclusion of only 50% of the expenses that are in excess of 101.50% of the Indexed O&M Expenses in computing its EROE.
(c) If the previous fiscal year's actual O&M expenses per customer are lower than the Indexed O&M Expenses by more than 1.50%, Company shall be allowed to increase the actual expenses used to compute the EROE by 50% of the amount by which the actual expenses are below 98.50% of the Indexed O&M Expenses.

The average common equity (ACE) for the previous fiscal year used for purposes of computing the Actual Adjustment Factor shall be limited to 60% of the total capitalization.

The Actual Adjustment Factor (AAF) per Mcf applicable to each rate class billing block shall be calculated by multiplying the total AAF amount to be credited or surcharged, as computed above, by the ratio of budgeted net revenue (exclusive of GCR revenue) in the applicable rate class billing block to the total budgeted net revenue of all applicable billing blocks in order to determine the amount applicable to the specific rate class billing block.

CLASSIFICATION OF SERVICE

RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

The resulting amount applicable to the specific billing block shall then be divided by the budgeted Mcf for such billing block to determine the AAF credit or charge per Mcf, as follows:

$$AAF = (\text{Total AAF Amount} \times (NRRB \div NRT)) \div RBMcf$$

where:

NRRB is the budgeted net revenue (exclusive of Gas Cost Recovery revenue) for the applicable rate class billing block in the Company's budget as approved by its Board of Directors and applicable to the 12 month AAC period (customer charge revenues are included in the initial billing of each rate class), and
NRT is the total budgeted net revenue of all rate class billing blocks to which this mechanism applies, and
RBMcf is the is the budgeted Mcf for the applicable rate class billing block.

Balancing Adjustment Factor (BAF)

The BAF amount to be credited or charged shall be the accumulated differences between the amounts actually credited or charged under the AAF and the BAF from previous periods and the amounts used to establish the credits or charges (the targeted amounts) for such periods. The resulting BAF amount to be credited or charged shall be divided by the total budgeted Mcf sales and transportation volumes during the 12-month BAF period to determine the applicable BAF credit or charge per Mcf., as follows:

$$((AAFt - AAFa) + (BAFt - BAFa)) \div TBMcf$$

where:

AAFt is the amount used to establish the credit or charge during the previous AAF period (the targeted amount), and
AAFa is the actual amount credited or charged during the previous AAF period, and
BAFt is the amount used to establish the credit or charge during the second previous BAF period (the targeted amount), and
BAFa is the actual amount credited or charged during the second previous BAF period, and
TBMcf is the is the total budgeted Mcf for all applicable rate classes during the 12-month BAF period.

FOR All Service Areas
P.S.C. NO. 8
Original SHEET NO. 35
CANCELLING P.S.C. NO.
SHEET NO.

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

RATE SCHEDULE

EXPERIMENTAL ALTERNATIVE RATEMAKING MECHANISM

Information Provided by Company

1. Annual Operating Budget, as approved by the Company's Board of Directors, for the fiscal year that coincides with the 12-month period in which the Annual Adjustment Component (AAC) applies. This document shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
2. Monthly budgeted net revenues (exclusive of gas supply costs) and Mcf sales of each rate class billing block for the sales and transportation rate classes to which this mechanism applies. The Company shall also include a monthly forecast of net revenues, by rate class billing block, for an additional three months beyond the budget-year along with a monthly forecast of Mcf sales and transportation, by rate class billing block, for an additional six months beyond the budget-year. This information shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
3. Statement of Budgeted Income setting forth the calculations of expected net income available for common equity as well as the return on common equity for the budget-year along with the supporting documentation. This information and the supporting documents shall be provided with the filing of the Annual Adjustment Component (AAC) on June 1 of each year.
4. Statement showing the actual net revenues and Mcf sales for 12 months of the previous fiscal year. This information shall be provided with the filing of the Actual Adjustment Factor (AAF) on September 1 of each year.
5. Statement of Actual Income setting forth the calculations of actual net income available for common equity as well as the return on common equity for the previous fiscal year along with the supporting documentation. The calculations of net income available for common equity shall not include amounts credited or charged as result of application of the Actual Adjustment Factor (AAF) and/or the Balancing Adjustment Factor (BAF) under this mechanism. These calculations and the supporting documents shall be provided with the filing of the Actual Adjustment Factor (AAF) on September 1 of each year.
6. The Company will provide other information related to the Experimental Alternative Ratemaking Mechanism requested by the Commission.

TE OF ISSUE February 5, 1999 DATE EFFECTIVE March 7, 1999
SSUED BY Glenn R. Jennings TITLE President
Name of Officer
Issued by authority of an Order of the Public Service Commission of KY in
CASE NO. DATED

CASE NUMBER:

99-046
Filing 6.18.99

RECEIVED
JUN 18 1999
PUBLIC SERVICE
COMMISSION

8

8. Please provide complete copies of Delta's monthly financial/operating reports for each month from July 1995 through May 1999 and continue to provide such monthly reports as additional reports become available.

RESPONSE:

See attached.

WITNESS: John Hall

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

MARCH 31, 1999

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
MARCH 31, 1999

ASSETS		1999		1998
GAS UTILITY PLANT, AT COST	$	126,358,802	$	119,645,069
Less Reserve for Depreciation		34,618,480		30,896,870
	$	91,740,322	$	88,748,199
CURRENT ASSETS:				
Cash	$	345,330	$	8,940,640
Receivables		3,549,871		4,255,321
Deferred Gas Cost		(246,796)		(163,693)
Gas in Storage, at Cost		1,953,711		443,663
Materials and Supplies, at Cost		554,170		692,025
Prepayments		315,825		373,649
	$	6,472,110	$	14,541,605
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,609,883		3,421,957
Receivable/Investment in Subsidiaries		1,775,466		1,614,735
Other		1,614,093		1,299,129
	$	7,347,230	$	6,665,733
TOTAL ASSETS	$	105,559,661	$	109,955,537

LIABILITIES		1999		1998
CAPITALIZATION:				
Common Stock	$	2,402,722	$	2,367,461
Paid-in Surplus		28,206,041		27,622,210
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		1,637,848		1,975,420
Total Common Equity	$	30,329,591	$	30,048,071
Long-term Debt		51,729,581		62,614,870
Total Capitalization	$	82,059,172	$	92,662,940
CURRENT LIABILITIES:				
Notes Payable	$	4,910,000	$	0
Current Portion of Long-Term Debt		2,450,000		1,766,700
Accounts Payable		1,850,615		1,089,179
Accrued Taxes		1,066,760		1,374,637
Refunds Due Customers		49,716		149,207
Customer Deposits		610,003		509,098
Accrued Interest		1,575,051		1,330,529
Other		943,710		927,871
	$	13,455,855	$	7,147,222
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,436,725	$	8,393,000
Investment Tax Credit		602,550		673,500
Regulatory Items		789,600		861,300
Advances for Construction		215,760		217,575
	$	10,044,635	$	10,145,375
TOTAL LIABILITIES	$	105,559,661	$	109,955,537

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			2,074,334		2,144,160
DEDUCT					
Common Dividends			2,043,580		2,015,695
BALANCE	MARCH 31, 1999/1998	$	**1,637,848**	$	**1,975,420**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			460,914		418,899
DEDUCT					
BALANCE	MARCH 31, 1999/1998	$	**28,206,041**	$	**27,622,210**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

MARCH 31, 1999

	9 MONTH TO DATE		12 MONTHS ENDED	
	1999	1998	1999	1998
OPERATING REVENUES	$ 26,017,614	$ 30,367,937	$ 33,571,961	$ 38,634,909
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 9,448,338	$ 14,280,330	$ 12,290,360	$ 18,327,033
Operations	6,166,291	6,103,764	8,250,606	8,117,186
Maintenance	389,253	435,856	539,075	617,406
Depreciation	2,815,430	2,493,639	3,677,033	3,240,437
Property & Other Taxes	972,016	904,847	1,268,823	1,193,668
Income Taxes	1,021,675	1,066,900	1,088,075	1,054,900
Total	$ 20,813,002	$ 25,285,335	$ 27,113,973	$ 32,550,630
Operating Income	$ 5,204,612	$ 5,082,601	$ 6,457,988	$ 6,084,278
OTHER INCOME/(EXPENSES),NET	301,846	313,624	481,684	492,007
Gross Income	$ 5,506,458	$ 5,396,225	$ 6,939,672	$ 6,576,285
OTHER DEDUCTIONS:				
Interest on Debt	$ 3,311,254	$ 3,168,366	$ 4,396,503	$ 4,110,435
Amortization	120,870	83,700	161,722	111,600
Other	-	-	-	-
Total	$ 3,432,124	$ 3,252,066	$ 4,558,225	$ 4,222,035
NET INCOME APPLICABLE TO COMMON STOCK	$ 2,074,334	$ 2,144,160	$ 2,381,447	$ 2,354,251
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.87	$ 0.91	$ 1.00	$ 1.00
CUSTOMERS AT END OF PERIOD			39,058	38,278

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

FEBRUARY 28, 1999

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
FEBRUARY 28, 1999

ASSETS		1999		1998
GAS UTILITY PLANT, AT COST	$	125,954,756	$	119,148,757
Less - Reserve for Depreciation		34,254,093		30,567,156
	$	91,700,664	$	88,581,601
CURRENT ASSETS:				
Cash	$	333,358	$	302,358
Receivables		3,497,047		4,964,150
Deferred Gas Cost		321,808		723,590
Gas in Storage, at Cost		2,205,835		807,340
Materials and Supplies, at Cost		471,834		767,228
Prepayments		16,516		135,039
	$	6,846,398	$	7,699,704
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,623,313		2,578,700
Receivable/Investment in Subsidiaries		1,825,332		1,949,683
Other		1,014,972		385,749
	$	6,811,405	$	5,244,045
TOTAL ASSETS	$	**105,358,466**	$	**101,525,350**

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,396,827	$	2,362,724
Paid-in Surplus		28,105,826		27,542,502
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		1,538,474		2,004,233
Total Common Equity	$	30,124,107	$	29,992,439
Long-term Debt		51,763,293		37,826,710
Total Capitalization	$	81,887,400	$	67,819,149
CURRENT LIABILITIES:				
Notes Payable	$	4,740,000	$	17,040,000
Current Portion of Long-Term Debt		2,450,000		1,553,777
Accounts Payable		2,517,954		1,047,327
Accrued Taxes		811,414		1,231,371
Refunds Due Customers		56,786		266,691
Customer Deposits		616,487		515,675
Accrued Interest		1,314,028		1,002,489
Other		917,637		901,371
	$	13,424,306	$	23,558,701
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,436,725	$	8,393,000
Investment Tax Credit		602,550		673,500
Regulatory Items		791,725		863,425
Advances for Construction		215,760		217,575
	$	10,046,760	$	10,147,500
TOTAL LIABILITIES	$	**105,358,466**	$	**101,525,350**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			1,291,860		1,499,510
DEDUCT					
Common Dividends			1,360,481		1,342,232
BALANCE	FEBRUARY 28, 1999/1998	$	**1,538,474**	$	**2,004,233**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			360,699		339,191
DEDUCT					
BALANCE	FEBRUARY 28, 1999/1998	$	**28,105,826**	$	**27,542,502**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

FEBRUARY 28, 1999

	8 MONTH TO DATE		12 MONTHS ENDED	
	1999	1998	1999	1998
OPERATING REVENUES	$ 21,282,025	$ 25,623,841	$ 33,580,467	$ 38,253,021
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 7,445,084	$ 11,937,714	$ 12,629,722	$ 18,405,339
Operations	5,482,852	5,458,170	8,212,761	8,155,437
Maintenance	330,648	372,670	543,656	595,095
Depreciation	2,497,948	2,208,965	3,644,225	3,206,964
Property & Other Taxes	855,282	802,994	1,253,942	1,179,669
Income Taxes	585,700	710,925	1,008,075	905,425
Total	$ 17,197,513	$ 21,491,438	$ 27,292,382	$ 32,447,929
Operating Income	$ 4,084,511	$ 4,132,403	$ 6,288,086	$ 5,805,092
OTHER INCOME/(EXPENSES),NET	265,246	278,704	480,004	483,140
Gross Income	$ 4,349,758	$ 4,411,107	$ 6,768,090	$ 6,288,232
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,950,458	$ 2,837,198	$ 4,366,874	$ 4,089,355
Amortization	107,440	74,400	157,592	111,600
Other	-	-	-	-
Total	$ 3,057,898	$ 2,911,598	$ 4,524,467	$ 4,200,955
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,291,860	$ 1,499,510	$ 2,243,623	$ 2,087,277
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.54	$ 0.64	$ 0.94	$ 0.89
CUSTOMERS AT END OF PERIOD			38,958	38,228

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JANUARY 31, 1999

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

JANUARY 31, 1999

ASSETS		1999		1998
GAS UTILITY PLANT, AT COST	$	125,557,864	$	118,793,972
Less - Reserve for Depreciation		33,887,319		30,375,472
	$	91,670,545	$	88,418,499
CURRENT ASSETS:				
Cash	$	372,131	$	416,548
Receivables		5,235,529		4,968,141
Deferred Gas Cost		329,649		2,107,820
Gas in Storage, at Cost		2,660,260		1,353,136
Materials and Supplies, at Cost		492,551		742,030
Prepayments		61,103		317,158
	$	9,151,224	$	9,904,833
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,636,743		2,588,000
Receivable/Investment in Subsidiaries		1,841,827		1,880,163
Other		1,031,772		394,120
	$	6,858,131	$	5,192,196
TOTAL ASSETS	$	**107,679,899**	$	**103,515,528**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,395,628	$	2,361,922
Paid-in Surplus		28,086,031		27,528,243
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		806,280		1,339,976
Total Common Equity	$	29,370,919	$	29,313,121
Long-term Debt		51,756,048		37,849,644
Total Capitalization	$	81,126,967	$	67,162,765
CURRENT LIABILITIES:				
Notes Payable	$	7,715,000	$	19,830,000
Current Portion of Long-Term Debt		2,450,000		1,553,777
Accounts Payable		2,596,254		1,587,756
Accrued Taxes		285,564		820,203
Refunds Due Customers		62,350		355,730
Customer Deposits		605,483		509,564
Accrued Interest		1,884,103		656,957
Other		905,293		889,150
	$	16,504,047	$	26,203,138
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,436,725	$	8,393,000
Investment Tax Credit		602,550		673,500
Regulatory Items		793,850		865,550
Advances for Construction		215,760		217,575
	$	10,048,885	$	10,149,625
TOTAL LIABILITIES	$	**107,679,899**	$	**103,515,528**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			559,667		835,253
DEDUCT					
Common Dividends			1,360,481		1,342,232
BALANCE	JANUARY 31, 1999/1998	$	**806,280**	$	**1,339,976**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			340,904		324,932
DEDUCT					
BALANCE	JANUARY 31, 1999/1998	$	**28,086,031**	$	**27,528,243**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JANUARY 31, 1999

	7 MONTH TO DATE		12 MONTHS ENDED	
	1999	1998	1999	1998
OPERATING REVENUES	$ 17,186,870	$ 20,187,579	$ 34,921,575	$ 39,080,281
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 5,757,178	$ 9,113,690	$ 13,765,841	$ 18,835,591
Operations	4,744,721	4,625,855	8,306,945	8,427,952
Maintenance	298,245	330,546	553,377	589,859
Depreciation	2,179,369	1,925,902	3,608,709	3,169,201
Property & Other Taxes	729,321	700,406	1,230,568	1,166,150
Income Taxes	172,325	344,550	961,075	991,250
Total	$ 13,881,159	$ 17,040,949	$ 28,426,516	$ 33,180,003
Operating Income	$ 3,305,711	$ 3,146,629	$ 6,495,059	$ 5,900,278
OTHER INCOME/(EXPENSES),NET	240,613	241,909	492,165	468,670
Gross Income	$ 3,546,323	$ 3,388,538	$ 6,987,224	$ 6,368,949
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,892,646	$ 2,488,185	$ 4,658,076	$ 4,042,134
Amortization	94,010	65,100	153,462	111,600
Other	-	-	-	-
Total	$ 2,986,656	$ 2,553,285	$ 4,811,538	$ 4,153,734
NET INCOME APPLICABLE TO COMMON STOCK	$ 559,667	$ 835,253	$ 2,175,686	$ 2,215,215
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.23	$ 0.35	$ 0.91	$ 0.94
CUSTOMERS AT END OF PERIOD			38,767	38,052

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

DECEMBER 31, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
DECEMBER 31, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	125,206,004	$	118,443,727
Less - Reserve for Depreciation		33,478,352		30,084,982
	$	91,727,652	$	88,358,745
CURRENT ASSETS:				
Cash	$	422,379	$	444,404
Receivables		1,781,108		3,360,552
Deferred Gas Cost		1,354,892		3,796,666
Gas in Storage, at Cost		3,364,903		1,855,202
Materials and Supplies, at Cost		451,812		710,358
Prepayments		106,884		388,449
	$	7,481,978	$	10,555,631
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,650,173		2,597,300
Receivable/Investment in Subsidiaries		1,466,060		2,168,055
Other		1,049,138		397,730
	$	6,513,160	$	5,492,998
TOTAL ASSETS	$	**105,722,790**	$	**104,407,374**

LIABILITIES		1998		1997
CAPITALIZATION:				
Common Stock	$	2,394,633	$	2,361,922
Paid-in Surplus		28,068,588		27,528,243
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		(194,389)		282,553
Total Common Equity	$	28,351,812	$	28,255,698
Long-term Debt		51,757,845		37,976,596
Total Capitalization	$	80,109,657	$	66,232,294
CURRENT LIABILITIES:				
Notes Payable	$	9,030,000	$	1,553,777
Current Portion of Long-Term Debt		2,450,000		19,395,000
Accounts Payable		1,749,573		3,660,494
Accrued Taxes		(441,509)		501,518
Refunds Due Customers		72,839		461,147
Customer Deposits		594,863		498,566
Accrued Interest		1,220,198		1,081,096
Other		881,858		871,733
	$	15,557,823	$	28,023,331
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,436,725	$	8,393,000
Investment Tax Credit		602,550		673,500
Regulatory Items		795,975		867,675
Advances for Construction		220,060		217,575
	$	10,055,310	$	10,151,750
TOTAL LIABILITIES	$	**105,722,790**	$	**104,407,374**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			(441,002)		(222,170)
DEDUCT					
Common Dividends			1,360,481		1,342,232
BALANCE	DECEMBER 31, 1998/1997	$	**(194,389)**	$	**282,553**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			323,461		324,932
DEDUCT					
BALANCE	DECEMBER 31, 1998/1997	$	**28,068,588**	$	**27,528,243**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

DECEMBER 31, 1998

	6 MONTH TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 10,622,811	$ 13,687,353	$ 34,857,742	$ 39,185,262
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 2,600,764	$ 5,575,941	$ 14,147,176	$ 19,515,435
Operations	4,046,030	4,048,374	8,185,735	8,137,504
Maintenance	251,132	294,628	542,183	590,629
Depreciation	1,861,901	1,646,789	3,570,354	3,135,388
Property & Other Taxes	617,590	595,396	1,223,848	1,151,828
Income Taxes	(399,250)	(239,725)	973,775	906,475
Total	$ 8,978,167	$ 11,921,403	$ 28,643,070	$ 33,437,259
Operating Income	$ 1,644,644	$ 1,765,951	$ 6,214,672	$ 5,748,003
OTHER INCOME/(EXPENSES),NET	216,704	182,923	527,243	439,652
Gross Income	$ 1,861,349	$ 1,948,874	$ 6,741,915	$ 6,187,655
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,221,771	$ 2,115,244	$ 4,360,142	$ 4,037,818
Amortization	80,580	55,800	149,332	111,600
Other	-	-	-	-
Total	$ 2,302,351	$ 2,171,044	$ 4,509,474	$ 4,149,418
NET INCOME APPLICABLE TO COMMON STOCK	$ (441,002)	$ (222,170)	$ 2,232,441	$ 2,038,237
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.18)	$ (0.09)	$ 0.94	$ 0.87
CUSTOMERS AT END OF PERIOD			38,132	37,789

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

NOVEMBER 30, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
NOVEMBER 30, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	124,690,467	$	117,534,155
Less - Reserve for Depreciation		33,174,231		29,855,743
	$	91,516,236	$	87,678,412
CURRENT ASSETS:				
Cash	$	(146,507)	$	143,061
Receivables		1,854,810		2,684,392
Deferred Gas Cost		468,209		4,194,095
Gas in Storage, at Cost		4,038,662		2,537,966
Materials and Supplies, at Cost		489,157		874,502
Prepayments		142,359		464,395
	$	6,846,691	$	10,898,410
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,663,603		2,606,600
Receivable/Investment in Subsidiaries		1,576,594		1,849,024
Other		1,081,038		406,543
	$	6,669,024	$	5,192,080
TOTAL ASSETS	**$**	**105,031,951**	**$**	**103,768,902**

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,390,490	$	2,355,402
Paid-in Surplus		27,996,500		27,419,531
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		211,370		389,970
Total Common Equity	$	28,681,341	$	28,247,883
Long-term Debt		52,435,683		37,541,971
Total Capitalization	$	81,117,024	$	65,789,854
CURRENT LIABILITIES:				
Notes Payable	$	8,775,000	$	1,987,600
Current Portion of Long-Term Debt		1,790,000		20,160,000
Accounts Payable		1,318,299		3,177,735
Accrued Taxes		(94,435)		221,912
Refunds Due Customers		83,740		501,103
Customer Deposits		567,366		485,200
Accrued Interest		914,645		862,290
Other		858,677		844,032
	$	14,213,292	$	28,239,873
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,023,475	$	7,921,100
Investment Tax Credit		637,300		708,400
Regulatory Items		820,800		892,100
Advances for Construction		220,060		217,575
	$	9,701,635	$	9,739,175
TOTAL LIABILITIES	**$**	**105,031,951**	**$**	**103,768,902**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			(716,534)		(786,591)
DEDUCT					
Common Dividends			679,190		670,394
BALANCE	NOVEMBER 30, 1998/1997	$	**211,370**	$	**389,970**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			251,373		216,220
DEDUCT					
BALANCE	NOVEMBER 30, 1998/1997	$	**27,996,500**	$	**27,419,531**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

NOVEMBER 30, 1998

	5 MONTH TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 7,479,468	$ 8,596,736	$ 36,805,016	$ 38,448,208
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 1,439,774	$ 2,926,843	$ 15,635,284	$ 18,898,893
Operations	3,272,113	3,269,433	8,190,760	8,375,131
Maintenance	215,991	258,242	543,427	585,458
Depreciation	1,546,622	1,368,569	3,533,294	3,068,621
Property & Other Taxes	514,304	522,330	1,193,628	1,159,999
Income Taxes	(534,825)	(570,000)	1,168,475	810,400
Total	$ 6,453,978	$ 7,775,417	$ 30,264,868	$ 32,898,502
Operating Income	$ 1,025,490	$ 821,319	$ 6,540,148	$ 5,549,707
OTHER INCOME/(EXPENSES),NET	175,942	183,933	485,471	342,198
Gross Income	$ 1,201,432	$ 1,005,252	$ 7,025,619	$ 5,891,905
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,850,816	$ 1,745,343	$ 4,359,087	$ 4,006,228
Amortization	67,150	46,500	145,202	111,600
Other	-	-	-	-
Total	$ 1,917,966	$ 1,791,843	$ 4,504,290	$ 4,117,828
NET INCOME APPLICABLE TO COMMON STOCK	$ (716,534)	$ (786,591)	$ 2,521,329	$ 1,774,077
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.30)	$ (0.33)	$ 1.06	$ 0.76
CUSTOMERS AT END OF PERIOD			37,181	37,009

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

OCTOBER 31, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
OCTOBER 31, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	124,184,216	$	116,751,554
Less - Reserve for Depreciation		33,035,522		29,672,175
	$	91,148,694	$	87,079,379
CURRENT ASSETS:				
Cash	$	26,240	$	11,105
Receivables		1,309,773		1,400,100
Deferred Gas Cost		(24,791)		3,212,626
Gas in Storage, at Cost		4,383,052		2,819,392
Materials and Supplies, at Cost		507,107		668,850
Prepayments		199,493		531,673
	$	6,400,874	$	8,643,746
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,677,033		2,615,900
Receivable/Investment in Subsidiaries		2,070,049		1,942,309
Other		1,076,938		402,583
	$	7,171,809	$	5,290,705
TOTAL ASSETS	**$**	**104,721,378**	**$**	**101,013,831**

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,389,835	$	2,355,402
Paid-in Surplus		27,985,313		27,419,531
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		78,500		186,282
Total Common Equity	$	28,536,628	$	28,044,195
Long-term Debt		52,428,563		37,940,956
Total Capitalization	$	80,965,192	$	65,985,151
CURRENT LIABILITIES:				
Notes Payable	$	9,290,000	$	18,570,000
Current Portion of Long-Term Debt		1,790,000		1,987,600
Accounts Payable		1,077,597		2,456,523
Accrued Taxes		(164,791)		(39,230)
Refunds Due Customers		86,523		550,276
Customer Deposits		521,204		443,688
Accrued Interest		617,891		501,625
Other		834,002		819,330
	$	14,052,426	$	25,289,812
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,023,475	$	7,921,100
Investment Tax Credit		637,300		708,400
Regulatory Items		822,925		892,100
Advances for Construction		220,060		217,267
	$	9,703,760	$	9,738,867
TOTAL LIABILITIES	**$**	**104,721,378**	**$**	**101,013,831**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			(849,404)		(990,278)
DEDUCT					
Common Dividends			679,190		670,395
BALANCE	OCTOBER 31, 1998/1997	$	**78,500**	$	**186,282**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			240,186		216,220
DEDUCT					
BALANCE	OCTOBER 31, 1998/1997	$	**27,985,313**	$	**27,419,531**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

OCTOBER 31, 1998

	4 MONTH TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 5,130,700	$ 5,316,094	$ 37,736,890	$ 37,781,780
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 739,994	$ 1,355,240	$ 16,507,107	$ 18,620,231
Operations	2,628,706	2,610,498	8,206,287	8,259,089
Maintenance	189,863	227,338	548,203	581,012
Depreciation	1,232,794	1,090,620	3,497,416	3,029,872
Property & Other Taxes	411,223	427,331	1,185,547	1,147,712
Income Taxes	(598,900)	(668,700)	1,203,100	763,400
Total	$ 4,603,680	$ 5,042,327	$ 31,147,660	$ 32,401,316
Operating Income	$ 527,020	$ 273,767	$ 6,589,230	$ 5,380,464
OTHER INCOME/(EXPENSES),NET	155,787	148,251	500,997	270,559
Gross Income	$ 682,806	$ 422,018	$ 7,090,227	$ 5,651,023
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,478,490	$ 1,375,097	$ 4,357,008	$ 3,916,917
Amortization	53,720	37,200	141,072	111,600
Other	-	-	-	-
Total	$ 1,532,210	$ 1,412,297	$ 4,498,080	$ 4,028,517
NET INCOME APPLICABLE TO COMMON STOCK	$ (849,404)	$ (990,279)	$ 2,592,147	$ 1,622,506
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.36)	$ (0.42)	$ 1.09	$ 0.69
CUSTOMERS AT END OF PERIOD			35,867	35,677

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

SEPTEMBER 30, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
SEPTEMBER 30, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	123,363,185	$	115,612,290
-Less - Reserve for Depreciation		32,706,147		29,531,405
	$	90,657,038	$	86,080,885
CURRENT ASSETS:				
Cash	$	194,422	$	169,731
Receivables		1,095,628		920,321
Deferred Gas Cost		(1,894)		2,631,094
Gas in Storage, at Cost		4,106,886		2,368,774
Materials and Supplies, at Cost		547,122		688,607
Prepayments		246,809		591,012
	$	6,188,972	$	7,369,541
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,690,463		2,625,200
Receivable/Investment in Subsidiaries		1,534,914		1,970,571
Other		1,108,838		395,749
	$	6,682,004	$	5,321,432
TOTAL ASSETS	$	**103,528,014**	$	**98,771,858**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,387,989	$	2,353,781
Paid-in Surplus		27,955,666		27,392,660
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		234,127		362,579
Total Common Equity	$	28,660,763	$	28,192,000
Long-term Debt		52,507,485		38,117,638
Total Capitalization	$	81,168,247	$	66,309,638
CURRENT LIABILITIES:				
Notes Payable	$	7,050,000	$	15,485,000
Current Portion of Long-Term Debt		1,790,000		1,987,600
Accounts Payable		873,526		2,134,833
Accrued Taxes		(93,666)		25,397
Refunds Due Customers		89,604		566,142
Customer Deposits		449,093		392,158
Accrued Interest		1,591,563		1,241,222
Other		903,762		891,827
	$	12,653,882	$	22,724,179
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,023,475	$	7,921,100
Investment Tax Credit		637,300		708,400
Regulatory Items		825,050		892,100
Advances for Construction		220,060		216,441
	$	9,705,885	$	9,738,041
TOTAL LIABILITIES	$	**103,528,014**	$	**98,771,858**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			(693,777)		(813,982)
DEDUCT					
Common Dividends			679,190		670,394
BALANCE	SEPTEMBER 30, 1998/1997	$	**234,127**	$	**362,579**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			210,539		189,349
DEDUCT					
BALANCE	SEPTEMBER 30, 1998/1997	$	**27,955,666**	$	**27,392,660**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

SEPTEMBER 30, 1998

	3 MONTH TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 3,593,003	$ 3,763,586	$ 37,751,701	$ 37,889,928
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 420,232	$ 884,985	$ 16,657,600	$ 18,848,387
Operations	1,960,051	1,982,082	8,166,048	8,264,636
Maintenance	149,647	180,455	554,871	583,760
Depreciation	921,631	816,690	3,460,183	2,995,142
Property & Other Taxes	307,326	330,454	1,178,526	1,133,413
Income Taxes	(486,675)	(536,000)	1,182,625	775,600
Total	$ 3,272,212	$ 3,658,665	$ 31,199,853	$ 32,600,938
Operating Income	$ 320,790	$ 104,921	$ 6,551,848	$ 5,288,990
OTHER INCOME/(EXPENSES),NET	123,898	98,697	518,663	271,932
Gross Income	$ 444,689	$ 203,618	$ 7,070,511	$ 5,560,922
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,098,175	$ 989,700	$ 4,362,090	$ 3,804,743
Amortization	40,290	27,900	136,942	111,600
Other	-	-	-	-
Total	$ 1,138,465	$ 1,017,600	$ 4,499,032	$ 3,916,343
NET INCOME APPLICABLE TO COMMON STOCK	$ (693,777)	$ (813,982)	$ 2,571,478	$ 1,644,580
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.29)	$ (0.35)	$ 1.09	$ 0.70
CUSTOMERS AT END OF PERIOD			35,637	35,061

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

AUGUST 31, 1998

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DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
AUGUST 31, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	122,692,776	$	114,438,311
Less - Reserve for Depreciation		32,374,233		29,266,849
	$	90,318,543	$	85,171,462
CURRENT ASSETS:				
Cash	$	(407,436)	$	170,479
Receivables		1,496,291		1,831,935
Deferred Gas Cost		(10,603)		2,349,688
Gas in Storage, at Cost		3,452,293		1,923,345
Materials and Supplies, at Cost		500,848		714,653
Prepayments		292,657		671,102
	$	5,324,052	$	7,661,202
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	347,789	$	329,913
Unamortized Expenses		3,703,893		2,634,500
Receivable/Investment in Subsidiaries		914,662		2,179,900
Other		1,140,738		386,931
	$	6,107,082	$	5,531,244
TOTAL ASSETS	$	**101,749,676**	$	**98,363,908**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,383,118	$	2,355,582
Paid-in Surplus		27,877,730		27,311,420
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		1,183,627		1,431,136
Total Common Equity	$	29,527,455	$	29,181,118
Long-term Debt		52,566,447		38,114,349
Total Capitalization	$	82,093,902	$	67,295,467
CURRENT LIABILITIES:				
Notes Payable	$	4,140,000	$	13,880,000
Current Portion of Long-Term Debt		1,790,000		1,987,600
Accounts Payable		730,032		2,577,532
Accrued Taxes		558,242		158,404
Refunds Due Customers		102,153		571,994
Customer Deposits		436,689		370,557
Accrued Interest		1,275,804		909,854
Other		914,244		874,458
	$	9,947,164	$	21,330,399
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,023,475	$	7,921,100
Investment Tax Credit		637,300		708,400
Regulatory Items		827,175		892,100
Advances for Construction		220,660		216,441
	$	9,708,610	$	9,738,041
TOTAL LIABILITIES	$	**101,749,676**	$	**98,363,908**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			(423,468)		(414,919)
DEDUCT					
Common Dividends			(0)		900
BALANCE	AUGUST 31, 1998/1997	$	**1,183,627**	$	**1,431,136**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			132,603		108,109
DEDUCT					
BALANCE	AUGUST 31, 1998/1997	$	**27,877,730**	$	**27,311,420**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

AUGUST 31, 1998

	2 MONTH TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 2,416,068	$ 2,663,425	$ 37,674,927	$ 37,815,789
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 259,703	$ 680,574	$ 16,701,481	$ 19,016,746
Operations	1,291,152	1,254,628	8,224,604	8,015,950
Maintenance	102,088	118,748	569,018	561,260
Depreciation	613,004	544,879	3,423,367	2,962,531
Property & Other Taxes	203,129	196,661	1,208,122	1,081,839
Income Taxes	(291,650)	(294,500)	1,136,150	848,900
Total	$ 2,177,425	$ 2,500,989	$ 31,262,742	$ 32,487,226
Operating Income	$ 238,643	$ 162,436	$ 6,412,185	$ 5,328,563
OTHER INCOME/(EXPENSES),NET	65,854	86,614	472,702	330,566
Gross Income	$ 304,497	$ 249,050	$ 6,884,887	$ 5,659,129
OTHER DEDUCTIONS:				
Interest on Debt	$ 701,104	$ 645,369	$ 4,309,350	$ 3,719,439
Amortization	26,860	18,600	132,812	111,600
Other	-	-	-	-
Total	$ 727,964	$ 663,969	$ 4,442,162	$ 3,831,039
NET INCOME APPLICABLE TO COMMON STOCK	$ (423,468)	$ (414,919)	$ 2,442,724	$ 1,828,090
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.18)	$ (0.18)	$ 1.03	$ 0.78
CUSTOMERS AT END OF PERIOD			35,635	35,210

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JULY 31, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JULY 31, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	121,985,249	$	112,685,750
Less - Reserve for Depreciation		32,073,437		28,951,535
	$	89,911,813	$	83,734,215
CURRENT ASSETS:				
Cash	$	78,771	$	15,095
Receivables		1,870,592		1,566,003
Deferred Gas Cost		(571,327)		2,365,080
Gas in Storage, at Cost		2,775,248		1,478,022
Materials and Supplies, at Cost		519,219		823,084
Prepayments		267,298		726,513
	$	4,939,801	$	6,973,798
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	339,215	$	321,339
Unamortized Expenses		3,717,323		2,643,800
Receivable/Investment in Subsidiaries		1,150,049		2,249,408
Other		1,172,638		377,680
	$	6,379,225	$	5,592,227
TOTAL ASSETS	$	**101,230,839**	$	**96,300,240**

LIABILITIES		1998		1997
CAPITALIZATION:				
Common Stock	$	2,382,084	$	2,348,710
Paid-in Surplus		27,861,160		27,311,032
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		1,379,294		1,558,063
Total Common Equity	$	29,705,518	$	29,300,786
Long-term Debt		52,579,450		38,111,090
Total Capitalization	$	82,284,969	$	67,411,876
CURRENT LIABILITIES:				
Notes Payable	$	3,305,000	$	11,670,000
Current Portion of Long-Term Debt		1,790,000		1,987,600
Accounts Payable		1,059,585		1,705,622
Accrued Taxes		713,018		734,447
Refunds Due Customers		104,038		576,812
Customer Deposits		429,917		360,102
Accrued Interest		929,201		1,220,420
Other		907,036		895,320
	$	9,237,795	$	19,150,323
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,023,475	$	7,921,100
Investment Tax Credit		637,300		708,400
Regulatory Items		829,300		892,100
Advances for Construction		218,000		216,441
	$	9,708,075	$	9,738,041
TOTAL LIABILITIES	$	**101,230,839**	$	**96,300,240**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1998/1997	$	**1,607,094**	$	**1,846,955**
ADD					
Net income applicable to common stock			(227,800)		(287,992)
DEDUCT					
Common Dividends			(0)		900
BALANCE	JULY 31, 1998/1997	$	**1,379,294**	$	**1,558,063**

PAID-IN SURPLUS

BALANCE	JULY 1,1998/1997	$	**27,745,127**	$	**27,203,311**
ADD					
Excess of sales price over par value of common stock			116,033		107,721
DEDUCT					
BALANCE	JULY 31, 1998/1997	$	**27,861,160**	$	**27,311,032**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JULY 31, 1998

	1 MONTH TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 1,254,840	$ 1,405,285	$ 37,771,839	$ 37,567,223
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 156,554	$ 425,868	$ 16,853,039	$ 19,099,761
Operations	675,049	681,591	8,181,537	7,998,492
Maintenance	59,938	68,352	577,265	554,648
Depreciation	307,316	272,939	3,389,619	2,929,791
Property & Other Taxes	103,617	101,787	1,203,484	1,068,795
Income Taxes	(151,625)	(177,000)	1,158,675	772,300
Total	$ 1,150,849	$ 1,373,537	$ 31,363,618	$ 32,423,788
Operating Income	$ 103,991	$ 31,748	$ 6,408,220	$ 5,143,436
OTHER INCOME/(EXPENSES),NET	26,849	13,500	506,811	310,010
Gross Income	$ 130,840	$ 45,247	$ 6,915,031	$ 5,453,445
OTHER DEDUCTIONS:				
Interest on Debt	$ 345,210	$ 323,939	$ 4,274,886	$ 3,656,260
Amortization	13,430	9,300	128,682	117,266
Other	-	-	-	-
Total	$ 358,640	$ 333,239	$ 4,403,568	$ 3,773,526
NET INCOME APPLICABLE TO COMMON STOCK	$ (227,800)	$ (287,992)	$ 2,511,463	$ 1,679,920
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.10)	$ (0.12)	$ 1.06	$ 0.72
CUSTOMERS AT END OF PERIOD			36,058	35,637

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JUNE 30, 1998
AS AUDITED

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JUNE 30, 1998

		1998		1997
ASSETS				
GAS UTILITY PLANT, AT COST	$	121,392,693	$	111,504,985
Less - Reserve for Depreciation		31,737,068		28,615,546
	$	89,655,626	$	82,889,439
CURRENT ASSETS:				
Cash	$	118,536	$	372,707
Receivables		2,124,501		1,883,398
Deferred Gas Cost		(1,148,019)		2,180,606
Gas in Storage, at Cost		2,050,004		1,209,171
Materials and Supplies, at Cost		520,362		773,108
Prepayments		241,731		716,076
	$	3,907,115	$	7,135,066
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	339,215	$	321,339
Unamortized Expenses		3,730,753		2,653,100
Receivable/Investment in Subsidiaries		1,359,397		2,205,736
Other		1,204,538		376,228
	$	6,633,903	$	5,556,403
TOTAL ASSETS	$	100,196,643	$	95,580,908
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,375,093	$	2,342,223
Paid-in Surplus		27,745,127		27,203,311
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		1,607,094		1,846,955
Total Common Equity	$	29,810,294	$	29,475,469
Long-term Debt		52,612,494		38,107,860
Total Capitalization	$	82,422,788	$	67,583,329
CURRENT LIABILITIES:				
Notes Payable	$	1,875,000	$	10,865,000
Current Portion of Long-Term Debt		1,790,000		1,987,600
Accounts Payable		828,236		1,499,394
Accrued Taxes		816,205		1,469,381
Refunds Due Customers		117,123		577,874
Customer Deposits		438,134		368,561
Accrued Interest		1,215,265		1,033,220
Other		983,971		978,532
	$	8,063,935	$	18,779,562
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,023,475	$	7,341,600
Investment Tax Credit		637,300		743,900
Regulatory Items		831,425		915,200
Advances for Construction		217,720		217,316
	$	9,709,920	$	9,218,016
TOTAL LIABILITIES	$	100,196,643	$	95,580,908

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			2,451,272		1,724,265
DEDUCT					
Common Dividends			2,690,233		2,650,173
BALANCE	JUNE 30, 1998/1997	$	**1,607,094**	$	**1,846,955**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,311**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			541,816		6,631,179
DEDUCT					
BALANCE	JUNE 30, 1998/1997	$	**27,745,127**	$	**27,203,311**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JUNE 30, 1998

	12 MONTHS TO DATE		12 MONTHS ENDED	
	1998	**1997**	**1998**	**1997**
OPERATING REVENUES	$ 37,922,284	$ 37,265,439	$ 37,922,284	$ 37,265,439
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 17,122,353	$ 18,976,326	$ 17,122,353	$ 18,976,326
Operations	8,188,080	7,965,992	8,188,080	7,965,992
Maintenance	585,678	544,242	585,678	544,242
Depreciation	3,355,242	2,896,052	3,355,242	2,896,052
Property & Other Taxes	1,201,654	1,049,082	1,201,654	1,049,082
Income Taxes	1,133,300	771,800	1,133,300	771,800
Total	$ 31,586,307	$ 32,203,494	$ 31,586,307	$ 32,203,494
Operating Income	$ 6,335,977	$ 5,061,944	$ 6,335,977	$ 5,061,944
OTHER INCOME/(EXPENSES),NET	493,462	357,812	493,462	357,812
Gross Income	$ 6,829,439	$ 5,419,756	$ 6,829,439	$ 5,419,756
OTHER DEDUCTIONS:				
Interest on Debt	$ 4,253,615	$ 3,580,125	$ 4,253,615	$ 3,580,125
Amortization	124,552	115,366	124,552	115,366
Other	-	-	-	-
Total	$ 4,378,167	$ 3,695,491	$ 4,378,167	$ 3,695,491
NET INCOME APPLICABLE TO COMMON STOCK	$ 2,451,272	$ 1,724,265	$ 2,451,272	$ 1,724,265
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.04	$ 0.75	$ 1.04	$ 0.75
CUSTOMERS AT END OF PERIOD			36,419	36,215

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

MAY 31, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
MAY 31, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	120,858,044	$	111,088,072
Less - Reserve for Depreciation		31,480,580		28,580,694
	$	89,377,464	$	82,507,378
CURRENT ASSETS:				
Cash	$	1,013,745	$	(78,899)
Receivables		2,975,142		2,678,437
Deferred Gas Cost		(1,456,258)		2,345,389
Gas in Storage, at Cost		1,387,288		279,386
Materials and Supplies, at Cost		636,589		849,591
Prepayments		285,688		275,497
	$	4,842,194	$	6,349,401
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		3,743,849		2,662,400
Receivable/Investment in Subsidiaries		1,207,179		449,591
Other		1,236,295		801,979
	$	6,517,237	$	4,226,884
TOTAL ASSETS	$	100,736,896	$	93,083,662
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,369,955	$	2,336,482
Paid-in Surplus		27,660,992		27,111,960
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		2,596,266		2,701,303
Total Common Equity	$	30,710,194	$	30,232,724
Long-term Debt		52,614,086		38,150,959
Total Capitalization	$	83,324,280	$	68,383,683
CURRENT LIABILITIES:				
Notes Payable	$	0	$	7,120,000
Current Portion of Long-Term Debt		1,786,700		1,986,300
Accounts Payable		1,512,105		2,227,123
Accrued Taxes		1,576,175		1,090,078
Refunds Due Customers		86,404		567,765
Customer Deposits		457,618		379,686
Accrued Interest		889,846		732,586
Other		963,442		918,225
	$	7,272,290	$	15,021,763
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,393,000	$	7,801,800
Investment Tax Credit		673,500		743,900
Regulatory Items		857,050		915,200
Advances for Construction		216,775		217,316
	$	10,140,325	$	9,678,216
TOTAL LIABILITIES	$	100,736,895	$	93,083,662

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			2,765,006		1,913,614
DEDUCT					
Common Dividends			2,014,795		1,985,174
BALANCE	MAY 31, 1998/1997	$	**2,596,266**	$	**2,701,303**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,311**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			457,681		6,539,828
DEDUCT					
BALANCE	MAY 31, 1998/1997	$	**27,660,992**	$	**27,111,960**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

MAY 31, 1998

	11 MONTHS TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 36,665,139	$ 35,579,112	$ 38,351,467	$ 36,752,521
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 16,971,179	$ 18,336,664	$ 17,610,842	$ 18,736,722
Operations	7,272,663	7,257,370	7,981,285	8,438,527
Maintenance	524,393	475,367	593,268	518,616
Depreciation	3,064,783	2,691,053	3,269,781	2,955,414
Property & Other Taxes	1,104,617	946,176	1,207,523	1,054,170
Income Taxes	1,361,850	930,100	1,203,550	504,800
Total	$ 30,299,485	$ 30,636,730	$ 31,866,249	$ 32,208,249
Operating Income	$ 6,365,654	$ 4,942,381	$ 6,485,217	$ 4,544,272
OTHER INCOME/(EXPENSES),NET	424,896	329,688	453,020	330,886
Gross Income	$ 6,790,551	$ 5,272,069	$ 6,938,237	$ 4,875,159
OTHER DEDUCTIONS:				
Interest on Debt	$ 3,914,422	$ 3,252,390	$ 4,242,158	$ 3,495,061
Amortization	111,122	106,066	120,422	177,189
Other	-	-	-	-
Total	$ 4,025,544	$ 3,358,455	$ 4,362,580	$ 3,672,250
NET INCOME APPLICABLE TO COMMON STOCK	$ 2,765,006	$ 1,913,614	$ 2,575,657	$ 1,202,909
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.17	$ 0.84	$ 1.09	$ 0.53
CUSTOMERS AT END OF PERIOD			37,307	36,360

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

APRIL 30, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
APRIL 30, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	120,297,536	$	109,650,098
Less - Reserve for Depreciation		31,168,128		28,292,250
	$	89,129,407	$	81,357,847
CURRENT ASSETS:				
Cash	$	209,180	$	68,940
Receivables		4,778,586		3,786,494
Deferred Gas Cost		(1,191,498)		2,870,953
Gas in Storage, at Cost		325,925		282,740
Materials and Supplies, at Cost		667,850		708,548
Prepayments		330,005		332,881
	$	5,120,047	$	8,050,555
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		3,743,350		2,671,700
Receivable/Investment in Subsidiaries		1,296,121		(108,440)
Other		1,268,195		742,025
	$	6,637,579	$	3,618,198
TOTAL ASSETS	$	**100,887,034**	$	**93,026,601**

LIABILITIES		1998		1997
CAPITALIZATION:				
Common Stock	$	2,368,055	$	2,335,750
Paid-in Surplus		27,630,612		27,100,518
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		2,563,171		2,673,866
Total Common Equity	$	30,644,818	$	30,193,115
Long-term Debt		52,615,969		38,209,788
Total Capitalization	$	83,260,787	$	68,402,903
CURRENT LIABILITIES:				
Notes Payable	$	0	$	8,585,000
Current Portion of Long-Term Debt		1,766,700		1,986,300
Accounts Payable		1,970,947		1,269,989
Accrued Taxes		1,641,225		919,898
Refunds Due Customers		115,073		461,621
Customer Deposits		488,575		390,913
Accrued Interest		564,511		437,403
Other		936,765		893,784
	$	7,483,797	$	14,944,907
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,393,000	$	7,801,800
Investment Tax Credit		673,500		743,900
Regulatory Items		859,175		915,200
Advances for Construction		216,775		217,891
	$	10,142,450	$	9,678,791
TOTAL LIABILITIES	$	**100,887,034**	$	**93,026,601**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			2,731,910		1,886,178
DEDUCT					
Common Dividends			2,014,795		1,985,175
BALANCE	APRIL 30, 1998/1997	$	**2,563,171**	$	**2,673,866**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,311**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			427,301		6,528,386
DEDUCT					
BALANCE	APRIL 30, 1998/1997	$	**27,630,612**	$	**27,100,518**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

APRIL 30, 1998

	10 MONTHS TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 34,701,108	$ 33,044,487	$ 38,922,060	$ 36,116,327
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 16,415,067	$ 17,148,387	$ 18,243,007	$ 19,103,226
Operations	6,642,500	6,574,746	8,033,746	7,658,460
Maintenance	477,363	427,753	593,852	505,937
Depreciation	2,778,074	2,420,153	3,253,972	2,885,015
Property & Other Taxes	1,005,513	853,939	1,200,656	1,047,800
Income Taxes	1,364,375	954,400	1,181,775	482,100
Total	$ 28,682,891	$ 28,379,378	$ 32,507,009	$ 31,682,538
Operating Income	$ 6,018,217	$ 4,665,108	$ 6,415,051	$ 4,433,789
OTHER INCOME/(EXPENSES),NET	391,208	260,832	488,188	333,673
Gross Income	$ 6,409,426	$ 4,925,940	$ 6,903,240	$ 4,767,463
OTHER DEDUCTIONS:				
Interest on Debt	$ 3,580,203	$ 2,942,997	$ 4,217,332	$ 3,425,184
Amortization	97,312	96,766	115,912	175,289
Other	-	-	-	-
Total	$ 3,677,515	$ 3,039,763	$ 4,333,244	$ 3,600,473
NET INCOME APPLICABLE TO COMMON STOCK	$ 2,731,910	$ 1,886,178	$ 2,569,996	$ 1,166,990
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.16	$ 0.83	$ 1.09	$ 0.52
CUSTOMERS AT END OF PERIOD			38,092	36,513

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

MARCH 31, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
MARCH 31, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	119,645,069	$	108,118,424
Less - Reserve for Depreciation		30,896,870		27,951,383
	$	88,748,199	$	80,167,041
CURRENT ASSETS:				
Cash	$	8,940,640	$	996,517
Receivables		4,255,321		3,227,047
Deferred Gas Cost		(163,693)		4,120,929
Gas in Storage, at Cost		443,663		326,088
Materials and Supplies, at Cost		692,025		813,760
Prepayments		373,649		385,377
	$	14,541,605	$	9,866,719
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		3,421,957		2,681,000
Receivable/Investment in Subsidiaries		1,614,735		29,110
Other		1,299,129		762,875
	$	6,665,733	$	3,785,898
TOTAL ASSETS	**$**	**109,955,537**	**$**	**93,819,658**

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,367,461	$	2,334,531
Paid-in Surplus		27,622,210		27,081,014
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		1,975,420		2,301,863
Total Common Equity	$	30,048,071	$	29,800,388
Long-term Debt		62,614,870		38,206,645
Total Capitalization	$	92,662,940	$	68,007,032
CURRENT LIABILITIES:				
Notes Payable	$	0	$	9,010,000
Current Portion of Long-Term Debt		1,766,700		1,986,300
Accounts Payable		1,089,179		1,558,145
Accrued Taxes		1,374,637		775,518
Purchased Gas Refund Payable to Customers		149,207		474,102
Customer Deposits		509,098		401,247
Accrued Interest		1,330,529		1,047,839
Other		927,871		880,682
	$	7,147,222	$	16,133,834
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,393,000	$	7,801,800
Investment Tax Credit		673,500		743,900
Regulatory Items		861,300		915,200
Advances for Construction		217,575		217,891
	$	10,145,375	$	9,678,791
TOTAL LIABILITIES	**$**	**109,955,537**	**$**	**93,819,658**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			2,144,159		1,514,174
DEDUCT					
Common Dividends			2,014,795		1,985,174
BALANCE	MARCH 31, 1998/1997	$	**1,975,420**	$	**2,301,863**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,311**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			418,899		6,508,882
DEDUCT					
BALANCE	MARCH 31, 1998/1997	$	**27,622,210**	$	**27,081,014**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

MARCH 31, 1998

	9 MONTHS TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 30,367,937	$ 28,998,467	$ 38,634,909	$ 36,061,679
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 14,280,330	$ 14,929,624	$ 18,327,033	$ 17,943,967
Operations	6,103,764	5,952,569	8,117,186	8,289,718
Maintenance	435,856	362,692	617,406	478,050
Depreciation	2,493,639	2,149,253	3,240,437	2,814,614
Property & Other Taxes	904,847	760,261	1,193,668	1,039,389
Income Taxes	1,066,900	783,800	1,054,900	722,200
Total	$ 25,285,335	$ 24,938,200	$ 32,550,630	$ 31,287,939
Operating Income	$ 5,082,601	$ 4,060,267	$ 6,084,278	$ 4,773,740
OTHER INCOME/(EXPENSES),NET	313,624	179,429	492,007	319,606
Gross Income	$ 5,396,225	$ 4,239,696	$ 6,576,285	$ 5,093,346
OTHER DEDUCTIONS:				
Interest on Debt	$ 3,168,366	$ 2,638,056	$ 4,110,435	$ 3,358,306
Amortization	83,700	87,466	111,600	173,389
Other	-	-	-	-
Total	$ 3,252,066	$ 2,725,522	$ 4,222,035	$ 3,531,694
NET INCOME APPLICABLE TO COMMON STOCK	$ 2,144,159	$ 1,514,174	$ 2,354,251	$ 1,561,652
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.91	$ 0.66	$ 1.00	$ 0.71
CUSTOMERS AT END OF PERIOD			38,278	37,179

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

FEBRUARY 28, 1998

REVISED 4/22/98

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
FEBRUARY 28, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	119,148,757	$	107,238,840
Less - Reserve for Depreciation		30,567,156		27,748,158
	$	88,581,601	$	79,490,682
CURRENT ASSETS:				
Cash	$	302,358	$	250,256
Receivables		4,964,150		4,421,587
Deferred Gas Cost		723,590		5,315,118
Gas in Storage, at Cost		807,340		342,189
Materials and Supplies, at Cost		767,228		613,542
Prepayments		135,039		31,376
	$	7,699,704	$	10,974,068
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		2,578,700		2,690,300
Receivable/Investment in Subsidiaries		1,949,683		18,270
Other		385,749		273,858
	$	5,244,045	$	3,295,341
TOTAL ASSETS	$	101,525,350	$	93,760,090

LIABILITIES		1998		1997
CAPITALIZATION:				
Common Stock	$	2,362,724	$	2,327,944
Paid-in Surplus		27,542,502		26,971,495
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		2,004,233		2,588,048
Total Common Equity	$	29,992,439	$	29,970,467
Long-term Debt		37,826,710		38,233,279
Total Capitalization	$	67,819,149	$	68,203,746
CURRENT LIABILITIES:				
Notes Payable	$	17,040,000	$	7,180,000
Current Portion of Long-Term Debt		1,553,777		1,986,300
Accounts Payable		1,047,327		4,399,344
Accrued Taxes		1,231,371		625,540
Purchased Gas Refund Payable to Customers		266,691		30,708
Customer Deposits		515,675		409,852
Accrued Interest		1,002,489		862,888
Other		901,371		379,261
	$	23,558,701	$	15,873,893
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,393,000	$	7,801,800
Investment Tax Credit		673,500		743,900
Regulatory Items		863,425		915,200
Advances for Construction		217,575		221,551
	$	10,147,500	$	9,682,451
TOTAL LIABILITIES	$	101,525,350	$	93,760,090

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			1,499,510		1,136,498
DEDUCT					
Common Dividends			1,341,332		1,321,313
BALANCE	FEBRUARY 28, 1998/1997	$	**2,004,233**	$	**2,588,048**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,311**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			339,191		6,399,363
DEDUCT					
BALANCE	FEBRUARY 28, 1998/1997	$	**27,542,502**	$	**26,971,495**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

FEBRUARY 28, 1998

	8 MONTHS TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 25,623,841	$ 24,636,259	$ 38,253,021	$ 35,684,234
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 11,937,714	$ 12,508,702	$ 18,405,339	$ 17,917,537
Operations	5,458,170	5,268,725	8,155,437	7,713,968
Maintenance	372,670	321,817	595,095	474,453
Depreciation	2,208,965	1,898,053	3,206,964	2,763,914
Property & Other Taxes	802,994	672,407	1,179,669	1,040,891
Income Taxes	710,925	577,300	905,425	856,000
Total	$ 21,491,438	$ 21,247,005	$ 32,447,929	$ 30,766,764
Operating Income	$ 4,132,403	$ 3,389,255	$ 5,805,092	$ 4,917,469
OTHER INCOME/(EXPENSES),NET	278,704	153,376	483,140	372,485
Gross Income	$ 4,411,107	$ 3,542,632	$ 6,288,232	$ 5,289,954
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,837,198	$ 2,327,968	$ 4,089,355	$ 3,276,130
Amortization	74,400	78,166	111,600	171,489
Other	-	-	-	-
Total	$ 2,911,598	$ 2,406,134	$ 4,200,955	$ 3,447,618
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,499,510	$ 1,136,498	$ 2,087,277	$ 1,842,336
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.64	$ 0.50	$ 0.89	$ 0.85
CUSTOMERS AT END OF PERIOD			38,228	37,278

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JANUARY 31, 1998

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JANUARY 31, 1998

ASSETS		1998		1997
GAS UTILITY PLANT, AT COST	$	118,793,972	$	106,801,997
Less - Reserve for Depreciation		30,375,472		27,462,216
	$	88,418,499	$	79,339,781
CURRENT ASSETS:				
Cash	$	416,548	$	297,800
Receivables		4,968,141		4,091,394
Deferred Gas Cost		2,107,820		6,646,654
Gas in Storage, at Cost		1,353,136		363,266
Materials and Supplies, at Cost		742,030		633,720
Prepayments		317,158		86,753
	$	9,904,833	$	12,119,587
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		2,588,000		2,699,600
Receivable/Investment in Subsidiaries		1,880,163		(47,827)
Other		394,120		275,858
	$	5,192,196	$	3,240,544
TOTAL ASSETS	$	103,515,528	$	94,699,913

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,361,922	$	2,327,944
Paid-in Surplus		27,528,243		26,971,495
Capital Stock Expense		(1,917,020)		(1,917,020)
Retained Earnings		1,339,976		1,795,854
Total Common Equity	$	29,313,121	$	29,178,273
Long-term Debt		37,849,644		38,240,193
Total Capitalization	$	67,162,765	$	67,418,466
CURRENT LIABILITIES:				
Notes Payable	$	19,830,000	$	8,980,000
Current Portion of Long-Term Debt		1,553,777		1,986,300
Accounts Payable		1,587,756		4,428,434
Accrued Taxes		820,203		328,262
Purchased Gas Refund Payable to Customers		355,730		51,159
Customer Deposits		509,564		398,454
Accrued Interest		656,957		576,105
Other		889,150		850,283
	$	26,203,138	$	17,598,996
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,393,000	$	7,801,800
Investment Tax Credit		673,500		743,900
Regulatory Items		865,550		915,200
Advances for Construction		217,575		221,551
	$	10,149,625	$	9,682,451
TOTAL LIABILITIES	$	103,515,528	$	94,699,913

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			835,254		344,304
DEDUCT					
Common Dividends			1,341,333		1,321,313
BALANCE	JANUARY 31, 1998/1997	$	**1,339,976**	$	**1,795,854**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,311**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			324,932		6,399,363
DEDUCT					
BALANCE	JANUARY 31, 1998/1997	$	**27,528,243**	$	**26,971,495**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JANUARY 31, 1998

	7 MONTHS TO DATE		12 MONTHS ENDED	
	1998	1997	1998	1997
OPERATING REVENUES	$ 20,187,579	$ 18,372,736	$ 39,080,281	$ 34,262,585
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 9,113,690	$ 9,254,425	$ 18,835,591	$ 16,401,829
Operations	4,625,855	4,163,895	8,427,952	7,797,631
Maintenance	330,546	284,929	589,859	471,619
Depreciation	1,925,902	1,652,753	3,169,201	2,719,114
Property & Other Taxes	700,407	583,339	1,166,150	1,041,361
Income Taxes	344,550	125,100	991,250	907,300
Total	$ 17,040,949	$ 16,064,442	$ 33,180,003	$ 29,338,855
Operating Income	$ 3,146,629	$ 2,308,295	$ 5,900,278	$ 4,923,730
OTHER INCOME/(EXPENSES),NET	241,909	131,051	468,670	435,389
Gross Income	$ 3,388,538	$ 2,439,346	$ 6,368,949	$ 5,359,118
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,488,185	$ 2,026,176	$ 4,042,134	$ 3,196,721
Amortization	65,100	68,866	111,600	169,589
Other	-	-	-	-
Total	$ 2,553,285	$ 2,095,042	$ 4,153,734	$ 3,366,310
NET INCOME APPLICABLE TO COMMON STOCK	$ 835,254	$ 344,304	$ 2,215,215	$ 1,992,808
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.35	$ 0.15	$ 0.94	$ 0.94
CUSTOMERS AT END OF PERIOD			38,052	37,193

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

DECEMBER 31, 1997

Revised 2/10/98

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
DECEMBER 31, 1997

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	118,443,727	$	106,130,771
Less - Reserve for Depreciation		30,084,982		27,162,569
	$	88,358,745	$	78,968,202
CURRENT ASSETS:				
Cash	$	444,404	$	18,201
Receivables		3,360,552		2,216,020
Deferred Gas Cost		3,796,666		5,851,153
Gas in Storage, at Cost		1,855,202		411,625
Materials and Supplies, at Cost		710,358		640,722
Prepayments		388,449		174,857
	$	10,555,631	$	9,312,578
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		2,597,300		2,708,900
Receivable/Investment in Subsidiaries		2,168,055		(550,553)
Other		397,730		277,858
	$	5,492,998	$	2,749,118
TOTAL ASSETS	$	**104,407,374**	$	**91,029,899**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,361,922	$	2,325,333
Paid-in Surplus		27,528,243		26,924,497
Capital Stock Expense		(1,917,020)		(1,916,493)
Retained Earnings		282,553		915,407
Total Common Equity	$	28,255,698	$	28,248,744
Long-term Debt		37,976,596		38,257,155
Total Capitalization	$	66,232,294	$	66,505,899
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,553,777	$	1,986,300
Notes Payable		19,395,000		7,790,000
Accounts Payable		3,660,494		3,126,735
Customers' Deposit		498,566		381,341
Purchased Gas Refund Payable to Customers		461,147		82,060
Accrued Taxes		501,518		(241,223)
Accrued Interest		1,081,096		890,233
Other		871,733		825,228
	$	28,023,331	$	14,840,674
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	8,393,000	$	7,801,800
Investment Tax Credit		673,500		743,900
Regulatory Items		867,675		915,200
Advances for Construction		217,575		222,426
	$	10,151,750	$	9,683,326
TOTAL LIABILITIES	$	**104,407,374**	$	**91,029,899**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			(222,170)		(536,143)
DEDUCT					
Common Dividends			1,341,332		1,321,313
BALANCE	DECEMBER 31, 1997/1996	$	**282,553**	$	**915,407**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,311**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			324,932		6,352,365
DEDUCT					
BALANCE	DECEMBER 31, 1997/1996	$	**27,528,243**	$	**26,924,497**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

DECEMBER 31, 1997

	6 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 13,687,353	$ 11,767,530	$ 39,185,262	$ 33,052,029
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 5,575,941	$ 5,036,832	$ 19,515,435	$ 14,959,447
Operations	4,048,374	3,876,862	8,137,504	7,793,578
Maintenance	294,628	248,241	590,629	477,274
Depreciation	1,646,789	1,407,453	3,135,388	2,674,314
Property & Other Taxes	595,396	492,650	1,151,828	1,049,257
Income Taxes	(239,725)	(374,400)	906,475	1,058,200
Total	$ 11,921,402	$ 10,687,640	$ 33,437,259	$ 28,012,070
Operating Income	$ 1,765,951	$ 1,079,890	$ 5,748,003	$ 5,039,959
OTHER INCOME/(EXPENSES),NET	182,923	101,083	439,652	422,403
Gross Income	$ 1,948,874	$ 1,180,974	$ 6,187,655	$ 5,462,362
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,115,244	$ 1,657,551	$ 4,037,818	$ 3,057,895
Amortization	55,800	59,566	111,600	167,689
Other	-	-	-	-
Total	$ 2,171,044	$ 1,717,117	$ 4,149,418	$ 3,225,584
NET INCOME APPLICABLE TO COMMON STOCK	$ (222,170)	$ (536,143)	$ 2,038,237	$ 2,236,778
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.09)	$ (0.24)	$ 0.87	$ 1.07
CUSTOMERS AT END OF PERIOD			37,789	36,541

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

NOVEMBER 30, 1997

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
NOVEMBER 30, 1997

		1997		1996
ASSETS				
GAS UTILITY PLANT, AT COST	$	117,534,155	$	105,218,555
Less - Reserve for Depreciation		29,855,743		27,170,097
	$	87,678,412	$	78,048,458
CURRENT ASSETS:				
Cash	$	143,061	$	37,839
Receivables		2,684,392		1,530,144
Deferred Gas Cost		4,194,095		4,588,729
Gas in Storage, at Cost		2,537,966		442,638
Materials and Supplies, at Cost		874,502		652,196
Prepayments		464,395		166,373
	$	10,898,410	$	7,417,919
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		2,606,600		2,718,200
Receivable/Investment in Subsidiaries		1,849,024		(197,021)
Other		406,543		279,858
	$	5,192,080	$	3,113,950
TOTAL ASSETS	**$**	**103,768,902**	**$**	**88,580,327**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,355,402	$	2,321,142
Paid-in Surplus		27,419,531		26,851,154
Capital Stock Expense		(1,917,020)		(1,916,493)
Retained Earnings		389,970		1,276,672
Total Common Equity	$	28,247,883	$	28,532,475
Long-term Debt		37,541,971		39,265,688
Total Capitalization	$	65,789,854	$	67,798,164
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,987,600	$	1,084,800
Notes Payable		20,160,000		6,560,000
Accounts Payable		3,177,735		2,412,789
Customers' Deposit		485,200		405,389
Purchased Gas Refund Payable to Customers		501,103		101,391
Accrued Taxes		221,912		(422,056)
Accrued Interest		862,290		656,595
Other		844,032		724,630
	$	28,239,873	$	11,523,538
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,921,100	$	7,318,500
Investment Tax Credit		708,400		779,400
Regulatory Items		892,100		938,300
Advances for Construction		217,575		222,426
	$	9,739,175	$	9,258,626
TOTAL LIABILITIES	**$**	**103,768,902**	**$**	**88,580,327**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			(786,591)		(836,405)
DEDUCT					
Common Dividends			669,494		659,786
BALANCE	NOVEMBER 30, 1997/1996	$	**389,970**	$	**1,276,672**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,331**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			216,200		6,279,022
DEDUCT					
BALANCE	NOVEMBER 30, 1997/1996	$	**27,419,531**	$	**26,851,154**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

NOVEMBER 30, 1997

	5 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 8,596,736	$ 7,413,966	$ 38,448,208	$ 32,152,374
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 2,926,843	$ 3,004,277	$ 18,898,893	$ 14,000,222
Operations	3,269,433	2,860,294	8,375,131	7,719,176
Maintenance	258,242	217,026	585,458	479,427
Depreciation	1,368,569	1,196,000	3,068,621	2,676,853
Property & Other Taxes	522,330	411,413	1,159,999	1,045,259
Income Taxes	(570,000)	(608,600)	810,400	1,148,500
Total	$ 7,775,417	$ 7,080,411	$ 32,898,502	$ 27,069,437
Operating Income	$ 821,319	$ 333,555	$ 5,549,707	$ 5,082,937
OTHER INCOME/(EXPENSES),NET	183,933	199,547	342,198	573,478
Gross Income	$ 1,005,252	$ 533,101	$ 5,891,905	$ 5,656,415
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,745,343	$ 1,319,240	$ 4,006,228	$ 2,948,976
Amortization	46,500	50,266	111,600	165,789
Other	-	-	-	-
Total	$ 1,791,843	$ 1,369,506	$ 4,117,828	$ 3,114,765
NET INCOME APPLICABLE TO COMMON STOCK	$ (786,591)	$ (836,405)	$ 1,774,077	$ 2,541,649
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.33)	$ (0.37)	$ 0.76	$ 1.24
CUSTOMERS AT END OF PERIOD			37,009	35,657

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

OCTOBER 31, 1997

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

OCTOBER 31, 1997

ASSETS	1997	1996
GAS UTILITY PLANT, AT COST	$ 116,751,554	$ 103,614,529
Less - Reserve for Depreciation	29,672,175	26,804,772
	$ 87,079,379	$ 76,809,757
CURRENT ASSETS:		
Cash	$ 11,105	$ (11,056)
Receivables	1,400,100	917,319
Deferred Gas Cost	3,212,626	3,653,970
Gas in Storage, at Cost	2,819,392	463,787
Materials and Supplies, at Cost	668,850	697,534
Prepayments	531,673	204,674
	$ 8,643,746	$ 5,926,228
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 329,913	$ 312,913
Unamortized Expenses	2,615,900	2,727,500
Receivable/Investment in Subsidiaries	1,942,309	127,562
Other	402,583	281,858
	$ 5,290,705	$ 3,449,833
TOTAL ASSETS	**$ 101,013,831**	**$ 86,185,818**
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 2,355,402	$ 2,320,448
Paid-in Surplus	27,419,531	26,839,061
Capital Stock Expense	(1,917,020)	(1,916,493)
Retained Earnings	186,282	1,224,557
Total Common Equity	$ 28,044,195	$ 28,467,573
Long-term Debt	37,940,956	39,262,686
Total Capitalization	$ 65,985,151	$ 67,730,259
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,987,600	$ 1,084,800
Notes Payable	18,570,000	5,495,000
Accounts Payable	2,456,523	1,511,326
Customers' Deposit	443,688	365,431
Purchased Gas Refund Payable to Customers	550,276	111,782
Accrued Taxes	(39,230)	(445,990)
Accrued Interest	501,625	392,094
Other	819,330	682,490
	$ 25,289,812	$ 9,196,933
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 7,921,100	$ 7,318,500
Investment Tax Credit	708,400	779,400
Regulatory Items	892,100	938,300
Advances for Construction	217,267	222,426
	$ 9,738,867	$ 9,258,626
TOTAL LIABILITIES	**$ 101,013,831**	**$ 86,185,818**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			(990,279)		(888,520)
DEDUCT					
Common Dividends			669,494		659,786
BALANCE	OCTOBER 31, 1997/1996	$	**186,282**	$	**1,224,557**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,331**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			216,200		6,266,929
DEDUCT					
BALANCE	OCTOBER 31, 1997/1996	$	**27,419,531**	$	**26,839,061**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

OCTOBER 31, 1997

	4 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 5,316,094	$ 4,799,753	$ 37,781,780	$ 31,718,956
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 1,355,240	$ 1,711,336	$ 18,620,231	$ 13,525,999
Operations	2,610,498	2,317,401	8,259,089	7,790,077
Maintenance	227,338	190,568	581,012	493,392
Depreciation	1,090,620	956,800	3,029,872	2,635,853
Property & Other Taxes	427,331	328,701	1,147,712	1,041,908
Income Taxes	(668,700)	(660,300)	763,400	1,169,500
Total	$ 5,042,327	$ 4,844,505	$ 32,401,316	$ 26,656,729
Operating Income	$ 273,767	$ (44,752)	$ 5,380,464	$ 5,062,227
OTHER INCOME/(EXPENSES),NET	148,251	235,504	270,559	648,204
Gross Income	$ 422,018	$ 190,751	$ 5,651,023	$ 5,710,431
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,375,097	$ 1,038,305	$ 3,916,917	$ 2,894,397
Amortization	37,200	40,966	111,600	163,889
Other	-	-	-	-
Total	$ 1,412,297	$ 1,079,271	$ 4,028,517	$ 3,058,286
NET INCOME APPLICABLE TO COMMON STOCK	$ (990,279)	$ (888,520)	$ 1,622,506	$ 2,652,144
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.42)	$ (0.40)	$ 0.69	$ 1.31
CUSTOMERS AT END OF PERIOD			35,677	34,350

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

SEPTEMBER 30, 1997

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
SEPTEMBER 30, 1997

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	115,612,290	$	101,812,183
Less - Reserve for Depreciation		29,531,405		26,522,961
	$	86,080,885	$	75,289,222
CURRENT ASSETS:				
Cash	$	169,731	$	260,072
Receivables		920,321		393,820
Deferred Gas Cost		2,631,094		3,540,863
Gas in Storage, at Cost		2,368,774		479,216
Materials and Supplies, at Cost		688,607		587,990
Prepayments		591,012		241,636
	$	7,369,541	$	5,503,597
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		2,625,200		2,736,800
Receivable/Investment in Subsidiaries		1,970,571		363,732
Other		395,749		283,858
	$	5,321,432	$	3,697,303
TOTAL ASSETS	**$**	**98,771,858**	**$**	**84,490,122**

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,353,781	$	2,319,359
Paid-in Surplus		27,392,660		26,820,303
Capital Stock Expense		(1,917,020)		(1,916,493)
Retained Earnings		362,579		1,378,781
Total Common Equity	$	28,192,000	$	28,601,951
Long-term Debt		38,117,638		39,497,690
Total Capitalization	$	66,309,638	$	68,099,641
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,987,600	$	1,084,800
Notes Payable		15,485,000		3,355,000
Accounts Payable		2,134,833		1,418,082
Customers' Deposit		392,158		302,043
Purchased Gas Refund Payable to Customers		566,142		116,090
Accrued Taxes		25,397		(516,379)
Accrued Interest		1,241,222		647,917
Other		891,827		726,990
	$	22,724,179	$	7,134,543
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,921,100	$	7,318,500
Investment Tax Credit		708,400		779,400
Regulatory Items		892,100		938,300
Advances for Construction		216,441		219,738
	$	9,738,041	$	9,255,938
TOTAL LIABILITIES	**$**	**98,771,858**	**$**	**84,490,122**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			(813,982)		(734,296)
DEDUCT					
Common Dividends			669,494		659,786
BALANCE	SEPTEMBER 30, 1997/1996	$	**362,579**	$	**1,378,781**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,331**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			189,329		6,248,171
DEDUCT					
BALANCE	SEPTEMBER 30, 1997/1996	$	**27,392,660**	$	**26,820,303**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

SEPTEMBER 30, 1997

	3 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 3,763,586	$ 3,139,097	$ 37,889,928	$ 31,527,472
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 884,985	$ 1,012,924	$ 18,848,387	$ 13,389,144
Operations	1,982,082	1,683,438	8,264,636	7,809,585
Maintenance	180,455	140,937	583,760	501,219
Depreciation	816,690	717,600	2,995,142	2,594,853
Property & Other Taxes	330,454	246,123	1,133,413	1,038,976
Income Taxes	(536,000)	(539,800)	775,600	1,176,400
Total	$ 3,658,665	$ 3,261,222	$ 32,600,938	$ 26,510,177
Operating Income	$ 104,921	$ (122,125)	$ 5,288,990	$ 5,017,295
OTHER INCOME/(EXPENSES),NET	98,697	184,577	271,932	672,132
Gross Income	$ 203,618	$ 62,452	$ 5,560,922	$ 5,689,427
OTHER DEDUCTIONS:				
Interest on Debt	$ 989,700	$ 765,082	$ 3,804,743	$ 2,839,722
Amortization	27,900	31,666	111,600	161,989
Other	-	-	-	-
Total	$ 1,017,600	$ 796,748	$ 3,916,343	$ 3,001,711
NET INCOME APPLICABLE TO COMMON STOCK	$ (813,982)	$ (734,296)	$ 1,644,580	$ 2,687,716
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.35)	$ (0.33)	$ 0.70	$ 1.35
CUSTOMERS AT END OF PERIOD			35,061	33,675

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

AUGUST 31, 1997

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

AUGUST 31, 1997

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	114,438,311	$	100,738,533
Less - Reserve for Depreciation		29,266,849		26,591,524
	$	85,171,462	$	74,147,009
CURRENT ASSETS:				
Cash	$	170,479	$	(339,135)
Receivables		1,831,935		848,487
Deferred Gas Cost		2,349,688		3,219,038
Gas in Storage, at Cost		1,923,345		479,216
Materials and Supplies, at Cost		714,653		576,204
Prepayments		671,102		303,964
	$	7,661,202	$	5,087,774
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	329,913	$	312,913
Unamortized Expenses		2,634,500		2,746,100
Receivable/Investment in Subsidiaries		2,179,900		321,083
Other		386,931		285,858
	$	5,531,244	$	3,665,954
TOTAL ASSETS	$	98,363,908	$	82,900,737

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,355,582	$	2,315,035
Paid-in Surplus		27,311,420		26,745,931
Capital Stock Expense		(1,917,020)		(1,916,392)
Retained Earnings		1,431,136		2,254,119
Total Common Equity	$	29,181,118	$	29,398,693
Long-term Debt		38,114,349		39,494,700
Total Capitalization	$	67,295,467	$	68,893,393
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,987,600	$	1,084,800
Notes Payable		13,880,000		560,000
Accounts Payable		2,577,532		1,689,753
Customers' Deposit		370,557		301,352
Purchased Gas Refund Payable to Customers		571,994		8,419
Accrued Taxes		158,404		(495,290)
Accrued Interest		909,854		868,488
Other		874,458		734,430
	$	21,330,399	$	4,751,952
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,921,100	$	7,318,500
Investment Tax Credit		708,400		779,400
Regulatory Items		892,100		938,300
Advances for Construction		216,441		219,192
	$	9,738,041	$	9,255,392
TOTAL LIABILITIES	$	98,363,908	$	82,900,737

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			(414,919)		(518,744)
DEDUCT					
Common Dividends			(0)		0
BALANCE	AUGUST 31, 1997/1996	$	**1,431,136**	$	**2,254,119**

PAID-IN SURPLUS

BALANCE	JULY 1,1997/1996	$	**27,203,331**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			108,089		6,173,799
DEDUCT					
BALANCE	AUGUST 31, 1997/1996	$	**27,311,420**	$	**26,745,931**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

AUGUST 31, 1997

	2 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 2,663,425	$ 2,113,075	$ 37,815,789	$ 31,432,618
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 680,574	$ 640,154	$ 19,016,746	$ 13,304,401
Operations	1,254,628	1,204,670	8,015,950	7,931,879
Maintenance	118,748	101,730	561,260	520,568
Depreciation	544,879	478,400	2,962,531	2,553,853
Property & Other Taxes	196,661	163,904	1,081,839	1,037,390
Income Taxes	(294,500)	(371,600)	848,900	1,157,700
Total	$ 2,500,989	$ 2,217,258	$ 32,487,226	$ 26,505,789
Operating Income	$ 162,436	$ (104,183)	$ 5,328,563	$ 4,926,829
OTHER INCOME/(EXPENSES),NET	86,614	113,860	330,566	650,521
Gross Income	$ 249,050	$ 9,677	$ 5,659,130	$ 5,577,350
OTHER DEDUCTIONS:				
Interest on Debt	$ 645,369	$ 506,055	$ 3,719,439	$ 2,783,225
Amortization	18,600	22,366	111,600	160,089
Other	-	-	-	-
Total	$ 663,969	$ 528,421	$ 3,831,039	$ 2,943,314
NET INCOME APPLICABLE TO COMMON STOCK	$ (414,919)	$ (518,744)	$ 1,828,090	$ 2,634,036
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.18)	$ (0.24)	$ 0.78	$ 1.35
CUSTOMERS AT END OF PERIOD			35,210	33,650

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JULY 31, 1997

Revised 9/29/97

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

JULY 31, 1997

Revised 9/29/97

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	112,685,750	$	98,864,861
Less - Reserve for Depreciation		28,951,535		26,312,181
	$	83,734,215	$	72,552,681
CURRENT ASSETS:				
Cash	$	15,095	$	993,358
Receivables		1,566,003		1,546,625
Deferred Gas Cost		2,365,080		2,964,860
Gas in Storage, at Cost		1,478,022		484,628
Materials and Supplies, at Cost		823,084		739,529
Prepayments		726,513		364,067
	$	6,973,798	$	7,093,068
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	321,339	$	304,339
Unamortized Expenses		2,643,800		2,731,831
Receivable/Investment in Subsidiaries		2,249,408		384,473
Other		377,680		287,858
	$	5,592,227	$	3,708,501
TOTAL ASSETS	$	96,300,240	$	83,354,250

LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,348,710	$	2,312,577
Paid-in Surplus		27,311,032		26,705,651
Capital Stock Expense		(1,917,020)		(1,916,392)
Retained Earnings		1,558,063		2,529,216
Total Common Equity	$	29,300,786	$	29,631,053
Long-term Debt		38,111,090		39,483,637
Total Capitalization	$	67,411,876	$	69,114,690
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,987,600	$	1,084,800
Notes Payable		11,670,000		0
Accounts Payable		1,705,622		2,646,683
Customers' Deposit		360,102		297,261
Purchased Gas Refund Payable to Customers		576,812		10,502
Accrued Taxes		734,447		(353,017)
Accrued Interest		1,220,420		632,015
Other		895,320		665,924
	$	19,150,323	$	4,984,168
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,921,100	$	7,318,500
Investment Tax Credit		708,400		779,400
Regulatory Items		892,100		938,300
Advances for Construction		216,441		219,192
	$	9,738,041	$	9,255,392
TOTAL LIABILITIES	$	96,300,240	$	83,354,250

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

Revised 9/29/97

JULY 31, 1997

	1 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 1,405,285	$ 1,103,500	$ 37,567,223	$ 31,326,976
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 425,868	$ 302,433	$ 19,099,761	$ 13,246,827
Operations	681,591	649,091	7,998,492	8,037,051
Maintenance	68,352	57,946	554,648	530,018
Depreciation	272,939	239,200	2,929,791	2,512,853
Property & Other Taxes	101,787	82,074	1,068,795	1,035,158
Income Taxes	(177,000)	(177,500)	772,300	1,137,300
Total	$ 1,373,537	$ 1,153,244	$ 32,423,788	$ 26,499,206
Operating Income	$ 31,748	$ (49,744)	$ 5,143,436	$ 4,827,770
OTHER INCOME/(EXPENSES),NET	13,500	61,302	310,010	635,379
Gross Income	$ 45,247	$ 11,558	$ 5,453,445	$ 5,463,149
OTHER DEDUCTIONS:				
Interest on Debt	$ 323,939	$ 247,804	$ 3,656,260	$ 2,729,269
Amortization	9,300	7,400	117,266	152,523
Other	-	-	-	-
Total	$ 333,239	$ 255,204	$ 3,773,526	$ 2,881,792
NET INCOME APPLICABLE TO COMMON STOCK	$ (287,992)	$ (243,647)	$ 1,679,920	$ 2,581,357
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.12)	$ (0.12)	$ 0.72	$ 1.34
CUSTOMERS AT END OF PERIOD			35,637	33,864

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

Revised 9/29/97

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**1,846,055**	$	**2,772,863**
ADD					
Net income applicable to common stock			(287,992)		(243,647)
DEDUCT					
Common Dividends			0		0
BALANCE	JULY 31, 199~~8~~7/199~~7~~6	$	**1,558,063**	$	**2,529,216**

PAID-IN SURPLUS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1997/1996	$	**27,203,331**	$	**20,572,132**
ADD					
Excess of sales price over par value of common stock			107,701		6,133,519
DEDUCT					
BALANCE	JULY 31, 199~~8~~7/199~~7~~6	$	**27,311,032**	$	**26,705,651**

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JUNE 30, 1997

AFTER AUDIT
CORRECTED 9/29/97

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JUNE 30, 1997

Revision 9/29/97

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	111,504,985	$	96,699,676
Less - Reserve for Depreciation		28,615,546		26,036,928
	$	82,889,439	$	70,662,748
CURRENT ASSETS:				
Cash	$	372,707	$	151,633
Receivables		1,883,398		1,860,797
Deferred Gas Cost		2,180,606		2,676,357
Gas in Storage, at Cost		1,209,171		427,164
Materials and Supplies, at Cost		773,108		652,138
Prepayments		716,076		369,544
	$	7,135,066	$	6,137,632
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	321,339	$	304,339
Unamortized Expenses		2,653,100		2,103,300
Receivable/Investment in Subsidiaries		2,205,736		620,272
Other		376,228		289,858
	$	5,556,403	$	3,317,769
TOTAL ASSETS	**$**	**95,580,908**	**$**	**80,118,150**

LIABILITIES		1997		1996
CAPITALIZATION:				
Common Stock	$	2,342,223	$	1,903,580
Paid-in Surplus		27,203,311		20,572,132
Capital Stock Expense		(1,917,020)		(1,620,253)
Retained Earnings		1,846,055		2,772,863
Total Common Equity	$	29,474,569	$	23,628,322
Long-term Debt		38,107,860		24,488,916
Total Capitalization	$	67,582,430	$	48,117,238
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,987,600	$	1,084,800
Notes Payable		10,865,000		18,075,000
Accounts Payable		1,499,394		2,146,540
Customers' Deposit		368,561		304,246
Purchased Gas Refund Payable to Customers		577,874		23,354
Accrued Taxes		949,381		(219,034)
Accrued Interest		1,033,220		637,596
Other		978,532		694,418
	$	18,259,563	$	22,746,920
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,921,100	$	7,318,500
Investment Tax Credit		708,400		779,400
Regulatory Items		892,100		938,300
Advances for Construction		217,316		217,792
	$	9,738,916	$	9,253,992
TOTAL LIABILITIES	**$**	**95,580,908**	**$**	**80,118,150**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			1,724,265		2,661,349
DEDUCT					
Common Dividends			2,651,073		2,113,414
BALANCE	JUNE 30, 1997/1996	$	**1,846,055**	$	**2,772,863**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,631,179		549,489
DEDUCT					
BALANCE	JUNE 30, 1997/1996	$	**27,203,311**	$	**20,572,132**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JUNE 30, 1997

	12 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 37,265,439	$ 31,235,268	$ 37,265,439	$ 31,235,268
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 18,976,326	$ 13,220,921	$ 18,976,327	$ 13,220,921
Operations	7,965,992	7,941,439	7,965,992	7,941,439
Maintenance	544,242	525,635	544,242	525,635
Depreciation	2,896,052	2,471,853	2,896,052	2,471,853
Property & Other Taxes	1,049,082	1,024,416	1,049,082	1,024,416
Income Taxes	771,800	1,187,700	771,800	1,187,700
Total	$ 32,203,495	$ 26,371,963	$ 32,203,495	$ 26,371,963
Operating Income	$ 5,061,944	$ 4,863,305	$ 5,061,944	$ 4,863,305
OTHER INCOME/(EXPENSES),NET	357,812	626,853	357,812	626,853
Gross Income	$ 5,419,756	$ 5,490,158	$ 5,419,756	$ 5,490,158
OTHER DEDUCTIONS:				
Interest on Debt	$ 3,580,125	$ 2,676,286	$ 3,580,125	$ 2,676,286
Amortization	115,366	152,523	115,366	152,523
Other	-	-	-	-
Total	$ 3,695,491	$ 2,828,809	$ 3,695,491	$ 2,828,809
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,724,265	$ 2,661,349	$ 1,724,265	$ 2,661,349
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.75	$ 1.41	$ 0.75	$ 1.41
CUSTOMERS AT END OF PERIOD			36,215	34,368

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

MAY 31, 1997

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
MAY 31, 1997

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	111,088,072	$	95,578,925
Less - Reserve for Depreciation		28,580,694		25,860,892
	$	82,507,378	$	69,718,033
CURRENT ASSETS:				
Cash	$	(79,525)	$	(39,865)
Receivables		2,679,063		2,349,728
Deferred Gas Cost		2,345,389		2,590,438
Gas in Storage, at Cost		279,386		394,536
Materials and Supplies, at Cost		849,591		574,546
Prepayments		700,295		418,780
	$	6,774,199	$	6,288,163
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	295,137
Unamortized Expenses		2,662,400		2,086,200
Receivable/Investment in Subsidiaries		449,591		752,190
Other		377,182		291,857
	$	3,802,086	$	3,425,384
TOTAL ASSETS	$	93,083,662	$	79,431,581
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,336,482	$	1,898,360
Paid-in Surplus		27,111,960		20,492,270
Capital Stock Expense		(1,917,020)		(1,604,792)
Retained Earnings		2,701,303		4,015,109
Total Common Equity	$	30,232,724	$	24,800,947
Long-term Debt		38,150,959		24,891,194
Total Capitalization	$	68,383,683	$	49,692,141
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,986,300	$	1,063,200
Notes Payable		7,120,000		15,970,000
Accounts Payable		2,227,123		1,689,399
Customers' Deposit		379,686		341,527
Purchased Gas Refund Payable to Customers		567,765		38,428
Accrued Taxes		1,090,078		1,754,639
Accrued Interest		732,586		398,771
Other		918,225		608,884
	$	15,021,763	$	21,864,848
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,801,800	$	5,952,100
Investment Tax Credit		743,900		814,900
Regulatory Items		915,200		889,800
Advances for Construction		217,316		217,792
	$	9,678,216	$	7,874,592
TOTAL LIABILITIES	$	93,083,662	$	79,431,581

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			1,822,179		3,372,055
DEDUCT					
Common Dividends			1,893,739		1,581,874
BALANCE	MAY 31, 1997/1996	$	**2,701,303**	$	**4,015,109**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,539,828		469,627
DEDUCT					
BALANCE	MAY 31, 1997/1996	$	**27,111,960**	$	**20,492,270**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

MAY 31, 1997

	11 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 35,579,112	$ 30,061,859	$ 36,752,521	$ 31,092,936
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 19,128,968	$ 12,770,770	$ 19,579,120	$ 13,065,992
Operations	6,465,066	6,810,294	7,596,210	7,489,359
Maintenance	475,367	482,466	518,536	547,497
Depreciation	2,691,053	2,207,492	2,955,414	2,387,152
Property & Other Taxes	946,176	916,422	1,054,169	986,240
Income Taxes	930,100	1,613,000	504,800	1,394,800
Total	$ 30,636,730	$ 24,800,445	$ 32,208,249	$ 25,871,040
Operating Income	$ 4,942,381	$ 5,261,414	$ 4,544,272	$ 5,221,896
OTHER INCOME/(EXPENSES),NET	329,688	625,656	330,886	658,389
Gross Income	$ 5,272,069	$ 5,887,070	$ 4,875,158	$ 5,880,285
OTHER DEDUCTIONS:				
Interest on Debt	$ 3,252,390	$ 2,433,615	$ 3,495,061	$ 2,628,993
Amortization	106,066	81,400	177,189	88,800
Other	-	-	-	-
Total	$ 3,358,455	$ 2,515,015	$ 3,672,250	$ 2,717,793
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,913,614	$ 3,372,055	$ 1,202,908	$ 3,162,491
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.84	$ 1.79	$ 0.53	$ 1.68
CUSTOMERS AT END OF PERIOD			36,360	35,144

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

APRIL 30, 1997

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
APRIL 30, 1997

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	109,650,098	$	94,217,873
Less - Reserve for Depreciation		28,292,250		25,622,892
	$	81,357,847	$	68,594,981
CURRENT ASSETS:				
Cash	$	68,940	$	(653,211)
Receivables		3,786,494		3,755,750
Deferred Gas Cost		2,870,953		2,816,166
Gas in Storage, at Cost		282,740		320,897
Materials and Supplies, at Cost		708,548		560,092
Prepayments		778,779		471,055
	$	8,496,453	$	7,270,749
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	295,137
Unamortized Expenses		2,671,700		2,093,600
Receivable/Investment in Subsidiaries		(108,440)		950,535
Other		296,127		273,858
	$	3,172,300	$	3,613,131
TOTAL ASSETS	$	**93,026,601**	$	**79,478,861**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,335,750	$	1,897,153
Paid-in Surplus		27,100,518		20,473,171
Capital Stock Expense		(1,917,020)		(1,604,792)
Retained Earnings		2,673,866		4,023,592
Total Common Equity	$	30,193,115	$	24,789,124
Long-term Debt		38,209,788		24,971,432
Total Capitalization	$	68,402,903	$	49,760,556
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,986,300	$	1,063,200
Notes Payable		8,585,000		15,855,000
Accounts Payable		1,269,989		1,912,234
Customers' Deposit		390,913		365,362
Purchased Gas Refund Payable to Customers		461,621		26,507
Accrued Taxes		919,898		1,897,597
Accrued Interest		437,403		161,716
Other		893,784		562,972
	$	14,944,907	$	21,844,588
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,801,800	$	5,952,100
Investment Tax Credit		743,900		814,900
Regulatory Items		915,200		889,800
Advances for Construction		217,891		216,917
	$	9,678,791	$	7,873,717
TOTAL LIABILITIES	$	**93,026,601**	$	**79,478,861**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			1,886,178		3,380,537
DEDUCT					
Common Dividends			1,985,174		1,581,873
BALANCE	APRIL 30, 1997/1996	$	**2,673,866**	$	**4,023,592**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,528,386		450,528
DEDUCT					
BALANCE	APRIL 30, 1997/1996	$	**27,100,518**	$	**20,473,171**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

APRIL 30, 1997

	10 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 33,044,487	$ 28,163,428	$ 36,116,327	$ 30,711,266
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 17,830,413	$ 11,948,108	$ 19,103,226	$ 12,792,502
Operations	5,892,720	6,175,698	7,658,460	7,431,981
Maintenance	427,753	447,451	505,937	560,670
Depreciation	2,420,153	2,006,992	2,885,015	2,364,952
Property & Other Taxes	853,939	830,556	1,047,800	969,894
Income Taxes	954,400	1,660,000	482,100	1,405,700
Total	$ 28,379,378	$ 23,068,804	$ 31,682,538	$ 25,525,698
Operating Income	$ 4,665,108	$ 5,094,624	$ 4,433,789	$ 5,185,568
OTHER INCOME/(EXPENSES),NET	260,832	554,012	333,673	635,000
Gross Income	$ 4,925,940	$ 5,648,636	$ 4,767,463	$ 5,820,568
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,942,997	$ 2,194,099	$ 3,425,184	$ 2,573,924
Amortization	96,766	74,000	175,289	88,800
Other	-	-	-	-
Total	$ 3,039,763	$ 2,268,099	$ 3,600,473	$ 2,662,724
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,886,178	$ 3,380,537	$ 1,166,990	$ 3,157,844
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.83	$ 1.79	$ 0.52	$ 1.68
CUSTOMERS AT END OF PERIOD			36,513	35,825

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

MARCH 31, 1997

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
MARCH 31, 1997

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	108,118,424	$	92,921,688
Less - Reserve for Depreciation		27,951,383		25,382,025
	$	80,167,041	$	67,539,663
CURRENT ASSETS:				
Cash	$	993,517	$	201,301
Receivables		3,227,047		3,180,432
Deferred Gas Cost		4,120,929		3,506,175
Gas in Storage, at Cost		326,088		349,909
Materials and Supplies, at Cost		813,760		526,717
Prepayments		852,375		525,406
	$	10,333,716	$	8,289,939
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	295,136
Unamortized Expenses		2,681,000		2,101,000
Receivable/Investment in Subsidiaries		29,110		829,302
Other		295,877		275,858
	$	3,318,900	$	3,501,296
TOTAL ASSETS	**$**	**93,819,658**	**$**	**79,330,898**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,334,531	$	1,894,951
Paid-in Surplus		27,081,014		20,439,322
Capital Stock Expense		(1,917,020)		(1,604,792)
Retained Earnings		2,301,863		3,256,925
Total Common Equity	$	29,800,388	$	23,986,406
Long-term Debt		38,206,645		24,976,650
Total Capitalization	$	68,007,032	$	48,963,056
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,986,300	$	1,063,200
Notes Payable		9,010,000		15,460,000
Accounts Payable		1,558,145		2,868,157
Customers' Deposit		401,247		374,841
Purchased Gas Refund Payable to Customers		474,102		101,967
Accrued Taxes		775,518		1,511,681
Accrued Interest		1,047,839		585,926
Other		880,682		528,352
	$	16,133,834	$	22,494,124
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,801,800	$	5,952,100
Investment Tax Credit		743,900		814,900
Regulatory Items		915,200		889,800
Advances for Construction		217,891		216,917
	$	9,678,791	$	7,873,717
TOTAL LIABILITIES	**$**	**93,819,658**	**$**	**79,330,898**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			1,514,174		2,613,871
DEDUCT					
Common Dividends			1,985,174		1,581,874
BALANCE	MARCH 31, 1997/1996	$	**2,301,863**	$	**3,256,925**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,508,882		416,679
DEDUCT					
BALANCE	MARCH 31, 1997/1996	$	**27,081,014**	$	**20,439,322**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

MARCH 31, 1997

	9 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 28,998,467	$ 24,172,056	$ 36,061,679	$ 29,364,830
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 15,565,316	$ 10,156,484	$ 18,629,754	$ 12,185,985
Operations	5,316,877	5,654,303	7,604,013	7,529,124
Maintenance	362,692	410,358	477,969	558,211
Depreciation	2,149,253	1,806,492	2,814,614	2,342,752
Property & Other Taxes	760,261	745,288	1,039,389	954,616
Income Taxes	783,800	1,249,300	722,200	1,131,100
Total	$ 24,938,200	$ 20,022,224	$ 31,287,939	$ 24,701,787
Operating Income	$ 4,060,267	$ 4,149,831	$ 4,773,740	$ 4,663,042
OTHER INCOME/(EXPENSES),NET	179,429	486,677	319,606	625,260
Gross Income	$ 4,239,696	$ 4,636,508	$ 5,093,346	$ 5,288,302
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,638,056	$ 1,956,037	$ 3,358,306	$ 2,518,951
Amortization	87,466	66,600	173,389	88,800
Other	-	-	-	-
Total	$ 2,725,522	$ 2,022,637	$ 3,531,694	$ 2,607,751
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,514,174	$ 2,613,871	$ 1,561,652	$ 2,680,551
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.66	$ 1.39	$ 0.71	$ 1.43
CUSTOMERS AT END OF PERIOD			37,179	35,976

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

FEBRUARY 28, 1997

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
FEBRUARY 28, 1997

ASSETS		1997		1996
GAS UTILITY PLANT, AT COST	$	107,238,840	$	92,413,434
Less - Reserve for Depreciation		27,748,158		25,330,768
	$	79,490,682	$	67,082,666
CURRENT ASSETS:				
Cash	$	250,256	$	120,966
Receivables		4,421,587		3,704,689
Deferred Gas Cost		5,315,118		2,917,973
Gas in Storage, at Cost		342,189		419,579
Materials and Supplies, at Cost		613,542		476,509
Prepayments		31,376		90,834
	$	10,974,068	$	7,730,550
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	295,136
Unamortized Expenses		2,690,300		2,108,400
Receivable/Investment in Subsidiaries		18,270		681,942
Other		273,858		277,858
	$	3,295,340	$	3,363,336
TOTAL ASSETS	**$**	**93,760,090**	**$**	**78,176,552**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,327,944	$	1,890,613
Paid-in Surplus		26,971,495		20,371,261
Capital Stock Expense		(1,917,020)		(1,604,792)
Retained Earnings		2,588,048		3,127,950
Total Common Equity	$	29,970,467	$	23,785,032
Long-term Debt		38,233,279		24,981,848
Total Capitalization	$	68,203,746	$	48,766,880
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,986,300	$	1,063,200
Notes Payable		7,180,000		14,095,000
Accounts Payable		4,399,344		3,524,953
Customers' Deposit		409,852		401,253
Purchased Gas Refund Payable to Customers		30,708		176,807
Accrued Taxes		625,540		1,044,306
Accrued Interest		862,888		843,930
Other		379,261		388,214
	$	15,873,893	$	21,537,663
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,801,800	$	5,952,100
Investment Tax Credit		743,900		814,900
Regulatory Items		915,200		889,800
Advances for Construction		221,551		215,209
	$	9,682,451	$	7,872,009
TOTAL LIABILITIES	**$**	**93,760,090**	**$**	**78,176,552**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			1,136,498		1,955,511
DEDUCT					
Common Dividends			1,321,313		1,052,489
BALANCE	FEBRUARY 28, 1997/1996	$	**2,588,048**	$	**3,127,950**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,399,363		348,618
DEDUCT					
BALANCE	FEBRUARY 28, 1997/1996	$	**26,971,495**	$	**20,371,261**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

FEBRUARY 28, 1997

	8 MONTHS TO DATE		12 MONTHS ENDED	
	1997	**1996**	**1997**	**1996**
OPERATING REVENUES	$ 24,636,259	$ 20,187,294	$ 35,684,234	$ 29,288,209
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 13,047,966	$ 8,351,350	$ 17,917,537	$ 12,293,168
Operations	4,729,461	4,956,931	7,713,968	7,521,619
Maintenance	321,817	372,998	474,453	563,923
Depreciation	1,898,053	1,605,992	2,763,914	2,320,552
Property & Other Taxes	672,407	655,932	1,040,891	939,515
Income Taxes	577,300	909,000	856,000	1,094,200
Total	$ 21,247,004	$ 16,852,203	$ 30,766,764	$ 24,732,977
Operating Income	$ 3,389,255	$ 3,335,091	$ 4,917,469	$ 4,555,232
OTHER INCOME/(EXPENSES),NET	153,376	407,745	372,485	583,308
Gross Income	$ 3,542,632	$ 3,742,836	$ 5,289,954	$ 5,138,540
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,327,968	$ 1,728,125	$ 3,276,130	$ 2,474,055
Amortization	78,166	59,200	171,489	88,800
Other	-	-	-	-
Total	$ 2,406,134	$ 1,787,325	$ 3,447,618	$ 2,562,855
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,136,498	$ 1,955,511	$ 1,842,336	$ 2,575,685
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.50	$ 1.04	$ 0.85	$ 1.37
CUSTOMERS AT END OF PERIOD			37,278	36,007

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JANUARY 31, 1997

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

JANUARY 31, 1997

ASSETS	1997	1996
GAS UTILITY PLANT, AT COST	$ 106,801,997	$ 91,377,169
Less - Reserve for Depreciation	27,462,216	25,093,326
	$ 79,339,781	$ 66,283,843
CURRENT ASSETS:		
Cash	$ 297,800	$ 314,163
Receivables	4,091,394	3,690,358
Deferred Gas Cost	6,646,654	2,256,932
Gas in Storage, at Cost	363,266	443,577
Materials and Supplies, at Cost	633,720	445,508
Prepayments	86,753	99,961
	$ 12,119,588	$ 7,250,499
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 312,913	$ 295,136
Unamortized Expenses	2,699,600	2,115,800
Receivable/Investment in Subsidiaries	(47,827)	532,590
Other	275,858	279,858
	$ 3,240,544	$ 3,223,384
TOTAL ASSETS	**$ 94,699,913**	**$ 76,757,726**
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 2,327,944	$ 1,888,258
Paid-in Surplus	26,971,495	20,333,228
Capital Stock Expense	(1,917,020)	(1,604,792)
Retained Earnings	1,795,854	2,185,285
Total Common Equity	$ 29,178,273	$ 22,801,979
Long-term Debt	38,240,193	25,012,025
Total Capitalization	$ 67,418,466	$ 47,814,004
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,986,300	$ 1,063,200
Notes Payable	8,980,000	13,585,000
Accounts Payable	4,428,434	3,700,154
Customers' Deposit	398,454	389,880
Purchased Gas Refund Payable to Customers	51,159	272,207
Accrued Taxes	328,262	614,882
Accrued Interest	576,105	625,152
Other	850,283	821,238
	$ 17,598,996	$ 21,071,713
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 7,801,800	$ 5,952,100
Investment Tax Credit	743,900	814,900
Regulatory Items	915,200	889,800
Advances for Construction	221,551	215,209
	$ 9,682,451	$ 7,872,009
TOTAL LIABILITIES	**$ 94,699,913**	**$ 76,757,726**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			344,304		1,012,845
DEDUCT					
Common Dividends			1,321,313		1,052,488
BALANCE	JANUARY 31, 1997/1996	$	**1,795,854**	$	**2,185,285**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,399,363		310,585
DEDUCT					
BALANCE	JANUARY 31, 1997/1996	$	**26,971,495**	$	**20,333,228**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JANUARY 31, 1997

	7 MONTHS TO DATE		12 MONTHS ENDED	
	1997	1996	1997	1996
OPERATING REVENUES	$ 18,372,736	$ 15,345,420	$ 34,262,585	$ 29,099,511
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 9,254,425	$ 6,073,517	$ 16,401,829	$ 12,344,578
Operations	4,163,895	4,307,703	7,797,631	7,461,350
Maintenance	284,929	338,945	471,619	561,842
Depreciation	1,652,753	1,405,492	2,719,114	2,298,352
Property & Other Taxes	583,339	566,393	1,041,361	924,576
Income Taxes	125,100	405,500	907,300	1,052,600
Total	$ 16,064,442	$ 13,097,550	$ 29,338,855	$ 24,643,298
Operating Income	$ 2,308,295	$ 2,247,870	$ 4,923,730	$ 4,456,213
OTHER INCOME/(EXPENSES),NET	131,051	322,516	435,389	538,367
Gross Income	$ 2,439,346	$ 2,570,386	$ 5,359,118	$ 4,994,580
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,026,176	$ 1,505,741	$ 3,196,721	$ 2,445,963
Amortization	68,866	51,800	169,589	88,800
Other	-	-	-	-
Total	$ 2,095,042	$ 1,557,541	$ 3,366,310	$ 2,534,763
NET INCOME APPLICABLE TO COMMON STOCK	$ 344,304	$ 1,012,845	$ 1,992,808	$ 2,459,817
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.15	$ 0.54	$ 0.94	$ 1.31
CUSTOMERS AT END OF PERIOD			37,193	35,871

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

DECEMBER 31, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
DECEMBER 31, 1996

ASSETS	1996	1995
GAS UTILITY PLANT, AT COST	$ 106,130,771	$ 90,863,421
Less - Reserve for Depreciation	27,162,569	24,860,367
	$ 78,968,202	$ 66,003,054
CURRENT ASSETS:		
Cash	$ 18,201	$ 441,938
Receivables	2,216,020	2,069,196
Deferred Gas Cost	5,851,153	1,165,093
Gas in Storage, at Cost	411,625	488,658
Materials and Supplies, at Cost	640,722	437,814
Prepayments	174,857	146,498
	$ 9,312,578	$ 4,749,198
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 312,913	$ 295,137
Unamortized Expenses	2,708,900	2,123,200
Receivable/Investment in Subsidiaries	(550,553)	584,620
Other	277,858	281,858
	$ 2,749,118	$ 3,284,815
TOTAL ASSETS	**$ 91,029,899**	**$ 74,037,067**
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 2,325,333	$ 1,886,450
Paid-in Surplus	26,924,497	20,303,288
Capital Stock Expense	(1,916,493)	(1,604,792)
Retained Earnings	915,407	1,060,867
Total Common Equity	$ 28,248,744	$ 21,645,814
Long-term Debt	38,257,155	25,066,182
Total Capitalization	$ 66,505,899	$ 46,711,996
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,986,300	$ 1,063,200
Notes Payable	7,790,000	12,710,000
Accounts Payable	3,126,735	3,690,248
Customers' Deposit	381,341	380,647
Purchased Gas Refund Payable to Customers	82,060	382,432
Accrued Taxes	(241,223)	(148,399)
Accrued Interest	890,233	594,071
Other	825,228	800,513
	$ 14,840,674	$ 19,472,712
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 7,801,800	$ 5,933,500
Investment Tax Credit	743,900	814,900
Regulatory Items	915,200	889,800
Advances for Construction	222,426	214,159
	$ 9,683,326	$ 7,852,359
TOTAL LIABILITIES	**$ 91,029,899**	**$ 74,037,067**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			(536,143)		(111,573)
DEDUCT					
Common Dividends			1,321,313		1,052,488
BALANCE	DECEMBER 31, 1996/1995	$	**915,407**	$	**1,060,867**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,352,365		280,645
DEDUCT					
BALANCE	DECEMBER 31, 1996/1995	$	**26,924,497**	$	**20,303,288**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

DECEMBER 31, 1996

	6 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 11,767,530	$ 9,950,769	$ 33,052,029	$ 28,845,368
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 5,409,580	$ 3,671,055	$ 14,959,447	$ 12,669,138
Operations	3,504,114	3,651,975	7,793,578	7,426,236
Maintenance	248,241	296,602	477,274	565,998
Depreciation	1,407,453	1,204,992	2,674,314	2,276,152
Property & Other Taxes	492,650	467,809	1,049,257	901,192
Income Taxes	(374,400)	(244,900)	1,058,200	877,800
Total	$ 10,687,640	$ 9,047,533	$ 28,012,070	$ 24,716,516
Operating Income	$ 1,079,890	$ 903,236	$ 5,039,959	$ 4,128,852
OTHER INCOME/(EXPENSES),NET	101,083	305,533	422,403	587,313
Gross Income	$ 1,180,974	$ 1,208,770	$ 5,462,362	$ 4,716,165
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,657,551	$ 1,275,942	$ 3,057,895	$ 2,416,264
Amortization	59,566	44,400	167,689	88,800
Other	-	-	-	-
Total	$ 1,717,117	$ 1,320,342	$ 3,225,584	$ 2,505,064
NET INCOME APPLICABLE TO COMMON STOCK	$ (536,143)	$ (111,572)	$ 2,236,778	$ 2,211,101
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.24)	$ (0.06)	$ 1.07	$ 1.18
CUSTOMERS AT END OF PERIOD			36,541	35,443

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

NOVEMBER 30, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
NOVEMBER 30, 1996

ASSETS		1996		1995
GAS UTILITY PLANT, AT COST	$	105,218,555	$	90,176,613
Less - Reserve for Depreciation		27,170,097		24,836,551
	$	78,048,458	$	65,340,062
CURRENT ASSETS:				
Cash	$	37,839	$	346,690
Receivables		1,530,144		1,431,715
Deferred Gas Cost		4,588,729		(14,432)
Gas in Storage, at Cost		442,638		504,241
Materials and Supplies, at Cost		652,196		410,977
Prepayments		166,373		197,456
	$	7,417,919	$	2,876,647
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	295,137
Unamortized Expenses		2,718,200		2,130,600
Receivable/Investment in Subsidiaries		(197,021)		446,105
Other		279,858		283,858
	$	3,113,950	$	3,155,700
TOTAL ASSETS	$	88,580,327	$	71,372,409
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,321,142	$	1,882,824
Paid-in Surplus		26,851,154		20,243,328
Capital Stock Expense		(1,916,493)		(1,604,792)
Retained Earnings		1,276,672		982,757
Total Common Equity	$	28,532,475	$	21,504,117
Long-term Debt		39,265,688		25,081,892
Total Capitalization	$	67,798,164	$	46,586,009
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,084,800	$	1,057,700
Notes Payable		6,560,000		12,370,000
Accounts Payable		2,412,789		2,289,472
Customers' Deposit		405,389		413,161
Purchased Gas Refund Payable to Customers		101,391		459,912
Accrued Taxes		(422,056)		(407,597)
Accrued Interest		656,595		372,182
Other		724,630		743,711
	$	11,523,538	$	17,298,541
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,318,500	$	5,510,400
Investment Tax Credit		779,400		850,400
Regulatory Items		938,300		912,900
Advances for Construction		222,426		214,159
	$	9,258,626	$	7,487,859
TOTAL LIABILITIES	$	88,580,327	$	71,372,409

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			(836,405)		(716,705)
DEDUCT					
Common Dividends			659,786		525,466
BALANCE	NOVEMBER 30, 1996/1995	$	**1,276,672**	$	**982,757**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,279,022		220,685
DEDUCT					
BALANCE	NOVEMBER 30, 1996/1995	$	**26,851,154**	$	**20,243,328**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

NOVEMBER 30, 1996

	5 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 7,413,966	$ 6,496,860	$ 32,152,374	$ 28,411,766
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 3,004,277	$ 2,224,977	$ 14,000,222	$ 12,712,683
Operations	2,860,294	3,082,557	7,719,176	7,532,888
Maintenance	217,026	263,234	479,427	558,698
Depreciation	1,196,000	991,000	2,676,853	2,240,460
Property & Other Taxes	411,413	390,569	1,045,259	891,488
Income Taxes	(608,600)	(569,400)	1,148,500	690,800
Total	$ 7,080,411	$ 6,382,937	$ 27,069,437	$ 24,627,017
Operating Income	$ 333,555	$ 113,923	$ 5,082,937	$ 3,784,749
OTHER INCOME/(EXPENSES),NET	199,547	252,922	573,478	594,717
Gross Income	$ 533,101	$ 366,845	$ 5,656,415	$ 4,379,466
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,319,240	$ 1,046,550	$ 2,948,976	$ 2,390,675
Amortization	50,266	37,000	165,789	88,800
Other	-	-	-	-
Total	$ 1,369,506	$ 1,083,550	$ 3,114,765	$ 2,479,475
NET INCOME APPLICABLE TO COMMON STOCK	$ (836,405)	$ (716,705)	$ 2,541,649	$ 1,899,991
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.37)	$ (0.38)	$ 1.24	$ 1.02
CUSTOMERS AT END OF PERIOD			35,657	34,691

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

OCTOBER 31, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
OCTOBER 31, 1996

ASSETS		1996		1995
GAS UTILITY PLANT, AT COST	$	103,614,529	$	86,037,109
Less - Reserve for Depreciation		26,804,772		24,588,769
	$	76,809,757	$	61,448,340
CURRENT ASSETS:				
Cash	$	(11,056)	$	112,069
Receivables		917,319		1,121,882
Deferred Gas Cost		3,653,970		(752,640)
Gas in Storage, at Cost		463,787		528,862
Materials and Supplies, at Cost		697,534		478,815
Prepayments		204,673		254,871
	$	5,926,228	$	1,743,859
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	295,137
Unamortized Expenses		2,727,500		2,138,000
Receivable/Investment in Subsidiaries		127,562		1,117,019
Other		281,858		285,858
	$	3,449,833	$	3,836,014
TOTAL ASSETS	$	86,185,818	$	67,028,213
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,320,448	$	1,882,277
Paid-in Surplus		26,839,061		20,233,314
Capital Stock Expense		(1,916,493)		(1,604,792)
Retained Earnings		1,224,557		820,146
Total Common Equity	$	28,467,573	$	21,330,945
Long-term Debt		39,262,686		23,456,009
Total Capitalization	$	67,730,259	$	44,786,954
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,084,800	$	1,057,700
Notes Payable		5,495,000		11,115,000
Accounts Payable		1,511,326		1,393,006
Customers' Deposit		365,431		377,120
Purchased Gas Refund Payable to Customers		111,782		426,324
Accrued Taxes		(445,990)		(486,792)
Accrued Interest		392,094		151,894
Other		682,490		719,778
	$	9,196,933	$	14,754,030
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,318,500	$	5,510,400
Investment Tax Credit		779,400		850,400
Regulatory Items		938,300		912,900
Advances for Construction		222,426		213,529
	$	9,258,626	$	7,487,229
TOTAL LIABILITIES	$	86,185,818	$	67,028,213

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	2,772,863	$	2,224,928
ADD					
Net income applicable to common stock			(888,520)		(879,315)
DEDUCT					
Common Dividends			659,786		525,467
BALANCE	OCTOBER 31, 1996/1995	$	1,224,557	$	820,146

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	20,572,132	$	20,022,643
ADD					
Excess of sales price over par value of common stock			6,266,929		210,671
DEDUCT					
BALANCE	OCTOBER 31, 1996/1995	$	26,839,061	$	20,233,314

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

OCTOBER 31, 1996

	4 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 4,799,753	$ 4,316,065	$ 31,718,956	$ 28,102,214
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 1,711,336	$ 1,406,258	$ 13,525,999	$ 12,702,373
Operations	2,317,401	2,468,762	7,790,077	7,497,745
Maintenance	190,568	222,810	493,392	552,635
Depreciation	956,800	792,800	2,635,853	2,220,560
Property & Other Taxes	328,701	311,209	1,041,908	881,628
Income Taxes	(660,300)	(642,100)	1,169,500	616,500
Total	$ 4,844,505	$ 4,559,739	$ 26,656,729	$ 24,471,441
Operating Income	$ (44,752)	$ (243,674)	$ 5,062,226	$ 3,630,773
OTHER INCOME/(EXPENSES),NET	235,504	214,153	648,204	584,343
Gross Income	$ 190,751	$ (29,521)	$ 5,710,431	$ 4,215,116
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,038,305	$ 820,194	$ 2,894,397	$ 2,363,389
Amortization	40,966	29,600	163,889	88,800
Other	-	-	-	-
Total	$ 1,079,271	$ 849,794	$ 3,058,286	$ 2,452,189
NET INCOME APPLICABLE TO COMMON STOCK	$ (888,520)	$ (879,315)	$ 2,652,144	$ 1,762,927
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.40)	$ (0.47)	$ 1.31	$ 0.95
CUSTOMERS AT END OF PERIOD			34,350	33,343

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

SEPTEMBER 30, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
SEPTEMBER 30, 1996

ASSETS		1996		1995
GAS UTILITY PLANT, AT COST	$	101,812,183	$	85,443,357
Less - Reserve for Depreciation		26,522,961		24,343,649
	$	75,289,222	$	61,099,708
CURRENT ASSETS:				
Cash	$	260,072	$	155,517
Receivables		393,820		636,470
Deferred Gas Cost		3,540,863		(843,772)
Gas in Storage, at Cost		479,216		497,492
Materials and Supplies, at Cost		587,990		503,713
Prepayments		241,636		305,039
	$	5,503,597	$	1,254,459
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	293,457
Unamortized Expenses		2,736,800		2,145,400
Receivable/Investment in Subsidiaries		363,732		790,038
Other		283,858		287,858
	$	3,697,303	$	3,516,753
TOTAL ASSETS	$	84,490,122	$	65,870,920

LIABILITIES		1996		1995
CAPITALIZATION:				
Common Stock	$	2,319,359	$	1,881,752
Paid-in Surplus		26,820,303		20,225,491
Capital Stock Expense		(1,916,493)		(1,604,792)
Retained Earnings		1,378,781		938,799
Total Common Equity	$	28,601,951	$	21,441,250
Long-term Debt		39,497,690		23,621,009
Total Capitalization	$	68,099,641	$	45,062,259
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,084,800	$	1,057,700
Notes Payable		3,355,000		9,565,000
Accounts Payable		1,418,082		1,232,071
Customers' Deposit		302,043		327,588
Purchased Gas Refund Payable to Customers		116,090		445,549
Accrued Taxes		(516,379)		(441,769)
Accrued Interest		647,917		385,416
Other		726,990		751,452
	$	7,134,544	$	13,323,007
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,318,500	$	5,510,400
Investment Tax Credit		779,400		850,400
Regulatory Items		938,300		912,900
Advances for Construction		219,738		211,954
	$	9,255,938	$	7,485,654
TOTAL LIABILITIES	$	84,490,122	$	65,870,920

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1996/1995	$	**2,772,863**	$	**2,224,928**
ADD					
Net income applicable to common stock			(734,295)		(760,662)
DEDUCT					
Common Dividends			659,786		525,467
BALANCE	SEPTEMBER 30, 1996/1995	$	**1,378,781**	$	**938,799**

PAID-IN SURPLUS

BALANCE	JULY 1,1996/1995	$	**20,572,132**	$	**20,022,643**
ADD					
Excess of sales price over par value of common stock			6,248,171		202,848
DEDUCT					
BALANCE	SEPTEMBER 30, 1996/1995	$	**26,820,303**	$	**20,225,491**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

SEPTEMBER 30, 1996

	3 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 3,139,097	$ 2,846,893	$ 31,527,472	$ 27,911,802
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 1,012,924	$ 844,702	$ 13,389,144	$ 12,578,040
Operations	1,683,438	1,815,291	7,809,585	7,456,167
Maintenance	140,937	165,352	501,219	524,575
Depreciation	717,600	594,600	2,594,853	2,200,660
Property & Other Taxes	246,123	231,563	1,038,976	871,982
Income Taxes	(539,800)	(528,500)	1,176,400	637,400
Total	$ 3,261,222	$ 3,123,008	$ 26,510,177	$ 24,268,824
Operating Income	$ (122,125)	$ (276,115)	$ 5,017,295	$ 3,642,978
OTHER INCOME/(EXPENSES),NET	184,577	139,299	672,132	575,758
Gross Income	$ 62,452	$ (136,816)	$ 5,689,427	$ 4,218,736
OTHER DEDUCTIONS:				
Interest on Debt	$ 765,082	$ 601,646	$ 2,839,722	$ 2,339,805
Amortization	31,666	22,200	161,989	88,800
Other	-	-	-	-
Total	$ 796,748	$ 623,846	$ 3,001,711	$ 2,428,605
NET INCOME APPLICABLE TO COMMON STOCK	$ (734,295)	$ (760,662)	$ 2,687,716	$ 1,790,131
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.33)	$ (0.41)	$ 1.35	$ 0.96
CUSTOMERS AT END OF PERIOD			33,675	32,734

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

AUGUST 31, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
AUGUST 31, 1996

ASSETS		1996		1995
GAS UTILITY PLANT, AT COST	$	100,738,533	$	84,904,330
Less - Reserve for Depreciation		26,591,524		24,375,374
	$	74,147,009	$	60,528,956
CURRENT ASSETS:				
Cash	$	(339,135)	$	138,213
Receivables		848,487		971,948
Deferred Gas Cost		3,219,038		(930,374)
Gas in Storage, at Cost		479,216		440,609
Materials and Supplies, at Cost		576,204		519,233
Prepayments		303,964		655,152
	$	5,087,774	$	1,794,781
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	312,913	$	284,883
Unamortized Expenses		2,746,100		2,152,800
Receivable/Investment in Subsidiaries		321,083		826,231
Other		285,858		289,858
	$	3,665,954	$	3,553,772
TOTAL ASSETS	**$**	**82,900,737**	**$**	**65,877,509**
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	2,315,035	$	1,876,666
Paid-in Surplus		26,745,931		20,150,073
Capital Stock Expense		(1,916,392)		(1,604,792)
Retained Earnings		2,254,119		1,733,497
Total Common Equity	$	29,398,693	$	22,155,444
Long-term Debt		39,494,700		23,626,105
Total Capitalization	$	68,893,393	$	45,781,549
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,084,800	$	1,057,700
Notes Payable		560,000		8,065,000
Accounts Payable		1,689,753		1,385,954
Customers' Deposit		301,352		325,948
Purchased Gas Refund Payable to Customers		8,419		477,783
Accrued Taxes		(495,290)		(218,438)
Accrued Interest		868,488		792,204
Other		734,430		724,155
	$	4,751,952	$	12,610,306
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	7,318,500	$	5,510,400
Investment Tax Credit		779,400		850,400
Regulatory Items		938,300		912,900
Advances for Construction		219,192		211,954
	$	9,255,392	$	7,485,654
TOTAL LIABILITIES	**$**	**82,900,737**	**$**	**65,877,509**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	**2,224,928**	$	**2,380,567**
ADD					
Net income applicable to common stock			(518,744)		(491,431)
DEDUCT					
Common Dividends			(547,935)		155,639
BALANCE	AUGUST 31, 1996/1995	$	**2,254,119**	$	**1,733,497**

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	**20,022,643**	$	**19,532,909**
ADD					
Excess of sales price over par value of common stock			6,723,288		617,164
DEDUCT					
BALANCE	AUGUST 31, 1996/1995	$	**26,745,931**	$	**20,150,073**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

AUGUST 31, 1996

	2 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 2,113,075	$ 1,915,725	$ 31,432,618	$ 27,842,806
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 640,154	$ 556,675	$ 13,304,401	$ 12,504,775
Operations	1,204,670	1,214,230	7,931,879	7,415,880
Maintenance	101,730	106,797	520,568	503,237
Depreciation	478,400	396,400	2,553,853	2,180,760
Property & Other Taxes	163,904	150,930	1,037,390	874,186
Income Taxes	(371,600)	(341,600)	1,157,700	662,700
Total	$ 2,217,258	$ 2,083,432	$ 26,505,789	$ 24,141,538
Operating Income	$ (104,183)	$ (167,707)	$ 4,926,829	$ 3,701,268
OTHER INCOME/(EXPENSES),NET	113,860	90,192	650,521	590,326
Gross Income	$ 9,677	$ (77,515)	$ 5,577,350	$ 4,291,594
OTHER DEDUCTIONS:				
Interest on Debt	$ 506,055	$ 399,116	$ 2,783,225	$ 2,355,002
Amortization	22,366	14,800	160,089	88,800
Other	-	-	-	-
Total	$ 528,421	$ 413,916	$ 2,943,314	$ 2,443,802
NET INCOME APPLICABLE TO COMMON STOCK	$ (518,744)	$ (491,431)	$ 2,634,036	$ 1,847,792
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.24)	$ (0.26)	$ 1.35	$ 1.00
CUSTOMERS AT END OF PERIOD			33,650	32,756

Revised - 9/17/96

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JULY 31, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JULY 31, 1996

ASSETS	1996	1995
GAS UTILITY PLANT, AT COST	$ 98,864,861	$ 83,861,068
Less - Reserve for Depreciation	26,312,181	24,144,118
	$ 72,552,681	$ 59,716,950
CURRENT ASSETS:		
Cash	$ 993,358	$ 68,659
Receivables	1,546,625	1,235,814
Deferred Gas Cost	2,964,860	(1,039,890)
Gas in Storage, at Cost	484,628	462,883
Materials and Supplies, at Cost	739,529	666,395
Prepayments	364,067	773,032
	$ 7,093,068	$ 2,166,893
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 304,339	$ 286,563
Unamortized Expenses	2,731,831	2,160,200
Receivable/Investment in Subsidiaries	384,473	778,429
Other	287,858	291,858
	$ 3,708,501	$ 3,517,050
TOTAL ASSETS	$ 83,354,250	$ 65,400,893
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 2,312,577	$ 1,874,556
Paid-in Surplus	26,705,651	20,116,261
Capital Stock Expense	(1,916,392)	(1,604,792)
Retained Earnings	2,529,216	2,061,273
Total Common Equity	$ 29,631,053	$ 22,447,298
Long-term Debt	39,483,637	23,673,704
Total Capitalization	$ 69,114,690	$ 46,121,002
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,084,800	$ 1,057,700
Notes Payable	0	7,150,000
Accounts Payable	2,646,683	1,532,516
Customers' Deposit	297,261	321,683
Purchased Gas Refund Payable to Customers	10,502	471,000
Accrued Taxes	(353,017)	(18,275)
Accrued Interest	632,015	592,164
Other	665,924	688,408
	$ 4,984,168	$ 11,795,196
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 7,318,500	$ 5,510,400
Investment Tax Credit	779,400	850,400
Regulatory Items	938,300	912,900
Advances for Construction	219,192	210,995
	$ 9,255,392	$ 7,484,695
TOTAL LIABILITIES	$ 83,354,250	$ 65,400,893

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			(243,647)		(163,655)
DEDUCT					
Common Dividends			(547,935)		155,639
BALANCE	JULY 31, 1996/1995	$	2,529,216	$	2,061,273

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			6,683,008		583,352
DEDUCT					
BALANCE	JULY 31, 1996/1995	$	26,705,651	$	20,116,261

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JULY 31, 1996

	1 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 1,103,500	$ 1,011,793	$ 31,326,976	$ 27,799,094
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 302,433	$ 276,528	$ 13,246,827	$ 12,467,222
Operations	649,091	553,479	8,037,051	7,358,546
Maintenance	57,946	53,563	530,018	491,331
Depreciation	239,200	198,200	2,512,853	2,160,860
Property & Other Taxes	82,074	71,332	1,035,158	849,288
Income Taxes	(177,500)	(127,100)	1,137,300	711,600
Total	$ 1,153,244	$ 1,026,002	$ 26,499,206	$ 24,038,847
Operating Income	$ (49,744)	$ (14,209)	$ 4,827,770	$ 3,760,247
ER INCOME/(EXPENSES),NET	61,302	52,776	635,379	591,679
Gross Income	$ 11,558	$ 38,567	$ 5,463,149	$ 4,351,926
OTHER DEDUCTIONS:				
Interest on Debt	$ 247,804	$ 194,822	$ 2,729,269	$ 2,330,761
Amortization	7,400	7,400	152,523	88,800
Other	-	-	-	-
Total	$ 255,204	$ 202,222	$ 2,881,792	$ 2,419,561
NET INCOME APPLICABLE TO COMMON STOCK	$ (243,647)	$ (163,655)	$ 2,581,357	$ 1,932,365
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.12)	$ (0.09)	$ 1.34	$ 1.04
CUSTOMERS AT END OF PERIOD			33,864	32,993

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JUNE 30, 1996
AFTER AUDIT

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JUNE 30, 1996

ASSETS	1996	1995
GAS UTILITY PLANT, AT COST	$ 96,699,676	$ 82,849,697
Less - Reserve for Depreciation	26,036,928	23,914,456
	$ 70,662,748	$ 58,935,241
CURRENT ASSETS:		
Cash	$ 151,633	$ 135,779
Receivables	1,860,797	1,232,687
Deferred Gas Cost	2,676,357	(1,111,786)
Gas in Storage, at Cost	427,164	490,710
Materials and Supplies, at Cost	652,138	527,442
Prepayments	369,544	423,246
	$ 6,137,632	$ 1,698,078
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 304,339	$ 293,116
Unamortized Expenses	2,103,300	2,167,600
Receivable/Investment in Subsidiaries	620,272	745,315
Other	289,858	293,858
	$ 3,317,769	$ 3,499,889
TOTAL ASSETS	$ 80,118,150	$ 64,133,208
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,903,580	$ 1,868,734
Paid-in Surplus	20,572,132	20,022,643
Capital Stock Expense	(1,620,253)	(1,604,792)
Retained Earnings	2,772,863	2,224,928
Total Common Equity	$ 23,628,322	$ 22,511,513
Long-term Debt	24,488,916	23,702,200
Total Capitalization	$ 48,117,238	$ 46,213,713
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,084,800	$ 1,057,700
Notes Payable	18,075,000	5,675,000
Accounts Payable	2,146,540	1,558,712
Customers' Deposit	304,246	331,708
Purchased Gas Refund Payable to Customers	23,354	479,637
Accrued Taxes	(219,034)	86,745
Accrued Interest	637,596	473,001
Other	694,418	774,600
	$ 22,746,920	$ 10,437,103
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 7,318,500	$ 5,510,400
Investment Tax Credit	779,400	850,400
Regulatory Items	938,300	912,900
Advances for Construction	217,792	208,692
	$ 9,253,992	$ 7,482,392
TOTAL LIABILITIES	$ 80,118,150	$ 64,133,208

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			2,661,349		1,917,735
DEDUCT					
Common Dividends			2,113,414		2,073,374
BALANCE	JUNE 30, 1996/1995	$	2,772,863	$	2,224,928

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			549,489		489,734
DEDUCT					
BALANCE	JUNE 30, 1996/1995	$	20,572,132	$	20,022,643

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JUNE 30, 1996

	12 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 31,235,268	$ 27,834,005	$ 31,235,268	$ 27,834,005
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 13,220,922	$ 12,531,799	$ 13,220,922	$ 12,531,799
Operations	7,941,439	7,394,186	7,941,439	7,394,186
Maintenance	525,635	471,392	525,635	471,392
Depreciation	2,471,853	2,140,960	2,471,853	2,140,960
Property & Other Taxes	1,024,416	848,510	1,024,416	848,510
Income Taxes	1,187,700	710,100	1,187,700	710,100
Total	$ 26,371,963	$ 24,096,947	$ 26,371,963	$ 24,096,947
Operating Income	$ 4,863,305	$ 3,737,058	$ 4,863,305	$ 3,737,058
R INCOME/(EXPENSES),NET	626,853	579,712	626,853	579,712
Gross Income	$ 5,490,158	$ 4,316,770	$ 5,490,158	$ 4,316,770
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,676,286	$ 2,310,235	$ 2,676,286	$ 2,310,235
Amortization	152,523	88,800	152,523	88,800
Other	-	-	-	-
Total	$ 2,828,809	$ 2,399,035	$ 2,828,809	$ 2,399,035
NET INCOME APPLICABLE TO COMMON STOCK	$ 2,661,349	$ 1,917,735	$ 2,661,349	$ 1,917,735
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.41	$ 1.04	$ 1.41	$ 1.04
CUSTOMERS AT END OF PERIOD			34,368	33,388

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

MAY 31, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
MAY 31, 1996

ASSETS	1996	1995
GAS UTILITY PLANT, AT COST	$ 95,578,925	$ 81,999,202
Less - Reserve for Depreciation	25,860,892	24,006,285
	$ 69,718,033	$ 57,992,917
CURRENT ASSETS:		
Cash	$ (39,865)	$ 132,149
Receivables	2,349,728	1,406,625
Deferred Gas Cost	2,590,438	(1,190,983)
Gas in Storage, at Cost	394,536	516,868
Materials and Supplies, at Cost	574,545	511,684
Prepayments	418,780	525,079
	$ 6,288,163	$ 1,901,422
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 295,137	$ 277,603
Unamortized Expenses	2,086,200	2,175,000
Receivable/Investment in Subsidiaries	752,190	684,379
Other	291,858	295,858
	$ 3,425,384	$ 3,432,840
TOTAL ASSETS	$ 79,431,581	$ 63,327,179

LIABILITIES	1996	1995
CAPITALIZATION:		
Common Stock	$ 1,898,360	$ 1,863,200
Paid-in Surplus	20,492,270	19,934,048
Capital Stock Expense	(1,604,792)	(1,604,792)
Retained Earnings	4,015,109	2,956,213
Total Common Equity	$ 24,800,947	$ 23,148,669
Long-term Debt	24,891,194	24,061,000
Total Capitalization	$ 49,692,141	$ 47,209,669
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,063,200	$ 500,000
Notes Payable	15,970,000	3,815,000
Accounts Payable	1,689,399	800,383
Customers' Deposit	341,527	368,278
Purchased Gas Refund Payable to Customers	38,428	478,458
Accrued Taxes	1,754,639	1,152,160
Accrued Interest	398,771	291,286
Other	608,884	763,612
	$ 21,864,847	$ 8,169,177
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,952,100	$ 5,563,700
Investment Tax Credit	814,900	886,100
Regulatory Items	889,800	1,289,200
Advances for Construction	217,792	209,333
	$ 7,874,592	$ 7,948,333
TOTAL LIABILITIES	$ 79,431,581	$ 63,327,179

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			3,372,055		2,127,299
DEDUCT					
Common Dividends			1,581,874		1,551,653
BALANCE	MAY 31, 1996/1995	$	4,015,109	$	2,956,213

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			469,627		401,139
DEDUCT					
BALANCE	MAY 31, 1996/1995	$	20,492,270	$	19,934,048

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

MAY 31, 1996

	11 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 30,061,859	$ 26,802,928	$ 31,092,936	$ 27,919,493
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 12,770,770	$ 12,236,577	$ 13,065,992	$ 12,635,392
Operations	6,810,294	6,715,121	7,489,359	7,816,283
Maintenance	482,466	406,361	547,497	457,890
Depreciation	2,207,492	1,961,300	2,387,152	2,117,790
Property & Other Taxes	916,422	778,692	986,240	882,275
Income Taxes	1,613,000	928,300	1,394,800	556,600
Total	$ 24,800,445	$ 23,026,351	$ 25,871,041	$ 24,466,230
Operating Income	$ 5,261,414	$ 3,776,577	$ 5,221,895	$ 3,453,263
ER INCOME/(EXPENSES),NET	625,656	546,979	658,389	564,618
Gross Income	$ 5,887,070	$ 4,323,556	$ 5,880,284	$ 4,017,881
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,433,615	$ 2,114,857	$ 2,628,993	$ 2,316,460
Amortization	81,400	81,400	88,800	88,800
Other	-	-	-	-
Total	$ 2,515,015	$ 2,196,257	$ 2,717,793	$ 2,405,260
NET INCOME APPLICABLE TO COMMON STOCK	$ 3,372,055	$ 2,127,299	$ 3,162,491	$ 1,612,621
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.79	$ 1.15	$ 1.68	$ 0.87
CUSTOMERS AT END OF PERIOD			35,144	33,973

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

APRIL 30, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
APRIL 30, 1996

ASSETS		1996		1995
GAS UTILITY PLANT, AT COST	$	94,217,873	$	81,373,369
Less - Reserve for Depreciation		25,622,892		23,767,630
	$	68,594,981	$	57,605,739
CURRENT ASSETS:				
Cash	$	(653,211)	$	334,837
Receivables		3,755,750		2,584,310
Deferred Gas Cost		2,816,166		(1,090,125)
Gas in Storage, at Cost		320,897		475,459
Materials and Supplies, at Cost		560,092		472,034
Prepayments		471,055		514,121
	$	7,270,750	$	3,290,636
OTHER ASSETS:				
Cash Surrender Value of Life Insurance	$	295,137	$	277,603
Unamortized Expenses		2,093,600		2,182,400
Receivable/Investment in Subsidiaries		950,535		714,283
Other		273,858		228,858
	$	3,613,130	$	3,403,144
TOTAL ASSETS	$	79,478,861	$	64,299,519
LIABILITIES				
CAPITALIZATION:				
Common Stock	$	1,897,153	$	1,857,446
Paid-in Surplus		20,473,171		19,835,900
Capital Stock Expense		(1,604,792)		(1,604,792)
Retained Earnings		4,023,592		2,969,342
Total Common Equity	$	24,789,124	$	23,057,896
Long-term Debt		24,971,432		24,061,000
Total Capitalization	$	49,760,556	$	47,118,896
CURRENT LIABILITIES:				
Long-term Debt due within one year	$	1,063,200	$	500,000
Notes Payable		15,855,000		4,770,000
Accounts Payable		1,912,234		1,052,139
Customers' Deposit		365,362		392,938
Purchased Gas Refund Payable to Customers		26,507		495,615
Accrued Taxes		1,897,597		1,202,580
Accrued Interest		161,716		108,522
Other		562,972		710,496
	$	21,844,588	$	9,232,290
DEFERRED CREDITS AND OTHER:				
Deferred Income Taxes	$	5,952,100	$	5,563,700
Investment Tax Credit		814,900		886,100
Regulatory Items		889,800		1,289,200
Advances for Construction		216,917		209,333
	$	7,873,717	$	7,948,333
TOTAL LIABILITIES	$	79,478,861	$	64,299,519

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	**2,224,928**	$	**2,380,567**
ADD					
Net income applicable to common stock			3,380,537		2,140,428
DEDUCT					
Common Dividends			1,581,874		1,551,653
BALANCE	APRIL 30, 1996/1995	$	**4,023,592**	$	**2,969,342**

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	**20,022,643**	$	**19,532,909**
ADD					
Excess of sales price over par value of common stock			450,528		302,991
DEDUCT					
BALANCE	APRIL 30, 1996/1995	$	**20,473,171**	$	**19,835,900**

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

APRIL 30, 1996

	10 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 28,163,428	$ 25,286,167	$ 30,711,266	$ 27,912,362
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 11,948,108	$ 11,687,405	$ 12,792,502	$ 12,716,360
Operations	6,175,698	6,137,903	7,431,981	7,847,991
Maintenance	447,451	358,173	560,670	451,878
Depreciation	2,006,992	1,783,000	2,364,952	2,100,790
Property & Other Taxes	830,556	709,172	969,894	879,055
Income Taxes	1,660,000	964,400	1,405,700	535,800
Total	$ 23,068,804	$ 21,640,053	$ 25,525,698	$ 24,531,874
Operating Income	$ 5,094,624	$ 3,646,114	$ 5,185,568	$ 3,380,488
[illegible]ER INCOME/(EXPENSES),NET	554,012	498,724	635,000	605,485
Gross Income	$ 5,648,636	$ 4,144,838	$ 5,820,568	$ 3,985,973
OTHER DEDUCTIONS:				
Interest on Debt	$ 2,194,099	$ 1,930,410	$ 2,573,924	$ 2,297,958
Amortization	74,000	74,000	88,800	69,976
Other	-	-	-	-
Total	$ 2,268,099	$ 2,004,410	$ 2,662,724	$ 2,367,934
NET INCOME APPLICABLE TO COMMON STOCK	$ 3,380,537	$ 2,140,428	$ 3,157,844	$ 1,618,039
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.79	$ 1.16	$ 1.68	$ 0.88
CUSTOMERS AT END OF PERIOD			35,825	34,626

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

MARCH 31, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
MARCH 31, 1996

ASSETS	1996	1995
GAS UTILITY PLANT, AT COST	$ 92,921,688	$ 80,821,304
Less - Reserve for Depreciation	25,382,025	23,536,660
	$ 67,539,664	$ 57,284,644
CURRENT ASSETS:		
Cash	$ 201,301	$ 270,239
Receivables	3,180,432	2,688,601
Deferred Gas Cost	3,506,175	(436,105)
Gas in Storage, at Cost	349,909	428,194
Materials and Supplies, at Cost	526,717	415,689
Prepayments	525,406	562,106
	$ 8,289,939	$ 3,928,724
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 295,136	$ 277,603
Unamortized Expenses	2,101,000	2,189,800
Receivable/Investment in Subsidiaries	829,302	616,479
Other	275,858	230,858
	$ 3,501,296	$ 3,314,740
TOTAL ASSETS	$ 79,330,898	$ 64,528,108

LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,894,951	$ 1,855,760
Paid-in Surplus	20,439,322	19,806,849
Capital Stock Expense	(1,604,792)	(1,604,792)
Retained Earnings	3,256,925	2,679,969
Total Common Equity	$ 23,986,406	$ 22,737,786
Long-term Debt	24,976,650	24,091,000
Total Capitalization	$ 48,963,056	$ 46,828,786
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,063,200	$ 500,000
Notes Payable	15,460,000	4,895,000
Accounts Payable	2,868,157	1,092,198
Customers' Deposit	374,841	416,628
Purchased Gas Refund Payable to Customers	101,967	529,225
Accrued Taxes	1,511,681	1,171,450
Accrued Interest	585,926	478,972
Other	528,352	667,516
	$ 22,494,124	$ 9,750,989
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,952,100	$ 5,563,700
Investment Tax Credit	814,900	886,100
Regulatory Items	889,800	1,289,200
Advances for Construction	216,917	209,333
	$ 7,873,717	$ 7,948,333
TOTAL LIABILITIES	$ 79,330,898	$ 64,528,108

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			2,613,871		1,851,055
DEDUCT					
Common Dividends			1,710,849		1,551,653
BALANCE	MARCH 31, 1996/1995	$	3,127,950	$	2,679,969

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			348,618		273,940
DEDUCT					
BALANCE	MARCH 31, 1996/1995	$	20,371,261	$	19,806,849

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

MARCH 31, 1996

	9 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 24,172,056	$ 22,641,231	$ 29,364,830	$ 28,627,976
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 10,156,484	$ 10,502,298	$ 12,185,985	$ 13,261,078
Operations	5,654,303	5,519,365	7,529,124	7,795,518
Maintenance	410,358	323,539	558,211	448,720
Depreciation	1,806,492	1,604,700	2,342,752	2,083,790
Property & Other Taxes	745,288	639,182	954,616	875,855
Income Taxes	1,249,300	828,300	1,131,100	632,200
Total	$ 20,022,224	$ 19,417,384	$ 24,701,787	$ 25,097,161
Operating Income	$ 4,149,831	$ 3,223,847	$ 4,663,042	$ 3,530,815
OTHER INCOME/(EXPENSES),NET	486,677	441,129	625,260	595,650
Gross Income	$ 4,636,508	$ 3,664,976	$ 5,288,302	$ 4,126,465
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,956,037	$ 1,747,321	$ 2,518,951	$ 2,281,559
Amortization	66,600	66,600	88,800	72,576
Other	-	-	-	-
Total	$ 2,022,637	$ 1,813,921	$ 2,607,751	$ 2,354,135
NET INCOME APPLICABLE TO COMMON STOCK	$ 2,613,871	$ 1,851,055	$ 2,680,551	$ 1,772,330
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.39	$ 1.00	$ 1.43	$ 0.96
CUSTOMERS AT END OF PERIOD			35,976	35,108

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

FEBRUARY 29, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
FEBRUARY 29, 1996

ASSETS	1996	1995
GAS UTILITY PLANT, AT COST	$ 92,413,434	$ 80,645,314
Less - Reserve for Depreciation	25,330,768	23,570,405
	$ 67,082,666	$ 57,074,909
CURRENT ASSETS:		
Cash	$ 120,966	$ (493,950)
Receivables	3,704,689	3,702,655
Deferred Gas Cost	2,917,973	572,341
Gas in Storage, at Cost	419,579	402,442
Materials and Supplies, at Cost	476,509	425,796
Prepayments	90,834	30,354
	$ 7,730,550	$ 4,639,638
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 295,136	$ 277,603
Unamortized Expenses	2,108,400	2,197,200
Receivable/Investment in Subsidiaries	681,942	447,356
Other	277,858	232,858
	$ 3,363,336	$ 3,155,017
TOTAL ASSETS	$ 78,176,552	$ 64,869,564
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,890,613	$ 1,852,040
Paid-in Surplus	20,371,261	19,743,423
Capital Stock Expense	(1,604,792)	(1,604,539)
Retained Earnings	3,127,950	2,645,056
Total Common Equity	$ 23,785,032	$ 22,635,980
Long-term Debt	24,981,848	24,216,000
Total Capitalization	$ 48,766,880	$ 46,851,980
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,063,200	$ 500,000
Notes Payable	14,095,000	4,630,000
Accounts Payable	3,524,953	1,560,236
Customers' Deposit	401,253	439,888
Purchased Gas Refund Payable to Customers	176,807	582,718
Accrued Taxes	1,044,306	860,769
Accrued Interest	843,930	795,779
Other	388,214	699,861
	$ 21,537,663	$ 10,069,251
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,952,100	$ 5,563,700
Investment Tax Credit	814,900	886,100
Regulatory Items	889,800	1,289,200
Advances for Construction	215,209	209,333
	$ 7,872,009	$ 7,948,333
TOTAL LIABILITIES	$ 78,176,552	$ 64,869,564

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	**JULY 1,1995/1994**	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			1,955,511		1,297,561
DEDUCT					
Common Dividends			1,052,489		1,033,072
BALANCE	**FEBRUARY 29, 1996/1995**	$	3,127,950	$	2,645,056

PAID-IN SURPLUS

BALANCE	**JULY 1,1995/1994**	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			348,618		210,514
DEDUCT					
BALANCE	**FEBRUARY 29, 1996/1995**	$	20,371,261	$	19,743,423

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

FEBRUARY 29, 1996

	8 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 20,187,294	$ 18,733,090	$ 29,288,209	$ 28,827,932
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 8,351,350	$ 8,589,981	$ 12,293,168	$ 13,549,220
Operations	4,956,931	4,829,498	7,521,619	7,676,697
Maintenance	372,998	280,467	563,923	445,539
Depreciation	1,605,992	1,426,400	2,320,552	2,066,790
Property & Other Taxes	655,932	564,927	939,515	874,900
Income Taxes	909,000	524,900	1,094,200	655,700
Total	$ 16,852,203	$ 16,216,173	$ 24,732,977	$ 25,268,846
Operating Income	$ 3,335,091	$ 2,516,917	$ 4,555,232	$ 3,559,086
OTHER INCOME/(EXPENSES),NET	407,745	404,149	583,308	599,840
Gross Income	$ 3,742,836	$ 2,921,066	$ 5,138,540	$ 4,158,926
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,728,125	$ 1,564,305	$ 2,474,055	$ 2,267,019
Amortization	59,200	59,200	88,800	75,176
Other	-	-	-	-
Total	$ 1,787,325	$ 1,623,505	$ 2,562,855	$ 2,342,195
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,955,511	$ 1,297,561	$ 2,575,685	$ 1,816,731
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 1.04	$ 0.70	$ 1.37	$ 0.99
CUSTOMERS AT END OF PERIOD			36,007	35,116

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JANUARY 31, 1996

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JANUARY 31, 1996

ASSETS	1996	1995
GAS UTILITY PLANT, AT COST	$ 91,377,169	$ 80,389,862
Less - Reserve for Depreciation	25,093,326	23,345,409
	$ 66,283,843	$ 57,044,453
CURRENT ASSETS:		
Cash	$ 314,163	$ 427,152
Receivables	3,690,358	3,341,611
Deferred Gas Cost	2,256,932	1,343,888
Gas in Storage, at Cost	443,577	451,743
Materials and Supplies, at Cost	445,508	410,094
Prepayments	99,961	77,798
	$ 7,250,499	$ 6,052,286
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 295,136	$ 277,603
Unamortized Expenses	2,115,800	2,204,600
Receivable/Investment in Subsidiaries	532,590	272,486
Other	279,858	234,858
	$ 3,223,384	$ 2,989,547
TOTAL ASSETS	$ 76,757,726	$ 66,086,286
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,888,258	$ 1,851,532
Paid-in Surplus	20,333,228	19,735,493
Capital Stock Expense	(1,604,792)	(1,602,116)
Retained Earnings	2,185,285	1,818,258
Total Common Equity	$ 22,801,979	$ 21,803,167
Long-term Debt	25,012,025	24,262,000
Total Capitalization	$ 47,814,004	$ 46,065,167
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,063,200	$ 500,000
Notes Payable	13,585,000	7,545,000
Accounts Payable	3,700,154	1,652,035
Customers' Deposit	389,880	435,168
Purchased Gas Refund Payable to Customers	272,207	258,699
Accrued Taxes	614,882	415,397
Accrued Interest	625,152	606,241
Other	821,238	655,147
	$ 21,071,713	$ 12,067,687
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,952,100	$ 5,563,700
Investment Tax Credit	814,900	886,100
Regulatory Items	889,800	1,289,200
Advances for Construction	215,209	214,432
	$ 7,872,009	$ 7,953,432
TOTAL LIABILITIES	$ 76,757,726	$ 66,086,286

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			1,012,845		470,763
DEDUCT					
Common Dividends			1,052,488		1,033,072
BALANCE	JANUARY 31, 1996/1995	$	2,185,285	$	1,818,258

PAID-IN SURPLUS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			310,585		202,584
DEDUCT					
BALANCE	JANUARY 31, 1996/1995	$	20,333,228	$	19,735,493

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JANUARY 31, 1996

	7 MONTHS TO DATE		12 MONTHS ENDED	
	1996	1995	1996	1995
OPERATING REVENUES	$ 15,345,420	$ 14,079,914	$ 29,099,511	$ 29,470,360
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 6,073,517	$ 6,260,738	$ 12,344,578	$ 14,123,974
Operations	4,307,703	4,240,539	7,461,350	7,776,191
Maintenance	338,945	248,495	561,842	439,943
Depreciation	1,405,492	1,248,100	2,298,352	2,049,790
Property & Other Taxes	566,393	490,327	924,576	870,800
Income Taxes	405,500	63,000	1,052,600	661,300
Total	$ 13,097,550	$ 12,551,199	$ 24,643,298	$ 25,921,998
Operating Income	$ 2,247,870	$ 1,528,715	$ 4,456,213	$ 3,548,362
OTHER INCOME/(EXPENSES),NET	322,516	363,861	538,367	636,295
Gross Income	$ 2,570,386	$ 1,892,576	$ 4,994,580	$ 4,184,657
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,505,741	$ 1,370,013	$ 2,445,963	$ 2,244,159
Amortization	51,800	51,800	88,800	77,776
Other	-	-	-	-
Total	$ 1,557,541	$ 1,421,813	$ 2,534,763	$ 2,321,935
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,012,845	$ 470,763	$ 2,459,817	$ 1,862,722
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ 0.54	$ 0.26	$ 1.31	$ 1.01
CUSTOMERS AT END OF PERIOD			35,871	34,835

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

DECEMBER 31, 1995

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
DECEMBER 31, 1995

ASSETS	1995	1994
GAS UTILITY PLANT, AT COST	$ 90,863,421	$ 79,891,984
Less - Reserve for Depreciation	24,860,367	23,118,084
	$ 66,003,054	$ 56,773,900
CURRENT ASSETS:		
Cash	$ 441,938	$ 490,513
Receivables	2,069,196	1,494,020
Deferred Gas Cost	1,165,093	2,167,331
Gas in Storage, at Cost	488,658	497,740
Materials and Supplies, at Cost	437,814	442,311
Prepayments	146,498	114,813
	$ 4,749,198	$ 5,206,728
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 295,137	$ 277,603
Unamortized Expenses	2,123,200	2,212,000
Receivable/Investment in Subsidiaries	584,620	543,061
Other	281,858	236,858
	$ 3,284,815	$ 3,269,522
TOTAL ASSETS	$ 74,037,067	$ 65,250,150
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,886,450	$ 1,850,448
Paid-in Surplus	20,303,288	19,718,477
Capital Stock Expense	(1,604,792)	(1,595,781)
Retained Earnings	1,060,867	942,556
Total Common Equity	$ 21,645,814	$ 20,915,700
Long-term Debt	25,066,182	24,307,000
Total Capitalization	$ 46,711,996	$ 45,222,700
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,063,200	$ 500,000
Notes Payable	12,710,000	8,030,000
Accounts Payable	3,690,248	1,731,689
Customers' Deposit	380,647	415,437
Purchased Gas Refund Payable to Customers	382,432	333,808
Accrued Taxes	(148,399)	(180,894)
Accrued Interest	594,071	524,745
Other	800,513	718,883
	$ 19,472,712	$ 12,073,668
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,933,500	$ 5,563,700
Investment Tax Credit	814,900	886,100
Regulatory Items	889,800	1,289,200
Advances for Construction	214,159	214,782
	$ 7,852,359	$ 7,953,782
TOTAL LIABILITIES	$ 74,037,067	$ 65,250,150

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			(111,572)		(404,939)
DEDUCT					
Common Dividends			1,052,488		1,033,072
BALANCE	DECEMBER 31,1995	$	1,060,867	$	942,556

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			280,645		185,568
DEDUCT					
BALANCE	DECEMBER 31,1995	$	20,303,288	$	19,718,477

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

DECEMBER 31, 1995

		6 MONTHS TO DATE		12 MONTHS ENDED	
		1995	1994	1995	1994
OPERATING REVENUES	$	9,950,769	$ 8,939,406	$ 28,845,368	$ 30,332,891
OPERATING EXPENSES & TAXES:					
Gas Purchased	$	3,671,055	$ 3,533,716	$ 12,669,138	$ 14,363,048
Operations		3,651,975	3,619,925	7,426,236	7,797,157
Maintenance		296,602	201,996	565,998	432,005
Depreciation		1,204,992	1,069,800	2,276,152	2,032,790
Property & Other Taxes		467,809	415,127	901,192	866,100
Income Taxes		(244,900)	(412,600)	877,800	896,800
Total	$	9,047,533	$ 8,427,964	$ 24,716,516	$ 26,387,900
Operating Income	$	903,236	$ 511,442	$ 4,128,852	$ 3,944,991
OTHER INCOME/(EXPENSES),NET		305,533	297,932	587,313	602,441
Gross Income	$	1,208,769	$ 809,374	$ 4,716,165	$ 4,547,432
OTHER DEDUCTIONS:					
Interest on Debt	$	1,275,942	$ 1,169,913	$ 2,416,264	$ 2,219,409
Amortization		44,400	44,400	88,800	98,124
Other		-	-	-	-
Total	$	1,320,342	$ 1,214,313	$ 2,505,064	$ 2,317,533
NET INCOME APPLICABLE TO COMMON STOCK	$	(111,572)	$ (404,939)	$ 2,211,102	$ 2,229,899
EARNINGS PER AVERAGE SHARES OUTSTANDING	$	(0.06)	$ (0.22)	$ 1.18	$ 1.21
CUSTOMERS AT END OF PERIOD				35,443	34,286

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

NOVEMBER 30, 1995

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
NOVEMBER 30, 1995

ASSETS	1995	1994
GAS UTILITY PLANT, AT COST	$ 90,176,613	$ 79,234,619
Less - Reserve for Depreciation	24,836,551	23,094,597
	$ 65,340,062	$ 56,140,022
CURRENT ASSETS:		
Cash	$ 346,690	$ (327,752)
Receivables	1,431,715	1,124,157
Deferred Gas Cost	(14,432)	2,059,159
Gas in Storage, at Cost	504,241	534,184
Materials and Supplies, at Cost	410,977	468,486
Prepayments	197,456	156,265
	$ 2,876,647	$ 4,014,499
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 295,137	$ 277,603
Unamortized Expenses	2,130,600	2,219,400
Receivable/Investment in Subsidiaries	446,105	537,323
Other	283,858	238,858
	$ 3,155,700	$ 3,273,184
TOTAL ASSETS	$ 71,372,409	$ 63,427,705
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,882,824	$ 1,846,926
Paid-in Surplus	20,243,328	19,665,461
Capital Stock Expense	(1,604,792)	(1,588,025)
Retained Earnings	982,757	1,165,673
Total Common Equity	$ 21,504,117	$ 21,090,035
Long-term Debt	25,081,892	24,307,000
Total Capitalization	$ 46,586,009	$ 45,397,035
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,057,700	$ 500,000
Notes Payable	12,370,000	7,165,000
Accounts Payable	2,289,472	1,240,490
Customers' Deposit	413,161	433,652
Purchased Gas Refund Payable to Customers	459,912	374,373
Accrued Taxes	(407,597)	(239,145)
Accrued Interest	372,182	324,638
Other	743,711	663,822
	$ 17,298,541	$ 10,462,830
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,510,400	$ 5,116,400
Investment Tax Credit	850,400	921,800
Regulatory Items	912,900	1,312,500
Advances for Construction	214,159	217,140
	$ 7,487,859	$ 7,567,840
TOTAL LIABILITIES	$ 71,372,409	$ 63,427,705

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			(716,705)		(698,961)
DEDUCT					
Common Dividends			525,466		515,933
BALANCE	NOVEMBER 30, 1995	$	982,757	$	1,165,673

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			220,685		132,552
DEDUCT					
BALANCE	NOVEMBER 30, 1995	$	20,243,328	$	19,665,461

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

NOVEMBER 30, 1995

	5 MONTHS TO DATE		12 MONTHS ENDED	
	1995	1994	1995	1994
OPERATING REVENUES	$ 6,496,860	$ 5,919,099	$ 28,411,766	$ 30,332,358
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 2,224,977	$ 2,044,093	$ 12,712,683	$ 14,239,373
Operations	3,082,557	2,943,855	7,532,888	7,793,469
Maintenance	263,234	175,928	558,698	424,133
Depreciation	991,000	891,500	2,240,460	2,015,790
Property & Other Taxes	390,569	347,591	891,488	860,362
Income Taxes	(569,400)	(550,100)	690,800	966,300
Total	$ 6,382,937	$ 5,852,867	$ 24,627,017	$ 26,299,427
Operating Income	$ 113,923	$ 66,232	$ 3,784,749	$ 4,032,931
OTHER INCOME/(EXPENSES),NET	252,922	237,917	594,717	579,113
Gross Income	$ 366,845	$ 304,149	$ 4,379,466	$ 4,612,044
OTHER DEDUCTIONS:				
Interest on Debt	$ 1,046,550	$ 966,110	$ 2,390,675	$ 2,189,884
Amortization	37,000	37,000	88,800	97,004
Other	-	-	-	-
Total	$ 1,083,550	$ 1,003,110	$ 2,479,475	$ 2,286,888
NET INCOME APPLICABLE TO COMMON STOCK	$ (716,705)	$ (698,961)	$ 1,899,991	$ 2,325,156
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.38)	$ (0.38)	$ 1.02	$ 1.27
CUSTOMERS AT END OF PERIOD			34,691	33,440

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

OCTOBER 31, 1995

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
OCTOBER 31, 1995

ASSETS	1995	1994
GAS UTILITY PLANT, AT COST	$ 86,037,109	$ 78,332,910
Less - Reserve for Depreciation	24,588,769	22,870,715
	$ 61,448,340	$ 55,462,195
CURRENT ASSETS:		
Cash	$ 112,069	$ 66,523
Receivables	1,121,882	864,127
Deferred Gas Cost	(752,640)	1,929,080
Gas in Storage, at Cost	528,862	529,313
Materials and Supplies, at Cost	478,815	466,768
Prepayments	254,871	197,394
	$ 1,743,859	$ 4,053,205
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 295,137	$ 277,603
Unamortized Expenses	2,138,000	2,226,800
Receivable/Investment in Subsidiaries	1,117,019	721,066
Other	285,858	240,858
	$ 3,836,014	$ 3,466,327
TOTAL ASSETS	$ 67,028,213	$ 62,981,727
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,882,277	$ 1,846,348
Paid-in Surplus	20,233,314	19,656,280
Capital Stock Expense	(1,604,792)	(1,588,025)
Retained Earnings	820,146	1,140,127
Total Common Equity	$ 21,330,945	$ 21,054,730
Long-term Debt	23,456,009	24,364,000
Total Capitalization	$ 44,786,954	$ 45,418,730
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,057,700	$ 500,000
Notes Payable	11,115,000	7,700,000
Accounts Payable	1,393,006	801,867
Customers' Deposit	377,120	409,693
Purchased Gas Refund Payable to Customers	426,324	396,315
Accrued Taxes	(486,792)	(552,388)
Accrued Interest	151,894	128,555
Other	719,778	609,315
	$ 14,754,030	$ 9,993,357
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,510,400	$ 5,116,400
Investment Tax Credit	850,400	921,800
Regulatory Items	912,900	1,312,500
Advances for Construction	213,529	218,940
	$ 7,487,229	$ 7,569,640
TOTAL LIABILITIES	$ 67,028,213	$ 62,981,727

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			(879,315)		(724,507)
DEDUCT					
Common Dividends			525,467		515,933
BALANCE	OCTOBER 31, 1995/1994	$	820,146	$	1,140,127

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			210,671		123,371
DEDUCT					
BALANCE	OCTOBER 31, 1995/1994	$	20,233,314	$	19,656,280

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

OCTOBER 31, 1995

	4 MONTHS TO DATE		12 MONTHS ENDED	
	1995	1994	1995	1994
OPERATING REVENUES	$ 4,316,065	$ 4,047,856	$ 28,102,214	$ 30,827,566
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 1,406,258	$ 1,235,684	$ 12,702,373	$ 14,438,570
Operations	2,468,762	2,365,203	7,497,745	7,838,440
Maintenance	222,810	141,567	552,635	409,915
Depreciation	792,800	713,200	2,220,560	1,998,790
Property & Other Taxes	311,209	278,091	881,628	855,522
Income Taxes	(642,100)	(548,500)	616,500	1,069,500
Total	$ 4,559,739	$ 4,185,245	$ 24,471,441	$ 26,610,737
Operating Income	$ (243,674)	$ (137,389)	$ 3,630,773	$ 4,216,829
OTHER INCOME/(EXPENSES),NET	214,153	209,522	584,343	588,649
Gross Income	$ (29,521)	$ 72,133	$ 4,215,116	$ 4,805,478
OTHER DEDUCTIONS:				
Interest on Debt	$ 820,194	$ 767,040	$ 2,363,389	$ 2,199,058
Amortization	29,600	29,600	88,800	95,884
Other	-	-	-	-
Total	$ 849,794	$ 796,640	$ 2,452,189	$ 2,294,942
NET INCOME APPLICABLE TO COMMON STOCK	$ (879,315)	$ (724,507)	$ 1,762,927	$ 2,510,536
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.47)	$ (0.39)	$ 0.95	$ 1.37
CUSTOMERS AT END OF PERIOD			33,343	32,347
AVERAGE SHARES	1,876,797 FISCAL YTD	1,843,298 FISCAL YTD	1,862,148 12 MONTH ENDED	1,834,871 12 MONTH ENDED

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

SEPTEMBER 30, 1995

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
SEPTEMBER 30, 1995

ASSETS	1995	1994
GAS UTILITY PLANT, AT COST	$ 85,443,357	$ 77,912,801
Less - Reserve for Depreciation	24,343,649	22,661,222
	$ 61,099,708	$ 55,251,579
CURRENT ASSETS:		
Cash	$ 155,517	$ 237,460
Receivables	636,470	614,649
Deferred Gas Cost	(843,772)	1,744,786
Gas in Storage, at Cost	497,492	514,827
Materials and Supplies, at Cost	503,713	477,077
Prepayments	305,039	243,400
	$ 1,254,459	$ 3,832,199
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 293,457	$ 277,603
Unamortized Expenses	2,145,400	2,234,200
Receivable/Investment in Subsidiaries	790,038	807,162
Other	287,858	254,858
	$ 3,516,753	$ 3,573,823
TOTAL ASSETS	$ 65,870,920	$ 62,657,601
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,881,752	$ 1,845,692
Paid-in Surplus	20,225,491	19,645,693
Capital Stock Expense	(1,604,792)	(1,588,025)
Retained Earnings	938,799	1,231,576
Total Common Equity	$ 21,441,250	$ 21,134,936
Long-term Debt	23,621,009	24,500,000
Total Capitalization	$ 45,062,259	$ 45,634,936
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,057,700	$ 500,000
Notes Payable	9,565,000	6,425,000
Accounts Payable	1,232,071	1,109,729
Customers' Deposit	327,588	346,625
Purchased Gas Refund Payable to Customers	445,549	406,882
Accrued Taxes	(441,769)	(514,181)
Accrued Interest	385,416	446,364
Other	751,452	732,606
	$ 13,323,007	$ 9,453,025
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,510,400	$ 5,116,400
Investment Tax Credit	850,400	921,800
Regulatory Items	912,900	1,312,500
Advances for Construction	211,954	218,940
	$ 7,485,654	$ 7,569,640
TOTAL LIABILITIES	$ 65,870,920	$ 62,657,601

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1,1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			(760,662)		(633,058)
DEDUCT					
Common Dividends			525,467		515,933
BALANCE	SEPTEMBER 30, 1995/1994	$	938,799	$	1,231,576

PAID-IN SURPLUS

BALANCE	JULY 1,1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			202,848		112,784
DEDUCT					
BALANCE	SEPTEMBER 30, 1995/1994	$	20,225,491	$	19,645,693

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

SEPTEMBER 30, 1995

	3 MONTHS TO DATE		12 MONTHS ENDED	
	1995	1994	1995	1994
OPERATING REVENUES	$ 2,846,893	$ 2,769,096	$ 27,911,802	$ 31,024,932
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 844,702	$ 798,461	$ 12,578,040	$ 14,549,289
Operations	1,815,291	1,753,310	7,456,167	7,812,076
Maintenance	165,352	112,169	524,575	417,058
Depreciation	594,600	534,900	2,200,660	1,981,790
Property & Other Taxes	231,563	208,091	871,982	859,122
Income Taxes	(528,500)	(455,800)	637,400	1,132,900
Total	$ 3,123,008	$ 2,951,131	$ 24,268,824	$ 26,752,235
Operating Income	$ (276,115)	$ (182,035)	$ 3,642,978	$ 4,272,697
OTHER INCOME/(EXPENSES),NET	139,299	143,253	575,758	550,405
Gross Income	$ (136,816)	$ (38,782)	$ 4,218,736	$ 4,823,102
OTHER DEDUCTIONS:				
Interest on Debt	$ 601,646	$ 572,076	$ 2,339,805	$ 2,148,110
Amortization	22,200	22,200	88,800	94,764
Other	-	-	-	-
Total	$ 623,846	$ 594,276	$ 2,428,605	$ 2,242,874
NET INCOME APPLICABLE TO COMMON STOCK	$ (760,662)	$ (633,058)	$ 1,790,131	$ 2,580,228
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.41)	$ (0.34)	$ 0.96	$ 1.41
CUSTOMERS AT END OF PERIOD			32,734	31,784
AVERAGE SHARES	1,875,427 FISCAL YTD	1,842,535 FISCAL YTD	1,859,334 12 MONTH ENDED	1,819,949 12 MONTH ENDED

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

AUGUST 31, 1995

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1/1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			(491,431)		(421,488)
DEDUCT					
Common Dividends			0		0
BALANCE	AUGUST 31, 1995/1994	$	1,733,497	$	1,959,079

PAID-IN SURPLUS

BALANCE	JULY 1/1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			127,430		60,142
DEDUCT					
BALANCE	AUGUST 31, 1995/1994	$	20,150,073	$	19,593,051

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
AUGUST 31, 1995

ASSETS	1995	1994
GAS UTILITY PLANT, AT COST	$ 84,904,130	$ 77,367,198
Less - Reserve for Depreciation	24,375,374	22,715,931
	$ 60,528,956	$ 54,651,267
CURRENT ASSETS:		
Cash	$ 138,213	$ 227,098
Receivables	971,948	1,029,352
Deferred Gas Cost	(930,374)	1,592,043
Gas in Storage, at Cost	440,609	457,594
Materials and Supplies, at Cost	519,233	465,251
Prepayments	655,152	431,343
	$ 1,794,781	$ 4,202,681
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 284,883	$ 269,029
Unamortized Expenses	2,152,800	2,241,600
Receivable/Investment in Subsidiaries	826,231	778,265
Other	289,858	256,858
	$ 3,553,772	$ 3,545,752
TOTAL ASSETS	$ 65,877,509	$ 62,399,700

LIABILITIES	1995	1994
CAPITALIZATION:		
Common Stock	$ 1,876,666	$ 1,842,619
Paid-in Surplus	20,150,073	19,593,051
Capital Stock Expense	(1,604,792)	(1,588,025)
Retained Earnings	1,733,497	1,959,079
Total Common Equity	$ 22,155,444	$ 21,806,724
Long-term Debt	23,626,105	24,500,000
Total Capitalization	$ 45,781,549	$ 46,306,724
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,057,700	$ 500,000
Notes Payable	8,065,000	5,050,000
Accounts Payable	1,385,954	1,082,731
Customers' Deposit	325,948	343,898
Purchased Gas Refund Payable to Customers	477,783	387,898
Accrued Taxes	(218,438)	(306,598)
Accrued Interest	792,204	758,746
Other	724,155	707,102
	$ 12,610,306	$ 8,523,777
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,510,400	$ 5,116,400
Investment Tax Credit	850,400	921,800
Regulatory Items	912,900	1,312,500
Advances for Construction	211,954	218,499
	$ 7,485,654	$ 7,569,199
TOTAL LIABILITIES	$ 65,877,509	$ 62,399,700

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

AUGUST 31, 1995

	2 MONTHS TO DATE		12 MONTHS ENDED	
	1995	1994	1995	1994
OPERATING REVENUES	$ 1,915,725	$ 1,906,924	$ 27,842,806	$ 31,028,798
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 556,675	$ 583,699	$ 12,504,775	$ 14,564,484
Operations	1,214,230	1,192,536	7,415,880	7,872,753
Maintenance	106,797	74,952	503,237	412,003
Depreciation	396,400	356,600	2,180,760	1,964,790
Property & Other Taxes	150,930	125,254	874,186	848,650
Income Taxes	(341,600)	(294,200)	662,700	1,132,700
Total	$ 2,083,432	$ 2,038,841	$ 24,141,538	$ 26,795,380
Operating Income	$ (167,707)	$ (131,917)	$ 3,701,268	$ 4,233,418
OTHER INCOME/(EXPENSES),NET	90,192	79,578	590,326	546,074
Gross Income	$ (77,515)	$ (52,339)	$ 4,291,594	$ 4,779,492
OTHER DEDUCTIONS:				
Interest on Debt	$ 399,116	$ 354,349	$ 2,355,002	$ 2,110,183
Amortization	14,800	14,800	88,800	93,644
Other	-	-	-	-
Total	$ 413,916	$ 369,149	$ 2,443,802	$ 2,203,827
NET INCOME APPLICABLE TO COMMON STOCK	$ (491,431)	$ (421,488)	$ 1,847,792	$ 2,575,665
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.26)	$ (0.23)	$ 1.00	$ 1.41
CUSTOMERS AT END OF PERIOD			32,756	31,734

DELTA NATURAL GAS COMPANY, INC.

FINANCIAL STATEMENT

AS OF

JULY 31,1995

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
JULY 31,1995

ASSETS	1995	1994
GAS UTILITY PLANT, AT COST	$ 83,861,068	$ 76,576,205
Less - Reserve for Depreciation	24,144,118	22,439,637
	$ 59,716,950	$ 54,136,568
CURRENT ASSETS:		
Cash	$ 68,659	$ 242,997
Receivables	1,235,814	1,412,257
Deferred Gas Cost	(1,039,890)	1,547,879
Gas in Storage, at Cost	462,883	385,986
Materials and Supplies, at Cost	666,395	480,606
Prepayments	773,032	422,634
	$ 2,166,893	$ 4,492,359
OTHER ASSETS:		
Cash Surrender Value of Life Insurance	$ 286,563	$ 269,029
Unamortized Expenses	2,160,200	2,249,000
Receivable/Investment in Subsidiaries	778,429	795,886
Other	291,858	257,858
	$ 3,517,050	$ 3,571,773
TOTAL ASSETS	$ 65,400,893	$ 62,200,700
LIABILITIES		
CAPITALIZATION:		
Common Stock	$ 1,874,556	$ 1,842,489
Paid-in Surplus	20,116,261	19,590,781
Capital Stock Expense	(1,604,792)	(1,588,025)
Retained Earnings	2,061,273	2,202,282
Total Common Equity	$ 22,447,298	$ 22,047,527
Long-term Debt	23,673,704	24,500,000
Total Capitalization	$ 46,121,002	$ 46,547,527
CURRENT LIABILITIES:		
Long-term Debt due within one year	$ 1,057,700	$ 500,000
Notes Payable	7,150,000	3,975,000
Accounts Payable	1,532,516	1,592,974
Customers' Deposit	321,683	335,998
Purchased Gas Refund Payable to Customers	471,000	393,984
Accrued Taxes	(18,275)	76,588
Accrued Interest	592,164	579,100
Other	688,408	642,470
	$ 11,795,196	$ 8,096,114
DEFERRED CREDITS AND OTHER:		
Deferred Income Taxes	$ 5,510,400	$ 5,116,400
Investment Tax Credit	850,400	921,800
Regulatory Items	912,900	1,312,500
Advances for Construction	210,995	206,359
	$ 7,484,695	$ 7,557,059
TOTAL LIABILITIES	$ 65,400,893	$ 62,200,700

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

RETAINED EARNINGS

			THIS YEAR		LAST YEAR
BALANCE	JULY 1/1995/1994	$	2,224,928	$	2,380,567
ADD					
Net income applicable to common stock			(163,655)		(178,285)
DEDUCT					
Common Dividends			0		0
BALANCE	JULY 31/1995/1994	$	2,061,273	$	2,202,282

PAID-IN SURPLUS

BALANCE	JULY 1/1995/1994	$	20,022,643	$	19,532,909
ADD					
Excess of sales price over par value of common stock			93,618		57,872
DEDUCT					
BALANCE	JULY 31/1995/1994	$	20,116,261	$	19,590,781

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME

JULY 31, 1995

	1 MONTH TO DATE		12 MONTHS ENDED	
	1995	1994	1995	1994
OPERATING REVENUES	$ 1,011,793	$ 1,046,704	$ 27,799,094	$ 31,032,748
OPERATING EXPENSES & TAXES:				
Gas Purchased	$ 276,528	$ 341,105	$ 12,467,222	$ 14,541,028
Operations	553,479	589,119	7,358,546	7,841,630
Maintenance	53,563	33,624	491,331	410,908
Depreciation	198,200	178,300	2,160,860	1,947,790
Property & Other Taxes	71,332	70,554	849,288	865,850
Income Taxes	(127,100)	(128,600)	711,600	1,155,800
Total	$ 1,026,002	$ 1,084,102	$ 24,038,847	$ 26,763,006
Operating Income	$ (14,209)	$ (37,398)	$ 3,760,247	$ 4,269,742
OTHER INCOME/(EXPENSES),NET	52,776	40,809	591,679	534,836
Gross Income	$ 38,567	$ 3,411	$ 4,351,926	$ 4,804,578
OTHER DEDUCTIONS:				
Interest on Debt	$ 194,822	$ 174,296	$ 2,330,761	$ 2,108,238
Amortization	7,400	7,400	88,800	92,524
Other	-	-	0	-
Total	$ 202,222	$ 181,696	$ 2,419,561	$ 2,200,762
NET INCOME APPLICABLE TO COMMON STOCK	$ (163,655)	$ (178,285)	$ 1,932,365	$ 2,603,816
EARNINGS PER AVERAGE SHARES OUTSTANDING	$ (0.09)	$ (0.10)	$ 1.04	$ 1.41
CUSTOMERS AT END OF PERIOD			32,993	31,894

9. On page 2 of the Company's ARP, the Company repeatedly makes the statement that one of the guiding principles of rate regulation is to establish rates that will provide the utility an *opportunity* to earn a fair, just and reasonable return on invested capital. In this regard, provide the following information:

a. How would the Company define "an opportunity to earn a fair rate of return?

b. Does Delta believe that an opportunity to earn a fair rate of return is the same as a *guarantee* to earn a fair rate of return? If so, explain in detail. If not, explain the difference between these two concepts.

RESPONSE:

a. In the context of rate regulation, having an opportunity to earn a fair, just and reasonable rate of return is equivalent to the utility having a *reasonable assurance* that it will be allowed to earn a rate of return that is sufficient to attract capital and commensurate with returns of other companies with a similar risk profile. Having a reasonable assurance of earning a fair, just and reasonable rate of return is a key element in this regard. For example, if too narrowly defined, an opportunity for a utility to earn a fair, just and reasonable rate of return may technically exist even if it takes extreme luck and superhuman effort in order to realize the opportunity. To draw an analogy from a different context, if someone were dropped 20 miles off the coast of Florida in a hurricane, an opportunity may exist for the person to arrive safely to shore, but without either extreme luck or extreme skill or the combination of the two, it is not reasonable to expect that the person will make it safely back to shore. Therefore, as a regulatory principle, utilities must be allowed to charge rates that will provide them with a reasonable assurance that they can earn the rate of return authorized by the Commission.

Delta's financial results would indicate *ex post* that it has not been given a reasonable assurance of earning a rate of return in the range established by the Commission. Delta currently has an alarmingly high payout ratio and percentage of debt and an alarmingly low interest coverage. Delta had a payout ratio of nearly 110% during 1998 and a payout ratio of more than 100% during 6 of the last 10 years. As of December 31, 1998, Delta's capital structure consisted of more than 70% debt, which is one of the highest we have found in the industry. During 1998, Delta had an interest coverage of 1.75x, which is one of the lowest we have found in the industry. During the fiscal years ended June 30 of 1996, 1997, and 1998, Delta had an actual rate of return of 10.2%, 6.1% and 8.6%, respectively, which is well below the rate of return established by the Commission. (See Delta's response to item 36 of the AG's data request.)

While factors such as increased marginal costs, increases in the number of customers, and temperature variability may result in an actual rate of return that is higher or lower than the allowed rate of return in any given year, a utility that consistently earns less than the allowed rate of return or which has averaged significantly less than the allowed rate of return for a long period of time cannot be said to have had a reasonable assurance of earning the allowed rate of return.

b. No. Having an opportunity to earn a fair, just and reasonable rate of return allows for more uncertainty than does having a guarantee to earn a fair, just and reasonable rate of return. Therefore, an opportunity encompasses a broader universe of outcomes than does a guarantee. Therefore, while a guarantee to earn a fair return would certainly represent an opportunity to earn a fair return, conversely, an opportunity to earn a fair, just and reasonable rate of return would not necessarily represent a guarantee.

WITNESS: Steve Seelye

10. On page 3 (and various other places) of the Company's ARP Delta states that the primary objective of its proposed Plan is to *ensure* that Delta's rate of return falls within the ROE range authorized by the Commission. Given this statement, and the specific way in which the proposed ARP has been designed, the AG submits that Delta, through this proposed plan is seeking to earn a *guaranteed* fair rate of return on an experimental basis for the next three years. If you do not agree with this submission, explain your disagreement in detail.

RESPONSE:

We do not agree with the Attorney General's submission for the following reasons. First, Delta's proposed alternative regulation plan includes performance-based cost controls that could cause Delta's actual rate of return to be different than the rate of return authorized by the Commission. The operation and maintenance ("O&M") expense control would index Delta's non-gas supply O&M expenses per customer to the inflation-adjusted non-gas supply O&M expenses approved in Delta's last rate case. There is also a 60% limitation on the amount of equity that can be included in the capital structure for purposes of determining revenue requirement. In addition, the application of the Annual Adjustment Component would be limited to 5 percent of revenue. Delta could also reduce the annual revenue deficiency amount if it is determined that the mechanism would increase rates to an uncompetitive level.

Second, the Actual Adjustment Component (AAC) does not utilize the rate of return authorized by the Commission in the rate case; but rather, the AAC utilizes the *range* authorized by the Commission. In establishing the rate of return on equity of 11.6 percent in its last rate case, the Commission found that a rate of return in the range of 11.1 to 12.1 percent is fair, just and reasonable. The obvious implication of the Commission's finding is that rates were established on a going-forward basis that reflected a 11.6 percent rate of return, but the objective of establishing these rates is not to guarantee that Delta will earn a 11.6 percent rate of return but to provide Delta with a reasonable assurance that it can earn a rate of return *within the range* specified by the Commission. Since a range is utilized in the determination of the AAC based on actual historical costs, the mechanism does not guarantee a rate of return for Delta, but rather, provides greater assurance that Delta will not earn more nor less than the range found to be fair, just and reasonable by the Commission. This is fully consistent with KRS 278.030 which says that the utility "may demand, collect and receive fair, just and reasonable rates for the service rendered." Indeed, a strong argument can be made that a ratemaking framework that ensures that the utility's rate of return falls within the range established by the Commission, while meeting certain performance criteria, does a better job satisfying KRS 278.030 than does the traditional regulatory framework.

WITNESS: Steve Seelye

11. What were the filing dates and rate effective dates of Delta's most recent 10 general rate cases?

In addition, for each of these general rate cases, provide the following additional information:

a. The actual rate case cost incurred by the Company.

b. The actual rate increase ($ amount) eventually granted by the KPSC as compared to the original rate increase requested by the Company.

c. Explanation whether any aspects of the pro forma test period data used in each of these rate case filing were based on the Company's budgets approved during these cases.

RESPONSE:

Filing Dates		Effective Dates
March 14, 1997 (1)		November 30, 1997
		June 1, 1998
December 14, 1990 (2)		May 23, 1991
May 31, 1985 (3)		November 15, 1985
		January 28, 1986
July 6, 1984 (4)		December 26, 1984
		January 30, 1985
June 18, 1982 (5)		December 8, 1982
Case from above	Actual Increase (b)	Requested Increase
(a) (1) $ 129,000	$1,670,000	$2,962,000
	116,000	
(2) $ 87,000	$2,050,000	$2,937,000
(3)	$ 683,000	$1,600,000
(4)	$1,370,000	$2,508,000
(5)	$1,306,000	$2,200,000

(c) yes

WITNESS: John Hall

12. Isn't it true that in the determination of the first AAC under the Company's proposed ARP, the Company will have to spend time and resources to determine the budgeted ROE, and that then a sort of "mini-rate case" will have to take place in which other interested parties such as the PSC Staff and the AG will have to spend considerable time and resources to verify the appropriateness of the Company's budgeted ROE, including all of the rate making components underlying this proposed budgeted ROE (capital structure, short term and long-term debt rates, rate base, appropriate revenue, expense and tax levels on a "PSC-approved" basis – i.e., based on PSC rate making principles), and may then make adjustments based on this "mini rate case" review? If you do not agree, explain your disagreement in detail.

RESPONSE:

See response to item 13 of the Commission's data request.

WITNESS: Steve Seelye

13. Isn't it true that in the determination of the second and third AAC factors under the Company's proposed ARP mechanism the same amount of time and resources will have to be spent by the Company, PSC Staff, the AG and other interested parties on exactly the same type of "mini rate case" activities as described in the prior date request? If you do not agree, explain your disagreement in detail.

RESPONSE:

See response to item 13 of the Commission's data request.

WITNESS: Steve Seelye

14. Isn't it true that in the determination of the first actual AAF factor under the Company's proposed ARP, the Company will have to spend time and resources to determine the actual achieved ROE, and that then a sort of "mini- rate case" will have to take place in which other interested parties such as the PSC Staff and the AG will have to spend considerable time and resources to verify the appropriateness of the Company's actual ROE number, including all of the rate making components underlying this actual ROE number (capital structure, short term and long term debt rates, rate base, appropriate revenue, expense and tax levels on a "PSC-approved" basis – i.e., based on PSC rate making principles), and may then make adjustments based on this "mini rate case" review? If you do not agree, explain your disagreement in detail.

RESPONSE:

See response to item 13 of the Commission's data request.

WITNESS: Steve Seelye

15. Isn't it true that in the determination of the second and third actual AAF factors under the Company's proposed ARP mechanism the same amount of time and resources will have to be spent by the Company, PSC Staff, the AG and other interested parties on exactly the same type of "mini rate case" activities as described in the prior data request? If you do not agree, explain your disagreement in detail.

RESPONSE:

See response to item 8 of the Commission's data request.

WITNESS: Steve Seelye

15. Isn't it true that in the determination of the second and third actual AAF factors under the Company's proposed ARP mechanism the same amount of time and resources will have to be spent by the Company, PSC Staff, the AG and other interested parties on exactly the same type of "mini rate case" activities as described in the prior data request? If you do not agree, explain your disagreement in detail.

RESPONSE:

See response to item 8 of the Commission's data request.

WITNESS: Steve Seelye

16. Considering the very extensive type of regulatory activities by the Company, Staff, AG and other interested parties proposed by the Company on an annual basis for the next three years, and considering the complexity of the Plan with many AAC, AAF and BAF surcharge reconciliation aspects to keep track of, explain why the Company believes that its proposed ARP will result in the commitment of less resources and costs and more cost savings on an average annual basis than under the current traditional rate mechanism.

RESPONSE:

See response to item 8 and item 13 of the Commission's data request.

WITNESS: Steve Seelye

17. With regard to the statement made by the Company on page 5 of the ARP, why does the Company believe that the proposed ARP "would likely result in a less adversarial process for adjusting rates."? Please be specific in your response.

RESPONSE:

See response to item 14 of the Commission's data request.

WITNESS: Steve Seelye

18. Explain in detail whether the proposed ARP applies to all of Delta's utility operations or only to the non-gas utility revenue, expense, tax and ROR aspects. In other words, will the Company's GCR mechanism continue to be in effect in addition to the proposed ARP for all non-gas cost aspects? Please be specific in your explanations.

RESPONSE:

Delta's proposal would only apply to non-gas costs. The GCR will continue to recover gas supply costs.

WITNESS: Steve Seelye

19. With regard to any "automatic adjustment clauses" that are currently in effect for Delta and will continue to be in effect separate from, but in combination with, the proposed ARP, please provide the following information:

a. Name and function of the automatic adjustment clause and the type of costs to be recovered through the clause.

b. Brief management summary of the rate making mechanics of the clause.

c. For the most recent year (e.g. 1998), the annual cost level for the type of costs recovered in each of the automatic adjustments clauses and the percentage of these costs of the Company's total annual operating costs.

RESPONSE:

See attached.

WITNESS: John Hall

Delta Natural Gas Company, Inc.
Automatic Adjustment Clauses

AG 19

a) Gas Cost Recovery Clause

b) Delta's rates include a Gas Cost Recovery ("GCR") clause, which permits changes in Delta's gas costs to be reflected in the rates charged to customers. The GCR requires Delta to make quarterly filings with the PSC, but such procedure does not require a general rate case.

c)

Gas Cost Recovered for the year ended 06/30/98:
$18,935,766

Total operating expenses for the year ended 06/30/98:
$31,586,306

GCR as a percent of total operating costs:
59.95%

20. With regard to the two "safeguards" mentioned on page 7 of the ARP, please provide the following information:

a. How exactly would the Company make the determination that another rate increase would bring its rates at an uncompetitive level? What criteria will be used by the Company to make this determination?

b. How did the Company arrive at the specific "5% of total utility revenue" limitation for the annual AAC rate increase?

c. Are the GCR revenues (for the separate gas cost recovery mechanism) included in the "total utility revenue" to which the 5% limitation factor will be applied?

d. Since the GCR revenues included in the "total utility revenue" are automatically recovered through a separate rate mechanism, why shouldn't the limitation % be applied to the total *net* (of gas costs) utility revenues? Explain this in detail.

RESPONSE:

a. See Delta's response to item 23 of the Commission's data request.

b. Based on our experience, this percentage is a commonly used annual price increase cap in contracts.

c. Yes.

d. The purpose of the cap was to limit the percentage increase that customers could see in their bills. Applying the cap to net utility revenues would not be consistent with this objective.

WITNESS: Steve Seelye

21. Please provide the following information with regard to Delta's utility rates:

a. Actual annual overall composite *base* rate increase/(decrease); actual annual overall composite *GCR* rate increase/(decrease); and the actual annual overall composite *total* (base plus GCR) rate increase/(decrease) during each of the last 10 years.

b. Average annual overall composite *base* rate increases/(decreases); average annual overall composite *GCR* rate increases/(decreases); and the average annual overall composite *total* (base plus GCR) rate increases/(decreases) for the entire 10-year period.

RESPONSE:

See attached.

WITNESS: John Hall

ACTUAL ANNUAL OVERALL COMPOSITE BASE RATE, GCR RATE & TOTAL (BASE + GCR) RATE INCREASE/(DECREASE)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	1989						
General Service	February 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.2184	$ 0.2667	$ 5.2563	$ 0.2667
1001 - 5000 Mcf		$ 1.8920		$ 3.2184	$ 0.2667	$ 5.1104	$ 0.2667
5001 - 10000 Mcf		$ 1.5858		$ 3.2184	$ 0.2667	$ 4.8042	$ 0.2667
Over 10000 Mcf		$ 1.2795		$ 3.2184	$ 0.2667	$ 4.4979	$ 0.2667
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 3.2184	$ 0.2667	$ 5.0010	$ 0.2667
1001 - 5000 Mcf		$ 1.6368		$ 3.2184	$ 0.2667	$ 4.8552	$ 0.2667
5001 - 10000 Mcf		$ 1.3306		$ 3.2184	$ 0.2667	$ 4.5490	$ 0.2667
Over 10000 Mcf		$ 1.0243		$ 3.2184	$ 0.2667	$ 4.2427	$ 0.2667
General Service	May 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.1352	$ (0.0832)	$ 5.1731	$ (0.0832)
1001 - 5000 Mcf		$ 1.8920		$ 3.1352	$ (0.0832)	$ 5.0272	$ (0.0832)
5001 - 10000 Mcf		$ 1.5858		$ 3.1352	$ (0.0832)	$ 4.7210	$ (0.0832)
Over 10000 Mcf		$ 1.2795		$ 3.1352	$ (0.0832)	$ 4.4147	$ (0.0832)
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 3.1352	$ (0.0832)	$ 4.9178	$ (0.0832)
1001 - 5000 Mcf		$ 1.6368		$ 3.1352	$ (0.0832)	$ 4.7720	$ (0.0832)
5001 - 10000 Mcf		$ 1.3306		$ 3.1352	$ (0.0832)	$ 4.4658	$ (0.0832)
Over 10000 Mcf		$ 1.0243		$ 3.1352	$ (0.0832)	$ 4.1595	$ (0.0832)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	August 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.2968	$ 0.1616	$ 5.3347	$ 0.1616
1001 - 5000 Mcf		$ 1.8920		$ 3.2968	$ 0.1616	$ 5.1888	$ 0.1616
5001 - 10000 Mcf		$ 1.5858		$ 3.2968	$ 0.1616	$ 4.8826	$ 0.1616
Over 10000 Mcf		$ 1.2795		$ 3.2968	$ 0.1616	$ 4.5763	$ 0.1616
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 3.2968	$ 0.1616	$ 5.0794	$ 0.1616
1001 - 5000 Mcf		$ 1.6368		$ 3.2968	$ 0.1616	$ 4.9336	$ 0.1616
5001 - 10000 Mcf		$ 1.3306		$ 3.2968	$ 0.1616	$ 4.6274	$ 0.1616
Over 10000 Mcf		$ 1.0243		$ 3.2968	$ 0.1616	$ 4.3211	$ 0.1616
General Service	November 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.2700	$ (0.0268)	$ 5.3079	$ (0.0268)
1001 - 5000 Mcf		$ 1.8920		$ 3.2700	$ (0.0268)	$ 5.1620	$ (0.0268)
5001 - 10000 Mcf		$ 1.5858		$ 3.2700	$ (0.0268)	$ 4.8558	$ (0.0268)
Over 10000 Mcf		$ 1.2795		$ 3.2700	$ (0.0268)	$ 4.5495	$ (0.0268)
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 3.2700	$ (0.0268)	$ 5.0526	$ (0.0268)
1001 - 5000 Mcf		$ 1.6368		$ 3.2700	$ (0.0268)	$ 4.9068	$ (0.0268)
5001 - 10000 Mcf		$ 1.3306		$ 3.2700	$ (0.0268)	$ 4.6006	$ (0.0268)
Over 10000 Mcf		$ 1.0243		$ 3.2700	$ (0.0268)	$ 4.2943	$ (0.0268)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	1990						
General Service	February 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.2227	$ (0.0473)	$ 5.2606	$ (0.0473)
1001 - 5000 Mcf		$ 1.8920		$ 3.2227	$ (0.0473)	$ 5.1147	$ (0.0473)
5001 - 10000 Mcf		$ 1.5858		$ 3.2227	$ (0.0473)	$ 4.8085	$ (0.0473)
Over 10000 Mcf		$ 1.2795		$ 3.2227	$ (0.0473)	$ 4.5022	$ (0.0473)
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 3.2227	$ (0.0473)	$ 5.0053	$ (0.0473)
1001 - 5000 Mcf		$ 1.6368		$ 3.2227	$ (0.0473)	$ 4.8595	$ (0.0473)
5001 - 10000 Mcf		$ 1.3306		$ 3.2227	$ (0.0473)	$ 4.5533	$ (0.0473)
Over 10000 Mcf		$ 1.0243		$ 3.2227	$ (0.0473)	$ 4.2470	$ (0.0473)
General Service	May 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.1678	$ (0.0549)	$ 5.2057	$ (0.0549)
1001 - 5000 Mcf		$ 1.8920		$ 3.1678	$ (0.0549)	$ 5.0598	$ (0.0549)
5001 - 10000 Mcf		$ 1.5858		$ 3.1678	$ (0.0549)	$ 4.7536	$ (0.0549)
Over 10000 Mcf		$ 1.2795		$ 3.1678	$ (0.0549)	$ 4.4473	$ (0.0549)
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 3.1678	$ (0.0549)	$ 4.9504	$ (0.0549)
1001 - 5000 Mcf		$ 1.6368		$ 3.1678	$ (0.0549)	$ 4.8046	$ (0.0549)
5001 - 10000 Mcf		$ 1.3306		$ 3.1678	$ (0.0549)	$ 4.4984	$ (0.0549)
Over 10000 Mcf		$ 1.0243		$ 3.1678	$ (0.0549)	$ 4.1921	$ (0.0549)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	August 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 2.9597	$ (0.2081)	$ 4.9976	$ (0.2081)
1001 - 5000 Mcf		$ 1.8920		$ 2.9597	$ (0.2081)	$ 4.8517	$ (0.2081)
5001 - 10000 Mcf		$ 1.5858		$ 2.9597	$ (0.2081)	$ 4.5455	$ (0.2081)
Over 10000 Mcf		$ 1.2795		$ 2.9597	$ (0.2081)	$ 4.2392	$ (0.2081)
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 2.9597	$ (0.2081)	$ 4.7423	$ (0.2081)
1001 - 5000 Mcf		$ 1.6368		$ 2.9597	$ (0.2081)	$ 4.5965	$ (0.2081)
5001 - 10000 Mcf		$ 1.3306		$ 2.9597	$ (0.2081)	$ 4.2903	$ (0.2081)
Over 10000 Mcf		$ 1.0243		$ 2.9597	$ (0.2081)	$ 3.9840	$ (0.2081)
General Service	November 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.4064	$ 0.4467	$ 5.4443	$ 0.4467
1001 - 5000 Mcf		$ 1.8920		$ 3.4064	$ 0.4467	$ 5.2984	$ 0.4467
5001 - 10000 Mcf		$ 1.5858		$ 3.4064	$ 0.4467	$ 4.9922	$ 0.4467
Over 10000 Mcf		$ 1.2795		$ 3.4064	$ 0.4467	$ 4.6859	$ 0.4467
Interruptible							
Customer Charge							
1 - 1000 Mcf		$ 1.7826		$ 3.4064	$ 0.4467	$ 5.1890	$ 0.4467
1001 - 5000 Mcf		$ 1.6368		$ 3.4064	$ 0.4467	$ 5.0432	$ 0.4467
5001 - 10000 Mcf		$ 1.3306		$ 3.4064	$ 0.4467	$ 4.7370	$ 0.4467
Over 10000 Mcf		$ 1.0243		$ 3.4064	$ 0.4467	$ 4.4307	$ 0.4467

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		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	1991						
General Service	February 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.4814	$ 0.0750	$ 5.5193	$ 0.0750
1001 - 5000 Mcf		$ 1.8920		$ 3.4814	$ 0.0750	$ 5.3734	$ 0.0750
5001 - 10000 Mcf		$ 1.5858		$ 3.4814	$ 0.0750	$ 5.0672	$ 0.0750
Over 10000 Mcf		$ 1.2795		$ 3.4814	$ 0.0750	$ 4.7609	$ 0.0750
Interruptible							
1 - 1000 Mcf		$ 1.7826		$ 3.4814	$ 0.0750	$ 5.2640	$ 0.0750
1001 - 5000 Mcf		$ 1.6368		$ 3.4814	$ 0.0750	$ 5.1182	$ 0.0750
5001 - 10000 Mcf		$ 1.3306		$ 3.4814	$ 0.0750	$ 4.8120	$ 0.0750
Over 10000 Mcf		$ 1.0243		$ 3.4814	$ 0.0750	$ 4.5057	$ 0.0750
General Service	May 1						
Customer Charge		$ 3.9800				$ 3.9800	
1 - 1000 Mcf		$ 2.0379		$ 3.4362	$ (0.0452)	$ 5.4741	$ (0.0452)
1001 - 5000 Mcf		$ 1.8920		$ 3.4362	$ (0.0452)	$ 5.3282	$ (0.0452)
5001 - 10000 Mcf		$ 1.5858		$ 3.4362	$ (0.0452)	$ 5.0220	$ (0.0452)
Over 10000 Mcf		$ 1.2795		$ 3.4362	$ (0.0452)	$ 4.7157	$ (0.0452)
Interruptible							
Customer Charge							
1 - 1000 Mcf		$ 1.7826		$ 3.4362	$ (0.0452)	$ 5.2188	$ (0.0452)
1001 - 5000 Mcf		$ 1.6368		$ 3.4362	$ (0.0452)	$ 5.0730	$ (0.0452)
5001 - 10000 Mcf		$ 1.3306		$ 3.4362	$ (0.0452)	$ 4.7668	$ (0.0452)
Over 10000 Mcf		$ 1.0243		$ 3.4362	$ (0.0452)	$ 4.4605	$ (0.0452)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	May 23						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650	$ 0.4271	$ 3.4362		$ 5.9012	$ 0.4271
1001 - 5000 Mcf		$ 2.0650	$ 0.1730	$ 3.4362		$ 5.5012	$ 0.1730
5001 - 10000 Mcf		$ 1.6650	$ 0.0792	$ 3.4362		$ 5.1012	$ 0.0792
Over 10000 Mcf		$ 1.2650	$ (0.0145)	$ 3.4362		$ 4.7012	$ (0.0145)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000	$ (0.0826)	$ 3.4362		$ 5.1362	$ (0.0826)
1001 - 5000 Mcf		$ 1.3000	$ (0.3368)	$ 3.4362		$ 4.7362	$ (0.3368)
5001 - 10000 Mcf		$ 0.9000	$ (0.4306)	$ 3.4362		$ 4.3362	$ (0.4306)
Over 10000 Mcf		$ 0.5000	$ (0.5243)	$ 3.4362		$ 3.9362	$ (0.5243)
General Service	August 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.6985	$ 0.2623	$ 6.1635	$ 0.2623
1001 - 5000		$ 2.0650		$ 3.6985	$ 0.2623	$ 5.7635	$ 0.2623
5001 - 10000		$ 1.6650		$ 3.6985	$ 0.2623	$ 5.3635	$ 0.2623
Over 10000		$ 1.2650		$ 3.6985	$ 0.2623	$ 4.9635	$ 0.2623
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.6985	$ 0.2623	$ 5.3985	$ 0.2623
1001 - 5000 Mcf		$ 1.3000		$ 3.6985	$ 0.2623	$ 4.9985	$ 0.2623
5001 - 10000 Mcf		$ 0.9000		$ 3.6985	$ 0.2623	$ 4.5985	$ 0.2623
Over 10000 Mcf		$ 0.5000		$ 3.6985	$ 0.2623	$ 4.1985	$ 0.2623

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	November 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.0988	$ (0.5997)	$ 5.5638	$ (0.5997)
1001 - 5000		$ 2.0650		$ 3.0988	$ (0.5997)	$ 5.1638	$ (0.5997)
5001 - 10000		$ 1.6650		$ 3.0988	$ (0.5997)	$ 4.7638	$ (0.5997)
Over 10000		$ 1.2650		$ 3.0988	$ (0.5997)	$ 4.3638	$ (0.5997)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.0988	$ (0.5997)	$ 4.7988	$ (0.5997)
1001 - 5000 Mcf		$ 1.3000		$ 3.0988	$ (0.5997)	$ 4.3988	$ (0.5997)
5001 - 10000 Mcf		$ 0.9000		$ 3.0988	$ (0.5997)	$ 3.9988	$ (0.5997)
Over 10000 Mcf		$ 0.5000		$ 3.0988	$ (0.5997)	$ 3.5988	$ (0.5997)
	1992						
General Service	February 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.8891	$ (0.2097)	$ 5.3541	$ (0.2097)
1001 - 5000		$ 2.0650		$ 2.8891	$ (0.2097)	$ 4.9541	$ (0.2097)
5001 - 10000		$ 1.6650		$ 2.8891	$ (0.2097)	$ 4.5541	$ (0.2097)
Over 10000		$ 1.2650		$ 2.8891	$ (0.2097)	$ 4.1541	$ (0.2097)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.8891	$ (0.2097)	$ 4.5891	$ (0.2097)
1001 - 5000 Mcf		$ 1.3000		$ 2.8891	$ (0.2097)	$ 4.1891	$ (0.2097)
5001 - 10000 Mcf		$ 0.9000		$ 2.8891	$ (0.2097)	$ 3.7891	$ (0.2097)
Over 10000 Mcf		$ 0.5000		$ 2.8891	$ (0.2097)	$ 3.3891	$ (0.2097)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	May 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.2173	$ (0.6718)	$ 4.6823	$ (0.6718)
1001 - 5000		$ 2.0650		$ 2.2173	$ (0.6718)	$ 4.2823	$ (0.6718)
5001 - 10000		$ 1.6650		$ 2.2173	$ (0.6718)	$ 3.8823	$ (0.6718)
Over 10000		$ 1.2650		$ 2.2173	$ (0.6718)	$ 3.4823	$ (0.6718)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.2173	$ (0.6718)	$ 3.9173	$ (0.6718)
1001 - 5000 Mcf		$ 1.3000		$ 2.2173	$ (0.6718)	$ 3.5173	$ (0.6718)
5001 - 10000 Mcf		$ 0.9000		$ 2.2173	$ (0.6718)	$ 3.1173	$ (0.6718)
Over 10000 Mcf		$ 0.5000		$ 2.2173	$ (0.6718)	$ 2.7173	$ (0.6718)
General Service	August 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.3599	$ 0.1426	$ 4.8249	$ 0.1426
1001 - 5000		$ 2.0650		$ 2.3599	$ 0.1426	$ 4.4249	$ 0.1426
5001 - 10000		$ 1.6650		$ 2.3599	$ 0.1426	$ 4.0249	$ 0.1426
Over 10000		$ 1.2650		$ 2.3599	$ 0.1426	$ 3.6249	$ 0.1426
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.3599	$ 0.1426	$ 4.0599	$ 0.1426
1001 - 5000 Mcf		$ 1.3000		$ 2.3599	$ 0.1426	$ 3.6599	$ 0.1426
5001 - 10000 Mcf		$ 0.9000		$ 2.3599	$ 0.1426	$ 3.2599	$ 0.1426
Over 10000 Mcf		$ 0.5000		$ 2.3599	$ 0.1426	$ 2.8599	$ 0.1426

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	November 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.9467	$ 0.5868	$ 5.4117	$ 0.5868
1001 - 5000		$ 2.0650		$ 2.9467	$ 0.5868	$ 5.0117	$ 0.5868
5001 - 10000		$ 1.6650		$ 2.9467	$ 0.5868	$ 4.6117	$ 0.5868
Over 10000		$ 1.2650		$ 2.9467	$ 0.5868	$ 4.2117	$ 0.5868
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.9467	$ 0.5868	$ 4.6467	$ 0.5868
1001 - 5000 Mcf		$ 1.3000		$ 2.9467	$ 0.5868	$ 4.2467	$ 0.5868
5001 - 10000 Mcf		$ 0.9000		$ 2.9467	$ 0.5868	$ 3.8467	$ 0.5868
Over 10000 Mcf		$ 0.5000		$ 2.9467	$ 0.5868	$ 3.4467	$ 0.5868
	1993						
General Service	February 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.9800	$ 0.0333	$ 5.4450	$ 0.0333
1001 - 5000		$ 2.0650		$ 2.9800	$ 0.0333	$ 5.0450	$ 0.0333
5001 - 10000		$ 1.6650		$ 2.9800	$ 0.0333	$ 4.6450	$ 0.0333
Over 10000		$ 1.2650		$ 2.9800	$ 0.0333	$ 4.2450	$ 0.0333
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.9800	$ 0.0333	$ 4.6800	$ 0.0333
1001 - 5000 Mcf		$ 1.3000		$ 2.9800	$ 0.0333	$ 4.2800	$ 0.0333
5001 - 10000 Mcf		$ 0.9000		$ 2.9800	$ 0.0333	$ 3.8800	$ 0.0333
Over 10000 Mcf		$ 0.5000		$ 2.9800	$ 0.0333	$ 3.4800	$ 0.0333

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	May 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.9699	$ (0.0101)	$ 5.4349	$ (0.0101)
1001 - 5000		$ 2.0650		$ 2.9699	$ (0.0101)	$ 5.0349	$ (0.0101)
5001 - 10000		$ 1.6650		$ 2.9699	$ (0.0101)	$ 4.6349	$ (0.0101)
Over 10000		$ 1.2650		$ 2.9699	$ (0.0101)	$ 4.2349	$ (0.0101)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.9699	$ (0.0101)	$ 4.6699	$ (0.0101)
1001 - 5000 Mcf		$ 1.3000		$ 2.9699	$ (0.0101)	$ 4.2699	$ (0.0101)
5001 - 10000 Mcf		$ 0.9000		$ 2.9699	$ (0.0101)	$ 3.8699	$ (0.0101)
Over 10000 Mcf		$ 0.5000		$ 2.9699	$ (0.0101)	$ 3.4699	$ (0.0101)
General Service	August 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.1610	$ 0.1911	$ 5.6260	$ 0.1911
1001 - 5000		$ 2.0650		$ 3.1610	$ 0.1911	$ 5.2260	$ 0.1911
5001 - 10000		$ 1.6650		$ 3.1610	$ 0.1911	$ 4.8260	$ 0.1911
Over 10000		$ 1.2650		$ 3.1610	$ 0.1911	$ 4.4260	$ 0.1911
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.1610	$ 0.1911	$ 4.8610	$ 0.1911
1001 - 5000 Mcf		$ 1.3000		$ 3.1610	$ 0.1911	$ 4.4610	$ 0.1911
5001 - 10000 Mcf		$ 0.9000		$ 3.1610	$ 0.1911	$ 4.0610	$ 0.1911
Over 10000 Mcf		$ 0.5000		$ 3.1610	$ 0.1911	$ 3.6610	$ 0.1911

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	November 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.8916	$ (0.2694)	$ 5.3566	$ (0.2694)
1001 - 5000		$ 2.0650		$ 2.8916	$ (0.2694)	$ 4.9566	$ (0.2694)
5001 - 10000		$ 1.6650		$ 2.8916	$ (0.2694)	$ 4.5566	$ (0.2694)
Over 10000		$ 1.2650		$ 2.8916	$ (0.2694)	$ 4.1566	$ (0.2694)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.8916	$ (0.2694)	$ 4.5916	$ (0.2694)
1001 - 5000 Mcf		$ 1.3000		$ 2.8916	$ (0.2694)	$ 4.1916	$ (0.2694)
5001 - 10000 Mcf		$ 0.9000		$ 2.8916	$ (0.2694)	$ 3.7916	$ (0.2694)
Over 10000 Mcf		$ 0.5000		$ 2.8916	$ (0.2694)	$ 3.3916	$ (0.2694)
	1994						
General Service	February 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.7800	$ 0.8884	$ 6.2450	$ 0.8884
1001 - 5000		$ 2.0650		$ 3.7800	$ 0.8884	$ 5.8450	$ 0.8884
5001 - 10000		$ 1.6650		$ 3.7800	$ 0.8884	$ 5.4450	$ 0.8884
Over 10000		$ 1.2650		$ 3.7800	$ 0.8884	$ 5.0450	$ 0.8884
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.7800	$ 0.8884	$ 5.4800	$ 0.8884
1001 - 5000 Mcf		$ 1.3000		$ 3.7800	$ 0.8884	$ 5.0800	$ 0.8884
5001 - 10000 Mcf		$ 0.9000		$ 3.7800	$ 0.8884	$ 4.6800	$ 0.8884
Over 10000 Mcf		$ 0.5000		$ 3.7800	$ 0.8884	$ 4.2800	$ 0.8884

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	May						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.8137	$ 0.0337	$ 6.2787	$ 0.0337
1001 - 5000		$ 2.0650		$ 3.8137	$ 0.0337	$ 5.8787	$ 0.0337
5001 - 10000		$ 1.6650		$ 3.8137	$ 0.0337	$ 5.4787	$ 0.0337
Over 10000		$ 1.2650		$ 3.8137	$ 0.0337	$ 5.0787	$ 0.0337
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.8137	$ 0.0337	$ 5.5137	$ 0.0337
1001 - 5000 Mcf		$ 1.3000		$ 3.8137	$ 0.0337	$ 5.1137	$ 0.0337
5001 - 10000 Mcf		$ 0.9000		$ 3.8137	$ 0.0337	$ 4.7137	$ 0.0337
Over 10000 Mcf		$ 0.5000		$ 3.8137	$ 0.0337	$ 4.3137	$ 0.0337
General Service	August 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.2042	$ (0.6095)	$ 5.6692	$ (0.6095)
1001 - 5000		$ 2.0650		$ 3.2042	$ (0.6095)	$ 5.2692	$ (0.6095)
5001 - 10000		$ 1.6650		$ 3.2042	$ (0.6095)	$ 4.8692	$ (0.6095)
Over 10000		$ 1.2650		$ 3.2042	$ (0.6095)	$ 4.4692	$ (0.6095)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.2042	$ (0.6095)	$ 4.9042	$ (0.6095)
1001 - 5000 Mcf		$ 1.3000		$ 3.2042	$ (0.6095)	$ 4.5042	$ (0.6095)
5001 - 10000 Mcf		$ 0.9000		$ 3.2042	$ (0.6095)	$ 4.1042	$ (0.6095)
Over 10000 Mcf		$ 0.5000		$ 3.2042	$ (0.6095)	$ 3.7042	$ (0.6095)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	November 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.6668	$ 0.4626	$ 6.1318	$ 0.4626
1001 - 5000		$ 2.0650		$ 3.6668	$ 0.4626	$ 5.7318	$ 0.4626
5001 - 10000		$ 1.6650		$ 3.6668	$ 0.4626	$ 5.3318	$ 0.4626
Over 10000		$ 1.2650		$ 3.6668	$ 0.4626	$ 4.9318	$ 0.4626
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.6668	$ 0.4626	$ 5.3668	$ 0.4626
1001 - 5000 Mcf		$ 1.3000		$ 3.6668	$ 0.4626	$ 4.9668	$ 0.4626
5001 - 10000 Mcf		$ 0.9000		$ 3.6668	$ 0.4626	$ 4.5668	$ 0.4626
Over 10000 Mcf		$ 0.5000		$ 3.6668	$ 0.4626	$ 4.1668	$ 0.4626
	1995						
General Service	February 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.2014	$ (0.4654)	$ 5.6664	$ (0.4654)
1001 - 5000		$ 2.0650		$ 3.2014	$ (0.4654)	$ 5.2664	$ (0.4654)
5001 - 10000		$ 1.6650		$ 3.2014	$ (0.4654)	$ 4.8664	$ (0.4654)
Over 10000		$ 1.2650		$ 3.2014	$ (0.4654)	$ 4.4664	$ (0.4654)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.2014	$ (0.4654)	$ 4.9014	$ (0.4654)
1001 - 5000 Mcf		$ 1.3000		$ 3.2014	$ (0.4654)	$ 4.5014	$ (0.4654)
5001 - 10000 Mcf		$ 0.9000		$ 3.2014	$ (0.4654)	$ 4.1014	$ (0.4654)
Over 10000 Mcf		$ 0.5000		$ 3.2014	$ (0.4654)	$ 3.7014	$ (0.4654)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	May 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.9092	$ (0.2922)	$ 5.3742	$ (0.2922)
1001 - 5000		$ 2.0650		$ 2.9092	$ (0.2922)	$ 4.9742	$ (0.2922)
5001 - 10000		$ 1.6650		$ 2.9092	$ (0.2922)	$ 4.5742	$ (0.2922)
Over 10000		$ 1.2650		$ 2.9092	$ (0.2922)	$ 4.1742	$ (0.2922)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.9092	$ (0.2922)	$ 4.6092	$ (0.2922)
1001 - 5000 Mcf		$ 1.3000		$ 2.9092	$ (0.2922)	$ 4.2092	$ (0.2922)
5001 - 10000 Mcf		$ 0.9000		$ 2.9092	$ (0.2922)	$ 3.8092	$ (0.2922)
Over 10000 Mcf		$ 0.5000		$ 2.9092	$ (0.2922)	$ 3.4092	$ (0.2922)
General Service							
Customer Charge	August 1						
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.9820	$ 1.0728	$ 6.4470	$ 1.0728
1001 - 5000		$ 2.0650		$ 3.9820	$ 1.0728	$ 6.0470	$ 1.0728
5001 - 10000		$ 1.6650		$ 3.9820	$ 1.0728	$ 5.6470	$ 1.0728
Over 10000		$ 1.2650		$ 3.9820	$ 1.0728	$ 5.2470	$ 1.0728
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.9820	$ 1.0728	$ 5.6820	$ 1.0728
1001 - 5000 Mcf		$ 1.3000		$ 3.9820	$ 1.0728	$ 5.2820	$ 1.0728
5001 - 10000 Mcf		$ 0.9000		$ 3.9820	$ 1.0728	$ 4.8820	$ 1.0728
Over 10000 Mcf		$ 0.5000		$ 3.9820	$ 1.0728	$ 4.4820	$ 1.0728

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	November 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.4804	$ (1.5016)	$ 4.9454	$ (1.5016)
1001 - 5000		$ 2.0650		$ 2.4804	$ (1.5016)	$ 4.5454	$ (1.5016)
5001 - 10000		$ 1.6650		$ 2.4804	$ (1.5016)	$ 4.1454	$ (1.5016)
Over 10000		$ 1.2650		$ 2.4804	$ (1.5016)	$ 3.7454	$ (1.5016)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.4804	$ (1.5016)	$ 4.1804	$ (1.5016)
1001 - 5000 Mcf		$ 1.3000		$ 2.4804	$ (1.5016)	$ 3.7804	$ (1.5016)
5001 - 10000 Mcf		$ 0.9000		$ 2.4804	$ (1.5016)	$ 3.3804	$ (1.5016)
Over 10000 Mcf		$ 0.5000		$ 2.4804	$ (1.5016)	$ 2.9804	$ (1.5016)
	1996						
General Service	February 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 2.7874	$ 0.3070	$ 5.2524	$ 0.3070
1001 - 5000		$ 2.0650		$ 2.7874	$ 0.3070	$ 4.8524	$ 0.3070
5001 - 10000		$ 1.6650		$ 2.7874	$ 0.3070	$ 4.4524	$ 0.3070
Over 10000		$ 1.2650		$ 2.7874	$ 0.3070	$ 4.0524	$ 0.3070
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 2.7874	$ 0.3070	$ 4.4874	$ 0.3070
1001 - 5000 Mcf		$ 1.3000		$ 2.7874	$ 0.3070	$ 4.0874	$ 0.3070
5001 - 10000 Mcf		$ 0.9000		$ 2.7874	$ 0.3070	$ 3.6874	$ 0.3070
Over 10000 Mcf		$ 0.5000		$ 2.7874	$ 0.3070	$ 3.2874	$ 0.3070

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	May 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 3.6922	$ 0.9048	$ 6.1572	$ 0.9048
1001 - 5000		$ 2.0650		$ 3.6922	$ 0.9048	$ 5.7572	$ 0.9048
5001 - 10000		$ 1.6650		$ 3.6922	$ 0.9048	$ 5.3572	$ 0.9048
Over 10000		$ 1.2650		$ 3.6922	$ 0.9048	$ 4.9572	$ 0.9048
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 3.6922	$ 0.9048	$ 5.3922	$ 0.9048
1001 - 5000 Mcf		$ 1.3000		$ 3.6922	$ 0.9048	$ 4.9922	$ 0.9048
5001 - 10000 Mcf		$ 0.9000		$ 3.6922	$ 0.9048	$ 4.5922	$ 0.9048
Over 10000 Mcf		$ 0.5000		$ 3.6922	$ 0.9048	$ 4.1922	$ 0.9048
General Service	August 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 4.2799	$ 0.5877	$ 6.7449	$ 0.5877
1001 - 5000		$ 2.0650		$ 4.2799	$ 0.5877	$ 6.3449	$ 0.5877
5001 - 10000		$ 1.6650		$ 4.2799	$ 0.5877	$ 5.9449	$ 0.5877
Over 10000		$ 1.2650		$ 4.2799	$ 0.5877	$ 5.5449	$ 0.5877
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 4.2799	$ 0.5877	$ 5.9799	$ 0.5877
1001 - 5000 Mcf		$ 1.3000		$ 4.2799	$ 0.5877	$ 5.5799	$ 0.5877
5001 - 10000 Mcf		$ 0.9000		$ 4.2799	$ 0.5877	$ 5.1799	$ 0.5877
Over 10000 Mcf		$ 0.5000		$ 4.2799	$ 0.5877	$ 4.7799	$ 0.5877

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	November 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 4.4420	$ 0.1621	$ 6.9070	$ 0.1621
1001 - 5000		$ 2.0650		$ 4.4420	$ 0.1621	$ 6.5070	$ 0.1621
5001 - 10000		$ 1.6650		$ 4.4420	$ 0.1621	$ 6.1070	$ 0.1621
Over 10000		$ 1.2650		$ 4.4420	$ 0.1621	$ 5.7070	$ 0.1621
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 4.4420	$ 0.1621	$ 6.1420	$ 0.1621
1001 - 5000 Mcf		$ 1.3000		$ 4.4420	$ 0.1621	$ 5.7420	$ 0.1621
5001 - 10000 Mcf		$ 0.9000		$ 4.4420	$ 0.1621	$ 5.3420	$ 0.1621
Over 10000 Mcf		$ 0.5000		$ 4.4420	$ 0.1621	$ 4.9420	$ 0.1621
	1997						
General Service	February 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 4.9342	$ 0.4922	$ 7.3992	$ 0.4922
1001 - 5000		$ 2.0650		$ 4.9342	$ 0.4922	$ 6.9992	$ 0.4922
5001 - 10000		$ 1.6650		$ 4.9342	$ 0.4922	$ 6.5992	$ 0.4922
Over 10000		$ 1.2650		$ 4.9342	$ 0.4922	$ 6.1992	$ 0.4922
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 4.9342	$ 0.4922	$ 6.6342	$ 0.4922
1001 - 5000 Mcf		$ 1.3000		$ 4.9342	$ 0.4922	$ 6.2342	$ 0.4922
5001 - 10000 Mcf		$ 0.9000		$ 4.9342	$ 0.4922	$ 5.8342	$ 0.4922
Over 10000 Mcf		$ 0.5000		$ 4.9342	$ 0.4922	$ 5.4342	$ 0.4922

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
General Service	May 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 4.6934	$ (0.2408)	$ 7.1584	$ (0.2408)
1001 - 5000		$ 2.0650		$ 4.6934	$ (0.2408)	$ 6.7584	$ (0.2408)
5001 - 10000		$ 1.6650		$ 4.6934	$ (0.2408)	$ 6.3584	$ (0.2408)
Over 10000		$ 1.2650		$ 4.6934	$ (0.2408)	$ 5.9584	$ (0.2408)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 4.6934	$ (0.2408)	$ 6.3934	$ (0.2408)
1001 - 5000 Mcf		$ 1.3000		$ 4.6934	$ (0.2408)	$ 5.9934	$ (0.2408)
5001 - 10000 Mcf		$ 0.9000		$ 4.6934	$ (0.2408)	$ 5.5934	$ (0.2408)
Over 10000 Mcf		$ 0.5000		$ 4.6934	$ (0.2408)	$ 5.1934	$ (0.2408)
General Service	August 1						
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 4.5079	$ (0.1855)	$ 6.9729	$ (0.1855)
1001 - 5000		$ 2.0650		$ 4.5079	$ (0.1855)	$ 6.5729	$ (0.1855)
5001 - 10000		$ 1.6650		$ 4.5079	$ (0.1855)	$ 6.1729	$ (0.1855)
Over 10000		$ 1.2650		$ 4.5079	$ (0.1855)	$ 5.7729	$ (0.1855)
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 4.5079	$ (0.1855)	$ 6.2079	$ (0.1855)
1001 - 5000 Mcf		$ 1.3000		$ 4.5079	$ (0.1855)	$ 5.8079	$ (0.1855)
5001 - 10000 Mcf		$ 0.9000		$ 4.5079	$ (0.1855)	$ 5.4079	$ (0.1855)
Over 10000 Mcf		$ 0.5000		$ 4.5079	$ (0.1855)	$ 5.0079	$ (0.1855)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	November 1						
General Service							
Customer Charge							
Residential		$ 5.9500				$ 5.9500	
Non-Residential		$ 18.3600				$ 18.3600	
1 - 1000 Mcf		$ 2.4650		$ 4.7473	$ 0.2394	$ 7.2123	$ 0.2394
1001 - 5000		$ 2.0650		$ 4.7473	$ 0.2394	$ 6.8123	$ 0.2394
5001 - 10000		$ 1.6650		$ 4.7473	$ 0.2394	$ 6.4123	$ 0.2394
Over 10000		$ 1.2650		$ 4.7473	$ 0.2394	$ 6.0123	$ 0.2394
Interruptible							
Customer Charge		$ 185.0000				$ 185.0000	
1 - 1000 Mcf		$ 1.7000		$ 4.7473	$ 0.2394	$ 6.4473	$ 0.2394
1001 - 5000 Mcf		$ 1.3000		$ 4.7473	$ 0.2394	$ 6.0473	$ 0.2394
5001 - 10000 Mcf		$ 0.9000		$ 4.7473	$ 0.2394	$ 5.6473	$ 0.2394
Over 10000 Mcf		$ 0.5000		$ 4.7473	$ 0.2394	$ 5.2473	$ 0.2394
	November 30						
General Service							
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.6909	$ 0.2259	$ 4.7473		$ 7.4382	$ 0.2259
200.1 - 1000 Mcf		$ 2.5000	$ 0.0350	$ 4.7473		$ 7.2473	$ 0.0350
1000.1 - 5000 Mcf		$ 2.1000	$ 0.0350	$ 4.7473		$ 6.8473	$ 0.0350
5000.1 - 10000 Mcf		$ 1.5000	$ (0.1650)	$ 4.7473		$ 6.2473	$ (0.1650)
Over 10000 Mcf		$ 1.1000	$ (0.1650)	$ 4.7473		$ 5.8473	$ (0.1650)
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 4.7473		$ 6.4473	
1000.1 - 5000 Mcf		$ 1.3000		$ 4.7473		$ 6.0473	
5000.1 - 10000 Mcf		$ 0.9000		$ 4.7473		$ 5.6473	
Over 10000 Mcf		$ 0.5000		$ 4.7473		$ 5.2473	

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	1998						
General Service	February 1						
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.6909		$ 4.5753	$ (0.1720)	$ 7.2662	$ (0.1720)
200.1 - 1000 Mcf		$ 2.5000		$ 4.5753	$ (0.1720)	$ 7.0753	$ (0.1720)
1000.1 - 5000 Mcf		$ 2.1000		$ 4.5753	$ (0.1720)	$ 6.6753	$ (0.1720)
5000.1 - 10000 Mcf		$ 1.5000		$ 4.5753	$ (0.1720)	$ 6.0753	$ (0.1720)
Over 10000 Mcf		$ 1.1000		$ 4.5753	$ (0.1720)	$ 5.6753	$ (0.1720)
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 4.5753	$ (0.1720)	$ 6.2753	$ (0.1720)
1000.1 - 5000 Mcf		$ 1.3000		$ 4.5753	$ (0.1720)	$ 5.8753	$ (0.1720)
5000.1 - 10000 Mcf		$ 0.9000		$ 4.5753	$ (0.1720)	$ 5.4753	$ (0.1720)
Over 10000 Mcf		$ 0.5000		$ 4.5753	$ (0.1720)	$ 5.0753	$ (0.1720)
General Service	March 2						
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.6909		$ 4.7229	$ 0.1476	$ 7.4138	$ 0.1476
200.1 - 1000 Mcf		$ 2.5000		$ 4.7229	$ 0.1476	$ 7.2229	$ 0.1476
1000.1 - 5000 Mcf		$ 2.1000		$ 4.7229	$ 0.1476	$ 6.8229	$ 0.1476
5000.1 - 10000 Mcf		$ 1.5000		$ 4.7229	$ 0.1476	$ 6.2229	$ 0.1476
Over 10000 Mcf		$ 1.1000		$ 4.7229	$ 0.1476	$ 5.8229	$ 0.1476
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 4.7229	$ 0.1476	$ 6.4229	$ 0.1476
1000.1 - 5000 Mcf		$ 1.3000		$ 4.7229	$ 0.1476	$ 6.0229	$ 0.1476
5000.1 - 10000 Mcf		$ 0.9000		$ 4.7229	$ 0.1476	$ 5.6229	$ 0.1476
Over 10000 Mcf		$ 0.5000		$ 4.7229	$ 0.1476	$ 5.2229	$ 0.1476

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	May 1						
General Service							
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.7321	$ 0.0412	$ 3.5152	$ (1.2077)	$ 6.2473	$ (1.1665)
200.1 - 1000 Mcf		$ 2.5000		$ 3.5152	$ (1.2077)	$ 6.0152	$ (1.2077)
1000.1 - 5000 Mcf		$ 2.1000		$ 3.5152	$ (1.2077)	$ 5.6152	$ (1.2077)
5000.1 - 10000 Mcf		$ 1.5000		$ 3.5152	$ (1.2077)	$ 5.0152	$ (1.2077)
Over 10000 Mcf		$ 1.1000		$ 3.5152	$ (1.2077)	$ 4.6152	$ (1.2077)
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 3.5152	$ (1.2077)	$ 5.2152	$ (1.2077)
1000.1 - 5000 Mcf		$ 1.3000		$ 3.5152	$ (1.2077)	$ 4.8152	$ (1.2077)
5000.1 - 10000 Mcf		$ 0.9000		$ 3.5152	$ (1.2077)	$ 4.4152	$ (1.2077)
Over 10000 Mcf		$ 0.5000		$ 3.5152	$ (1.2077)	$ 4.0152	$ (1.2077)
General Service	June 1						
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.7212	$ (0.0109)	$ 3.5152	$ -	$ 6.2364	$ (0.0109)
200.1 - 1000 Mcf		$ 2.5000		$ 3.5152	$ -	$ 6.0152	$ -
1000.1 - 5000 Mcf		$ 2.1000		$ 3.5152	$ -	$ 5.6152	$ -
5000.1 - 10000 Mcf		$ 1.5000		$ 3.5152	$ -	$ 5.0152	$ -
Over 10000 Mcf		$ 1.1000		$ 3.5152	$ -	$ 4.6152	$ -
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 3.5152	$ -	$ 5.2152	$ -
1000.1 - 5000 Mcf		$ 1.3000		$ 3.5152	$ -	$ 4.8152	$ -
5000.1 - 10000 Mcf		$ 0.9000		$ 3.5152	$ -	$ 4.4152	$ -
Over 10000 Mcf		$ 0.5000		$ 3.5152	$ -	$ 4.0152	$ -

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	August 1						
General Service							
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.7212		$ 4.3758	$ 0.8606	$ 7.0970	$ 0.8606
200.1 - 1000 Mcf		$ 2.5000		$ 4.3758	$ 0.8606	$ 6.8758	$ 0.8606
1000.1 - 5000 Mcf		$ 2.1000		$ 4.3758	$ 0.8606	$ 6.4758	$ 0.8606
5000.1 - 10000 Mcf		$ 1.5000		$ 4.3758	$ 0.8606	$ 5.8758	$ 0.8606
Over 10000 Mcf		$ 1.1000		$ 4.3758	$ 0.8606	$ 5.4758	$ 0.8606
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 4.3758	$ 0.8606	$ 6.0758	$ 0.8606
1000.1 - 5000 Mcf		$ 1.3000		$ 4.3758	$ 0.8606	$ 5.6758	$ 0.8606
5000.1 - 10000 Mcf		$ 0.9000		$ 4.3758	$ 0.8606	$ 5.2758	$ 0.8606
Over 10000 Mcf		$ 0.5000		$ 4.3758	$ 0.8606	$ 4.8758	$ 0.8606
General Service	November 1						
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.7212		$ 3.7549	$ (0.6209)	$ 6.4761	$ (0.6209)
200.1 - 1000 Mcf		$ 2.5000		$ 3.7549	$ (0.6209)	$ 6.2549	$ (0.6209)
1000.1 - 5000 Mcf		$ 2.1000		$ 3.7549	$ (0.6209)	$ 5.8549	$ (0.6209)
5000.1 - 10000 Mcf		$ 1.5000		$ 3.7549	$ (0.6209)	$ 5.2549	$ (0.6209)
Over 10000 Mcf		$ 1.1000		$ 3.7549	$ (0.6209)	$ 4.8549	$ (0.6209)
Interruptible							
Customer Charge		$ 200.0000		$ 3.7549		$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 3.7549	$ (0.6209)	$ 5.4549	$ (0.6209)
1000.1 - 5000 Mcf		$ 1.3000		$ 3.7549	$ (0.6209)	$ 5.0549	$ (0.6209)
5000.1 - 10000 Mcf		$ 0.9000		$ 3.7549	$ (0.6209)	$ 4.6549	$ (0.6209)
Over 10000 Mcf		$ 0.5000		$ 3.7549	$ (0.6209)	$ 4.2549	$ (0.6209)

		Base Rate	Increase/ Decrease	GCR Rate	Increase/ Decrease	Total Base Rate + GCR Rate	Increase/ Decrease
	1999						
General Service	February 1						
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.7212		$ 3.5166	$ (0.2383)	$ 6.2378	$ (0.2383)
200.1 - 1000 Mcf		$ 2.5000		$ 3.5166	$ (0.2383)	$ 6.0166	$ (0.2383)
1000.1 - 5000 Mcf		$ 2.1000		$ 3.5166	$ (0.2383)	$ 5.6166	$ (0.2383)
5000.1 - 10000 Mcf		$ 1.5000		$ 3.5166	$ (0.2383)	$ 5.0166	$ (0.2383)
Over 10000 Mcf		$ 1.1000		$ 3.5166	$ (0.2383)	$ 4.6166	$ (0.2383)
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 3.5166	$ (0.2383)	$ 5.2166	$ (0.2383)
1000.1 - 5000 Mcf		$ 1.3000		$ 3.5166	$ (0.2383)	$ 4.8166	$ (0.2383)
5000.1 - 10000 Mcf		$ 0.9000		$ 3.5166	$ (0.2383)	$ 4.4166	$ (0.2383)
Over 10000 Mcf		$ 0.5000		$ 3.5166	$ (0.2383)	$ 4.0166	$ (0.2383)
General Service							
Customer Charge							
Residential		$ 8.0000				$ 8.0000	
Small Commercial - AL425		$ 18.3600				$ 18.3600	
All Others		$ 25.0000				$ 25.0000	
.1 - 200 Mcf		$ 2.7212		$ 3.7706	$ 0.2540	$ 6.4918	$ 0.2540
200.1 - 1000 Mcf		$ 2.5000		$ 3.7706	$ 0.2540	$ 6.2706	$ 0.2540
1000.1 - 5000 Mcf		$ 2.1000		$ 3.7706	$ 0.2540	$ 5.8706	$ 0.2540
5000.1 - 10000 Mcf		$ 1.5000		$ 3.7706	$ 0.2540	$ 5.2706	$ 0.2540
Over 10000 Mcf		$ 1.1000		$ 3.7706	$ 0.2540	$ 4.8706	$ 0.2540
Interruptible							
Customer Charge		$ 200.0000				$ 200.0000	
.1 - 1000 Mcf		$ 1.7000		$ 3.7706	$ 0.2540	$ 5.4706	$ 0.2540
1000.1 - 5000 Mcf		$ 1.3000		$ 3.7706	$ 0.2540	$ 5.0706	$ 0.2540
5000.1 - 10000 Mcf		$ 0.9000		$ 3.7706	$ 0.2540	$ 4.6706	$ 0.2540
Over 10000 Mcf		$ 0.5000		$ 3.7706	$ 0.2540	$ 4.2706	$ 0.2540

Average Annual Increase (Decrease) in GCR Rate

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		General Service Rate				Interruptible			
1989		1 - 1000	1001 - 5000	5001 - 10000	over 10000	1 - 1000	1001 - 5000	5001 - 10000	over 10000
	1-Feb	0.2667	0.2667	0.2667	0.2667	0.2667	0.2667	0.2667	0.2667
	1-May	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)
	1-Aug	0.1616	0.1616	0.1616	0.1616	0.1616	0.1616	0.1616	0.1616
	1-Nov	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)
		0.0798	**0.0798**	**0.0798**	**0.0798**	**0.0798**	**0.0798**	**0.0798**	**0.0798**
1990	1-Feb	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)
	1-May	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)
	1-Aug	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)
	1-Nov	0.4467	0.4467	0.4467	0.4467	0.4467	0.4467	0.4467	0.4467
		0.0791	**0.0791**	**0.0791**	**0.0791**	**0.0791**	**0.0791**	**0.0791**	**0.0791**
1991	1-Feb	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750
	1-May	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)
	23-May	-	-	-	-	-	-	-	-
	1-Aug	0.2623	0.2623	0.2623	0.2623	0.2623	0.2623	0.2623	0.2623
	1-Nov	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)
		(0.0769)	**(0.0769)**	**(0.0769)**	**(0.0769)**	**(0.0769)**	**(0.0769)**	**(0.0769)**	**(0.0769)**
1992	1-Feb	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)
	1-May	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)
	1-Aug	0.1426	0.1426	0.1426	0.1426	0.1426	0.1426	0.1426	0.1426
	1-Nov	0.5868	0.5868	0.5868	0.5868	0.5868	0.5868	0.5868	0.5868
		(0.0380)	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**
1993	1-Feb	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333
	1-May	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)
	1-Aug	0.1911	0.1911	0.1911	0.1911	0.1911	0.1911	0.1911	0.1911
	1-Nov	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)
		(0.0138)	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**
1994	1-Feb	0.8884	0.8884	0.8884	0.8884	0.8884	0.8884	0.8884	0.8884
	1-May	0.0337	0.0337	0.0337	0.0337	0.0337	0.0337	0.0337	0.0337
	1-Aug	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)
	1-Nov	0.4626	0.4626	0.4626	0.4626	0.4626	0.4626	0.4626	0.4626
		0.3288	**0.3288**	**0.3288**	**0.3288**	**0.3288**	**0.3288**	**0.3288**	**0.3288**
1995	1-Feb	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)
	1-May	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)
	1-Aug	1.0728	1.0728	1.0728	1.0728	1.0728	1.0728	1.0728	1.0728
	1-Nov	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)
		(0.2966)	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**
1996	1-Feb	0.3070	0.3070	0.3070	0.3070	0.3070	0.3070	0.3070	0.3070
	1-May	0.9048	0.9048	0.9048	0.9048	0.9048	0.9048	0.9048	0.9048
	1-Aug	0.5877	0.5877	0.5877	0.5877	0.5877	0.5877	0.5877	0.5877
	1-Nov	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621
		0.4904	**0.4904**	**0.4904**	**0.4904**	**0.4904**	**0.4904**	**0.4904**	**0.4904**
1997	1-Feb	0.4922	0.4922	0.4922	0.4922	0.4922	0.4922	0.4922	0.4922
	1-May	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)
	1-Aug	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)
	1-Nov	0.2394	0.2394	0.2394	0.2394	0.2394	0.2394	0.2394	0.2394
	30-Nov	-	-	-	-	-	-	-	-
		0.0763	**0.0763**	**0.0763**	**0.0763**	**0.0763**	**0.0763**	**0.0763**	**0.0763**
1998	1-Feb	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)
	2-Mar	0.1476	0.1476	0.1476	0.1476	0.1476	0.1476	0.1476	0.1476
	1-May	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)
	1-Jun	-	-	-	-	-	-	-	-
	1-Aug	0.8606	0.8606	0.8606	0.8606	0.8606	0.8606	0.8606	0.8606
	1-Nov	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)
		(0.1985)	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**

Average Annual Increase (Decrease) in GCR Rate + Base Rate

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		General Service Rate					Interruptible			
1989		.1 - 200	1 (201) - 1000	1001 - 5000	5001 - 10000	over 10000	1 - 1000	1001 - 5000	5001 - 10000	over 10000
	1-Feb	-	0.2667	0.2667	0.2667	0.2667	0.2667	0.2667	0.2667	0.2667
	1-May	-	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)	(0.0823)
	1-Aug	-	0.1616	0.1616	0.1616	0.1616	0.1616	0.1616	0.1616	0.1616
	1-Nov	-	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)	(0.0268)
		-	**0.0798**	**0.0798**	**0.0798**	**0.0798**	**0.0798**	**0.0798**	**0.0798**	**0.0798**
1990	1-Feb	-	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)	(0.0473)
	1-May	-	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)	(0.0549)
	1-Aug	-	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)	(0.0281)
	1-Nov	-	0.4467	0.4467	0.4467	0.4467	0.4467	0.4467	0.4467	0.4467
		-	**0.0791**	**0.0791**	**0.0791**	**0.0791**	**0.0791**	**0.0791**	**0.0791**	**0.0791**
1991	1-Feb	-	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750
	1-May	-	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)	(0.0452)
	23-May	-	0.4271	0.1730	0.0792	(0.0145)	(0.0826)	(0.3368)	(0.4306)	(0.5243)
	1-Aug	-	0.2623	0.2623	0.2623	0.2623	0.2623	0.2623	0.2623	0.2623
	1-Nov	-	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)	(0.5997)
		-	**0.0239**	**(0.0269)**	**(0.0457)**	**(0.0644)**	**(0.0780)**	**(0.1289)**	**(0.1476)**	**(0.1664)**
1992	1-Feb	-	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)	(0.2097)
	1-May	-	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)	(0.6718)
	1-Aug	-	0.1426	0.1426	0.1426	0.1426	0.1426	0.1426	0.1426	0.1426
	1-Nov	-	0.5868	0.5868	0.5868	0.5868	0.5868	0.5868	0.5868	0.5868
		-	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**	**(0.0380)**
1993	1-Feb	-	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333
	1-May	-	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)	(0.0101)
	1-Aug	-	0.1911	0.1911	0.1911	0.1911	0.1911	0.1911	0.1911	0.1911
	1-Nov	-	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)	(0.2694)
		-	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**	**(0.0138)**
1994	1-Feb	-	0.8884	0.8884	0.8884	0.8884	0.8884	0.8884	0.8884	0.8884
	1-May	-	0.0337	0.0337	0.0337	0.0337	0.0337	0.0337	0.0337	0.0337
	1-Aug	-	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)	(0.0695)
	1-Nov	-	0.4626	0.4626	0.4626	0.4626	0.4626	0.4626	0.4626	0.4626
		-	**0.3288**	**0.3288**	**0.3288**	**0.3288**	**0.3288**	**0.3288**	**0.3288**	**0.3288**
1995	1-Feb	-	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)	(0.4654)
	1-May	-	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)	(0.2922)
	1-Aug	-	1.0728	1.0728	1.0728	1.0728	1.0728	1.0728	1.0728	1.0728
	1-Nov	-	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)	(1.5016)
		-	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**	**(0.2966)**
1996	1-Feb	-	0.3070	0.3070	0.3070	0.3070	0.3070	0.3070	0.3070	0.3070
	1-May	-	0.9048	0.9048	0.9048	0.9048	0.9048	0.9048	0.9048	0.9048
	1-Aug	-	0.5877	0.5877	0.5877	0.5877	0.5877	0.5877	0.5877	0.5877
	1-Nov	-	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621
		-	**0.4904**	**0.4904**	**0.4904**	**0.4904**	**0.4904**	**0.4904**	**0.4904**	**0.4904**
1997	1-Feb	-	0.4922	0.4922	0.4922	0.4922	0.4922	0.4922	0.4922	0.4922
	1-May	-	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)	(0.2408)
	1-Aug	-	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)	(0.1855)
	1-Nov	-	0.2394	0.2394	0.2394	0.2394	0.2394	0.2394	0.2394	0.2394
	30-Nov	0.2259	0.0350	0.0350	(0.1650)	(0.1650)	-	-	-	-
		0.2259	**0.0681**	**0.0681**	**0.0281**	**0.0281**	**0.0763**	**0.0763**	**0.0763**	**0.0763**
1998	1-Feb	-	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)	(0.1720)
	2-Mar	-	0.1476	0.1476	0.1476	0.1476	0.1476	0.1476	0.1476	0.1476
	1-May	(1.1665)	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)	(1.2077)
	1-Jun	(0.0109)	-	-	-	-	-	-	-	-
	1-Aug	-	0.8606	0.8606	0.8606	0.8606	0.8606	0.8606	0.8606	0.8606
	1-Nov	-	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)	(0.6209)
		(0.5887)	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**	**(0.1985)**

Average Annual Increase (Decrease) in Base Rate

AG 21 B

		General Service Rate					Interruptible			
		.1 - 200	1 (201) - 1000	1001 - 5000	5001 - 10000	over 10000	1 - 1000	1001 - 5000	5001 - 10000	over 10000
1991	23-May	-	0.4271	0.1730	0.0792	(0.0145)	(0.0826)	(0.3368)	(0.4306)	(0.5243)
1997	30-Nov	0.2259	0.0350	0.0350	(0.1650)	(0.1650)	-	-	-	-
1998	1-May	0.0412	-	-	-	-	-	-	-	-
		(0.0109)	-	-	-	-	-	-	-	-
		0.0152	-	-	-	-	-	-	-	-

22. At the bottom of page 8 of the ARP, the Company states, …"A key element in many of the alternative regulation plans approved around the country is "symmetry". Please provide the actual source documentation relied upon by the Company is making this statements, preferably including a description of all of the alternative regulations plans approved around the country.

RESPONSE:

See Delta's response to item 20(a) and item 33 of the Commission's data request.

WITNESS: Steve Seelye

23. Please provide a copy of all of the *Gas Utility Reports* listed in footnote 5 of page 9 of the ARP.

RESPONSE:

See item 19 of the Commission's data request.

WITNESS: Steve Seelye

24. The description on page 11 of the ARP seems to suggest that Delta is proposing to change its current rates (through the AAC surcharge) on an automatic basis based on the financial budget approved by its Board of Directors for the next fiscal year rather than through a traditional rate case with all of the required reviews (and potential adjustments) by all interested parties. Does the proposed ARP intend to give other interested parties, such as the Staff and the AG, an opportunity to review the appropriateness of this budget and make any adjustments and amendments deemed to be necessary by these parties?

RESPONSE:

The AG and any other party with a legitimate interest will have the opportunity to review the appropriateness of the use of Delta's budget for cost recovery through the AAC, and will have the opportunity to recommend adjustments and amendments thereto. See Delta's response to item 13 of the Commission's data request.

WITNESS: Steve Seelye

25. How does the ARP intend to specifically address the calculation of the actual AAF factor. Will this factor be determined by Delta simply based on actual results it happens to have recorded on its books? Will it be adjusted for PSC rate making principles? Will other interested parties such as the Staff and the AG have the opportunity for review and analysis regarding the appropriateness of all of the ratemaking components underlying the actually achieved ROE for purposes of determining the AAF factor?

RESPONSE:

The AG and any other party with a legitimate interest will have the opportunity to review the appropriateness of the actual historical costs used in the determination of the AAF, and will have the opportunity to recommend adjustments thereto.

WITNESS: Steve Seelye

26. To the extent that the "5% rate increase limitation" factor is implemented, how would the Company propose to treat the rate increase portion that is foregoing due to the limitation factor? Will this non-implemented AAC rate increase be deferred for future years and then applied when the calculated AAC rate increase is less than the rate increase equal to 5% of prior year's total utility revenues? Please explain in detail.

RESPONSE:

The purpose of the 5% limitation was to apply only to the AAC, with the AAF based on actual historical costs. The 5% would work to moderate the impact of the increase, not as a means to permanently disallow costs.

WITNESS: Steve Seelye

27. On page 19, section 6.0 of the ARP, the Company states that,…" On average, the budget-based revenue deficiencies calculated for the AAC for this [3-year] period are slightly less than $1.45 million per year". In this regard, please provide the following information:

(a.) Confirm that this average budget-based revenue deficiency number of $1.45 million was calculated after having to use the "5% revenue increase limitation" factor for two out of the three years? If you do not agree, explain your disagreement.

(b.) Confirm, that the average budget-based revenue deficiency number without application of the artificial "5% revenue increase limitation" factor was $2,453,187 [($996,830 + $3,442,407 + $2,920,324) / 3 yrs]. If you do not agree, explain your disagreement.

(c.) Confirm that the calculated unadjusted average budget-based revenue deficiency of $2,453,187 for this 3-year period is approximately 37% higher than Delta's revenue deficiency of $1,785,931 found by the KPSC in the Company's most recent rate case. If you do not agree, explain your disagreement.

RESPONSE:

(a.) Yes.

(b.) Yes. Without the 5% limitation, the average of Annual Adjustment Component amounts would have been $2,453,187.

(c.) $2,453,187 is 37% greater than $1,785,931. However, this is only looking at one of the three components, is a snapshot of estimates provided to illustrate how each component of the mechanism would be derived and applied, only reflects the AAC component, and does take into account the effect of subsequent applications of the AAF and BAF for the three year period. As pointed out in response to Item 7 of the Commission Order dated June 4, 1999, the calculations for 97-98 were based on budgets that were prepared more than six months prior to the implementation of the approved rates from Delta's last rate case. Therefore, the calculated AAC for that period in the example was higher that it would otherwise have been if the budgets could have reflected the rate case rates.

WITNESS: Randall Walker

28. On page 3, lines 9-10 of his testimony, Mr. Hall states, ... "In addition, Delta's rates will automatically b reduced should the cost of providing service decrease." In this regard, please confirm that if the Company's cost of providing service decreases, then Delta's rates – under the proposed ARP – should only be reduced to such an extent that the Company will still be earning 12.1% on equity (i.e., up to the top of the allowed ROE range of 11.1% - 12.1%). If you do not agree, please explain your disagreement.

RESPONSE:

Yes, ignoring the application of the performance-based cost controls and ignoring all timing differences. Likewise, if the cost of providing service increases, Delta would only be allowed to increase rates to the extent that the utility will be allowed to earn 11.1%, again, ignoring the application of the performance-based cost controls and ignoring all timing differences.

WITNESS: Steve Seelye

29. Please provide a detailed explanation and the relevant implications of the statement made on page 3, lines 21-25 of Mr. Hall's testimony.

RESPONSE:

Mr. Hall's statement is based upon his interpretation of conversations at the meeting. The implication of this was that Delta modified the proposed mechanism to include additional performance-based cost controls.

WITNESS: Steve Seelye

30. Please provide all of the information contained in the 9-page package entitled "ANALYSIS of Proposed Alternative Ratemaking Methodology" on 3.5 x 5 disk, preferably in Lotus or Excel format.

RESPONSE:

We only have 3.5 floppy disks. Therefore, we are providing the requested file on that size disk. We are also providing a single copy of the disk to the Commission. If additional copies are needed, please contact us.

WITNESS: Randall Walker

31. Please provide copies of the actual source documents underlying all the budgeted and actual data listed on pages 1 through 5 of the document entitled "ANALYSIS of Proposed Alternative Ratemaking Methodology".

RESPONSE:

Budgeted and actual data along with various reports were used to construct Schedules A through C and the Analysis demonstrating how the mechanism would work. Attached are various reports used in the preparation of that illustrative exhibit.

WITNESS: Randall Walker

12/16/98 2:01 PM

Delta Natural Gas Company, Inc.
3-Year History of Common Equity

F:\ACCOUNT\PUBLIC\Matt\Misc\[Income History.xls]Sheet1

Fiscal Year	Revenue Month	Delta Natural Common Equity w/o Subsidiary Income
1995	Jun-95	21,562,991
1996	Jul-95	21,448,344
	Aug-95	21,122,285
	Sep-95	20,360,636
	Oct-95	20,179,319
	Nov-95	20,679,435
	Dec-95	20,771,188
	Jan-96	21,912,210
	Feb-96	22,807,415
	Mar-96	22,931,699
	Apr-96	23,677,682
	May-96	23,620,822
	Jun-96	22,450,423
1997	Jul-96	28,396,378
	Aug-96	28,118,338
	Sep-96	27,253,446
	Oct-96	27,072,696
	Nov-96	27,495,798
	Dec-96	27,313,337
	Jan-97	28,214,562
	Feb-97	28,986,236
	Mar-97	28,791,614
	Apr-97	29,108,574
	May-97	29,080,448
	Jun-97	27,300,296
1998	Jul-97	27,118,745
	Aug-97	26,936,596
	Sep-97	25,939,055
	Oct-97	25,732,141
	Nov-97	27,288,736
	Dec-97	27,299,346
	Jan-98	28,301,450
	Feb-98	28,946,246
	Mar-98	28,971,234
	Apr-98	29,525,137
	May-98	29,560,229
	Jun-98	28,600,399
1999	Jul-98	28,470,159
	Aug-98	28,254,977
	Sep-98	27,331,636
	Oct-98	27,181,899

2337 547

Includes Canada Mountain

Total Transportation Usage & Revenue for Special Contract Customers

DATE			
Fiscal Year	Month	MCF	REVENUE
1997	Jul-96	100,011	30,632.16
	Aug-96	74,490	25,090.24
	Sep-96	158,008	37,821.44
	Oct-96	40,830	21,244.16
	Nov-96	82,307	26,046.88
	Dec-96	63,999	22,149.28
	Jan-97	77,871	29,207.25
	Feb-97	19,331	9,279.07
	Mar-97	192,065	49,123.96
	Apr-97	100,299	28,933.55
	May-97	86,844	27,571.42
	Jun-97	66,337	23,324.06
		1,062,393	$ 330,423.47
1998	Jul-97	119,950	33,172.76
	Aug-97	121,345	45,370.59
	Sep-97	102,612	39,434.73
	Oct-97	99,284	40,661.51
	Nov-97	98,351	40,604.27
	Dec-97	102,171	43,965.64
	Jan-98	109,052	43,967.99
	Feb-98	99,078	40,083.04
	Mar-98	107,242	43,317.98
	Apr-98	94,452	39,424.34
	May-98	94,337	37,776.14
	Jun-98	134,763	43,783.64
		1,282,636	$ 491,562.64
1999	Jul-98	203,210	50,110.62
	Aug-98	196,758	47,290.19
	Sep-98	180,506	55,492.09
	Oct-98	177,359	53,856.08
	Nov-98	189,762	67,813.08
		947,595	$ 264,562.06

Total Transportation Usage & Revenue for Special Contract Customers

Date Fiscal	Month	MCF	REVENUE
1996	Jul-95	85,510	27,184.96
	Aug-95	71,242	24,012.80
	Sep-95	74,179	24,843.68
	Oct-95	99,043	29,637.60
	Nov-95	81,510	25,451.84
	Dec-95	73,788	24,608.64
	Jan-96	91,503	27,434.08
	Feb-96	68,605	20,500.64
	Mar-96	64,731	20,261.28
	Apr-96	103,123	30,868.32
	May-96	82,802	26,186.24
	Jun-96	79,728	25,619.20
		975,764	$ 306,609.28
1997	Jul-96	100,011	30,632.16
	Aug-96	74,490	25,090.24
	Sep-96	158,008	37,821.44
	Oct-96	40,830	21,244.16
	Nov-96	82,307	26,046.88
	Dec-96	63,999	22,149.28
	Jan-97	77,871	29,207.25
	Feb-97	19,331	9,279.07
	Mar-97	192,065	49,123.96
	Apr-97	100,299	28,933.55
	May-97	86,844	27,571.42
	Jun-97	66,337	23,324.06
		1,062,393	$ 330,423.47
1998	Jul-97	119,950	33,172.76
	Aug-97	121,345	45,370.59
	Sep-97	102,612	39,434.73
	Oct-97	99,284	40,661.51
	Nov-97	98,351	40,604.27
	Dec-97	102,171	43,965.64
	Jan-98	109,052	43,967.99
	Feb-98	99,078	40,083.04
	Mar-98	107,242	43,317.98
	Apr-98	94,452	39,424.34
	May-98	94,337	37,776.14
	Jun-98	134,763	43,783.64
		1,282,636	$ 491,562.64
1999	Jul-98	203,210	50,110.62
	Aug-98	196,758	47,290.19
	Sep-98	180,506	55,492.09
	Oct-98	177,359	53,856.08
	Nov-98	189,762	57,813.08
		947,595	$ 264,562.06

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

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12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DELTA NATURAL GAS CO, INC.,Calendar Year (YYYYMM),Budget Month,Agent Description,Adopted Amount

	1995/Jul	1995/Aug	1995/Sep	1995/Oct	1995/Nov	1995/Dec	1996/Jan	1996/Feb	1996/Mar	1996/Apr	1996/May	1996/Jun
Operating Revenues	(967,200)	(958,700)	(958,900)	(1,593,200)	(2,686,900)	(4,429,400)	(5,329,300)	(4,836,300)	(3,637,100)	(2,359,000)	(1,494,400)	(1,035,100)
PURCHASED GAS	265,100	263,500	263,200	620,400	1,229,700	2,204,800	2,710,300	2,436,300	1,761,100	1,046,500	555,400	300,900
OPERATION EXPENSE	620,700	680,400	639,500	662,400	663,100	649,700	627,400	610,700	613,100	621,700	619,500	631,200
MAINTENANCE EXPENSE	34,400	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200
DEPRECIATION EXPENSE	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500
TAXES OTHER THAN INCOME TAXES	67,500	77,400	78,200	67,500	67,500	74,900	78,000	78,000	78,400	73,800	73,800	70,000
INCOME TAXES	(151,700)	(182,500)	(170,800)	(76,800)	100,600	386,100	540,900	469,400	275,200	63,800	(74,700)	(156,000)
Operating Expenses	1,029,500	1,065,500	1,036,800	1,500,200	2,287,600	3,542,200	4,183,300	3,821,100	2,954,500	2,032,500	1,400,700	1,072,800
Operating Income	62,300	106,800	77,900	(93,000)	(399,300)	(887,200)	(1,146,000)	(1,015,200)	(682,600)	(326,500)	(93,700)	37,700
NON REGULATED INCOME (Excl. Subs)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(11,900)
INTEREST ON LONG TERM DEBT	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400
OTHER INTEREST	32,100	40,100	49,100	60,100	64,100	66,100	61,100	52,100	50,100	54,100	57,100	64,100
AMORTIZATION OF DEBT EXPENSE	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400
Net Income (Excl. Subs)	***255,500***	***308,000***	***288,100***	***128,200***	***(174,100)***	***(660,000)***	***(923,800)***	***(802,000)***	***(471,400)***	***(111,300)***	***124,500***	***253,700***
Yearly Accumulation												(1,784,600)

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

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12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE	1996/Jul	1996/Aug	1996/Sep	1996/Oct	1996/Nov	1996/Dec	1997/Jan	1997/Feb	1997/Mar	1997/Apr	1997/May	1997/Jun
Operating Revenues	(953,000)	(944,500)	(944,600)	(1,536,700)	(2,623,300)	(4,285,800)	(5,045,700)	(4,614,400)	(3,480,900)	(2,263,300)	(1,468,200)	(1,012,700)
PURCHASED GAS	231,600	230,200	229,700	544,900	1,109,100	1,982,100	2,378,800	2,154,700	1,561,500	925,100	499,800	264,200
OPERATION EXPENSE	648,925	662,425	672,725	684,225	637,725	649,225	642,925	648,325	642,525	634,275	632,625	640,225
MAINTENANCE EXPENSE	35,500	35,300	35,300	35,500	44,300	35,300	35,300	35,500	35,300	35,300	35,500	35,300
DEPRECIATION EXPENSE	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700
TAXES OTHER THAN INCOME TAXES	81,200	81,300	81,200	81,300	81,200	86,100	94,300	89,600	89,500	89,600	89,500	89,600
INCOME TAXES	(200,200)	(212,600)	(221,800)	(131,800)	67,700	348,200	479,300	407,700	215,400	5,800	(129,300)	(214,400)
Operating Expenses	1,034,725	1,034,325	1,034,825	1,451,825	2,177,725	3,338,625	3,868,325	3,573,525	2,781,925	1,927,775	1,365,825	1,052,625
Operating Income	81,725	89,825	90,225	(84,875)	(445,575)	(947,175)	(1,177,375)	(1,040,875)	(698,975)	(335,525)	(102,375)	39,925
NON REGULATED INCOME (Excl. Subs)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(12,350)
INTEREST ON LONG TERM DEBT	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800
OTHER INTEREST	113,950	127,950	143,950	158,950	164,950	167,950	164,950	155,950	155,950	164,950	171,950	180,950
AMORTIZATION OF DEBT EXPENSE	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400
Net Income (Excl. Subs)	***353,125***	***375,225***	***391,625***	***231,525***	***(123,175)***	***(621,775)***	***(854,975)***	***(727,475)***	***(385,575)***	***(13,125)***	***227,025***	***368,725***
Yearly Accumulation												(778,850)

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

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12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE	1997/Jul	1997/Aug	1997/Sep	1997/Oct	1997/Nov	1997/Dec	1998/Jan	1998/Feb	1998/Mar	1998/Apr	1998/May	1998/Jun
Operating Revenues	(1,084,600)	(1,079,200)	(1,080,000)	(2,037,900)	(3,571,300)	(5,225,800)	(7,410,900)	(5,873,600)	(4,524,300)	(3,018,200)	(1,726,900)	(1,150,600)
PURCHASED GAS	255,300	236,500	236,500	851,800	1,824,700	2,892,500	4,312,700	3,290,000	2,424,000	1,455,300	599,100	227,900
OPERATION EXPENSE	723,500	718,600	747,500	734,300	724,400	688,800	698,800	687,300	703,600	693,900	689,900	733,800
MAINTENANCE EXPENSE	47,500	39,000	39,000	37,000	37,000	37,000	35,700	35,700	58,700	35,700	37,700	37,700
DEPRECIATION EXPENSE	270,900	270,900	270,900	270,900	270,900	270,900	270,800	270,800	270,800	270,800	270,800	270,800
TAXES OTHER THAN INCOME TAXES	96,200	96,200	96,200	96,200	96,200	101,000	107,600	102,800	102,800	102,800	102,800	102,800
INCOME TAXES	(234,700)	(229,400)	(243,800)	(118,900)	86,400	308,700	580,800	404,600	216,800	32,600	(124,000)	(215,500)
Operating Expenses	1,158,700	1,131,800	1,146,300	1,871,300	3,039,600	4,298,900	6,006,400	4,791,200	3,776,700	2,591,100	1,576,300	1,157,500
Operating Income	74,100	52,600	66,300	(166,600)	(531,700)	(926,900)	(1,404,500)	(1,082,400)	(747,600)	(427,100)	(150,600)	6,900
NON REGULATED INCOME (Excl. Subs)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(13,100)
INTEREST ON LONG TERM DEBT	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900
OTHER INTEREST	80,000	92,000	104,000	115,000	115,000	115,000	109,000	100,000	99,000	106,000	108,000	113,000
AMORTIZATION OF DEBT EXPENSE	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
Net Income (Excl. Subs)	***413,700***	***404,200***	***429,900***	***208,000***	***(157,100)***	***(552,300)***	***(1,035,900)***	***(722,800)***	***(389,000)***	***(61,500)***	***217,000***	***369,900***
Yearly Accumulation												(875,900)

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

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12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE	1998/Jul	1998/Aug	1998/Sep	1998/Oct	1998/Nov	1998/Dec	1999/Jan	1999/Feb	1999/Mar	1999/Apr	1999/May	1999/Jun
Operating Revenues	(1,566,900)	(1,546,600)	(1,475,000)	(2,163,000)	(3,682,800)	(4,820,500)	(6,763,900)	(6,195,200)	(4,989,400)	(4,409,100)	(2,578,400)	(1,913,600)
PURCHASED GAS	392,900	352,200	339,100	735,300	1,704,500	2,404,500	3,684,300	3,320,000	2,534,300	2,165,800	1,013,100	624,300
OPERATION EXPENSE	722,100	707,400	730,100	717,700	700,200	717,100	704,800	678,700	716,500	699,600	685,800	707,700
MAINTENANCE EXPENSE	65,700	34,700	35,200	44,800	33,700	33,700	45,700	33,600	40,600	46,200	35,600	34,600
DEPRECIATION EXPENSE	320,400	320,400	320,400	320,400	320,400	320,400	320,400	320,400	320,400	320,400	320,400	320,400
TAXES OTHER THAN INCOME TAXES	102,100	102,200	102,100	102,200	102,100	107,000	111,400	106,700	106,600	106,700	106,700	106,700
INCOME TAXES	(152,100)	(130,900)	(163,800)	(61,500)	146,800	298,600	539,600	486,200	320,300	246,600	10,600	(98,400)
Operating Expenses	1,451,100	1,386,000	1,363,100	1,858,900	3,007,700	3,881,300	5,406,200	4,945,600	4,038,700	3,585,300	2,172,200	1,695,300
Operating Income	(115,800)	(160,600)	(111,900)	(304,100)	(675,100)	(939,200)	(1,357,700)	(1,249,600)	(950,700)	(823,800)	(406,200)	(218,300)
NON REGULATED INCOME (Excl. Subs)	(2,100)	(2,100)	(2,200)	(2,200)	(2,200)	(2,200)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(8,300)
INTEREST ON LONG TERM DEBT	325,500	325,500	325,500	325,500	325,500	325,500	325,600	325,600	325,600	325,600	325,600	325,600
OTHER INTEREST	43,500	50,500	60,500	70,500	71,500	65,500	55,500	42,500	38,500	42,500	44,500	50,500
AMORTIZATION OF DEBT EXPENSE	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Net Income (Excl. Subs)	***264,600***	***226,800***	***285,400***	***103,200***	***(266,800)***	***(536,900)***	***(965,200)***	***(870,100)***	***(575,200)***	***(444,300)***	***(24,700)***	***163,000***
Yearly Accumulation												(2,640,200)

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

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12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE	1999/Jul	1999/Aug	1999/Sep	1999/Oct	1999/Nov	1999/Dec	2000/Jan	2000/Feb	2000/Mar	2000/Apr	2000/May	2000/Jun
Operating Revenues	(1,185,500)	(1,177,100)	(1,178,300)	(1,758,500)	(3,165,400)	(4,038,100)	(5,893,600)	(5,425,600)	(4,361,100)	(3,812,400)	(2,166,900)	(1,505,300)
PURCHASED GAS	120,400	112,400	109,800	413,400	1,165,100	1,649,300	2,716,100	2,452,700	1,838,400	1,556,000	653,700	288,900
OPERATION EXPENSE	749,300	735,200	761,700	730,200	739,000	754,600	724,300	730,800	725,300	724,200	718,700	733,200
MAINTENANCE EXPENSE	77,600	34,800	34,600	42,400	33,100	32,100	44,300	32,000	34,900	67,600	33,900	32,900
DEPRECIATION EXPENSE	332,500	334,700	336,900	339,100	341,300	343,800	345,300	346,000	348,200	350,400	352,600	355,200
TAXES OTHER THAN INCOME TAXES	108,500	108,300	108,500	108,300	108,500	108,400	113,400	113,400	113,400	113,300	113,400	113,300
INCOME TAXES	(215,800)	(199,400)	(212,300)	(107,900)	126,700	262,200	552,800	485,000	324,100	215,300	(39,900)	(153,600)
Operating Expenses	1,172,500	1,126,000	1,139,200	1,525,500	2,513,700	3,150,400	4,496,200	4,159,900	3,384,300	3,026,800	1,832,400	1,369,900
Operating Income	(13,000)	(51,100)	(39,100)	(233,000)	(651,700)	(887,700)	(1,397,400)	(1,265,700)	(976,800)	(785,600)	(334,500)	(135,400)
NON REGULATED INCOME (Excl. Subs)	(2,500)	(2,400)	(2,300)	(1,200)	(3,500)	(3,000)	(2,900)	(2,700)	(4,900)	(2,900)	(4,100)	(9,400)
INTEREST ON LONG TERM DEBT	324,200	324,200	324,200	324,200	324,200	324,200	324,200	324,200	324,200	324,200	324,200	324,200
OTHER INTEREST	55,100	64,100	75,100	83,100	85,100	80,100	73,100	62,100	59,100	61,100	64,100	67,100
AMORTIZATION OF DEBT EXPENSE	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Net Income (Excl. Subs)	***377,300***	***348,300***	***371,400***	***186,600***	***(232,400)***	***(472,900)***	***(989,500)***	***(868,600)***	***(584,900)***	***(389,700)***	***63,200***	***260,000***
Yearly Accumulation												(1,931,200)

Bas120t5 excl subs of BAS120 (Reporter)

ACTUAL

Friday, December 18, 1998 6:23:56 PM

12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DELTA NATURAL GAS CO, INC.,Calendar Year (YYYYMM),Budget Month,Agent Description,Total Amount

	1995/Jul	1995/Aug	1995/Sep	1995/Oct	1995/Nov	1995/Dec	1996/Jan	1996/Feb	1996/Mar	1996/Apr	1996/May	1996/Jun
Operating Revenues	(1,011,793)	(903,931)	(931,170)	(1,469,171)	(2,180,795)	(3,453,909)	(5,394,650)	(4,841,875)	(3,984,761)	(3,991,372)	(1,898,430)	(1,173,410)
PURCHASED GAS	276,528	280,147	288,027	561,556	818,719	1,446,078	2,402,462	2,277,833	1,805,134	1,791,624	822,663	400,057
OPERATION EXPENSE	553,478	660,749	601,064	653,472	613,795	569,418	655,727	649,228	697,372	521,395	634,597	1,181,157
MAINTENANCE EXPENSE	53,564	53,235	58,553	57,458	40,424	33,368	42,343	34,053	37,359	37,093	35,016	43,249
DEPRECIATION EXPENSE	198,200	198,200	198,200	198,200	198,200	213,992	200,500	200,500	200,500	200,500	200,500	264,361
TAXES OTHER THAN INCOME TAXES	71,332	79,598	80,633	79,645	79,360	77,240	98,584	89,539	89,356	85,268	85,866	107,994
INCOME TAXES	(127,100)	(214,500)	(186,900)	(113,600)	72,700	324,500	650,400	503,500	340,300	410,700	(47,000)	(425,300)
Operating Expenses	1,026,001	1,057,429	1,039,578	1,436,731	1,823,198	2,664,596	4,050,016	3,754,653	3,170,022	3,046,579	1,731,641	1,571,519
Operating Income	14,208	153,498	108,409	(32,441)	(357,597)	(789,313)	(1,344,634)	(1,087,221)	(814,740)	(944,793)	(166,790)	398,109
NON REGULATED INCOME (Excl. Subs)	(2,344)	(3,209)	(1,653)	(3,843)	(773)	(2,668)	(1,840)	2,651	(1,872)	(10,602)	(2,961)	(3,392)
INTEREST ON LONG TERM DEBT	155,807	157,679	154,101	155,113	156,412	154,602	154,890	154,151	148,854	154,018	152,949	153,191
OTHER INTEREST	39,015	46,614	48,429	63,436	69,944	74,789	74,909	68,233	79,057	84,044	86,566	89,480
AMORTIZATION OF DEBT EXPENSE	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	71,123
Net Income (Excl. Subs)	***214,087***	***361,982***	***316,686***	***189,666***	***(124,614)***	***(555,190)***	***(1,109,275)***	***(854,785)***	***(581,300)***	***(709,932)***	***77,166***	***708,511***
Yearly Accumulation												(2,066,998)

Bas120t5 excl subs of BAS120 (Reporter)

ACTUAL

Friday, December 18, 1998 6:23:56 PM

12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE	1996/Jul	1996/Aug	1996/Sep	1996/Oct	1996/Nov	1996/Dec	1997/Jan	1997/Feb	1997/Mar	1997/Apr	1997/May	1997/Jun
Operating Revenues	(1,103,500)	(1,009,575)	(1,026,022)	(1,660,656)	(2,614,213)	(4,353,564)	(6,605,206)	(6,263,523)	(4,362,207)	(4,046,020)	(2,534,625)	(1,686,327)
PURCHASED GAS	277,386	285,244	270,199	645,935	1,222,854	2,335,215	3,774,756	3,697,113	2,420,922	2,218,763	1,188,278	639,662
OPERATION EXPENSE	674,138	607,693	581,284	686,858	612,982	713,908	729,869	661,993	683,706	622,176	682,150	708,622
MAINTENANCE EXPENSE	57,946	44,147	39,262	49,212	26,459	31,215	36,688	36,887	40,875	65,061	47,613	68,875
DEPRECIATION EXPENSE	239,200	239,200	239,200	239,200	239,200	211,453	245,300	245,300	251,200	270,900	270,900	204,999
TAXES OTHER THAN INCOME TAXES	82,074	81,830	82,219	82,578	82,712	81,238	90,688	89,068	87,854	93,678	92,237	102,906
INCOME TAXES	(177,500)	(194,100)	(168,200)	(120,500)	51,700	234,200	499,500	452,200	206,500	170,600	(24,300)	(158,300)
Operating Expenses	1,153,244	1,064,013	1,043,965	1,583,283	2,235,906	3,607,229	5,376,802	5,182,562	3,691,058	3,441,179	2,256,878	1,566,764
Operating Income	49,744	54,438	17,943	(77,372)	(378,307)	(746,335)	(1,228,404)	(1,080,961)	(671,150)	(604,841)	(277,746)	(119,563)
NON REGULATED INCOME (Excl. Subs)	(4,557)	(6,580)	(2,866)	(4,555)	(1,648)	(2,808)	(1,665)	(1,805)	(1,509)	(5,637)	(1,121)	(6,124)
INTEREST ON LONG TERM DEBT	187,398	235,570	234,928	235,626	234,226	235,835	366,097	254,736	254,667	249,824	254,641	253,844
OTHER INTEREST	60,407	22,682	24,097	37,597	46,709	102,475	2,528	47,056	55,421	55,117	54,752	73,891
AMORTIZATION OF DEBT EXPENSE	7,400	14,966	9,300	9,300	9,300	9,300	9,300	9,300	9,300	9,300	9,300	9,300
Net Income (Excl. Subs)	***300,392***	***321,076***	***283,403***	***200,596***	***(89,720)***	***(401,533)***	***(852,144)***	***(771,674)***	***(353,270)***	***(296,238)***	***39,825***	***211,348***
Yearly Accumulation												(1,407,939)

Bas120t5 excl subs of BAS120 (Reporter)

ACTUAL

Friday, December 18, 1998 6:23:56 PM

12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE	1997/Jul	1997/Aug	1997/Sep	1997/Oct	1997/Nov	1997/Dec	1998/Jan	1998/Feb	1998/Mar	1998/Apr	1998/May	1998/Jun
Operating Revenues	(1,405,285)	(1,258,141)	(1,100,161)	(1,552,507)	(3,280,642)	(5,090,618)	(6,500,225)	(5,436,263)	(4,744,096)	(4,333,172)	(1,964,031)	(1,257,145)
PURCHASED GAS	425,868	254,706	204,411	470,255	1,571,603	2,649,098	3,537,749	2,824,025	2,342,616	2,134,737	556,112	151,173
OPERATION EXPENSE	681,591	572,953	727,538	628,416	658,935	778,941	577,481	832,315	645,594	538,736	630,163	915,417
MAINTENANCE EXPENSE	68,352	50,396	61,707	46,883	30,904	36,386	35,918	42,124	63,186	41,508	47,030	61,285
DEPRECIATION EXPENSE	272,939	271,939	271,811	273,930	277,949	278,220	279,113	283,063	284,674	284,435	286,709	290,459
TAXES OTHER THAN INCOME TAXES	101,787	94,874	133,793	96,877	94,999	73,066	105,011	102,587	101,853	100,666	99,104	97,037
INCOME TAXES	(177,000)	(117,500)	(241,500)	(132,700)	98,700	330,275	584,275	366,375	355,975	297,475	(2,525)	(228,550)
Operating Expenses	1,373,537	1,127,368	1,157,760	1,383,662	2,733,090	4,145,985	5,119,547	4,450,488	3,793,898	3,397,556	1,616,594	1,286,821
Operating Income	(31,748)	(130,773)	57,599	(168,845)	(547,552)	(944,632)	(1,380,678)	(985,774)	(950,198)	(935,616)	(347,437)	29,677
NON REGULATED INCOME (Excl. Subs)	(1,372)	(1,283)	(1,756)	(1,675)	(3,062)	(1,786)	(3,666)	(1,997)	(4,554)	(34,267)	(3,659)	(8,835)
INTEREST ON LONG TERM DEBT	253,574	253,552	253,734	253,538	252,492	252,240	252,418	251,830	251,674	400,611	325,588	325,431
OTHER INTEREST	70,365	67,879	90,596	131,859	117,754	117,662	120,523	97,183	79,494	11,227	8,631	13,761
AMORTIZATION OF DEBT EXPENSE	9,300	9,300	9,300	9,300	9,300	9,300	9,300	9,300	9,300	13,612	13,810	13,430
Net Income (Excl. Subs)	***300,120***	***198,674***	***409,474***	***224,177***	***(171,068)***	***(567,217)***	***(1,002,104)***	***(629,458)***	***(614,284)***	***(544,434)***	***(3,067)***	***373,464***
Yearly Accumulation												(2,025,723)

Bas120t5 excl subs of BAS120 (Reporter)

ACTUAL

Friday, December 18, 1998 6:23:56 PM

12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE	1998/Jul	1998/Aug	1998/Sep	1998/Oct	1998/Nov	1998/Dec	1999/Jan	1999/Feb	1999/Mar	1999/Apr	1999/May	1999/Jun
Operating Revenues	(1,254,840)	(1,161,228)	(1,176,935)	(1,537,698)								
PURCHASED GAS	156,554	103,149	160,529	319,762								
OPERATION EXPENSE	675,049	616,103	668,899	668,655								
MAINTENANCE EXPENSE	59,938	42,149	47,560	40,216								
DEPRECIATION EXPENSE	307,316	305,688	308,627	311,162								
TAXES OTHER THAN INCOME TAXES	103,617	99,512	104,197	103,897								
INCOME TAXES	(151,625)	(140,025)	(195,025)	(112,225)								
Operating Expenses	1,150,849	1,026,577	1,094,787	1,331,468								
Operating Income	(103,991)	(134,652)	(82,147)	(206,230)								
NON REGULATED INCOME (Excl. Subs)	(1,402)	(1,887)	(1,307)	(2,376)								
INTEREST ON LONG TERM DEBT	325,418	325,197	345,003	323,057								
OTHER INTEREST	19,793	30,697	52,068	57,258								
AMORTIZATION OF DEBT EXPENSE	13,430	13,430	13,430	13,430								
Net Income (Excl. Subs)	***253,247***	***232,785***	***327,046***	***185,139***								

Yearly Accumulation

12/31/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
NOVEMBER 30, 1998

		MONTH			YEAR TO DATE			YEAR ENDED	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(245)	190	524	(333)	246	606	4,037	4,922
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(87,759)	144,441	217,882	(200,500)	298,900	399,960	2,276,000	2,497,630
	SMALL COMMERCIAL	(28,953)	31,447	-	(53,827)	75,773	-	591,815	-
	COMMERCIAL - OTHER	(37,030)	50,070	125,853	(58,298)	173,102	295,934	865,665	1,575,842
	INDUSTRIAL	(7,359)	11,941	18,367	(36,788)	39,512	72,947	197,120	287,112
	TOTAL SOLD	(161,100)	237,900	362,102	(349,412)	587,288	768,841	3,930,600	4,360,584
	OFF SYSTEM	(19,381)	96,004	110,396	(11,530)	576,933	590,578	1,475,522	1,311,123
	ON SYSTEM	23,671	415,271	282,822	(218,438)	1,830,062	1,468,562	3,828,544	3,211,645
	TOTAL TRANSPORTED	4,290	511,275	393,218	(229,968)	2,406,995	2,059,140	5,304,066	4,522,768
	TOTAL DELTA NATURAL	(156,810)	749,175	755,320	(579,380)	2,994,283	2,827,981	9,234,666	8,883,352
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(1,414,828)	1,891,472	2,889,123	(3,009,242)	5,634,558	6,767,112	32,302,014	34,311,705
	MISC OPERATING	12,865	23,865	11,419	(7,001)	54,299	42,408	140,123	108,627
	OFF SYS TRANSPORT	118	30,118	39,790	27,841	180,841	202,965	460,702	428,991
	ON SYS TRANSPORT	67,813	403,313	340,310	33,571	1,609,771	1,584,251	3,902,178	3,598,686
	TOTAL DELTA NATURAL	(1,334,032)	2,348,768	3,280,642	(2,954,831)	7,479,469	8,596,736	36,805,016	38,448,209
GAS COSTS:	DELTA NATURAL	(991,209)	893,291	1,719,007	(2,083,993)	2,340,007	3,573,736	17,702,037	20,448,367
NET SALES:	DELTA NATURAL TOTAL	(423,619)	998,181	1,170,116	(925,250)	3,294,550	3,193,376	14,599,976	13,863,338
PER MCF:	DELTA NATURAL								
	TOTAL SALES	8.7823	7.9507	7.9788	8.6123	9.5942	8.8017	8.2181	7.8686
	COST OF GAS	6.1528	3.7549	4.7473	5.9643	3.9844	4.6482	4.5036	4.6894
	NET SALES	2.6295	4.1958	3.2315	2.6480	5.6098	4.1535	3.7144	3.1792

DELTA NATURAL ONLY: % Change to Customers Between Yrs:		MONTH	YEAR TO DATE	YEAR ENDED
	Total Cost	-0.4%	9.0%	4.4%
	Gas Cost	-12.4%	-7.5%	-2.4%
	Net Sales	12.1%	16.5%	6.8%

12/4/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
OCTOBER 31, 1998

		MONTH			YEAR TO DATE			YEAR ENDED	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(80)	56	57	102	246	82	4,371	4,767
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(57,303)	50,697	63,018	(112,741)	154,459	182,078	2,349,441	2,458,287
	SMALL COMMERCIAL	(14,756)	13,644	-	(24,874)	44,326	-	560,368	-
	COMMERCIAL - OTHER	(2,396)	39,104	54,732	(21,268)	123,032	170,081	941,448	1,546,797
	INDUSTRIAL	(6,067)	9,833	15,348	(29,429)	27,571	54,580	203,546	284,470
	TOTAL SOLD	(80,522)	113,278	133,098	(188,312)	349,388	406,739	4,054,803	4,289,554
	OFF SYSTEM	(26,703)	92,528	103,023	7,851	480,929	480,182	1,489,914	1,290,732
	ON SYSTEM	(31,486)	382,614	295,613	(242,109)	1,414,791	1,185,740	3,696,095	3,186,119
	TOTAL TRANSPORTED	(58,189)	475,142	398,636	(234,258)	1,895,720	1,665,922	5,186,009	4,476,851
	TOTAL DELTA NATURAL	(138,711)	588,420	531,734	(422,570)	2,245,108	2,072,661	9,240,812	8,766,405
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(634,319)	1,138,581	1,191,080	(1,594,414)	3,743,086	3,877,989	33,299,665	33,702,806
	MISC OPERATING	(17,925)	7,875	8,025	(19,866)	30,434	30,989	127,677	103,668
	OFF SYS TRANSPORT	4,398	35,398	45,407	27,723	150,723	163,175	434,976	447,391
	ON SYS TRANSPORT	22,544	355,844	307,995	(34,242)	1,206,458	1,243,941	3,839,175	3,557,989
GAS COSTS:	DELTA NATURAL	(419,614)	495,686	599,992	(1,092,783)	1,446,717	1,854,729	18,527,754	20,022,302
NET SALES:	DELTA NATURAL TOTAL	(214,706)	642,894	591,088	(501,631)	2,296,369	2,023,260	14,771,911	13,680,504
PER MCF:	DELTA NATURAL								
	TOTAL SALES	7.8776	10.0512	8.9489	8.4669	10.7133	9.5343	8.2124	7.8569
	COST OF GAS	5.2112	4.3758	4.5079	5.8030	4.1407	4.5600	4.5693	4.6677
	NET SALES	2.6664	5.6754	4.4410	2.6638	6.5725	4.9743	3.6431	3.1893

DELTA NATURAL ONLY: % Change to Customers Between Yrs:		MONTH	YEAR TO DATE	YEAR ENDED
	Total Cost	12.3%	12.4%	4.5%
	Gas Cost	-1.5%	-4.4%	-1.3%
	Net Sales	13.8%	16.8%	5.8%

10/28/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
SEPTEMBER 30, 1998

		MONTH			YEAR TO DATE			YEAR ENDED	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(6)	-	19	(8)	-	25	4,372	4,892
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(22,939)	31,261	32,586	(55,438)	103,762	119,060	2,361,762	2,474,727
	SMALL COMMERCIAL	(4,556)	9,444	-	(10,118)	30,682	-	546,724	-
	COMMERCIAL - OTHER	(7,084)	25,316	32,691	(18,872)	83,928	115,349	957,076	1,562,178
	INDUSTRIAL	(3,968)	5,332	8,848	(23,362)	17,738	39,232	209,061	282,739
	TOTAL SOLD	(38,547)	71,353	74,125	(107,790)	236,110	273,641	4,074,623	4,319,644
	OFF SYSTEM	3,910	119,295	121,730	34,554	388,401	377,159	1,500,409	1,284,437
	ON SYSTEM	(45,591)	335,509	259,590	(210,623)	1,032,177	890,127	3,609,094	3,099,440
	TOTAL TRANSPORTED	(41,681)	454,804	381,320	(176,069)	1,420,578	1,267,286	5,109,503	4,383,877
	TOTAL DELTA NATURAL	(80,228)	526,157	455,445	(283,859)	1,656,688	1,540,927	9,184,126	8,703,521
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(307,659)	844,541	777,824	(960,095)	2,604,505	2,686,909	33,352,164	33,856,415
	MISC OPERATING	(2,155)	6,345	4,485	(1,941)	22,559	22,964	127,827	106,573
	OFF SYS TRANSPORT	1,043	31,043	39,168	23,325	115,325	117,768	480,383	401,984
	ON SYS TRANSPORT	10,706	295,006	278,684	(56,786)	850,614	935,946	3,791,326	3,524,957
	TOTAL DELTA NATURAL	(298,065)	1,176,935	1,100,161	(995,497)	3,593,003	3,763,587	37,751,700	37,889,929
GAS COSTS:	DELTA NATURAL	(206,874)	312,226	334,148	(673,170)	951,030	1,254,737	18,632,059	20,120,722
NET SALES:	DELTA NATURAL TOTAL	(100,785)	532,315	443,676	(286,925)	1,653,475	1,432,172	14,720,105	13,735,693
PER MCF:	DELTA NATURAL								
	TOTAL SALES	7.9814	11.8361	10.4934	8.9071	11.0309	9.8191	8.1853	7.8378
	COST OF GAS	5.3668	4.3758	4.5079	6.2452	4.0279	4.5853	4.5727	4.6580
	NET SALES	2.6146	7.4603	5.9855	2.6619	7.0030	5.2338	3.6126	3.1798

		Month	Year to Date	Year Ended
DELTA NATURAL ONLY: % Change to Customers Between Yrs:	Total Cost	12.8%	12.3%	4.4%
	Gas Cost	-1.3%	-5.7%	-1.1%
	Net Sales	14.1%	18.0%	5.5%

Date:6/15/99; Time: 10:38 AM

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
August 31, 1998

		MONTH			YEAR TO DATE			YEAR ENDED	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		-	-	-	(2)	-	6	4,391	4,873
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(21,783)	30,117	35,102	(32,499)	72,501	86,474	2,363,087	2,474,641
	SMALL COMMERCIAL	(4,203)	9,097	-	(5,562)	21,238	-	537,280	-
	COMMERCIAL - OTHER	(7,540)	25,060	35,992	(11,788)	58,612	82,658	964,451	1,564,255
	INDUSTRIAL	(9,861)	5,039	14,188	(19,394)	12,406	30,384	212,577	284,770
	TOTAL SOLD	(43,387)	69,313	85,282	(69,243)	164,757	199,516	4,077,395	4,323,666
	OFF SYSTEM	10,989	130,220	132,800	30,644	269,106	255,429	1,502,844	1,263,863
	ON SYSTEM	(101,907)	349,843	347,196	(165,032)	696,668	630,537	3,533,175	3,098,259
	TOTAL TRANSPORTED	(90,918)	480,063	479,996	(134,388)	965,774	885,966	5,036,019	4,362,122
	TOTAL DELTA NATURAL	(134,305)	549,376	565,278	(203,631)	1,130,531	1,085,482	9,113,414	8,685,788
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(346,223)	827,177	843,929	(652,436)	1,759,964	1,909,085	33,285,447	33,858,042
	MISC OPERATING	(520)	5,780	5,440	214	16,214	18,479	125,967	109,953
	OFF SYS TRANSPORT	11,766	42,766	34,448	22,282	84,282	78,600	488,508	394,669
	ON SYS TRANSPORT	(50,395)	285,505	374,324	(67,492)	555,608	657,262	3,775,004	3,453,126
	TOTAL DELTA NATURAL	(385,372)	1,161,228	1,258,141	(697,432)	2,416,068	2,663,426	37,674,926	37,815,790
GAS COSTS:	DELTA NATURAL	(228,900)	303,300	384,443	(466,296)	638,804	920,589	18,653,981	20,159,344
NET SALES:	DELTA NATURAL TOTAL	(117,323)	523,877	459,486	(186,140)	1,121,160	988,496	14,631,466	13,698,696
PER MCF:	DELTA NATURAL								
	TOTAL SALES	7.9799	11.9339	9.8957	9.4224	10.6822	9.5686	8.1634	7.8309
	COST OF GAS	5.2758	4.3758	4.5079	6.7342	3.8772	4.6141	4.5750	4.6626
	NET SALES	2.7041	7.5581	5.3878	2.6882	6.8049	4.9545	3.5884	3.1683

DELTA NATURAL ONLY:		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	20.6%	11.6%	4.2%
	Gas Cost	-1.3%	-7.7%	-1.1%
	Net Sales	21.9%	19.3%	5.4%

Date:10/21/98; Time: 8:38 AM

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
July 31, 1998

		MONTH			YEAR TO DATE			YEAR ENDED	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(2)	-	6	(2)	-	6	4,391	4,873
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(10,716)	42,384	51,372	(10,716)	42,384	51,372	2,368,072	2,473,798
	SMALL COMMERCIAL	(1,359)	12,141	-	(1,359)	12,141	-	528,183	-
	COMMERCIAL - OTHER	(4,248)	33,552	46,666	(4,248)	33,552	46,666	975,383	1,561,841
	INDUSTRIAL	(9,533)	7,367	16,196	(9,533)	7,367	16,196	221,726	281,656
	TOTAL SOLD	(25,856)	95,444	114,234	(25,856)	95,444	114,234	4,093,364	4,317,295
	OFF SYSTEM	19,655	138,886	122,629	19,655	138,886	122,629	1,505,424	1,234,597
	ON SYSTEM	(63,125)	346,825	283,341	(63,125)	346,825	283,341	3,530,528	2,931,793
	TOTAL TRANSPORTED	(43,470)	485,711	405,970	(43,470)	485,711	405,970	5,035,952	4,166,390
	TOTAL DELTA NATURAL	(69,326)	581,155	520,204	(69,326)	581,155	520,204	9,129,316	8,483,685
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(306,213)	932,787	1,065,156	(306,213)	932,787	1,065,156	33,302,199	33,782,503
	MISC OPERATING	734	10,434	13,039	734	10,434	13,039	125,627	110,263
	OFF SYS TRANSPORT	10,516	41,516	44,152	10,516	41,516	44,152	480,190	394,592
	ON SYS TRANSPORT	(17,097)	270,103	282,938	(17,097)	270,103	282,938	3,863,823	3,279,866
	TOTAL DELTA NATURAL	(312,060)	1,254,840	1,405,285	(312,060)	1,254,840	1,405,285	37,771,838	37,567,224
GAS COSTS:	DELTA NATURAL	(237,396)	335,504	536,146	(237,396)	335,504	536,146	18,735,124	20,112,621
NET SALES:	DELTA NATURAL TOTAL	(68,817)	597,283	529,010	(68,817)	597,283	529,010	14,567,075	13,669,882
PER MCF:	DELTA NATURAL								
	TOTAL SALES	11.8430	9.7731	9.3243	11.8430	9.7731	9.3243	8.1357	7.8249
	COST OF GAS	9.1815	3.5152	4.6934	9.1815	3.5152	4.6934	4.5770	4.6586
	NET SALES	2.6616	6.2579	4.6309	2.6616	6.2579	4.6309	3.5587	3.1663

DELTA NATURAL ONLY:
% Change to Customers Between Yrs:

	Month	Year to Date	Year Ended
Total Cost	4.8%	4.8%	4.0%
Gas Cost	-12.6%	-12.6%	-1.0%
Net Sales	17.4%	17.4%	5.0%

8/4/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
June 30, 1998

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		15	26	151	(315)	4,397	4,867	4,397	4,867
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	6,103	43,803	83,168	(45,641)	2,377,060	2,464,018	2,377,060	2,464,018
	COMMERCIAL	2,370	43,170	56,397	(175,262)	1,504,538	1,556,411	1,504,538	1,556,411
	INDUSTRIAL	(1,801)	6,599	20,221	(9,745)	230,555	278,114	230,555	278,114
	TOTAL SOLD	6,672	93,572	159,786	(230,648)	4,112,152	4,298,543	4,112,152	4,298,543
	OFF SYSTEM	18,341	119,241	121,252	254,567	1,489,167	1,205,585	1,489,167	1,205,585
	ON SYSTEM	75,381	286,981	198,803	694,544	3,467,044	2,862,885	3,467,044	2,862,885
	TOTAL TRANSPORTED	93,722	406,222	320,055	949,111	4,956,211	4,068,470	4,956,211	4,068,470
	TOTAL DELTA NATURAL	100,394	499,794	479,841	718,463	9,068,363	8,367,013	9,068,363	8,367,013
REVENUES:	DELTA NATURAL								
	RETAIL SALES	29,377	925,577	1,401,427	(913,732)	33,434,568	33,561,011	33,434,568	33,561,011
	MISC OPERATING	1,709	10,009	13,790	29,232	128,232	108,319	128,232	108,319
	OFF SYS TRANSPORT	17,441	43,641	38,648	161,826	482,826	382,158	482,826	382,158
	ON SYS TRANSPORT	58,118	277,918	232,462	861,658	3,876,658	3,213,951	3,876,658	3,213,951
	TOTAL DELTA NATURAL	106,645	1,257,145	1,686,327	138,984	37,922,284	37,265,439	37,922,284	37,265,439
GAS COSTS:	DELTA NATURAL	(78,976)	328,924	749,940	1,446,734	18,935,766	19,878,908	18,935,766	19,878,908
NET SALES:	DELTA NATURAL TOTAL	108,353	596,653	651,487	(2,360,466)	14,498,802	13,682,103	14,498,802	13,682,103
PER MCF:	DELTA NATURAL								
	TOTAL SALES	4.4030	9.8916	8.7706	3.9616	8.1307	7.8075	8.1307	7.8075
	COST OF GAS	(11.8369)	3.5152	4.6934	(6.2725)	4.6048	4.6246	4.6048	4.6246
	NET SALES	16.2399	6.3764	4.0772	10.2341	3.5258	3.1830	3.5258	3.1830

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	12.8%	4.1%	4.1%
	Gas Cost	-13.4%	-0.3%	-0.3%
	Net Sales	26.2%	4.4%	4.4%

6/29/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
May 31, 1998

	Month			Year to Date			Year Ended	
	This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA	96	210	369	(329)	4,372	4,716	4,523	4,772
MCF'S: DELTA NATURAL								
RESIDENTIAL	33,512	121,212	161,829	(51,744)	2,333,257	2,380,850	2,416,425	2,435,148
COMMERCIAL	(7,928)	59,472	97,726	(194,733)	1,444,267	1,500,014	1,500,664	1,542,136
INDUSTRIAL	17,526	28,426	17,121	9,157	241,057	257,893	261,278	270,528
TOTAL SOLD	43,110	209,110	276,676	(237,320)	4,018,580	4,138,757	4,178,366	4,247,812
OFF SYSTEM	53,485	144,885	110,214	236,226	1,369,926	1,084,333	1,491,178	1,175,207
ON SYSTEM	21,893	233,493	224,835	619,163	3,180,063	2,664,082	3,378,866	2,850,302
TOTAL TRANSPORTED	75,378	378,378	335,049	855,389	4,549,989	3,748,415	4,870,044	4,025,509
TOTAL DELTA NATURAL	118,488	587,488	611,725	618,069	8,568,569	7,887,172	9,048,410	8,273,321
REVENUES: DELTA NATURAL								
RETAIL SALES	177,397	1,647,397	2,236,957	(943,109)	32,508,991	32,159,584	33,910,418	33,090,958
MISC OPERATING	6,869	15,069	14,489	27,523	118,223	94,529	132,013	107,514
OFF SYS TRANSPORT	16,547	40,347	32,473	144,385	439,185	343,510	477,833	372,716
ON SYS TRANSPORT	36,218	261,218	250,706	803,540	3,598,740	2,981,489	3,831,202	3,181,334
TOTAL DELTA NATURAL	237,031	1,964,031	2,534,625	32,339	36,665,139	35,579,112	38,351,466	36,752,522
GAS COSTS: DELTA NATURAL	(44,037)	735,063	1,298,556	1,367,758	18,606,842	19,128,968	19,356,782	19,579,119
NET SALES: DELTA NATURAL TOTAL	221,433	912,333	938,401	(2,310,867)	13,902,149	13,030,616	14,553,636	13,511,839
PER MCF: DELTA NATURAL								
TOTAL SALES	4.1150	7.8781	8.0851	3.9740	8.0897	7.7703	8.1157	7.7901
COST OF GAS	(1.0215)	3.5152	4.6934	(5.7634)	4.6302	4.6219	4.6326	4.6092
NET SALES	5.1365	4.3629	3.3917	9.7374	3.4595	3.1484	3.4831	3.1809

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	-2.6%	4.1%	4.2%
	Gas Cost	-14.6%	0.1%	0.3%
	Net Sales	12.0%	4.0%	3.9%

6/3/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
April 30, 1998

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		225	539	630	(425)	4,162	4,347	4,682	4,604
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	97,740	289,340	276,042	(85,256)	2,212,045	2,219,021	2,457,042	2,405,036
	COMMERCIAL	48,756	177,856	166,294	(186,805)	1,384,795	1,402,288	1,538,918	1,522,017
	INDUSTRIAL	(3,743)	20,257	26,877	(8,369)	212,631	240,772	249,973	271,253
	TOTAL SOLD	142,753	487,453	469,213	(280,430)	3,809,470	3,862,081	4,245,932	4,198,306
	OFF SYSTEM	8,694	104,194	100,582	182,741	1,225,041	974,119	1,456,507	1,147,265
	ON SYSTEM	54,763	270,663	267,190	597,270	2,946,570	2,439,247	3,370,208	2,817,603
	TOTAL TRANSPORTED	63,457	374,857	367,772	780,011	4,171,611	3,413,366	4,826,715	3,964,868
	TOTAL DELTA NATURAL	206,210	862,310	836,985	499,581	7,981,081	7,275,447	9,072,647	8,163,174
REVENUES:	DELTA NATURAL								
	RETAIL SALES	1,207,136	3,955,936	3,700,577	(1,120,506)	30,861,594	29,922,627	34,499,978	32,499,904
	MISC OPERATING	14,454	22,754	18,334	20,654	103,154	80,040	131,433	103,320
	OFF SYS TRANSPORT	18,932	43,732	31,315	127,838	398,838	311,037	469,959	374,407
	ON SYS TRANSPORT	74,449	310,749	295,794	767,322	3,337,522	2,730,783	3,820,690	3,138,697
	TOTAL DELTA NATURAL	1,314,972	4,333,172	4,046,020	(204,692)	34,701,108	33,044,487	38,922,060	36,116,328
GAS COSTS:	DELTA NATURAL	684,392	2,302,192	2,265,097	1,323,722	17,871,778	17,830,412	19,920,274	19,103,226
NET SALES:	DELTA NATURAL TOTAL	522,744	1,653,744	1,435,480	(2,444,228)	12,989,816	12,092,215	14,579,704	13,396,678
PER MCF:	DELTA NATURAL								
	TOTAL SALES	8.4561	8.1155	7.8868	3.9957	8.1013	7.7478	8.1254	7.7412
	COST OF GAS	4.7942	4.7229	4.8274	(4.7203)	4.6914	4.6168	4.6916	4.5502
	NET SALES	3.6619	3.3926	3.0593	8.7160	3.4099	3.1310	3.4338	3.1910

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	2.9%	4.6%	5.0%
	Gas Cost	-1.3%	1.0%	1.8%
	Net Sales	4.2%	3.6%	3.1%

4/29/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
MARCH 31, 1998

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(9)	605	595	(650)	3,623	3,717	4,773	4,702
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	4,167	322,067	312,244	(182,996)	1,922,705	1,942,979	2,443,744	2,511,017
	COMMERCIAL	(8,358)	193,343	179,791	(235,562)	1,206,939	1,235,994	1,527,356	1,579,902
	INDUSTRIAL	(8,518)	22,982	18,149	(4,626)	192,374	213,895	256,593	280,932
	TOTAL SOLD	(12,709)	538,391	510,184	(423,183)	3,322,017	3,392,868	4,227,692	4,371,851
	OFF SYSTEM	41,761	133,561	103,383	174,047	1,120,847	873,537	1,452,895	1,132,673
	ON SYSTEM	55,835	297,035	337,640	542,507	2,675,907	2,172,057	3,366,735	2,812,953
	TOTAL TRANSPORTED	97,596	430,596	441,023	716,554	3,796,754	3,045,594	4,819,630	3,945,626
	TOTAL DELTA NATURAL	84,887	968,987	951,207	293,371	7,118,771	6,438,462	9,047,322	8,317,477
REVENUES:	DELTA NATURAL								
	RETAIL SALES	112,493	4,336,993	4,021,724	(2,327,642)	26,905,658	26,222,050	34,244,619	32,442,302
	MISC OPERATING	5,420	13,620	14,502	6,200	80,400	61,706	127,013	97,086
	OFF SYS TRANSPORT	20,048	43,948	33,651	108,906	355,106	279,722	457,542	385,001
	ON SYS TRANSPORT	81,835	349,535	292,330	692,873	3,026,773	2,434,989	3,805,735	3,137,291
	TOTAL DELTA NATURAL	219,796	4,744,096	4,362,207	(1,519,664)	30,367,936	28,998,467	38,634,908	36,061,680
GAS COSTS:	DELTA NATURAL	(43,733)	2,542,767	2,517,350	1,243,092	15,569,587	15,565,315	19,883,180	18,629,753
NET SALES:	DELTA NATURAL TOTAL	156,226	1,794,226	1,504,374	(3,570,734)	11,336,071	10,656,735	14,361,439	13,812,549
PER MCF:	DELTA NATURAL								
	TOTAL SALES	(8.8514)	8.0555	7.8829	5.5003	8.0992	7.7286	8.1001	7.4207
	COST OF GAS	3.4411	4.7229	4.9342	(2.9375)	4.6868	4.5877	4.7031	4.2613
	NET SALES	(12.2926)	3.3326	2.9487	8.4378	3.4124	3.1409	3.3970	3.1594

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	2.2%	4.8%	9.2%
	Gas Cost	-2.7%	1.3%	6.0%
	Net Sales	4.9%	3.5%	3.2%

4/17/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
FEBRUARY 28, 1998

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(16)	817	892	(641)	3,018	3,122	4,763	4,854
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(33,465)	387,235	445,694	(187,162)	1,600,638	1,630,735	2,433,921	2,586,763
	COMMERCIAL	(45,459)	231,941	274,202	(227,204)	1,013,596	1,056,203	1,513,804	1,633,186
	INDUSTRIAL	(7,226)	30,274	48,931	3,892	169,392	195,746	251,760	293,900
	TOTAL SOLD	(86,150)	649,450	768,827	(410,474)	2,783,626	2,882,684	4,199,485	4,513,849
	OFF SYSTEM	(13,648)	118,552	119,022	132,286	987,286	770,154	1,422,717	1,112,016
	ON SYSTEM	20,438	277,138	194,819	486,672	2,378,872	1,834,417	3,407,340	2,677,558
	TOTAL TRANSPORTED	6,790	395,690	313,841	618,958	3,366,158	2,604,571	4,830,057	3,789,574
	TOTAL DELTA NATURAL	(79,360)	1,045,140	1,082,668	208,484	6,149,784	5,487,255	9,029,542	8,303,423
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(483,594)	5,055,106	5,949,754	(2,440,135)	22,568,665	22,200,326	33,929,350	32,104,060
	MISC OPERATING	1,815	10,115	694	780	66,780	47,204	127,895	92,999
	OFF SYS TRANSPORT	15	34,415	15,307	88,858	311,158	246,071	447,245	391,839
	ON SYS TRANSPORT	44,527	336,627	297,768	611,038	2,677,238	2,142,659	3,748,530	3,095,336
	TOTAL DELTA NATURAL	(437,237)	5,436,263	6,263,523	(1,739,459)	25,623,841	24,636,260	38,253,020	35,684,234
GAS COSTS:	DELTA NATURAL	(481,071)	2,971,429	3,793,541	713,449	13,026,820	13,047,965	19,857,763	17,930,295
NET SALES:	DELTA NATURAL TOTAL	(2,523)	2,083,677	2,156,213	(3,153,584)	9,541,845	9,152,361	14,071,587	14,173,765
PER MCF:	DELTA NATURAL								
	TOTAL SALES	5.6134	7.7837	7.7387	5.9447	8.1076	7.7013	8.0794	7.1123
	COST OF GAS	5.5841	4.5753	4.9342	(1.7381)	4.6798	4.5263	4.7286	3.9723
	NET SALES	0.0293	3.2084	2.8045	7.6828	3.4278	3.1749	3.3508	3.1401

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	0.6%	5.3%	13.6%
	Gas Cost	-4.6%	2.0%	10.6%
	Net Sales	5.2%	3.3%	3.0%

3/12/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
JANUARY 31, 1998

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(358)	683	945	(652)	2,174	2,230	4,811	4,921
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(85,976)	461,424	496,935	(153,697)	1,213,403	1,185,041	2,492,380	2,630,332
	COMMERCIAL	(85,252)	278,548	313,619	(181,745)	781,655	782,001	1,556,065	1,647,722
	INDUSTRIAL	(2,309)	36,291	55,012	11,118	139,118	146,815	270,417	279,580
	TOTAL SOLD	(173,537)	776,263	865,566	(324,324)	2,134,176	2,113,857	4,318,862	4,557,634
	OFF SYSTEM	41,190	140,190	89,208	145,934	868,734	651,132	1,423,187	1,059,515
	ON SYSTEM	36,592	301,492	270,518	466,234	2,101,734	1,639,598	3,325,021	2,706,425
	TOTAL TRANSPORTED	77,782	441,682	359,726	612,168	2,970,468	2,290,730	4,748,208	3,765,940
	TOTAL DELTA NATURAL	(95,755)	1,217,945	1,225,292	287,844	5,104,644	4,404,587	9,067,070	8,323,574
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(973,281)	6,097,919	6,225,193	(1,956,541)	17,513,559	16,250,572	34,823,998	30,679,642
	MISC OPERATING	323	8,523	425	(1,035)	56,665	46,510	118,474	97,935
	OFF SYS TRANSPORT	11,003	36,703	46,757	88,843	276,743	230,764	428,137	407,676
	ON SYS TRANSPORT	51,380	357,080	332,832	566,511	2,340,611	1,844,891	3,709,671	3,077,333
	TOTAL DELTA NATURAL	(910,575)	6,500,225	6,605,207	(1,302,222)	20,187,578	18,372,737	39,080,280	34,262,586
GAS COSTS:	DELTA NATURAL	(772,647)	3,685,153	3,844,844	(1,483,309)	10,055,391	9,254,424	20,679,875	16,401,829
NET SALES:	DELTA NATURAL TOTAL	(200,634)	2,412,766	2,380,349	(473.232)	7.458.168	6.996.148	14.144.123	14,277,813
PER MCF:	DELTA NATURAL								
	TOTAL SALES	5.6085	7.8555	7.1920	6.0327	8.2062	7.6876	8.0632	6.7315
	COST OF GAS	4.4523	4.7473	4.4420	4.5735	4.7116	4.3780	4.7883	3.5988
	NET SALES	1.1561	3.1082	2.7500	1.4591	3.4946	3.3097	3.2750	3.1327

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	9.2%	6.7%	19.8%
	Gas Cost	4.2%	4.3%	17.7%
	Net Sales	5.0%	2.4%	2.1%

2/5/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
DECEMBER 31, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(146)	728	734	(294)	1,491	1,285	5,073	5,194
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(22,681)	352,019	321,758	(67,721)	751,979	688,106	2,527,891	2,704,765
	COMMERCIAL	(34,527)	207,173	191,879	(96,493)	503,107	468,382	1,591,136	1,673,334
	INDUSTRIAL	(920)	29,880	27,854	13,427	102,827	91,803	289,138	282,555
	TOTAL SOLD	(58,128)	589,072	541,491	(150,787)	1,357,913	1,248,291	4,408,165	4,660,654
	OFF SYSTEM	52,766	137,966	76,884	104,744	728,544	561,924	1,372,205	1,051,350
	ON SYSTEM	78,880	331,680	249,278	429,642	1,800,242	1,369,080	3,294,047	2,713,981
	TOTAL TRANSPORTED	131,646	469,646	326,162	534,386	2,528,786	1,931,004	4,666,252	3,765,331
	TOTAL DELTA NATURAL	73,518	1,058,718	867,653	383,599	3,886,699	3,179,295	9,074,417	8,425,985
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(260,772)	4,648,528	4,008,961	(983,260)	11,415,640	10,025,379	34,951,272	29,477,512
	MISC OPERATING	(2,566)	5,734	4,185	(1,358)	48,142	46,085	110,376	103,525
	OFF SYS TRANSPORT	14,875	37,075	27,875	77,840	240,040	184,007	438,191	395,890
	ON SYS TRANSPORT	113,280	399,280	312,543	515,131	1,983,531	1,512,059	3,685,423	3,075,102
	TOTAL DELTA NATURAL	(135,183)	5,090,617	4,353,564	(391,647)	13,687,353	11,767,530	39,185,262	33,052,029
GAS COSTS:	DELTA NATURAL	(241,098)	2,796,502	2,405,303	(710,662)	6,370,238	5,409,580	20,839,566	14,959,447
NET SALES:	DELTA NATURAL TOTAL	(19,674)	1,852,026	1,603,658	(272,598)	5,045,402	4,615,799	14,111,706	14,518,065
PER MCF:	DELTA NATURAL								
	TOTAL SALES	4.4862	7.8913	7.4036	6.5209	8.4068	8.0313	7.9288	6.3248
	COST OF GAS	4.1477	4.7473	4.4420	4.7130	4.6912	4.3336	4.7275	3.2097
	NET SALES	0.3385	3.1440	2.9616	1.8078	3.7156	3.6977	3.2013	3.1150

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	6.6%	4.7%	25.4%
	Gas Cost	4.1%	4.5%	24.0%
	Net Sales	2.5%	0.2%	1.4%

1/21/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
NOVEMBER 30, 1997

			Month			Year to Date			Year Ended	
			This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA			116	695	369	(148)	763	551	5,079	5,227
MCF'S:		DELTA NATURAL								
		RESIDENTIAL	(33,418)	217,882	178,539	(45,040)	399,960	366,348	2,497,630	2,728,715
		COMMERCIAL	(20,347)	125,853	96,808	(61,966)	295,934	276,503	1,575,842	1,683,395
		INDUSTRIAL	(3,833)	18,367	15,725	14,347	72,947	63,949	287,112	290,061
		TOTAL SOLD	(57,598)	362,102	291,072	(92,659)	768,841	706,800	4,360,584	4,702,171
	264	OFF SYSTEM	10,396	110,396	90,005	51,978	590,578	485,040	1,311,123	1,058,791
	70 i-c	ON SYSTEM	49,522	282,822	257,296	350,762	1,468,562	1,119,802	3,211,645	2,690,361
	45pic	TOTAL TRANSPORTED	59,918	393,218	347,301	402,740	2,059,140	1,604,842	4,522,768	3,749,152
		TOTAL DELTA NATURAL	2,320	755,320	638,373	310,081	2,827,981	2,311,642	8,883,352	8,451,323
REVENUES:		DELTA NATURAL								
		RETAIL SALES	(387,277)	2,889,123	2,280,224	(722,488)	6,767,112	6,016,418	34,311,705	28,607,417
		MISC OPERATING	3,219	11,419	6,260	1,208	42,408	41,900	108,827	102,715
	26	OFF SYS TRANSPORT	13,790	39,790	28,116	62,965	202,965	156,132	428,991	401,487
		ON SYS TRANSPORT	79,610	340,310	299,613	401,851	1,584,251	1,199,516	3,598,686	3,040,756
		TOTAL DELTA NATURAL	(290,658)	3,280,642	2,614,213	(256,464)	8,596,736	7,413,966	38,448,209	32,152,375
GAS COSTS:		DELTA NATURAL	(250,793)	1,719,007	1,292,942	(469,564)	3,573,736	3,004,277	20,448,367	14,000,222
NET SALES:		DELTA NATURAL TOTAL	(136,484)	1,170,116	987,282	(252,924)	3,193,376	3,012,141	13,863,338	14,607,195
PER MCF:		DELTA NATURAL								
		TOTAL SALES	6.7238	7.9788	7.8339	7.7973	8.8017	8.5122	7.8686	6.0839
		COST OF GAS	4.3542	4.7473	4.4420	5.0677	4.6482	4.2505	4.6894	2.9774
		NET SALES	2.3696	3.2315	3.3919	2.7296	4.1535	4.2617	3.1792	3.1065

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	1.8%	3.4%	29.3%
	Gas Cost	3.9%	4.7%	28.1%
	Net Sales	-2.0%	-1.3%	1.2%

1/21/98

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
OCTOBER 31, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(234)	43	182	(264)	68	182	4,753	5,336
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(28,082)	63,018	79,458	(11,622)	182,078	187,809	2,458,287	2,748,388
	COMMERCIAL	(47,468)	54,732	70,113	(41,619)	170,081	179,695	1,546,797	1,698,719
	INDUSTRIAL	(52)	15,348	13,617	18,180	54,580	48,224	284,470	294,073
	TOTAL SOLD	(75,602)	133,098	163,188	(35,061)	406,739	415,728	4,289,554	4,741,180
	OFF SYSTEM	(4,277)	103,023	96,728	41,582	480,182	395,035	1,290,732	1,056,258
	ON SYSTEM	71,813	295,613	208,934	301,240	1,185,740	862,506	3,186,119	2,653,646
	TOTAL TRANSPORTED	67,536	398,636	305,662	342,822	1,665,922	1,257,541	4,476,851	3,709,904
	TOTAL DELTA NATURAL	(8,066)	531,734	468,850	307,761	2,072,661	1,673,269	8,766,405	8,451,084
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(567,220)	1,191,080	1,344,689	(335,211)	3,877,989	3,736,194	33,702,806	28,218,164
	MISC OPERATING	(275)	8,025	10,930	(2,011)	30,989	35,640	103,668	102,015
	OFF SYS TRANSPORT	17,507	45,407	30,074	49,175	163,175	128,016	417,317	403,177
	ON SYS TRANSPORT	64,695	307,995	274,963	322,241	1,243,941	899,903	3,557,989	2,995,601
	TOTAL DELTA NATURAL	(485,293)	1,552,507	1,660,656	34,194	5,316,094	4,799,753	37,781,780	31,718,957
GAS COSTS:	DELTA NATURAL	(379,508)	599,992	698,412	(218,771)	1,854,729	1,711,335	20,022,302	13,525,999
NET SALES:	DELTA NATURAL TOTAL	(187,712)	591,088	646,277	(116,440)	2,023,260	2,024,859	13,680,504	14,692,165
PER MCF:	DELTA NATURAL								
	TOTAL SALES	7.5027	8.9489	8.2401	9.5608	9.5343	8.9871	7.8569	5.9517
	COST OF GAS	5.0198	4.5079	4.2798	6.2397	4.5600	4.1165	4.6677	2.8529
	NET SALES	2.4829	4.4410	3.9603	3.3211	4.9743	4.8706	3.1893	3.0988

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	8.6%	6.1%	32.0%
	Gas Cost	2.8%	4.9%	30.5%
	Net Sales	5.8%	1.2%	1.5%

10/30/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
SEPTEMBER 30, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(33)	19	-	(30)	25	-	4,892	5,278
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(1,514)	32,586	32,500	16,460	119,060	108,351	2,474,727	2,743,903
	COMMERCIAL	(3,809)	32,691	34,768	5,849	115,349	109,582	1,562,178	1,681,670
	INDUSTRIAL	1,848	8,848	10,879	18,232	39,232	34,607	282,739	295,565
	TOTAL SOLD	(3,475)	74,125	78,147	40,541	273,641	252,540	4,319,644	4,721,138
	OFF SYSTEM	9,430	121,730	101,156	45,859	377,159	298,307	1,284,437	1,095,689
	ON SYSTEM	42,690	259,590	258,409	229,427	890,127	653,572	3,099,440	2,688,163
	TOTAL TRANSPORTED	52,120	381,320	359,565	275,286	1,267,286	951,879	4,383,877	3,783,852
	TOTAL DELTA NATURAL	48,645	455,445	437,712	315,827	1,540,927	1,204,419	8,703,521	8,504,990
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(39,376)	777,824	779,451	232,009	2,686,909	2,391,505	33,856,415	28,043,881
	MISC OPERATING	(3,715)	4,485	7,865	(1,736)	22,964	24,710	106,573	100,550
	OFF SYS TRANSPORT	9,968	39,168	31,853	31,668	117,768	97,942	401,984	412,865
	ON SYS TRANSPORT	53,184	278,684	206,853	257,546	935,946	624,940	3,524,957	2,970,177
	TOTAL DELTA NATURAL	20,061	1,100,161	1,026,022	519,487	3,763,587	3,139,097	37,889,929	31,527,473
GAS COSTS:	DELTA NATURAL	(30,052)	334,148	372,770	160,737	1,254,737	1,012,923	20,120,722	13,389,143
NET SALES:	DELTA NATURAL TOTAL	(9,324)	443,676	406,681	71,272	1,432,172	1,378,582	13,735,693	14,654,738
PER MCF:	DELTA NATURAL								
	TOTAL SALES	11.3312	10.4934	9.9742	5.7228	9.8191	9.4698	7.8378	5.9401
	COST OF GAS	8.6481	4.5079	4.7701	3.9648	4.5853	4.0109	4.6580	2.8360
	NET SALES	2.6832	5.9855	5.2041	1.7580	5.2338	5.4589	3.1798	3.1041

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	5.2%	3.7%	31.9%
	Gas Cost	-2.6%	6.1%	30.7%
	Net Sales	7.8%	-2.4%	1.3%

10/7/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
AUGUST 31, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(2)	-	-	3	6	-	4,873	5,278
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	1,002	35,102	34,259	17,974	86,474	75,851	2,474,641	2,742,454
	COMMERCIAL	(508)	35,992	33,578	9,658	82,658	74,814	1,564,255	1,676,558
	INDUSTRIAL	7,188	14,188	11,074	16,384	30,384	23,728	284,770	295,231
	TOTAL SOLD	7,682	85,282	78,911	44,016	199,516	174,393	4,323,666	4,714,243
	OFF SYSTEM	17,800	132,800	103,534	36,429	255,429	197,151	1,263,863	1,104,725
	ON SYSTEM	130,696	347,196	180,730	186,737	630,537	395,163	3,098,259	2,602,081
	TOTAL TRANSPORTED	148,496	479,996	284,264	223,166	885,966	592,314	4,362,122	3,706,806
	TOTAL DELTA NATURAL	156,178	565,278	363,175	267,182	1,085,482	766,707	8,685,788	8,421,049
REVENUES:	DELTA NATURAL								
	RETAIL SALES	26,729	843,929	768,390	271,385	1,909,085	1,612,054	33,858,042	27,969,411
	MISC OPERATING	(2,860)	5,440	5,750	1,979	18,479	16,845	109,953	99,295
	OFF SYS TRANSPORT	4,548	34,448	34,371	21,700	78,600	66,089	394,669	414,854
	ON SYS TRANSPORT	150,424	374,324	201,064	204,362	657,262	418,087	3,453,126	2,949,059
	TOTAL DELTA NATURAL	178,841	1,258,141	1,009,575	499,426	2,663,426	2,113,075	37,815,790	31,432,619
GAS COSTS:	DELTA NATURAL	20,243	384,443	337,720	190,789	920,589	640,153	20,159,344	13,304,400
NET SALES:	DELTA NATURAL TOTAL	6,486	459,486	430,670	80,596	988,496	971,901	13,698,698	14,665,011
PER MCF:	DELTA NATURAL								
	TOTAL SALES	3.4794	9.8957	9.7374	6.1656	9.5686	9.2438	7.8309	5.9330
	COST OF GAS	2.6351	4.5079	4.2798	4.3345	4.6141	3.6707	4.6626	2.8222
	NET SALES	0.8443	5.3878	5.4577	1.8311	4.9545	5.5731	3.1683	3.1108

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	1.6%	3.5%	32.0%
	Gas Cost	2.3%	10.2%	31.0%
	Net Sales	-0.7%	-6.7%	1.0%

10/7/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
JULY 31, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		5	6	-	5	6	-	4,873	5,278
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	16,972	51,372	41,592	16,972	51,372	41,592	2,473,798	2,738,922
	COMMERCIAL	10,166	46,666	41,236	10,166	46,666	41,236	1,561,841	1,673,262
	INDUSTRIAL	9,196	16,196	12,654	9,196	16,196	12,654	281,656	292,451
	TOTAL SOLD	36,334	114,234	95,482	36,334	114,234	95,482	4,317,295	4,704,635
	OFF SYSTEM	18,629	122,629	93,617	18,629	122,629	93,617	1,234,597	1,120,318
	ON SYSTEM	56,041	283,341	214,433	56,041	283,341	214,433	2,931,793	2,583,252
	TOTAL TRANSPORTED	74,670	405,970	308,050	74,670	405,970	308,050	4,166,390	3,703,570
	TOTAL DELTA NATURAL	111,004	520,204	403,532	111,004	520,204	403,532	8,483,685	8,408,205
REVENUES:	DELTA NATURAL								
	RETAIL SALES	244,656	1,065,156	843,664	244,656	1,065,156	843,664	33,782,503	27,894,392
	MISC OPERATING	4,839	13,039	11,095	4,839	13,039	11,095	110,263	96,790
	OFF SYS TRANSPORT	17,152	44,152	31,718	17,152	44,152	31,718	394,592	415,472
	ON SYS TRANSPORT	53,938	282,938	217,023	53,938	282,938	217,023	3,279,866	2,920,322
	TOTAL DELTA NATURAL	320,585	1,405,285	1,103,500	320,585	1,405,285	1,103,500	37,567,224	31,326,976
GAS COSTS:	DELTA NATURAL	170,546	536,146	302,433	170,546	536,146	302,433	20,112,621	13,246,827
NET SALES:	DELTA NATURAL TOTAL	74,110	529,010	541,231	74,110	529,010	541,231	13,669,882	14,647,565
PER MCF:	DELTA NATURAL								
	TOTAL SALES	6.7335	9.3243	8.8358	6.7335	9.3243	8.8358	7.8249	5.9291
	COST OF GAS	4.6938	4.6934	3.1674	4.6938	4.6934	3.1674	4.6586	2.8157
	NET SALES	2.0397	4.6309	5.6684	2.0397	4.6309	5.6684	3.1663	3.1134

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	5.5%	5.5%	32.0%
	Gas Cost	17.3%	17.3%	31.1%
	Net Sales	-11.7%	-11.7%	0.9%

8/8/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
JUNE 30, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		139	151	56	157	4,867	5,280	4,867	5,280
MCFS:	DELTA NATURAL								
	RESIDENTIAL	33,968	83,168	54,298	(162,682)	2,464,018	2,740,810	2,464,018	2,740,810
	COMMERCIAL	19,197	56,397	42,122	78,211	1,556,411	1,673,006	1,556,411	1,673,006
	INDUSTRIAL	11,821	20,221	12,635	37,814	278,114	290,359	278,114	290,359
	TOTAL SOLD	64,986	159,786	109,055	(46,657)	4,298,543	4,704,175	4,298,543	4,704,175
	OFF SYSTEM	452	121,252	90,874	(337,015)	1,205,585	1,134,308	1,205,585	1,134,308
	ON SYSTEM	7,303	198,803	186,220	463,885	2,862,885	2,570,100	2,862,885	2,570,100
	TOTAL TRANSPORTED	7,755	320,055	277,094	126,870	4,068,470	3,704,408	4,068,470	3,704,408
	TOTAL DELTA NATURAL	72,741	479,841	386,149	80,213	8,367,013	8,408,583	8,367,013	8,408,583
REVENUES:	DELTA NATURAL								
	RETAIL SALES	638,027	1,401,427	931,374	7,592,011	33,561,011	27,810,139	33,561,011	27,810,139
	MISC OPERATING	6,190	13,790	12,985	17,119	108,319	93,895	108,319	93,895
	OFF SYS TRANSPORT	7,248	38,648	29,206	(18,942)	382,158	417,916	382,158	417,916
	ON SYS TRANSPORT	22,262	232,462	199,845	502,351	3,213,951	2,913,319	3,213,951	2,913,319
	TOTAL DELTA NATURAL	673,727	1,686,327	1,173,410	8,092,539	37,265,439	31,235,269	37,265,439	31,235,269
GAS COSTS:	DELTA NATURAL	485,740	749,940	450,151	7,767,209	19,878,909	13,220,922	19,878,909	13,220,922
NET SALES:	DELTA NATURAL TOTAL	152,287	651,487	481,223	(175,198)	13,682,102	14,589,217	13,682,102	14,589,217
PER MCF:	DELTA NATURAL								
	TOTAL SALES	9.8179	8.7706	8.5404	(162.7197)	7.8075	5.9118	7.8075	5.9118
	COST OF GAS	7.4745	4.6934	4.1277	(166.4747)	4.6246	2.8105	4.6246	2.8105
	NET SALES	2.3434	4.0772	4.4127	3.7550	3.1830	3.1013	3.1830	3.1013

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	2.7%	32.1%	32.1%
	Gas Cost	6.6%	30.7%	30.7%
	Net Sales	-3.9%	1.4%	1.4%

7/3/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
MAY 31, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		252	369	201	18	4,716	5,224	4,772	5,247
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	56,129	161,829	131,717	(196,650)	2,380,850	2,686,512	2,435,148	2,738,749
	COMMERCIAL	35,026	97,726	77,607	59,014	1,500,014	1,630,884	1,542,136	1,671,033
	INDUSTRIAL	6,221	17,121	17,846	25,993	257,893	277,724	270,528	286,791
	TOTAL SOLD	97,376	276,676	227,170	(111,643)	4,138,757	4,595,120	4,247,812	4,696,573
	OFF SYSTEM	(10,586)	110,214	82,272	(337,467)	1,084,333	1,043,434	1,175,207	1,161,269
	ON SYSTEM	30,635	224,835	192,136	456,582	2,664,082	2,383,880	2,850,302	2,559,681
	TOTAL TRANSPORTED	20,049	335,049	274,408	119,115	3,748,415	3,427,314	4,025,509	3,720,950
	TOTAL DELTA NATURAL	117,425	611,725	501,578	7,472	7,887,172	8,022,434	8,273,321	8,417,523
REVENUES:	DELTA NATURAL								
	RETAIL SALES	1,023,757	2,236,957	1,645,903	6,953,984	32,159,584	26,878,765	33,090,958	27,678,600
	MISC OPERATING	6,889	14,489	10,295	10,929	94,529	80,910	107,514	91,705
	OFF SYS TRANSPORT	1,073	32,473	34,164	(26,190)	343,510	388,710	372,716	423,212
	ON SYS TRANSPORT	34,606	250,706	208,069	480,089	2,981,489	2,713,474	3,181,334	2,899,419
	TOTAL DELTA NATURAL	1,066,325	2,534,625	1,898,431	7,418,812	35,579,112	30,061,859	36,752,522	31,092,936
GAS COSTS:	DELTA NATURAL	798,756	1,298,556	822,663	7,281,469	19,128,969	12,770,771	19,579,120	13,065,993
NET SALES:	DELTA NATURAL TOTAL	225,001	938,401	823,240	(327,485)	13,030,615	14,107,994	13,511,838	14,612,607
PER MCF:	DELTA NATURAL								
	TOTAL SALES	10.5134	8.0851	7.2452	(62.2877)	7.7703	5.8494	7.7901	5.8934
	COST OF GAS	8.2028	4.6934	3.6214	(65.2210)	4.6219	2.7792	4.6092	2.7820
	NET SALES	2.3106	3.3917	3.6239	2.9333	3.1484	3.0702	3.1809	3.1113

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	11.6%	32.8%	32.2%
	Gas Cost	14.8%	31.5%	31.0%
	Net Sales	-3.2%	1.3%	1.2%

7/3/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
APRIL 30, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		318	630	728	(234)	4,347	5,023	4,604	5,257
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	79,442	276,042	382,023	(252,779)	2,219,021	2,554,795	2,405,036	2,717,945
	COMMERCIAL	54,994	166,294	224,179	23,988	1,402,288	1,553,277	1,522,017	1,660,157
	INDUSTRIAL	2,877	26,877	36,556	19,772	240,772	259,878	271,253	280,042
	TOTAL SOLD	137,313	469,213	642,758	(209,019)	3,862,081	4,367,950	4,198,306	4,658,144
	OFF SYSTEM	(20,218)	100,582	85,990	(326,881)	974,119	961,162	1,147,265	1,179,509
	ON SYSTEM	79,090	267,190	262,540	425,947	2,439,247	2,191,744	2,817,603	2,553,076
	TOTAL TRANSPORTED	58,872	367,772	348,530	99,066	3,413,366	3,152,906	3,964,868	3,732,585
	TOTAL DELTA NATURAL	196,185	836,985	991,288	(109,953)	7,275,447	7,520,856	8,163,174	8,390,729
REVENUES:	DELTA NATURAL								
	RETAIL SALES	1,686,677	3,700,577	3,642,975	5,930,227	29,922,627	25,232,862	32,499,904	27,307,247
	MISC OPERATING	10,734	18,334	12,100	4,040	80,040	70,615	103,320	91,640
	OFF SYS TRANSPORT	(85)	31,315	41,909	(27,263)	311,037	354,546	374,407	422,748
	ON SYS TRANSPORT	85,494	295,794	294,388	445,483	2,730,783	2,505,405	3,138,697	2,889,631
	TOTAL DELTA NATURAL	1,782,820	4,046,020	3,991,372	6,352,487	33,044,487	28,163,428	36,116,328	30,711,266
GAS COSTS:	DELTA NATURAL	1,339,997	2,265,097	1,791,624	6,482,713	17,830,413	11,948,108	19,103,227	12,792,502
NET SALES:	DELTA NATURAL TOTAL	346,680	1,435,480	1,851,351	(552,486)	12,092,214	13,284,754	13,396,677	14,514,745
PER MCF:	DELTA NATURAL								
	TOTAL SALES	12.2834	7.8868	5.6677	(28.3717)	7.7478	5.7768	7.7412	5.8623
	COST OF GAS	9.7587	4.8274	2.7874	(31.0149)	4.6168	2.7354	4.5502	2.7463
	NET SALES	2.5247	3.0593	2.8803	2.6432	3.1310	3.0414	3.1910	3.1160

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	39.2%	34.1%	32.1%
	Gas Cost	36.0%	32.6%	30.8%
	Net Sales	3.2%	1.6%	1.3%

5/7/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
MARCH 31, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(10)	595	747	(552)	3,717	4,295	4,702	4,948
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(28,656)	312,244	387,990	(332,221)	1,942,979	2,172,772	2,511,017	2,559,483
	COMMERCIAL	(8,009)	179,791	233,075	(31,006)	1,235,994	1,329,098	1,579,902	1,563,592
	INDUSTRIAL	(13,351)	18,149	31,117	16,895	213,895	223,322	280,932	262,470
	TOTAL SOLD	(50,016)	510,184	652,182	(346,332)	3,392,868	3,725,192	4,371,851	4,385,545
	OFF SYSTEM	(17,417)	103,383	82,726	(306,663)	873,537	875,172	1,132,673	1,186,023
	ON SYSTEM	135,840	337,640	202,245	346,857	2,172,057	1,929,204	2,812,953	2,506,601
	TOTAL TRANSPORTED	118,423	441,023	284,971	40,194	3,045,594	2,804,376	3,945,626	3,692,624
	TOTAL DELTA NATURAL	68,407	951,207	937,153	(306,138)	6,438,462	6,529,568	8,317,477	8,078,169
REVENUES:	DELTA NATURAL								
	RETAIL SALES	809,824	4,021,724	3,683,482	4,243,550	26,222,050	21,589,887	32,442,302	26,025,681
	MISC OPERATING	6,902	14,502	10,415	(6,694)	61,706	58,515	97,086	95,540
	OFF SYS TRANSPORT	2,251	33,651	40,489	(27,178)	279,722	312,637	385,001	413,329
	ON SYS TRANSPORT	62,330	292,330	250,375	359,989	2,434,989	2,211,017	3,137,291	2,830,280
	TOTAL DELTA NATURAL	881,307	4,362,207	3,984,761	4,569,667	28,998,467	24,172,056	36,061,680	29,364,830
GAS COSTS:	DELTA NATURAL	955,850	2,517,350	1,817,892	5,142,716	15,565,316	10,156,484	18,629,754	12,185,985
NET SALES:	DELTA NATURAL TOTAL	(146,026)	1,504,374	1,865,590	(899,166)	10,656,734	11,433,403	13,812,548	13,839,696
PER MCF:	DELTA NATURAL								
	TOTAL SALES	(16.1913)	7.8829	5.6479	(12.2528)	7.7286	5.7956	7.4207	5.9344
	COST OF GAS	(19.1109)	4.9342	2.7874	(14.8491)	4.5877	2.7264	4.2613	2.7787
	NET SALES	2.9196	2.9487	2.8605	2.5963	3.1409	3.0692	3.1594	3.1558

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	39.6%	33.4%	25.0%
	Gas Cost	38.0%	32.1%	25.0%
	Net Sales	1.6%	1.2%	0.1%

5/5/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
FEBRUARY 28, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		49	892	959	(542)	3,122	3,548	4,854	4,879
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(26,706)	445,694	489,263	(303,565)	1,630,735	1,784,782	2,586,763	2,529,853
	COMMERCIAL	11,102	274,202	288,738	(22,997)	1,056,203	1,096,023	1,633,186	1,539,017
	INDUSTRIAL	11,431	48,931	34,611	30,246	195,746	192,205	293,900	261,803
	TOTAL SOLD	(4,173)	768,827	812,612	(296,316)	2,882,684	3,073,010	4,513,849	4,330,673
	OFF SYSTEM	(1,778)	119,022	66,521	(289,246)	770,154	792,446	1,112,016	1,218,504
	ON SYSTEM	(20,381)	194,819	223,686	211,017	1,834,417	1,726,959	2,677,558	2,502,604
	TOTAL TRANSPORTED	(22,159)	313,841	290,207	(78,229)	2,604,571	2,519,405	3,789,574	3,721,108
	TOTAL DELTA NATURAL	(26,332)	1,082,668	1,102,819	(374,545)	5,487,255	5,592,415	8,303,423	8,051,781
REVENUES:	DELTA NATURAL								
	RETAIL SALES	1,626,154	5,949,754	4,525,336	3,433,726	22,200,326	17,906,405	32,104,060	25,982,655
	MISC OPERATING	(6,906)	694	5,630	(13,596)	47,204	48,100	92,999	92,640
	OFF SYS TRANSPORT	(16,093)	15,307	31,144	(29,429)	246,071	272,148	391,839	397,518
	ON SYS TRANSPORT	45,968	297,768	279,765	297,659	2,142,659	1,960,642	3,095,336	2,815,397
	TOTAL DELTA NATURAL	1,649,123	6,263,523	4,841,875	3,688,360	24,636,260	20,187,295	35,684,234	29,288,210
GAS COSTS:	DELTA NATURAL	1,638,841	3,793,541	2,265,075	4,186,866	13,047,966	8,338,592	17,930,296	12,280,410
NET SALES:	DELTA NATURAL TOTAL	(12,687)	2,156,213	2,260,261	(753,140)	9,152,360	9,567,813	14,173,764	13,702,245
PER MCF:	DELTA NATURAL								
	TOTAL SALES	(389.6846)	7.7387	5.5689	(11.5881)	7.7013	5.8270	7.1123	5.9997
	COST OF GAS	(392.7249)	4.9342	2.7874	(14.1297)	4.5263	2.7135	3.9723	2.8357
	NET SALES	3.0403	2.8045	2.7815	2.5417	3.1749	3.1135	3.1401	3.1640

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	39.0%	32.2%	18.5%
	Gas Cost	38.5%	31.1%	18.9%
	Net Sales	0.4%	1.1%	-0.4%

3/20/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
JANUARY 31, 1997

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(96)	939	1,218	(597)	2,224	2,589	4,915	4,956
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(31,065)	496,935	571,368	(276,859)	1,185,041	1,295,519	2,630,332	2,470,095
	COMMERCIAL	26,819	313,619	339,231	(34,099)	782,001	807,285	1,647,722	1,509,200
	INDUSTRIAL	16,412	55,012	57,987	18,815	146,815	157,594	279,580	266,303
	TOTAL SOLD	12,166	865,566	968,586	(292,143)	2,113,857	2,260,398	4,557,634	4,245,598
	OFF SYSTEM	(31,592)	89,208	81,043	(287,468)	651,132	725,925	1,059,515	1,228,169
	ON SYSTEM	48,018	270,518	278,074	231,398	1,639,598	1,503,273	2,706,425	2,502,329
	TOTAL TRANSPORTED	16,426	359,726	359,117	(56,070)	2,290,730	2,229,198	3,765,940	3,730,498
	TOTAL DELTA NATURAL	28,592	1,225,292	1,327,703	(348,213)	4,404,587	4,489,596	8,323,574	7,976,096
REVENUES:	DELTA NATURAL								
	RETAIL SALES	1,483,093	6,225,193	5,023,063	1,807,572	16,250,572	13,381,069	30,679,642	25,824,439
	MISC OPERATING	(7,175)	425	6,015	(6,690)	46,510	42,470	97,935	92,645
	OFF SYS TRANSPORT	15,357	46,757	34,971	(13,336)	230,764	241,004	407,676	388,687
	ON SYS TRANSPORT	68,332	332,832	330,601	251,691	1,844,891	1,680,877	3,077,333	2,793,740
	TOTAL DELTA NATURAL	1,559,607	6,605,207	5,394,650	2,039,237	18,372,737	15,345,420	34,262,586	29,099,511
GAS COSTS:	DELTA NATURAL	1,466,044	3,844,844	2,402,462	2,548,025	9,254,425	6,073,517	16,401,830	12,344,578
NET SALES:	DELTA NATURAL TOTAL	17,049	2,380,349	2,620,601	(740,453)	6,996,147	7,307,552	14,277,812	13,479,861
PER MCF:	DELTA NATURAL								
	TOTAL SALES	121.9047	7.1920	5.1860	(6.1873)	7.6876	5.9198	6.7315	6.0826
	COST OF GAS	120.5034	4.4420	2.4804	(8.7218)	4.3780	2.6869	3.5988	2.9076
	NET SALES	1.4014	2.7500	2.7056	2.5346	3.3097	3.2329	3.1327	3.1750

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	38.7%	29.9%	10.7%
	Gas Cost	37.8%	28.6%	11.4%
	Net Sales	0.9%	1.3%	-0.7%

1/29/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
DECEMBER 31, 1996

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(144)	734	767	(501)	1,285	1,371	5,194	4,668
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(120,042)	321,758	345,708	(245,794)	688,106	724,151	2,704,765	2,345,255
	COMMERCIAL	(46,621)	191,879	201,940	(60,918)	468,382	468,054	1,673,334	1,427,004
	INDUSTRIAL	(2,946)	27,854	35,360	2,403	91,803	99,607	282,555	248,401
	TOTAL SOLD	(169,609)	541,491	583,008	(304,309)	1,248,291	1,291,812	4,660,654	4,020,660
	OFF SYSTEM	(43,916)	76,884	84,325	(255,876)	561,924	644,882	1,051,350	1,283,917
	ON SYSTEM	37,678	249,278	225,658	183,380	1,369,080	1,225,199	2,713,981	2,491,806
	TOTAL TRANSPORTED	(6,238)	326,162	309,983	(72,496)	1,931,004	1,870,081	3,765,331	3,775,723
	TOTAL DELTA NATURAL	(175,847)	867,653	892,991	(376,805)	3,179,295	3,161,893	8,425,985	7,796,383
REVENUES:	DELTA NATURAL								
	RETAIL SALES	8,361	4,008,961	3,138,866	324,479	10,025,379	8,358,006	29,477,512	25,603,849
	MISC OPERATING	(3,415)	4,185	3,375	485	46,085	36,455	103,525	90,685
	OFF SYS TRANSPORT	(3,525)	27,875	33,472	(28,693)	184,007	206,033	395,890	396,794
	ON SYS TRANSPORT	66,343	312,543	278,197	183,359	1,512,059	1,350,276	3,075,102	2,754,041
	TOTAL DELTA NATURAL	67,764	4,353,564	3,453,910	479,630	11,767,530	9,950,770	33,052,029	28,845,369
GAS COSTS:	DELTA NATURAL	423,203	2,405,303	1,446,078	1,081,981	5,409,581	3.671.055	14.959.448	12,669.138
NET SALES:	DELTA NATURAL TOTAL	(414,842)	1,603,658	1,692,788	(757,502)	4,615,798	4,686,951	14,518,064	12,934,711
PER MCF:	DELTA NATURAL								
	TOTAL SALES	(0.0493)	7.4036	5.3839	(1.0663)	8.0313	6.4700	6.3248	6.3681
	COST OF GAS	(2.4952)	4.4420	2.4804	(3.5555)	4.3336	2.8418	3.2097	3.1510
	NET SALES	2.4459	2.9616	2.9035	2.4893	3.6977	3.6282	3.1150	3.2171

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	37.5%	24.1%	-0.7%
	Gas Cost	36.4%	23.1%	0.9%
	Net Sales	1.1%	1.1%	-1.6%

1/10/97

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
NOVEMBER 30, 1996

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(204)	369	478	(357)	551	604	5,227	4,341
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(70,361)	178,539	198,212	(125,752)	366,348	378,443	2,728,715	2,242,036
	COMMERCIAL	(29,992)	96,808	112,132	(14,297)	276,503	266,114	1,683,395	1,364,450
	INDUSTRIAL	(6,475)	15,725	19,737	5,349	63,949	64,247	290,061	237,366
	TOTAL SOLD	(106,828)	291,072	330,081	(134,700)	706,800	708,804	4,702,171	3,843,852
	OFF SYSTEM	(30,795)	90,005	87,472	(211,960)	485,040	560,557	1,058,791	1,309,883
	ON SYSTEM	56,896	257,296	220,581	10,702	984,802	999,541	2,555,361	2,475,650
	TOTAL TRANSPORTED	26,101	347,301	308,053	(201,258)	1,469,842	1,560,098	3,614,152	3,785,533
	TOTAL DELTA NATURAL	(80,727)	638,373	638,134	(335,958)	2,176,642	2,268,902	8,316,323	7,629,385
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(73,576)	2,280,224	1,890,971	316,118	6,016,418	5,219,140	28,607,417	25,204,439
	MISC OPERATING	(1,340)	6,260	5,560	3,900	41,900	33,080	102,715	91,700
	OFF SYS TRANSPORT	(3,284)	28,116	29,806	(25,168)	156,132	172,561	401,487	406,507
	ON SYS TRANSPORT	69,213	299,613	254,458	117,016	1,199,516	1,072,079	3,040,756	2,709,120
	TOTAL DELTA NATURAL	(8,987)	2,614,213	2,180,795	411,866	7,413,966	6,496,860	32,152,375	28,411,766
GAS COSTS:	DELTA NATURAL	183,842	1,292,942	818,719	658,778	3,004,278	2,224,977	14,000,223	12,712,683
NET SALES:	DELTA NATURAL TOTAL	(257,418)	987,282	1,072,252	(342,660)	3,012,140	2,994,163	14,607,194	12,491,756
PER MCF:	DELTA NATURAL								
	TOTAL SALES	0.6887	7.8339	5.7288	(2.3468)	8.5122	7.3633	6.0839	6.5571
	COST OF GAS	(1.7209)	4.4420	2.4804	(4.8907)	4.2505	3.1391	2.9774	3.3073
	NET SALES	2.4096	3.3919	3.2485	2.5439	4.2617	4.2242	3.1065	3.2498

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	36.7%	15.6%	-7.2%
	Gas Cost	34.2%	15.1%	-5.0%
	Net Sales	2.5%	0.5%	-2.2%

12/19/96

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
OCTOBER 31, 1996

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(98)	182	124	(153)	182	126	5,336	4,211
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(36,742)	79,458	74,973	(55,391)	187,809	180,231	2,748,388	2,172,698
	COMMERCIAL	6,213	70,113	53,064	15,695	179,695	153,982	1,698,719	1,329,204
	INDUSTRIAL	(1,783)	13,617	15,109	11,824	48,224	44,510	294,073	232,294
	TOTAL SOLD	(32,312)	163,188	143,146	(27,872)	415,728	378,723	4,741,180	3,734,196
	OFF SYSTEM	(24,072)	96,728	136,159	(181,165)	395,035	473,085	1,056,258	1,351,402
	ON SYSTEM	(116,266)	73,934	243,451	(46,194)	727,506	778,960	2,518,646	2,458,807
	TOTAL TRANSPORTED	(140,338)	170,662	379,610	(227,359)	1,122,541	1,252,045	3,574,904	3,810,209
	TOTAL DELTA NATURAL	(172,650)	333,850	522,756	(255,231)	1,538,269	1,630,768	8,316,084	7,544,405
REVENUES:	DELTA NATURAL								
	RETAIL SALES	62,689	1,344,689	1,170,406	389,694	3,736,194	3,328,169	28,218,164	24,913,713
	MISC OPERATING	3,330	10,930	9,465	5,240	35,640	27,520	102,015	90,120
	OFF SYS TRANSPORT	(1,326)	30,074	39,762	(21,884)	128,016	142,755	403,177	421,872
	ON SYS TRANSPORT	59,263	274,963	249,539	47,803	899,903	817,621	2,995,601	2,676,509
	TOTAL DELTA NATURAL	123,956	1,660,656	1,469,172	420,853	4,799,753	4,316,065	31,718,957	28,102,214
GAS COSTS:	DELTA NATURAL	153,512	698,412	561,556	474,936	1,711,336	1,406,258	13,526,000	12,702,372
NET SALES:	DELTA NATURAL TOTAL	(90,823)	646,277	608,850	(85,242)	2,024,858	1,921,911	14,692,164	12,211,341
PER MCF:	DELTA NATURAL								
	TOTAL SALES	(1.9401)	8.2401	8.1763	(13.9816)	8.9871	8.7879	5.9517	6.6718
	COST OF GAS	(4.7509)	4.2798	3.9230	(17.0399)	4.1165	3.7132	2.8529	3.4016
	NET SALES	2.8108	3.9603	4.2533	3.0583	4.8706	5.0747	3.0988	3.2701

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	0.8%	2.3%	-10.8%
	Gas Cost	4.4%	4.6%	-8.2%
	Net Sales	-3.6%	-2.3%	-2.6%

10/29/96

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
SEPTEMBER 30, 1996

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(52)	-	-	(55)	-	2	5,278	4,205
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(9,700)	32,500	31,051	(18,649)	108,351	105,258	2,743,903	2,168,725
	COMMERCIAL	1,568	34,768	29,656	9,482	109,582	100,918	1,681,670	1,328,741
	INDUSTRIAL	3,879	10,879	10,545	13,607	34,607	29,401	295,565	229,883
	TOTAL SOLD	(4,253)	78,147	71,252	4,440	252,540	235,577	4,721,138	3,727,349
	OFF SYSTEM	(50,644)	101,156	110,192	(157,093)	298,307	336,926	1,095,689	1,348,171
	ON SYSTEM	66,009	258,409	172,327	70,072	653,572	535,509	2,688,163	2,431,695
	TOTAL TRANSPORTED	15,365	359,565	282,519	(87,021)	951,879	872,435	3,783,852	3,779,866
	TOTAL DELTA NATURAL	11,112	437,712	353,771	(82,581)	1,204,419	1,108,012	8,504,990	7,507,215
REVENUES:	DELTA NATURAL								
	RETAIL SALES	93,651	779,451	704,981	327,005	2,391,505	2,157,763	28,043,881	24,755,860
	MISC OPERATING	265	7,865	6,610	1,910	24,710	18,055	100,550	89,845
	OFF SYS TRANSPORT	(7,647)	31,853	33,842	(20,558)	97,942	102,993	412,865	423,623
	ON SYS TRANSPORT	(4,947)	206,853	185,735	(11,460)	624,940	568,082	2,970,177	2,642,474
	TOTAL DELTA NATURAL	81,322	1,026,022	931,168	296,897	3,139,097	2,846,893	31,527,473	27,911,802
GAS COSTS:	DELTA NATURAL	104,751	334,451	288,027	321,424	1,012,924	844,702	13,389,144	12,578,040
NET SALES:	DELTA NATURAL TOTAL	(11,100)	445,000	416,954	5,581	1,378,581	1,313,061	14,654,737	12,177,820
PER MCF:	DELTA NATURAL								
	TOTAL SALES	(22.0200)	9.9742	9.8942	73.6498	9.4698	9.1595	5.9401	6.6417
	COST OF GAS	(24.6299)	4.2798	4.0424	72.3928	4.0109	3.5857	2.8360	3.3745
	NET SALES	2.6099	5.6944	5.8518	1.2570	5.4589	5.5738	3.1041	3.2672

DELTA NATURAL ONLY:

		Month	Year to Date	Year Ended
% Change to Customers Between Yrs:	Total Cost	0.8%	3.4%	-10.6%
	Gas Cost	2.4%	4.6%	-8.1%
	Net Sales	-1.6%	-1.3%	-2.5%

10/17/96

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
AUGUST 31, 1996

		Month			Year to Date			Year Ended	
		This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		(2)	-	-	(3)	-	2	5,266	4,217
MCFS:	DELTA NATURAL								
	RESIDENTIAL	(8,041)	34,259	30,727	(8,949)	75,851	74,207	2,742,454	2,171,354
	COMMERCIAL	278	33,578	30,282	7,914	74,814	71,262	1,676,558	1,324,756
	INDUSTRIAL	4,074	11,074	8,294	9,728	23,728	18,856	295,231	226,867
	TOTAL SOLD	(3,689)	78,911	69,303	8,693	174,393	164,325	4,714,243	3,722,977
	OFF SYSTEM	(48,266)	103,534	119,127	(106,449)	197,151	226,734	1,104,725	1,376,421
	ON SYSTEM	(11,370)	180,730	161,901	4,063	395,163	363,182	2,602,081	2,423,989
	TOTAL TRANSPORTED	(59,636)	284,264	281,028	(102,386)	592,314	589,916	3,706,806	3,800,410
	TOTAL DELTA NATURAL	(63,325)	363,175	350,331	(93,693)	766,707	754,241	8,421,049	7,523,387
REVENUES:	DELTA NATURAL								
	RETAIL SALES	81,290	768,390	693,371	233,354	1,612,054	1,452,782	27,969,411	24,677,127
	MISC OPERATING	(1,850)	5,750	3,245	1,645	16,845	11,445	99,295	90,065
	OFF SYS TRANSPORT	(5,129)	34,371	34,989	(12,911)	66,089	69,151	414,854	433,578
	ON SYS TRANSPORT	(9,236)	201,064	172,327	(6,513)	418,087	382,347	2,949,059	2,642,036
	TOTAL DELTA NATURAL	65,075	1,009,575	903,932	215,575	2,113,075	1,915,725	31,432,619	27,842,806
GAS COSTS:	DELTA NATURAL	107,521	337,721	280,147	178,354	640,154	556,675	13,304,401	12,504,775
NET SALES:	DELTA NATURAL TOTAL	(26,231)	430,669	413,224	55,000	971,900	896,107	14,665,010	12,172,352
PER MCF:	DELTA NATURAL								
	TOTAL SALES	(22.0358)	9.7374	10.0049	26.8439	9.2438	8.8409	5.9330	6.6283
	COST OF GAS	(29.1464)	4.2798	4.0424	20.5170	3.6708	3.3876	2.8222	3.3588
	NET SALES	7.1106	5.4577	5.9626	6.3269	5.5730	5.4533	3.1108	3.2695

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	-2.7%	4.6%	-10.5%
	Gas Cost	2.4%	3.2%	-8.1%
	Net Sales	-5.0%	1.4%	-2.4%

10/17/96

DELTA NATURAL GAS CO., INC.
COMPARISON OF MCF, REVENUE AND GAS COST
JULY 31, 1996

	Month			Year to Date			Year Ended	
	This Year Over (Under) Budget	This Year	Last Year	This Year Over (Under) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA	(1)	-	2	(1)	-	2	5,266	4,217
MCF'S: DELTA NATURAL								
RESIDENTIAL	(908)	41,592	43,480	(908)	41,592	43,480	2,738,922	2,173,539
COMMERCIAL	7,636	41,236	40,980	7,636	41,236	40,980	1,673,262	1,330,367
INDUSTRIAL	5,654	12,654	10,562	5,654	12,654	10,562	292,451	225,368
TOTAL SOLD	12,382	95,482	95,022	12,382	95,482	95,022	4,704,635	3,729,274
OFF SYSTEM	(58,183)	93,617	107,607	(58,183)	93,617	107,607	1,120,318	1,402,611
ON SYSTEM	15,433	214,433	201,281	15,433	214,433	201,281	2,583,252	2,413,710
TOTAL TRANSPORTED	(42,750)	308,050	308,888	(42,750)	308,050	308,888	3,703,570	3,816,321
TOTAL DELTA NATURAL	(30,368)	403,532	403,910	(30,368)	403,532	403,910	8,408,205	7,545,595
REVENUES: DELTA NATURAL								
RETAIL SALES	152,064	843,664	759,411	152,064	843,664	759,411	27,894,392	24,647,820
MISC OPERATING	3,495	11,095	8,200	3,495	11,095	8,200	96,790	91,625
OFF SYS TRANSPORT	(7,782)	31,718	34,162	(7,782)	31,718	34,162	415,472	446,965
ON SYS TRANSPORT	2,723	217,023	210,020	2,723	217,023	210,020	2,920,322	2,612,684
TOTAL DELTA NATURAL	150,500	1,103,500	1,011,793	150,500	1,103,500	1,011,793	31,326,976	27,799,094
GAS COSTS: DELTA NATURAL	70,833	302,433	276,528	70,833	302,433	276,528	13,246,827	12,467,222
NET SALES: DELTA NATURAL TOTAL	81,231	541,231	482,883	81,231	541,231	482,883	14,647,565	12,180,598
PER MCF: DELTA NATURAL								
TOTAL SALES	12.2811	8.8358	7.9919	12.2811	8.8358	7.9919	5.9291	6.6093
COST OF GAS	5.7206	3.1674	2.9101	5.7206	3.1674	2.9101	2.8157	3.3431
NET SALES	6.5604	5.6684	5.0818	6.5604	5.6684	5.0818	3.1134	3.2662

DELTA NATURAL ONLY:

% Change to Customers Between Yrs:		Month	Year to Date	Year Ended
	Total Cost	10.6%	10.6%	-10.3%
	Gas Cost	3.2%	3.2%	-8.0%
	Net Sales	7.3%	7.3%	-2.3%

01-Aug-96

COMPARISON OF MCF, REVENUE & GAS COST JUNE 30, 1996

	MONTH THIS YEAR OVER (UNDER) BUDGET	MONTH THIS YEAR	MONTH LAST YEAR	YEAR TO DATE THIS YEAR OVER (UNDER) BUDGET	YEAR TO DATE THIS YEAR	YEAR TO DATE LAST YEAR	YEAR ENDED THIS YEAR	YEAR ENDED LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	707	56	23	566	5,268	4,215	5,268	4,215
MCF'S: DELTA NATURAL								
RESIDENTIAL	334,123	54,298	52,237	175,010	2,740,810	2,172,320	2,740,810	2,172,320
COMMERCIAL	187,279	42,122	40,149	231,706	1,673,006	1,328,059	1,673,006	1,328,059
INDUSTRIAL	27,356	12,635	9,067	31,459	290,359	223,179	290,359	223,179
TOTAL SOLD	548,758	109,055	101,453	438,175	4,704,175	3,723,558	4,704,175	3,723,558
OFF SYSTEM	(70,210)	90,874	117,835	(740,092)	1,134,308	1,452,368	1,134,308	1,452,368
ON SYSTEM	81,140	186,220	175,801	309,400	2,570,100	2,389,673	2,570,100	2,389,673
TOTAL TRANSPORTED	10,930	277,094	293,636	(430,692)	3,704,408	3,842,041	3,704,408	3,842,041
TOTAL DELTA NATURAL	559,688	386,149	395,089	7,483	8,408,583	7,565,599	8,408,583	7,565,599
REVENUES: DELTA NATURAL								
RETAIL SALES	2,850,875	931,374	799,835	585,139	27,810,139	24,692,526	27,810,139	24,692,526
MISC OPERATING	3,700	12,985	10,795	(6,905)	93,895	92,015	93,895	92,015
OFF SYS TRANSPORT	1,309	29,206	34,502	(69,284)	417,916	461,857	417,916	461,857
ON SYS TRANSPORT	100,488	199,845	185,945	440,419	2,913,319	2,587,607	2,913,319	2,587,607
TOTAL DELTA NATURAL	2,956,372	1,173,410	1,031,077	949,369	31,235,269	27,834,005	31,235,269	27,834,005
GAS COSTS: DELTA NATURAL	1,490,724	450,151	295,222	(436,278)	13,220.922	12.531.799	13,220,922	12,531,799
NET SALES: DELTA NATURAL TOTAL	1,360,151	481,223	504,613	1,021,417	14.589.217	12.160.727	14,589,217	12,160,727
PER MCF: DELTA NATURAL								
TOTAL SALES	5.1951	8.5404	7.8838	1.3354	5.9118	6.6314	5.9118	6.6314
COST OF GAS	2.7165	4.1277	2.9099	(0.9957)	2.8105	3.3655	2.8105	3.3655
NET SALES	2.4786	4.4127	4.9739	2.3311	3.1013	3.2659	3.1013	3.2659

01-Jul-96

COMPARISON OF MCF, REVENUE & GAS COST MAY 31, 1996

	MONTH: THIS YEAR OVER (UNDER) BUDGET	MONTH: THIS YEAR	MONTH: LAST YEAR	YEAR TO DATE: THIS YEAR OVER (UNDER) BUDGET	YEAR TO DATE: THIS YEAR	YEAR TO DATE: LAST YEAR	YEAR ENDED: THIS YEAR	YEAR ENDED: LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	84	198	211	522	5,212	4,192	5,235	4,261
MCF'S: DELTA NATURAL								
RESIDENTIAL	30,317	131,717	110,913	168,612	2,686,512	2,120,083	2,738,749	2,177,717
COMMERCIAL	16,507	77,607	66,731	226,484	1,630,884	1,287,910	1,671,033	1,327,806
INDUSTRIAL	6,846	17,846	11,097	28,024	277,724	214,112	286,791	221,036
TOTAL SOLD	53,670	227,170	188,741	423,120	4,595,120	3,622,105	4,696,573	3,726,559
OFF SYSTEM	(73,928)	82,272	100,512	(674,766)	1,043,434	1,334,533	1,161,269	1,481,268
ON SYSTEM	9,836	192,136	185,531	304,580	2,383,880	2,213,872	2,559,681	2,362,200
TOTAL TRANSPORTED	(64,092)	274,408	286,043	(370,186)	3,427,314	3,548,405	3,720,950	3,843,468
TOTAL DELTA NATURAL	(10,422)	501,578	474,784	52,934	8,022,434	7,170,510	8,417,523	7,570,027
REVENUES: DELTA NATURAL								
RETAIL SALES	397,603	1,645,903	1,274,550	445,865	26,878,765	23,892,691	27,678,600	24,797,438
MISC OPERATING	1,895	10,295	10,230	(11,490)	80,910	81,220	91,705	93,980
OFF SYS TRANSPORT	(6,436)	34,164	33,700	(57,890)	388,710	427,355	423,212	473,640
ON SYS TRANSPORT	10,869	208,069	198,281	434,474	2,713,474	2,401,662	2,899,419	2,554,435
TOTAL DELTA NATURAL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31,092,936	27,919,493
GAS COSTS: DELTA NATURAL	267,263	822,663	549,172	(585,529)	12,770,771	12,236,577	13,065,993	12,635,392
NET SALES: DELTA NATURAL TOTAL	130,340	823,240	725,378	1,031,394	14,107,994	11,656,114	14,612,607	12,162,046
PER MCF: DELTA NATURAL								
TOTAL SALES	7.4083	7.2452	6.7529	1.0538	5.8494	6.5964	5.8934	6.6542
COST OF GAS	4.9797	3.6214	2.9097	(1.3838)	2.7792	3.3783	2.7820	3.3906
NET SALES	2.4285	3.6239	3.8432	2.4376	3.0702	3.2180	3.1113	3.2636

03-Jun-96

COMPARISON OF MCF, REVENUE & GAS COST APRIL 30, 1996

		Month: This Year Over (Under) Budget	Month: This Year	Month: Last Year	Year to Date: This Year Over (Under) Budget	Year to Date: This Year	Year to Date: Last Year	Year Ended: This Year	Year Ended: Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		408	720	419	440	5,016	3,981	5,250	4,214
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	189,723	382,023	223,561	138,295	2,554,795	2,009,170	2,717,945	2,161,665
	COMMERCIAL	114,679	224,179	127,614	209,977	1,553,277	1,221,179	1,660,157	1,319,438
	INDUSTRIAL	11,456	36,556	18,984	21,178	259,878	203,015	280,042	221,815
	TOTAL SOLD	315,858	642,758	370,159	369,450	4,367,950	3,433,364	4,658,144	3,702,918
	OFF SYSTEM	(70,210)	85,990	92,504	(600,838)	961,162	1,234,021	1,179,509	1,537,101
	ON SYSTEM	82,640	262,540	216,065	294,744	2,191,744	2,028,341	2,553,076	2,333,658
	TOTAL TRANSPORTED	12,430	348,530	308,569	(306,094)	3,152,906	3,262,362	3,732,585	3,870,759
	TOTAL DELTA NATURAL	328,288	991,288	678,728	63,356	7,520,856	6,695,726	8,390,729	7,573,677
REVENUES:	DELTA NATURAL								
	RETAIL SALES	1,527,475	3,642,975	2,361,409	48,262	25,232,862	22,618,141	27,307,247	24,812,894
	MISC OPERATING	3,700	12,100	16,000	(13,385)	70,615	70,990	91,640	96,045
	OFF SYS TRANSPORT	1,309	41,909	32,490	(51,454)	354,546	393,655	422,748	485,383
	ON SYS TRANSPORT	99,888	294,388	235,037	423,605	2,505,405	2,203,381	2,889,631	2,518,040
	TOTAL DELTA NATURAL	1,632,372	3,991,372	2,644,936	407,028	28,163,428	25,288,167	30,711,266	27,912,362
GAS COSTS:	DELTA NATURAL	745,124	1,791,624	1,185,107	(852,792)	11,948,108	11,687,405	12,792,502	12,716,360
NET SALES:	DELTA NATURAL TOTAL	782,351	1,851,351	1,176,302	901,054	13,284,754	10,930,736	14,514,744	12,096,534
PER MCF:	DELTA NATURAL								
	TOTAL SALES	4.8360	5.6677	6.3794	0.1306	5.7768	6.5877	5.8623	6.7009
	COST OF GAS	2.3590	2.7874	3.2016	(2.3083)	2.7354	3.4041	2.7463	3.4341
	NET SALES	2.4769	2.8803	3.1778	2.4389	3.0414	3.1837	3.1160	3.2668

26-Apr-96

COMPARISON OF MCF, REVENU[illegible] GAS COST MARCH 31, 1996

		MONTH			YEAR TO DATE			YEAR ENDED	
		THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA		142	747	678	29	4,293	3,562	4,946	4,327
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	55,090	387,990	358,360	(51,428)	2,172,772	1,785,609	2,559,483	2,214,461
	COMMERCIAL	49,375	233,075	208,500	95,298	1,329,098	1,093,565	1,563,592	1,348,975
	INDUSTRIAL	(2,383)	31,117	30,450	9,722	223,322	184,031	262,470	226,819
	TOTAL SOLD	102,082	652,182	597,310	53,592	3,725,192	3,063,205	4,385,545	3,790,255
	OFF SYSTEM	(73,474)	82,726	115,207	(530,628)	875,172	1,141,517	1,186,023	1,578,449
	ON SYSTEM	10,645	202,245	198,248	212,104	1,929,204	1,812,276	2,506,601	2,346,287
	TOTAL TRANSPORTED	(62,829)	284,971	313,455	(318,524)	2,804,376	2,953,793	3,692,624	3,924,736
	TOTAL DELTA NATURAL	39.253	937.153	910.765	(264.932)	6.529.568	6,016,998	8,078,169	7,714,991
REVENUES:	DELTA NATURAL								
	RETAIL SALES	306,482	3,683,482	3,640,456	(1,479,213)	21,589,887	20,256,732	26,025,681	25,560,147
	MISC OPERATING	2,015	10,415	7,515	(17,085)	58,515	54,990	95,540	94,155
	OFF SYS TRANSPORT	(111)	40,489	24,678	(52,763)	312,637	361,165	413,329	497,814
	ON SYS TRANSPORT	39,175	250,375	235,492	323,717	2,211,017	1,968,344	2,830,280	2,475,860
	TOTAL DELTA NATURAL	347.561	3.984.761	3.908.141	(1,225,344)	24.172.056	22.641,231	29,364,830	28,627,976
GAS COSTS:	DELTA NATURAL	56.792	1,817,892	1,912,317	(1,597,916)	10,156,484	10,502,298	12,185,985	13,261,078
NET SALES:	DELTA NATURAL TOTAL	249,690	1,865,590	1,728,139	118,703	11,433,403	9,754,434	13,839,696	12,299,069
PER MCF:	DELTA NATURAL								
	TOTAL SALES	3.0023	5.6479	6.0948	(27.6014)	5.7956	6.6129	5.9344	6.7436
	COST OF GAS	0.5563	2.7874	3.2015	(29.8163)	2.7264	3.4285	2.7787	3.4987
	NET SALES	2.4460	2.8605	2.8932	2.2149	3.0692	3.1844	3.1558	3.2449

NET SALES -1.3%

28-Mar-96

COMPARISON OF MCF, REVENUE & GAS COST FEBRUARY 29, 1996

		MONTH			YEAR TO DATE		YEAR ENDED	
	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	113	957	1,036	(115)	3,544	2,884	4,875	4,306
MCF'S: DELTA NATURAL								
RESIDENTIAL	25,963	489,263	429,505	(106,518)	1,784,782	1,427,249	2,529,853	2,205,338
COMMERCIAL	32,538	288,738	258,921	45,923	1,096,023	885,065	1,539,017	1,337,565
INDUSTRIAL	(6,889)	34,611	39,111	12,105	192,205	153,581	261,803	232,056
TOTAL SOLD	51,612	812,612	727,537	(48,490)	3,073,010	2,465,895	4,330,673	3,774,959
OFF SYSTEM	(89,679)	66,521	76,186	(457,154)	792,446	1,026,310	1,218,504	1,629,977
ON SYSTEM	24,186	223,686	223,411	201,459	1,726,959	1,614,028	2,502,604	2,328,534
TOTAL TRANSPORTED	(65,493)	290,207	299,597	(255,695)	2,519,405	2,640,338	3,721,108	3,958,511
TOTAL DELTA NATURAL	(13,881)	1,102,819	1,027,134	(304,185)	5,592,415	5,106,233	8,051,781	7,733,470
REVENUES: DELTA NATURAL								
RETAIL SALES	(38,364)	4,525,336	4,367,120	(1,785,695)	17,906,405	16,616,276	25,982,655	25,752,277
MISC OPERATING	(2,770)	5,630	5,635	(19,100)	48,100	47,475	92,640	97,715
OFF SYS TRANSPORT	(9,456)	31,144	22,313	(52,652)	272,148	336,487	397,518	525,111
ON SYS TRANSPORT	56,065	279,765	258,108	284,542	1,960,642	1,732,852	2,815,397	2,452,828
TOTAL DELTA NATURAL	5,475	4,841,875	4,653,176	(1,572,905)	20,187,295	18,733,090	29,288,210	28,827,931
GAS COSTS: DELTA NATURAL	(171,225)	2,265,075	2,329,243	(1,654,708)	8,338,592	8,589,981	12,280,410	13,549,220
NET SALES: DELTA NATURAL TOTAL	132,861	2,260,261	2,037,877	(130,987)	9,567,813	8,026,295	13,702,245	12,203,057
PER MCF: DELTA NATURAL								
TOTAL SALES	(0.7433)	5.5689	6.0026	36.8260	5.8270	6.7384	5.9997	6.8219
COST OF GAS	(3.3175)	2.7874	3.2015	34.1247	2.7135	3.4835	2.8357	3.5892
NET SALES	2.5742	2.7815	2.8011	2.7013	3.1135	3.2549	3.1640	3.2326

01-Mar-96

COMPARISON OF MCF, REVENUE & GAS COST JANUARY 31, 1996

	MONTH THIS YEAR OVER (UNDER) BUDGET	MONTH THIS YEAR	MONTH LAST YEAR	YEAR TO DATE THIS YEAR OVER (UNDER) BUDGET	YEAR TO DATE THIS YEAR	YEAR TO DATE LAST YEAR	YEAR ENDED THIS YEAR	YEAR ENDED LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	178	1,219	930	(228)	2,597	1,848	4,954	4,316
MCF'S: DELTA NATURAL								
RESIDENTIAL	51,968	571,368	446,528	(132,481)	1,295,519	997,744	2,470,095	2,230,571
COMMERCIAL	54,531	339,231	257,035	13,385	807,285	626,144	1,509,200	1,344,318
INDUSTRIAL	15,487	57,987	40,085	18,994	157,594	114,470	266,303	240,646
TOTAL SOLD	121,986	968,586	743,648	(100,102)	2,260,398	1,738,358	4,245,598	3,815,535
OFF SYSTEM	(75,530)	80,670	136,791	(367,848)	725,552	950,124	1,227,796	1,727,584
ON SYSTEM	72,974	278,074	267,551	177,273	1,503,273	1,390,617	2,502,329	2,300,785
TOTAL TRANSPORTED	(2,556)	358,744	404,342	(190,575)	2,228,825	2,340,741	3,730,125	4,028,369
TOTAL DELTA NATURAL	119,430	1,327,330	1,147,990	(290,677)	4,489,223	4,079,099	7,975,723	7,843,904
REVENUES: DELTA NATURAL								
RETAIL SALES	(23,237)	5,023,063	4,802,473	(1,747,331)	13,381,069	12,249,156	25,824,439	26,395,080
MISC OPERATING	(2,385)	6,015	4,055	(16,330)	42,470	41,840	92,645	98,144
OFF SYS TRANSPORT	(5,629)	34,971	43,078	(43,196)	241,004	314,174	388,687	561,126
ON SYS TRANSPORT	96,501	330,601	290,902	228,477	1,680,877	1,474,744	2,793,740	2,416,010
GAS COSTS: DELTA NATURAL	(307,838)	2,402,462	2,727,022	(1,483,483)	6,073,517	6,260,738	12,344,578	14,123,974
NET SALES: DELTA NATURAL TOTAL	284,601	2,620,601	2,075,451	(263,848)	7,307,552	5,988,418	13,479,861	12,271,10[illegible]
PER MCF: DELTA NATURAL								
TOTAL SALES	(0.1905)	5.1860	6.4580	17.4555	5.9198	7.0464	6.0826	6.9178
COST OF GAS	(2.5236)	2.4804	3.6671	14.8197	2.6869	3.6015	2.9076	3.7017
NET SALES	2.3331	2.7056	2.7909	2.6358	3.2329	3.4449	3.1750	3.2181

31-Jan-96

COMPARISON OF MCF, REVENL ... GAS COST DECEMBER 31, 1995

		MONTH			YEAR TO DATE		YEAR ENDED	
	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	(107)	764	440	(406)	1,368	918	4,665	4,659
MCF'S: DELTA NATURAL								
RESIDENTIAL	(83,892)	345,708	242,489	(184,449)	724,151	551,216	2,345,255	2,383,719
COMMERCIAL	(24,660)	201,940	139,386	(41,146)	468,054	369,109	1,427,004	1,438,389
INDUSTRIAL	2,860	35,360	24,325	3,507	99,607	74,385	248,401	275,464
TOTAL SOLD	(105,692)	583,008	406,200	(222,088)	1,291,812	994,710	4,020,660	4,097,572
OFF SYSTEM	(71,875)	84,325	110,291	(292,318)	644,882	813,333	1,283,917	1,729,642
ON SYSTEM	26,358	225,658	209,502	104,299	1,225,199	1,123,066	2,491,806	2,278,765
TOTAL TRANSPORTED	(45,517)	309,983	319,793	(188,019)	1,870,081	1,936,399	3,775,723	4,008,407
TOTAL DELTA NATURAL	(151,209)	892,991	725,993	(410,107)	3,161,893	2,931,109	7,796,383	8,105,979
REVENUES: DELTA NATURAL								
RETAIL SALES	(1,018,434)	3,138,866	2,739,456	(1,724,094)	8,358,006	7,446,683	25,603,849	27,286,887
MISC OPERATING	(5,025)	3,375	4,390	(13,945)	36,455	37,785	90,685	98,420
OFF SYS TRANSPORT	(7,128)	33,472	43,185	(37,567)	206,033	271,096	396,794	558,297
ON SYS TRANSPORT	55,097	278,197	233,276	131,976	1,350,276	1,183,842	2,754,041	2,389,287
TOTAL DELTA NATURAL	(975,490)	3,453,910	3,020,307	(1,643,630)	9,950,770	8,939,406	28,845,369	30,332,891
GAS COSTS: DELTA NATURAL	(758,722)	1,446,078	1,489,623	(1,175,645)	3,671,055	3,533,716	12,669,138	14,363,048
NET SALES: DELTA NATURAL TOTAL	(259,712)	1,692,788	1,249,833	(548,449)	4,686,951	3,912,967	12,934,711	12,923,839
PER MCF: DELTA NATURAL								
TOTAL SALES	9.6359	5.3839	6.7441	7.7631	6.4700	7.4863	6.3681	6.6593
COST OF GAS	7.1786	2.4804	3.6672	5.2936	2.8418	3.5525	3.1510	3.5053
NET SALES	2.4573	2.9035	3.0769	2.4695	3.6282	3.9338	3.2171	3.1540

04-Jan-96

COMPARISON OF MCF, REVENUE & GAS COST NOVEMBER 30, 1995

		MONTH			YEAR TO DATE			YEAR ENDED	
		THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA		(88)	478	348	(297)	606	478	4,343	4,822
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(42,088)	198,212	128,874	(100,557)	378,443	308,727	2,242,036	2,417,693
	COMMERCIAL	(8,568)	112,132	76,886	(16,486)	266,114	229,723	1,364,450	1,458,022
	INDUSTRIAL	(3,363)	19,737	14,665	647	64,247	50,060	237,366	287,983
	TOTAL SOLD	(54,019)	330,081	220,425	(116,396)	708,804	588,510	3,843,852	4,163,698
	OFF SYSTEM	(68,728)	87,472	128,991	(220,443)	560,557	709,042	1,309,883	1,781,794
	ON SYSTEM	33,081	220,581	203,738	77,941	999,541	918,564	2,475,650	2,238,968
	TOTAL TRANSPORTED	(35,647)	308,053	332,729	(142,502)	1,560,098	1,416,606	3,785,533	4,020,762
	TOTAL DELTA NATURAL	(89,666)	638,134	553,154	(258,898)	2,268,902	2,205,116	7,629,385	8,184,460
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(539,929)	1,890,971	1,600,245	(705,660)	5,219,140	4,707,227	25,204,439	27,311,677
	MISC OPERATING	(2,840)	5,560	3,980	(8,920)	33,080	33,395	91,700	96,765
	OFF SYS TRANSPORT	(10,794)	29,806	45,171	(30,439)	172,561	227,911	406,507	570,271
	ON SYS TRANSPORT	47,358	254,458	221,847	76,879	1,072,079	950,566	2,709,120	2,353,645
	TOTAL DELTA NATURAL	(506,205)	2,180,795	1,871,243	(668,140)	6,49[illegible]	5,919,099	28,411,766	30,332,358
GAS COSTS:	DELTA NATURAL	(410,981)	818,719	808,408	(416,923)	2,224,977	2,044,093	12,712,683	14,239,373
NET SALES:	DELTA NATURAL TOTAL	(128,948)	1,072,252	791,837	(288,737)	2,994,163	2,663,134	12,491,756	13,072,304
PER MCF:	DELTA NATURAL								
	TOTAL SALES	9.9952	5.7288	7.2598	6.0626	7.3633	7.9986	6.5571	6.5595
	COST OF GAS	7.6081	2.4804	3.6675	3.5819	3.1391	3.4733	3.3073	3.4199
	NET SALES	2.3871	3.2485	3.5923	2.4806	4.2242	4.5252	3.2498	3.1396

30-No.

COMPARISON OF MCF, REV[illegible] & GAS COST OCTOBER 31, 1995

		MONTH			YEAR TO DATE		YEAR ENDED	
	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	(157)	126	118	(209)	128	130	4,215	4,932
MCF'S: DELTA NATURAL								
RESIDENTIAL	(39,627)	74,973	71,000	(58,469)	180,231	179,853	2,172,698	2,494,029
COMMERCIAL	(9,636)	53,064	52,601	(7,918)	153,982	152,837	1,329,204	1,496,110
INDUSTRIAL	(1,391)	15,109	12,698	4,010	44,510	35,395	232,294	301,537
TOTAL SOLD	(50,654)	143,146	136,299	(62,377)	378,723	368,085	3,734,196	4,291,676
OFF SYSTEM	(20,041)	136,159	132,928	(151,715)	473,085	574,051	1,351,402	1,824,179
ON SYSTEM	63,051	243,451	216,339	44,860	778,960	709,826	2,458,807	2,214,041
TOTAL TRANSPORTED	43,010	379,610	349,267	(106,855)	1,252,045	1,283,877	3,810,209	4,038,220
TOTAL DELTA NATURAL	(7,644)	522,756	485,566	(169,232)	1,630,768	1,651,962	7,544,405	8,329,896
REVENUES: DELTA NATURAL								
RETAIL SALES	(176,694)	1,170,406	1,012,553	(165,731)	3,328,169	3,106,982	24,913,713	27,818,455
MISC OPERATING	1,065	9,465	9,190	(6,080)	27,520	29,415	90,120	97,445
OFF SYS TRANSPORT	(838)	39,762	41,513	(19,645)	142,755	182,740	421,872	581,010
ON SYS TRANSPORT	52,339	249,539	215,504	29,521	817,621	728,719	2,676,509	2,330,656
TOTAL DELTA NATURAL	(124,128)	1,469,172	1,278,760	(161,935)	4,316,065	4,047,856	28,102,214	30,827,566
GAS COSTS: DELTA NATURAL	(58,844)	561,556	437,224	(5,942)	1,406,258	1,233,685	12,702,372	14,438,571
NET SALES: DELTA NATURAL TOTAL	(117,850)	608,850	575,329	(159,789)	1,921,911	1,871,297	12,211,341	13,379,884
PER MCF: DELTA NATURAL								
TOTAL SALES	3.4883	8.1763	7.4289	2.6569	8.7879	8.4409	6.6718	6.4820
COST OF GAS	1.1617	3.9230	3.2078	0.0953	3.7132	3.3571	3.4016	3.3643
NET SALES	2.3266	4.2533	4.2211	2.5617	5.0747	5.0839	3.2701	3.1176

01-Nov-95

COMPARISON OF MCF, REVENUE & GAS COST SEPTEMBER 30, 1995

		MONTH			YEAR TO DATE		YEAR ENDED	
	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	(51)	0	12	(52)	2	12	4,207	5,011
MCF'S: DELTA NATURAL								
RESIDENTIAL	(10,349)	31,051	33,680	(18,842)	105,258	108,853	2,168,725	2,514,570
COMMERCIAL	(3,144)	29,656	25,671	1,718	100,918	100,236	1,328,741	1,505,793
INDUSTRIAL	2,545	10,545	7,529	5,401	29,401	22,697	229,883	308,219
TOTAL SOLD	(10,948)	71,252	66,880	(11,723)	235,577	231,786	3,727,349	4,328,582
OFF SYSTEM	(46,008)	110,192	138,442	(131,674)	336,926	441,123	1,348,171	1,875,914
ON SYSTEM	(9,773)	172,327	164,621	(18,191)	535,509	493,487	2,431,695	2,193,565
TOTAL TRANSPORTED	(55,781)	282,519	303,063	(149,865)	872,435	934,610	3,779,866	4,069,479
TOTAL DELTA NATURAL	(66,729)	353,771	369,943	(161,588)	1,108,012	1,166,396	7,507,215	8,398,061
REVENUES: DELTA NATURAL								
RETAIL SALES	(8,819)	704,981	626,248	10,963	2,157,763	2,094,429	24,755,860	28,012,824
MISC OPERATING	(1,790)	6,610	6,830	(7,145)	18,055	20,225	89,845	99,855
OFF SYS TRANSPORT	(6,758)	33,842	43,797	(18,807)	102,993	141,227	423,623	594,203
ON SYS TRANSPORT	(10,365)	185,735	185,297	(22,818)	568,082	513,215	2,642,474	2,318,050
TOTAL DELTA NATURAL	(27,732)	931,168	862,172	(37,807)	2,846,893	2,769,096	27,911,802	31,024,932
GAS COSTS: DELTA NATURAL	24,827	288,027	214,762	52,902	844,702	798,461	12,578,040	14,549,289
NET SALES: DELTA NATURAL TOTAL	(33,646)	416,954	411,486	(41,939)	1,313,061	1,295,968	12,177,820	13,463,535
PER MCF: DELTA NATURAL								
TOTAL SALES	0.8055	9.8942	9.3638	(0.9332)	9.1595	9.0360	6.6417	6.4716
COST OF GAS	(2.2677)	4.0424	3.2112	(4.5127)	3.5857	3.4448	3.3745	3.3612
NET SALES	3.0733	5.8518	6.1526	3.5775	5.5738	5.5912	3.2672	3.1104

27-Sep-95

COMPARISON OF MCF, REVENUE, GAS COST, AUGUST 31, 1995

		MONTH THIS YEAR OVER (UNDER) BUDGET	MONTH THIS YEAR	MONTH LAST YEAR	YEAR TO DATE THIS YEAR OVER (UNDER) BUDGET	YEAR TO DATE THIS YEAR	YEAR TO DATE LAST YEAR	YEAR ENDED THIS YEAR	YEAR ENDED LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA		(2)	0	0	(3)	0	0	4,217	4,999
MCF'S:	DELTA NATURAL								
	RESIDENTIAL	(10,573)	30,727	32,912	(8,493)	74,207	75,173	2,171,354	2,512,954
	COMMERCIAL	(2,718)	30,282	35,893	4,862	71,262	74,565	1,324,756	1,510,237
	INDUSTRIAL	294	8,294	6,795	2,856	18,856	15,168	226,867	311,150
	TOTAL SOLD	(12,997)	69,303	75,600	(775)	164,325	164,906	3,722,977	4,334,341
	OFF SYSTEM	(37,073)	119,127	145,317	(85,666)	226,734	302,681	1,376,421	1,917,203
	ON SYSTEM	(20,399)	161,901	151,622	(8,418)	363,182	328,866	2,423,989	2,179,354
	TOTAL TRANSPORTED	(57,472)	281,028	296,939	(94,084)	589,916	631,547	3,800,410	4,096,557
	TOTAL DELTA NATURAL	(70,469)	350,331	372,539	(94,859)	754,241	796,453	7,523,387	8,430,898
REVENUES:	DELTA NATURAL								
	RETAIL SALES	(20,929)	693,371	664,064	19,782	1,452,782	1,468,181	24,677,127	28,026,643
	MISC OPERATING	(5,155)	3,245	4,805	(5,355)	11,445	13,395	90,065	103,925
	OFF SYS TRANSPORT	(5,611)	34,989	48,376	(12,049)	69,151	97,430	433,578	603,989
	ON SYS TRANSPORT	(22,973)	172,327	142,975	(12,453)	382,347	327,918	2,642,036	2,294,241
	TOTAL DELTA NATURAL	(54,668)	903,932	860,220	(10,075)	1,915,725	1,906,924	27,842,806	31,028,798
GAS COSTS:	DELTA NATURAL	16,647	280,147	242,594	28,075	556,675	583,699	12,504,775	14,564,48[illegible]
NET SALES:	DELTA NATURAL TOTAL	(37,576)	413,224	421,470	(8,293)	896,107	884,482	12,172,352	13,462,159
PER MCF:	DELTA NATURAL								
	TOTAL SALES	1.6103	10.0049	8.7839	(25.5252)	8.8409	8.9031	6.6283	6.4662
	COST OF GAS	(1.2808)	4.0424	3.2089	(36.2258)	3.3876	3.5396	3.3588	3.3603
	NET SALES	2.8911	5.9626	5.5750	10.7006	5.4533	5.3636	3.2695	3.1059

28 5

COMPARISON OF MCF, E & GAS COST JULY 31, 1995

		MONTH			YEAR TO DATE		YEAR ENDED	
	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR OVER (UNDER) BUDGET	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
DEGREE DAYS BILLED - LEXINGTON AREA	(1)	0	0	(1)	0	0	4,217	4,999
MCF'S: DELTA NATURAL								
RESIDENTIAL	2,080	43,480	42,261	2,080	43,480	42,261	2,173,539	2,511,498
COMMERCIAL	7,580	40,980	38,672	7,580	40,980	38,672	1,330,367	1,505,879
INDUSTRIAL	2,562	10,562	8,373	2,562	10,562	8,373	225,368	313,400
TOTAL SOLD	12,222	95,022	89,306	12,222	95,022	89,306	3,729,274	4,330,777
OFF SYSTEM	(48,593)	107,607	157,364	(48,593)	107,607	157,364	1,402,611	1,967,818
ON SYSTEM	11,981	201,281	177,244	11,981	201,281	177,244	2,413,710	2,176,929
TOTAL TRANSPORTED	(36,612)	308,888	334,608	(36,612)	308,888	334,608	3,816,321	4,144,747
TOTAL DELTA NATURAL	(24,390)	403,910	423,914	(24,390)	403,910	423,914	7,545,595	8,475,524
REVENUES: DELTA NATURAL								
RETAIL SALES	40,711	759,411	804,117	40,711	759,411	804,117	24,647,820	28,001,286
MISC OPERATING	(200)	8,200	8,590	(200)	8,200	8,590	91,625	106,880
OFF SYS TRANSPORT	(6,438)	34,162	49,054	(6,438)	34,162	49,054	446,965	615,086
ON SYS TRANSPORT	10,520	210,020	184,943	10,520	210,020	184,943	2,612,684	2,309,496
TOTAL DELTA NATURAL	44,593	1,011,793	1,046,704	44,593	1,011,793	1,046,704	27,799,094	31,032,748
GAS COSTS: DELTA NATURAL	11,428	276,528	341,105	11,428	276,528	341,105	12,467,222	14,541,028
NET SALES: DELTA NATURAL TOTAL	29,283	482,883	463,012	29,283	482,883	463,012	12,180,598	13,460,258
PER MCF: DELTA NATURAL								
TOTAL SALES	3.3310	7.9919	9.0041	3.3310	7.9919	9.0041	6.6093	6.4656
COST OF GAS	0.9350	2.9101	3.8195	0.9350	2.9101	3.8195	3.3431	3.3576
NET SALES	2.3959	5.0818	5.1846	2.3959	5.0818	5.1846	3.2662	3.1080

DATE / 9/95
GL420

P&L BUDGETS F HALL

ANNUAL BUDGET SUMMARY YEAR ENDED 6/96

RESPONSIBILITY AREA 1100

DESCRIPTION	CO. LOC. / ACCOUNT NO	PERIOD 1 / PERIOD 8	PERIOD 2 / PERIOD 9	PERIOD 3 / PERIOD 10	PERIOD 4 / PERIOD 11	PERIOD 5 / PERIOD 12	PERIOD 6 / PERIOD 13	PERIOD 7 / TOTAL
DELTA NATURAL:								
DEPRECIATION EXPENSE	1 -1	193,500	193,500	193,500	193,500	193,500	193,500	193,500
	403	193,500	193,500	193,500	193,500	193,500	0	2,322,000
LICENSE & PRIVILEGE FEES	1 -1	0	0	0	0	0	10,000	0
	4081	0	0	0	0	0	0	10,000
PROPERTY TAXES	1 -1	34,900	34,900	34,900	34,900	34,900	34,900	39,400
	4082	39,400	39,400	39,400	39,400	39,400	0	445,800
PAYROLL TAXES	1 -1	32,600	42,500	43,300	32,600	32,600	30,000	38,600
	4083	38,600	39,000	34,400	34,400	30,600	0	429,200
INCOME TAXES	1 -1	149,900CR	180,700CR	169,000CR	75,000CR	102,400	387,900	542,700
	411	471,200	277,000	65,600	72,900CR	148,400CR	0	1,050,900
LABOR SERVICE REVENUE	1 -1	400CR	400CR	400CR	400CR	400CR	400CR	400CR
	4151	400CR	400CR	400CR	400CR	400CR	0	4,800CR
MERCHANDISING REVENUE	1 -1	5,000CR	5,000CR	5,000CR	5,000CR	5,000CR	5,000CR	5,000CR
	4152	5,000CR	5,000CR	5,000CR	5,000CR	5,000CR	0	60,000CR
SALES TAX COMMISSION	1 -1	200CR	200CR	200CR	200CR	200CR	200CR	200CR
	4153	200CR	200CR	200CR	200CR	200CR	0	2,400CR
MERCHANDISING EXPENSE	1 -1	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	4162	3,000	3,000	3,000	3,000	3,000	0	36,000
INTEREST & DIVIDEND INCOME	1 -1	1,700CR	1,700CR	1,700CR	1,700CR	1,700CR	1,700CR	1,700CR
	419	1,700CR	1,700CR	1,700CR	1,700CR	1,700CR	0	20,400CR
MISC NON OPERATING INCOME	1 -1	200CR	200CR	200CR	200CR	200CR	200CR	200CR
	421	200CR	200CR	200CR	200CR	200CR	0	2,400CR
INTEREST ON LONG TERM DEBT	1 -1	156,400	156,400	156,400	156,400	156,400	156,400	156,400
	427	156,400	156,400	156,400	156,400	156,400	0	1,876,800
AMORT OF DEBT EXPENSES	1 -1	7,400	7,400	7,400	7,400	7,400	7,400	7,400
	428	7,400	7,400	7,400	7,400	7,400	0	88,800
INTEREST ON CUSTOMER DEPOSITS	1 -1	2,100	2,100	2,100	2,100	2,100	2,100	2,100
	4311	2,100	2,100	2,100	2,100	2,100	0	25,200
INTEREST ON SHORT-TERM DEBT	1 -1	30,000	38,000	47,000	58,000	62,000	64,000	59,000
	4312	50,000	48,000	52,000	55,000	62,000	0	625,000
S RATE SALES RESIDENTIAL	1 -1	407,100CR	405,800CR	406,800CR	824,500CR	1,541,700CR	2,618,400CR	3,129,000CR
	4801	2,811,900CR	2,072,800CR	1,274,100CR	755,600CR	450,200CR	0	16,697,900CR
S RATE SALES COMMERCIAL	1 -1	263,000CR	260,000CR	258,400CR	426,200CR	755,600CR	1,356,400CR	1,682,900CR
	4802	1,522,700CR	1,114,500CR	697,300CR	425,300CR	286,100CR	0	9,048,400CR

ANNUAL BUDGET SUMMARY[redacted]YEAR ENDED 6/96

DESCRIPTION	CO.-LOC./ ACCOUNT NO	PERIOD 1 / PERIOD 8	PERIOD 2 / PERIOD 9	PERIOD 3 / PERIOD 10	PERIOD 4 / PERIOD 11	PERIOD 5 / PERIOD 12	PERIOD 6 / PERIOD 13	PERIOD 7 / TOTAL
GS RATE SALES INDUSTRIAL	1 -1	18,100CR	18,100CR	18,100CR	49,200CR	74,700CR	99,000CR	109,600CR
	4803	104,300CR	99,000CR	80,300CR	40,700CR	24,900CR	0	736,000CR
INTERRUPTIBLE RATE COMMERCIAL	1 -1	3,600CR	3,600CR	3,600CR	5,500CR	8,200CR	9,600CR	13,600CR
	4812	13,600CR	11,800CR	8,700CR	4,600CR	4,100CR	0	90,500CR
INTERRUPTIBLE RATE INDUSTRIAL	1 -1	26,900CR	26,900CR	26,900CR	41,600CR	50,600CR	73,900CR	111,100CR
	4813	111,100CR	78,800CR	55,100CR	22,000CR	26,900CR	0	651,800CR
COLLECTION REVENUE	1 -1	5,800CR	5,800CR	5,800CR	5,800CR	5,800CR	5,800CR	5,800CR
	4881	5,800CR	5,800CR	5,800CR	5,800CR	5,800CR	0	69,600CR
RECONNECT REVENUE	1 -1	2,400CR	2,400CR	2,400CR	2,400CR	2,400CR	2,400CR	2,400CR
	4882	2,400CR	2,400CR	2,400CR	2,400CR	2,400CR	0	28,800CR
METER TEST REVENUE	1 -1	0	0	0	0	0	0	0
	4883	0	0	0	0	0	0	0
BAD CHECK REVENUE	1 -1	200CR	200CR	200CR	200CR	200CR	200CR	200CR
	4884	200CR	200CR	200CR	200CR	200CR	0	2,400CR
TRANSPORTED GAS COST	1 -1	0	0	0	0	0	0	0
	4891	0	0	0	0	0	0	0
OFF SYSTEM TRANSP REVENUE	1 -1	40,600CR	40,600CR	40,600CR	40,600CR	40,600CR	40,600CR	40,600CR
	4892	40,600CR	40,600CR	40,600CR	40,600CR	40,600CR	0	487,200CR
DISPLACEMENT REVENUE	1 -1	0	0	0	0	0	0	0
	4893	0	0	0	0	0	0	0
ON SYSTEM TRANSP REVENUE	1 -1	199,500CR	195,300CR	196,100CR	197,200CR	207,100CR	223,100CR	234,100CR
	4894	223,700CR	211,200CR	194,500CR	197,200CR	193,900CR	0	2,472,900CR
STANDBY AND/OR GAS CHARGES	1 -1	0	0	0	0	0	0	0
	4895	0	0	0	0	0	0	0
PURCHASED GAS	1 -1	265,100	263,500	263,200	620,400	1,229,700	2,204,800	2,710,300
	803	2,436,300	1,761,100	1,046,500	555,400	300,900	0	13,657,200
CUSTOMER COLLECTIONS & RECORDS	1 -1	13,700	13,700	13,700	13,700	13,700	13,700	13,700
	9032	13,700	13,700	13,700	13,700	13,700	0	164,400
UNCOLLECTIBLE ACCOUNTS	1 -1	13,000	13,000	13,000	13,000	13,000	13,000	13,000
	904	13,000	13,000	13,000	13,000	13,000	0	156,000
TRAVEL ETC CO BUSINESS FINANCE	1 -1	500	200	0	2,500	1,300	400	0
	92126	0	0	0	0	0	0	4,900
CO. BUS. MEALS & ENTERTAINMENT	1 -1	2,200	2,200	2,200	2,200	2,200	2,200	2,200
	92129	2,200	2,200	2,200	2,200	2,200	0	26,400

DATE 2[redacted]
GL420

P&L BUDGET [redacted] F HALL

ANNUAL BUDGET SUMMARY YEAR ENDED 6/96

[redacted] 4
RESPONSIBILITY AREA 1100

DESCRIPTION	CO.-LOC./ ACCOUNT NO	PERIOD 1 PERIOD 8	PERIOD 2 PERIOD 9	PERIOD 3 PERIOD 10	PERIOD 4 PERIOD 11	PERIOD 5 PERIOD 12	PERIOD 6 PERIOD 13	PERIOD 7 TOTAL
BOOKS AND SUBSCRIPTIONS	1 -1 9213	2,300 2,300	2,300 2,300	2,300 2,300	2,300 2,300	2,300 2,300	2,300 0	2,300 27,600
TRAVEL, ETC CO BUSINESS SPOUSE	1 -1 92130	0 0	0 0	0 0	0 0	0 0	0 0	0 0
EXPENSES TRANSFERRED	1 -1 922	140,400CR 140,400CR	140,400CR 140,400CR	140,400CR 140,400CR	140,400CR 140,400CR	140,400CR 140,400CR	140,400CR 0	140,400CR 1,684,800CR
OUTSIDE SERVICES ACCOUNTING	1 -1 9232	6,500 6,500	6,500 6,500	6,500 6,500	6,500 6,500	6,500 6,500	6,500 0	6,500 78,000
OUTSIDE SERVICES COMPUTERS	1 -1 9235	1,600 2,700	1,600 2,700	1,600 2,700	2,000 2,700	2,000 2,700	2,000 0	2,000 26,300
INSURANCE	1 -1 924	37,800 37,800	37,800 40,000	37,800 40,000	37,800 40,000	37,800 40,000	37,800 0	37,800 462,400
REGULATORY COMMISSION EXPENSE	1 -1 928	4,100 4,100	31,100 4,100	4,100 4,100	4,100 4,100	4,100 4,100	4,100 0	4,100 76,200
DIRECTOR FEES & EXPENSES	1 -1 9301	4,700 8,700	18,700 4,700	4,700 4,700	4,700 8,800	8,700 23,800	4,700 0	4,700 101,600
TRUSTEE, REGISTER, AGENT FEES	1 -1 9306	0 0	500 1,800	0 0	0 6,300	48,800 0	0 0	5,800 63,200
DIVIDEND & STOCKHOLDER REPORTS	1 -1 9308	0 200	1,600 2,100	3,100 0	37,100 900	200 2,100	2,000 0	200 49,500
MAINTENANCE COMPUTER EQUIPMENT	1 -1 9325	3,000 3,000	3,000 3,000	3,000 3,000	3,000 3,000	3,000 3,000	3,000 0	3,000 36,000
TOTAL DELTA NATURAL		450,600CR ~~1,492,100CR~~	413,800CR ~~1,162,000CR~~	433,000CR ~~814,400CR~~	578,900CR ~~565,100CR~~	867,200CR ~~422,700CR~~	1,391,600CR ~~0~~	1,629,500CR ~~10,220,900CR~~
~~RESOURCES:~~ TAXES NON INCOME	2 -1 408	0 0	0 0	0 0	0 0	0 0	400 0	0 400
INCOME TAXES	2 -1 411	20,200 17,000	16,800 16,500	16,400 14,900	14,600 15,900	15,200 16,600	17,000 0	16,800 197,900
SALES TAX COMMISSION	2 -1 4153	100CR 200CR	100CR 200CR	100CR 100CR	100CR 100CR	200CR 100CR	200CR 0	200CR 1,700CR
INTEREST INCOME	2 -1 419	1,400CR 1,400CR	1,400CR 1,400CR	1,400CR 1,400CR	1,400CR 1,400CR	1,400CR 1,400CR	1,400CR 0	1,400CR 16,800CR

28-Apr-95

SUMMARY COMPARISON OF BUDGETED MCF', REVENUE AND GAS COST

96 Budget

CUSTOMER RATE/CLASS	ACTUAL YEAR ENDED 3/31/95: AVE BILLED CUSTOMERS	AVE MCF PER CUST	MCF'S	GROSS REVENUE	GAS COST	NET AFTER GAS COST	AVE REV PER MCF	BUDGET YEAR ENDED 6/30/96: AVE BILLED CUSTOMERS	AVE MCF PER CUST	MCF'S	GROSS REVENUE	GAS COST	NET AFTER GAS COST	AVE REV PER MCF
GENERAL SERVICE:														
RESIDENTIAL	28,787	76.9	2,214,461	15,293,663	7,747,801	7,545,862	3.4075	30,238	84.9	2,565,800	16,697,900	8,214,152	8,483,748	3.3065
COMMERCIAL	4,401	301.8	1,328,500	8,864,795	4,648,062	4,216,733	3.1741	4,531	314.0	1,422,600	9,048,400	4,554,312	4,494,088	3.1591
INDUSTRIAL	62	2,117.8	131,301	786,983	459,387	327,596	2.4950	58	2,222.4	128,900	736,000	412,660	323,340	2.5085
SUB TOTAL			3,674,262	24,945,441	12,855,250	12,090,191	3.2905			4,117,300	26,482,300	13,181,124	13,301,176	3.2306
INTERRUPTIBLE:														
COMMERCIAL	1	20,475.0	20,475	105,674	71,636	34,038	1.6624	1	18,700.0	18,700	90,500	59,866	30,634	1.6382
INDUSTRIAL	12	7,959.8	95,518	509,032	334,192	174,840	1.8304	13	10,000.0	130,000	651,800	416,182	235,618	1.8124
SUBTOTAL		70 04	115,993	614,706	405,828	208,878	1.8008			148,700	742,300	476,048	266,252	1.7905
TOTAL RETAIL	33,263		3,790,255	25,560,147	13,261,078	12,299,069	3.2449	34,841		4,266,000	27,224,600	13,657,172	13,567,428	3.1804
ON SYSTEM TRANSPORTATION														
ON SYSTEM - ALCAN			712,457	146,669	0	146,669	0.2059			675,000	180,000	0	180,000	0.2667
ON SYSTEM - SIPPLE			271,854	130,490	0	130,490	0.4800			250,000	120,000	0	120,000	0.4800
ON SYSTEM - OTHER			1,361,976	2,198,701	0	2,198,701	1.6143			1,335,700	2,172,900	0	2,172,900	1.6268
STAND BY			0	0	0	0					0	0	0	0
TOTAL ON SYSTEM			2,346,287	2,475,860	0	2,475,860	1.0552			2,260,700	2,472,900	0	2,472,900	1.0939
TOTAL RETAIL & ON SYSTEM			6,136,542	28,036,007	13,261,078	14,774,929	2.4077			6,526,700	29,697,500	13,657,172	16,040,328	2.4576
OFF SYSTEM TRANSPORTATION			1,578,449	497,814	0	497,814	0.3154			1,688,400	487,200	0	487,200	0.2886
													0	
OTHER				94,155	0	94,155					100,800	0	100,800	
GRAND TOTAL			7,714,991	28,627,976	13,261,078	15,366,898				8,215,100	30,285,500	13,657,172	16,628,328	
GAS COST PER MCF					3.4987							3.2014		
NORMAL DEGREE DAYS			4,702							4,702				
ACTUAL DEGREE DAYS			4,331							4,702				
ACTUAL - PERCENT OF NORMAL			92.1%							100.0%				

19-Apr-95

RETAIL MCF & REVENUE FOR BUDGET YEAR ENDED JUNE 30, 1996

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL	
NORM D DAYS	1	2	51	283	566	871	1,041	844	605	312	114	12	4,702	100.00% USED FOR BUDGET
HEAT FACTORS PER DEGREE DAY														AVERAGE
RESIDENTIAL	0.0000	0.0000	0.0000	0.0087	0.0115	0.0143	0.0146	0.0158	0.0152	0.0153	0.0167	0.0139		0.0140
COMMERCIAL	0.0000	0.0000	0.0000	0.0241	0.0331	0.0463	0.0487	0.0525	0.0489	0.0475	0.0472	0.0329		0.0426
MCF SALES														
FIRM:														
RESIDENTIAL														
BILLS	28,986	28,870	28,945	29,434	30,263	30,939	31,236	31,375	31,334	30,999	30,431	30,039	362,851	30,238 AVERAGE CUSTOMERS
BASE LOAD	41,400	41,300	41,400	42,100	43,300	44,200	44,700	44,900	44,800	44,300	43,500	42,900	518,800	1.43 BASE LOAD PER CUST/MO
HEATING	0	0	0	72,500	197,000	385,400	474,700	418,400	288,100	148,000	57,900	5,000	2,047,000	
0 - 1000	41,400	41,300	41,400	114,600	240,300	429,600	519,400	463,300	332,900	192,300	101,400	47,900	2,565,800	84.85 PER AVERAGE CUSTOMER
COMMERCIAL														
BILLS	4,234	4,190	4,165	4,238	4,502	4,674	4,825	4,868	4,858	4,779	4,597	4,442	54,372	4,531 AVERAGE CUSTOMERS
BASE LOAD	32,700	32,300	32,100	32,700	34,700	36,100	37,200	37,600	37,500	36,900	35,500	34,300	419,600	7.72 BASE LOAD PER CUST/MO
HEATING														
0 - 1000	0	0	0	27,300	81,000	183,300	238,500	210,800	140,100	69,000	24,100	1,700	975,800	
1001 - 5000	0	0	0	1,600	3,300	5,200	6,100	4,900	3,600	1,800	600	100	27,200	
TOTAL	32,700	32,300	32,100	61,600	119,000	224,600	281,800	253,300	181,200	107,700	60,200	36,100	1,422,600	313.97 PER AVERAGE CUSTOMER
INDUSTRIAL														
BILLS	58	58	58	58	58	58	58	58	58	58	58	58	696	
0 - 1000	3,000	3,000	3,000	8,500	11,500	14,500	14,500	14,500	14,500	12,500	7,000	4,200	110,700	
1001 - 5000					1,600	3,000	5,000	4,000	3,000	1,600			18,200	
5001 - 10000													0	
OVER 10000													0	
TOTAL	3,000	3,000	3,000	8,500	13,100	17,500	19,500	18,500	17,500	14,100	7,000	4,200	128,900	
INTERRUPTIBLE:														
COMMERCIAL														
BILLS	1	1	1	1	1	1	1	1	1	1	1	1	12	
0 -1000	700	700	700	1,000	1,000	1,000	1,000	1,000	1,000	1,000	900	800	10,800	
1001 - 5000	0	0	0	100	700	1,000	1,900	1,900	1,500	800		0	7,900	
TOTAL	700	700	700	1,100	1,700	2,000	2,900	2,900	2,500	1,800	900	800	18,700	
INDUSTRIAL														
BILLS	13	13	13	13	13	13	13	13	13	13	13	13	156	
0 - 1000	5,000	5,000	5,000	8,000	8,000	10,000	13,000	13,000	11,000	8,000	4,000	5,000	95,000	
1001 - 5000					2,000	5,000	10,000	10,000	5,000	3,000			35,000	
5001 - 10000													0	
OVER 10000													0	
TOTAL	5,000	5,000	5,000	8,000	10,000	15,000	23,000	23,000	16,000	11,000	4,000	5,000	130,000	
TOTAL MCF'S	82,800	82,300	82,200	193,800	384,100	688,700	846,600	761,000	550,100	326,900	173,500	94,000	4,266,000	

19-Apr-95

RETAIL MCF & REVENUE FOR BUDGET YEAR ENDED JUNE 30, 1996

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL			
REVENUE																
FIRM:																
														JUL THRU NOV THOSE IN EFFECT 2-1-95		
RESIDENTIAL																
BILLS	172,467	171,777	172,223	175,132	180,065	184,087	185,854	186,681	186,437	184,444	181,064	178,732	2,158,963	RES CUST MIN	5.9500	N/A
0 - 1000	234,589	234,022	234,589	649,369	1,361,636	2,434,285	2,943,128	2,625,243	1,886,345	1,089,649	574,573	271,421	14,538,849	OTHERS MIN	18.3600	185.0000
TOTAL	407,056	405,799	406,812	824,502	1,541,701	2,618,372	3,128,982	2,811,924	2,072,782	1,274,093	755,637	450,153	16,697,813	0 - 1000	5.6664	4.9014
BUDGET	407,100	405,800	406,800	824,500	1,541,700	2,618,400	3,129,000	2,811,900	2,072,800	1,274,100	755,600	450,200	16,697,900	1001 - 5000	5.2664	4.5014
														5001 - 10000	4.8664	4.1014
COMMERCIAL														OVER 10000	4.4664	3.7014
BILLS	77,736	76,928	76,469	77,810	82,657	85,815	88,587	89,376	89,193	87,742	84,401	81,555	998,270	GAS COST PER	3.2014	
0 -1000	185,291	183,025	181,891	339,984	655,602	1,243,208	1,562,226	1,407,534	1,006,353	600,072	337,717	203,990	7,906,895			
1001 - 5000	0	0	0	8,426	17,379	27,385	32,125	25,805	18,959	9,480	3,160	527	143,246			
TOTAL	263,028	259,953	258,361	426,220	755,638	1,356,408	1,682,939	1,522,716	1,114,505	697,294	425,278	286,072	9,048,411	DEC THRU JUN THOSE IN EFFECT 2-1-95		
BUDGET	263,000	260,000	258,400	426,200	755,600	1,356,400	1,682,900	1,522,700	1,114,500	697,300	425,300	286,100	9,048,400			
INDUSTRIAL																
BILLS	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065	12,779	RES CUST MIN	5.9500	N/A
0 - 1000	16,999	16,999	16,999	48,164	65,164	82,163	82,163	82,163	82,163	70,830	39,665	23,799	627,270	OTHERS MIN	18.3600	185.0000
1001 - 5000	0	0	0	0	8,426	15,799	26,332	21,066	15,799	8,426	0	0	95,848	0 - 1000	5.6664	4.9014
5001 - 10000	0	0	0	0	0	0	0	0	0	0	0	0	0	1001 - 5000	5.2664	4.5014
OVER 10000	0	0	0	0	0	0	0	0	0	0	0	0	0	5001 - 10000	4.8664	4.1014
TOTAL	18,064	18,064	18,064	49,229	74,655	99,027	109,560	104,293	99,027	80,321	40,730	24,864	735,898	OVER 10000	4.4664	3.7014
BUDGET	18,100	18,100	18,100	49,200	74,700	99,000	109,600	104,300	99,000	80,300	40,700	24,900	736,000	GAS COST PER	3.2014	
INTERRUPTIBLE:																
COMMERCIAL																
BILLS	185	185	185	185	185	185	185	185	185	185	185	185	2,220			
0 -1000	3,431	3,431	3,431	4,901	4,901	4,901	4,901	4,901	4,901	4,901	4,411	3,921	52,935			
1001 - 5000	0	0	0	450	3,151	4,501	8,553	8,553	6,752	3,601	0	0	35,561			
TOTAL	3,616	3,616	3,616	5,537	8,237	9,588	13,639	13,639	11,839	8,688	4,596	4,106	90,716			
BUDGET	3,600	3,600	3,600	5,500	8,200	9,600	13,600	13,600	11,800	8,700	4,600	4,100	90,500			
INDUSTRIAL																
BILLS	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	28,860			
0 - 1000	24,507	24,507	24,507	39,211	39,211	49,014	63,718	63,718	53,915	39,211	19,606	24,507	465,633			
1001 - 5000	0	0	0	0	9,003	22,507	45,014	45,014	22,507	13,504	0	0	157,549			
5001 - 10000	0	0	0	0	0	0	0	0	0	0	0	0	0			
OVER 10000	0	0	0	0	0	0	0	0	0	0	0	0	0			
TOTAL	26,912	26,912	26,912	41,616	50,619	73,926	111,137	111,137	78,827	55,120	22,011	26,912	652,042			
BUDGET	26,900	26,900	26,900	41,600	50,600	73,900	111,100	111,100	78,800	55,100	22,000	26,900	651,800			
TOTAL REV	718,673	714,344	713,765	1,347,104	2,430,850	4,157,321	5,046,257	4,563,710	3,376,979	2,115,516	1,248,252	792,107	27,224,879			
BUDGET	718,700	714,300	713,800	1,347,100	2,430,900	4,157,300	5,046,300	4,563,700	3,377,000	2,115,500	1,248,300	792,100	27,225,000			
GAS COST	265,076	263,475	263,155	620,431	1,229,658	2,204,804	2,710,305	2,436,265	1,761,090	1,046,538	555,443	300,932	13,657,172			
BUDGET	265,100	263,500	263,200	620,400	1,229,700	2,204,800	2,710,300	2,436,300	1,761,100	1,046,500	555,400	300,900	13,657,200			
NET	453,599	450,869	450,610	726,672	1,201,192	1,952,517	2,335,952	2,127,444	1,615,889	1,068,978	692,809	491,175	13,567,706	8,303,500	NET AFTER INCOME TAX	
BUDGET	453,600	450,900	450,600	726,700	1,201,200	1,952,500	2,336,000	2,127,400	1,615,900	1,069,000	692,800	491,200	13,567,800		AT 38.8 % RATE	

19-Apr-95

RETAIL MCF & REVENUE FOR BUDGET YEAR ENDED JUNE 30, 1996

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
AVERAGE REVENUE PER MCF:													
FIRM:													
RESIDENTIAL	9.8333	9.8257	9.8261	7.1946	6.4157	6.0950	6.0243	6.0693	6.2265	6.6256	7.4517	9.3987	6.5079
COMMERCIAL	8.0428	8.0495	8.0498	6.9188	6.3496	6.0392	5.9720	6.0114	6.1507	6.4745	7.0648	7.9252	6.3605
INDUSTRIAL	6.0333	6.0333	6.0333	5.7882	5.7023	5.6571	5.6205	5.6378	5.6571	5.6950	5.8143	5.9286	5.7099
ALL CLASSES	8.9261	8.9282	8.9320	7.0379	6.3695	6.0649	5.9967	6.0385	6.1819	6.5320	7.2456	8.6304	6.4320
INTERRUPTIBLE:													
COMMERCIAL	5.1429	5.1429	5.1429	5.0000	4.8235	4.8000	4.6897	4.6897	4.7200	4.8333	5.1111	5.1250	4.8396
INDUSTRIAL	5.3800	5.3800	5.3800	5.2000	5.0600	4.9267	4.8304	4.8304	4.9250	5.0091	5.5000	5.3800	5.0138
ALL CLASSES	5.3509	5.3509	5.3509	5.1758	5.0256	4.9118	4.8147	4.8147	4.8973	4.9844	5.4286	5.3448	4.9919
ALL SALES:													
COMMERCIAL	7.9820	7.9879	7.9878	6.8852	6.3281	6.0282	5.9589	5.9965	6.1312	6.4475	7.0360	7.8645	6.3407
INDUSTRIAL	5.6250	5.6250	5.6250	5.5030	5.4242	5.3200	5.1929	5.1904	5.3075	5.3944	5.7000	5.6304	5.3604
ALL RETAIL:													
GROSS SALES	8.6800	8.6792	8.6837	6.9510	6.3288	6.0364	5.9607	5.9970	6.1389	6.4714	7.1948	8.4266	6.3819
GAS COST	3.2017	3.2017	3.2019	3.2012	3.2015	3.2014	3.2014	3.2014	3.2014	3.2013	3.2012	3.2011	3.2014
NET SALES	5.4783	5.4787	5.4818	3.7497	3.1273	2.8351	2.7593	2.7955	2.9375	3.2701	3.9931	5.2255	3.1805

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

Friday, December 18, 1998 6:43:58 PM

12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DELTA NATURAL GAS CO, INC.,Calendar Year (YYYYMM),Budget Month,Agent Description,Adopted Amount

	1995/Jul	1995/Aug	1995/Sep	1995/Oct	1995/Nov	1995/Dec	1996/Jan	1996/Feb	1996/Mar	1996/Apr	1996/May	1996/Jun
Operating Revenues	(967,200)	(958,700)	(958,900)	(1,593,200)	(2,686,900)	(4,429,400)	(5,329,300)	(4,836,300)	(3,637,100)	(2,359,000)	(1,494,400)	(1,035,100)
PURCHASED GAS	265,100	263,500	263,200	620,400	1,229,700	2,204,800	2,710,300	2,436,300	1,761,100	1,046,500	555,400	300,900
OPERATION EXPENSE	620,700	680,400	639,500	662,400	663,100	649,700	627,400	610,700	613,100	621,700	619,500	631,200
MAINTENANCE EXPENSE	34,400	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200
DEPRECIATION EXPENSE	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500	193,500
TAXES OTHER THAN INCOME TAXES	67,500	77,400	78,200	67,500	67,500	74,900	78,000	78,000	78,400	73,800	73,800	70,000
INCOME TAXES	(151,700)	(182,500)	(170,800)	(76,800)	100,600	386,100	540,900	469,400	275,200	63,800	(74,700)	(156,000)
Operating Expenses	1,029,500	1,065,500	1,036,800	1,500,200	2,287,600	3,542,200	4,183,300	3,821,100	2,954,500	2,032,500	1,400,700	1,072,800
Operating Income	62,300	106,800	77,900	(93,000)	(399,300)	(887,200)	(1,146,000)	(1,015,200)	(682,600)	(326,500)	(93,700)	37,700
NON REGULATED INCOME (Excl. Subs)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(11,900)
INTEREST ON LONG TERM DEBT	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400	156,400
OTHER INTEREST	32,100	40,100	49,100	60,100	64,100	66,100	61,100	52,100	50,100	54,100	57,100	64,100
AMORTIZATION OF DEBT EXPENSE	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400
Net Income (Excl. Subs)	***255,500***	***308,000***	***288,100***	***128,200***	***(174,100)***	***(660,000)***	***(923,800)***	***(802,000)***	***(471,400)***	***(111,300)***	***124,500***	***253,700***
Yearly Accumulation												(1,784,600)

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

Friday, December 18, 1998 6:43:58 PM

12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE

	1996/Jul	1996/Aug	1996/Sep	1996/Oct	1996/Nov	1996/Dec	1997/Jan	1997/Feb	1997/Mar	1997/Apr	1997/May	1997/Jun
Operating Revenues	(953,000)	(944,500)	(944,600)	(1,536,700)	(2,623,300)	(4,285,800)	(5,045,700)	(4,614,400)	(3,480,900)	(2,263,300)	(1,468,200)	(1,012,700)
PURCHASED GAS	231,600	230,200	229,700	544,900	1,109,100	1,982,100	2,378,800	2,154,700	1,561,500	925,100	499,800	264,200
OPERATION EXPENSE	648,925	662,425	672,725	684,225	637,725	649,225	642,925	648,325	642,525	634,275	632,625	640,225
MAINTENANCE EXPENSE	35,500	35,300	35,300	35,500	44,300	35,300	35,300	35,500	35,300	35,300	35,500	35,300
DEPRECIATION EXPENSE	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700	237,700
TAXES OTHER THAN INCOME TAXES	81,200	81,300	81,200	81,300	81,200	86,100	94,300	89,600	89,500	89,600	89,500	89,600
INCOME TAXES	(200,200)	(212,600)	(221,800)	(131,800)	67,700	348,200	479,300	407,700	215,400	5,800	(129,300)	(214,400)
Operating Expenses	1,034,725	1,034,325	1,034,825	1,451,825	2,177,725	3,338,625	3,868,325	3,573,525	2,781,925	1,927,775	1,365,825	1,052,625
Operating Income	81,725	89,825	90,225	(84,875)	(445,575)	(947,175)	(1,177,375)	(1,040,875)	(698,975)	(335,525)	(102,375)	39,925
NON REGULATED INCOME (Excl. Subs)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(12,350)
INTEREST ON LONG TERM DEBT	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800	152,800
OTHER INTEREST	113,950	127,950	143,950	158,950	164,950	167,950	164,950	155,950	155,950	164,950	171,950	180,950
AMORTIZATION OF DEBT EXPENSE	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400
Net Income (Excl. Subs)	***353,125***	***375,225***	***391,625***	***231,525***	***(123,175)***	***(621,775)***	***(854,975)***	***(727,475)***	***(385,575)***	***(13,125)***	***227,025***	***368,725***

Yearly Accumulation	(778,850)

4/30/97

SUMMARY COMPARISON OF BUDGETED MCF, REVENUE AND GAS COST

1998 Budget

REVSUM98.XLS

CUSTOMER RATE/CLASS	ACTUAL YEAR ENDED 12/31/96: AVE BILLED CUSTOMERS	AVE MCF PER CUST	MCF'S	GROSS REVENUE	GAS COST	NET AFTER GAS COST	AVE REV PER MCF	BUDGET YEAR ENDED 6/30/98: AVE BILLED CUSTOMERS	AVE MCF PER CUST	MCF'S	GROSS REVENUE	GAS COST	NET AFTER GAS COST	AVE REV PER MCF
GENERAL SERVICE:														
RESIDENTIAL	30,363	89.1	2,704,765	17,450,899	8,681,566	8,769,333	3.2422	31,833	76.1	2,422,700	19,615,600	11,370,700	8,244,900	3.4032
COMMERCIAL	4,640	355.5	1,649,361	10,352,590	5,294,004	5,058,586	3.0670	4,875	340.5	1,659,700	12,944,000	7,789,636	5,154,364	3.1056
INDUSTRIAL	65	2,910.1	189,159	1,090,403	607,149	483,254	2.5548	70	2,145.7	150,200	1,082,100	704,949	377,151	2.5110
SUB TOTAL			4,543,285	28,893,892	14,582,719	14,311,173	3.1500			4,232,600	33,641,700	19,865,285	13,776,415	3.2548
INTERRUPTIBLE:														
COMMERCIAL	1	23,973.0	23,973	120,318	76,947	43,371	1.8092	1	20,100.0	20,100	127,000	94,337	32,663	1.6250
INDUSTRIAL	8	11,674.5	93,396	463,301	299,776	163,525	1.7509	6	15,016.7	90,100	579,600	422,875	156,725	1.7395
SUBTOTAL			117,369	583,619	376,723	206,896	1.7628			110,200	706,600	517,212	189,388	1.7186
TOTAL RETAIL	35,077		4,660,654	29,477,511	14,959,442	14,518,069	3.1150	36,785		4,342,800	34,348,300	20,382,497	13,965,803	3.2159
ON SYSTEM TRANSPORTATION														
ON SYSTEM - ALCAN			759,412	193,506	0	193,506	0.2548		828,000		204,480	0	204,480	0.3029
ON SYSTEM - SIPPLE			250,725	120,348	0	120,348	0.4800		250,000		120,000	0	120,000	0.5333
ON SYSTEM - OTHER			1,703,757	2,761,248	0	2,761,248	1.6207				2,690,520	0	2,690,520	1.9121
STAND BY			0	0	0	0			1,694,500		0	0	0	0
TOTAL ON SYSTEM			2,713,894	3,075,102	0	3,075,102	1.1331		2,772,500	2,307,068	3,015,000	0	3,015,000	1.3069
TOTAL RETAIL & ON SYSTEM			7,374,548	32,552,613	14,959,442	17,593,171	2.3857			6,649,868	37,363,300	20,382,497	16,980,803	2.5536
OFF SYSTEM TRANSPORTATION			1,051,350	395,890	0	395,890	0.3766			1,234,600	321,000	0	321,000	0.2600
													0	
OTHER				103,525	0	103,525					99,000	0	99,000	
GRAND TOTAL			8,425,898	33,052,028	14,959,442	18,092,586				7,884,468	37,783,300	20,382,497	17,400,803	
GAS COST PER MCF					3.2097							4.6934		
NORMAL DEGREE DAYS			4,711							4,712				
ACTUAL DEGREE DAYS			5,087							4,712				
ACTUAL - PERCENT OF NORMAL			108.0%							100.0%				

F:\USERS\JBROWN\

4/29/97

RETAIL MCF REVENUE FOR BUDGET YEAR ENDED JUNE 30, 1998

RETAIL98.XLS

F:\USERS\JBROWN\

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
REVENUE													
FIRM:													
RESIDENTIAL													
BILLS	180,880	179,690	179,690	183,260	189,210	193,375	196,945	196,945	196,945	195,160	192,185	188,615	2,272,900
0 - 1000	246,249	244,101	244,101	652,130	1,798,906	2,682,252	3,918,508	3,011,539	2,275,655	1,371,549	627,792	269,872	17,342,656
TOTAL	427,129	423,791	423,791	835,390	1,988,116	2,875,627	4,115,453	3,208,484	2,472,600	1,566,709	819,977	458,487	19,615,556
BUDGET	427,100	423,800	423,800	835,400	1,988,100	2,875,600	4,115,500	3,208,500	2,472,600	1,566,700	820,000	458,500	19,615,600
COMMERCIAL													
BILLS	82,620	82,620	82,620	84,456	89,964	95,472	95,472	95,472	95,472	93,636	89,964	86,292	1,074,060
0 -1000	256,271	256,271	256,271	710,829	1,009,334	1,677,213	2,538,369	1,928,473	1,398,751	896,948	471,739	285,620	11,686,088
1001 - 5000	0	0	0	10,813	22,303	35,144	41,226	33,116	24,330	12,165	4,055	676	183,828
TOTAL	338,891	338,891	338,891	806,099	1,121,601	1,807,829	2,675,067	2,057,061	1,518,554	1,002,749	565,758	372,588	12,943,976
BUDGET	338,900	338,900	338,900	806,100	1,121,600	1,807,800	2,675,100	2,057,100	1,518,600	1,002,700	565,700	372,600	12,944,000
INDUSTRIAL													
BILLS	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	1,285	15,422
0 - 1000	25,054	25,054	25,054	70,868	95,923	120,977	120,977	120,977	120,977	103,797	57,983	35,076	922,718
1001 - 5000	0	0	0	0	12,841	23,654	39,199	31,764	23,654	12,841	0	0	143,954
5001 - 10000	0	0	0	0	0	0	0	0	0	0	0	0	0
OVER 10000	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	26,340	26,340	26,340	72,153	110,049	145,917	161,461	154,027	145,917	117,923	59,268	36,361	1,082,094
BUDGET	26,300	26,300	26,300	72,200	110,100	145,900	161,500	154,000	145,900	117,900	59,300	36,400	1,082,100
INTERRUPTIBLE:													
COMMERCIAL													
BILLS	185	185	185	185	185	185	185	185	185	185	185	185	2,220
0 -1000	4,475	4,475	4,475	6,393	6,393	6,393	6,393	6,393	6,393	6,393	5,754	5,115	69,049
1001 - 5000	0	0	0	1,798	5,394	7,192	12,586	12,586	10,189	5,993	0	0	55,739
TOTAL	4,660	4,660	4,660	8,376	11,972	13,770	19,165	19,165	16,767	12,572	5,939	5,300	127,007
BUDGET	4,600	4,600	4,600	8,400	12,000	13,800	19,200	19,200	16,800	12,600	5,900	5,300	127,000
INDUSTRIAL													
BILLS	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	13,320
0 - 1000	22,377	22,377	22,377	35,164	35,164	44,114	57,541	57,541	48,590	35,164	17,902	22,377	420,686
1001 - 5000	0	0	0	0	8,391	20,977	41,354	41,354	20,977	12,586	0	0	145,640
5001 - 10000	0	0	0	0	0	0	0	0	0	0	0	0	0
OVER 10000	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	23,487	23,487	23,487	36,274	44,664	66,201	100,005	100,005	70,677	48,860	19,012	23,487	579,645
BUDGET	23,500	23,500	23,500	36,300	44,600	66,200	100,000	100,000	70,600	48,900	19,000	23,500	579,600
TOTAL REV	820,507	817,169	817,169	1,758,292	3,276,403	4,909,345	7,071,151	5,538,741	4,224,514	2,748,813	1,469,953	896,223	34,348,279
BUDGET	820,500	817,200	817,200	1,758,300	3,276,400	4,909,300	7,071,200	5,538,700	4,224,500	2,748,800	1,470,000	896,200	34,348,300
GAS COST	365,616	364,208	364,208	979,513	1,969,820	3,037,568	4,457,791	3,452,465	2,586,533	1,617,815	779,104	407,856	20,382,498
BUDGET	365,600	364,200	364,200	979,500	1,969,800	3,037,600	4,457,800	3,452,500	2,586,500	1,617,800	779,100	407,900	20,382,500
NET	454,891	452,961	452,961	778,780	1,306,583	1,871,776	2,613,359	2,086,276	1,637,982	1,130,998	690,849	488,366	13,965,781
BUDGET	454,900	453,000	453,000	778,800	1,306,600	1,871,800	2,613,400	2,086,300	1,638,000	1,131,000	[illegible]	[illegible]	[illegible]

JUL THRU NOV THOSE IN EFFECT 5-1-97

RES CUST MIN	5.9500	N/A
OTHERS MIN	18.3600	185.0000
0 - 1000	7.1584	6.3934
1001 - 5000	6.7584	5.9934
5001 - 10000	6.3584	5.5934
OVER 10000	5.9584	5.1934
GAS COST PER	4.6934	

DEC THRU JUN THOSE IN EFFECT 5-1-97

RES CUST MIN	5.9500	N/A
OTHERS MIN	18.3600	185.0000
0 - 1000	7.1584	6.3934
1001 - 5000	6.7584	5.9934
5001 - 10000	6.3584	5.5934
OVER 10000	5.9584	5.1934
GAS COST PER	4.6934	

8,547,200 NET AFTER INCOME TAX

RETAIL MCF REVENUE FOR BUDGET YEAR ENDED JUNE 30, 1998

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL	F:\USERS\JBROWN\
AVERAGE REVENUE PER MCF:														
FIRM:														
RESIDENTIAL	12.4157	12.4282	12.4282	9.1701	7.9113	7.6744	7.5183	7.6266	7.7779	8.1769	9.3501	12.1618	8.0966	
COMMERCIAL	9.4665	9.4665	9.4665	7.9891	7.7727	7.5482	7.4164	7.4995	7.6312	7.8891	8.5068	9.3150	7.7990	
INDUSTRIAL	7.5143	7.5143	7.5143	7.2929	7.1961	7.1520	7.1145	7.1296	7.1520	7.1890	7.3210	7.4286	7.2044	
ALL CLASSES	10.7503	10.7493	10.7493	8.4879	7.8360	7.6100	7.4690	7.5629	7.6998	8.0194	8.9033	10.5024	7.9482	
INTERRUPTIBLE:														
COMMERCIAL	6.5714	6.5714	6.5714	6.4615	6.3158	6.2727	6.1935	6.1935	6.2222	6.3000	6.5556	6.6250	6.3184	
INDUSTRIAL	6.7143	6.7143	6.7143	6.6000	6.4638	6.3654	6.2893	6.2893	6.3604	6.4342	6.7857	6.7143	6.4329	
ALL CLASSES	6.6905	6.6905	6.6905	6.5735	6.4318	6.3492	6.2737	6.2737	6.3333	6.4063	6.7297	6.6977	6.4120	
ALL SALES:														
COMMERCIAL	9.4110	9.4110	9.4110	7.9697	7.7538	7.5366	7.4060	7.4849	7.6123	7.8644	8.4807	9.2623	7.7813	
INDUSTRIAL	7.1143	7.1143	7.1143	7.0455	6.9685	6.8864	6.7746	6.7733	6.8730	6.9500	7.1835	7.1310	6.9151	
ALL RETAIL:														
GROSS SALES	10.5327	10.5309	10.5309	8.4250	7.8065	7.5854	7.4449	7.5295	7.6656	7.9745	8.8554	10.3130	7.9093	
GAS COST	4.6932	4.6933	4.6933	4.6933	4.6934	4.6934	4.6934	4.6934	4.6933	4.6934	4.6934	4.6939	4.6934	
NET SALES	5.8395	5.8376	5.8376	3.7317	3.1132	2.8922	2.7515	2.8362	2.9722	3.2811	4.1614	5.6203	3.2159	

4/29/97

RETAIL98.XLS

RETAIL MCF REVENUE FOR BUDGET YEAR ENDED JUNE 30, 1998

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL	F:\USERS\JBROWN\	
NORM D DAYS	1	2	52	277	579	874	1,041	833	614	314	114	11	4,712	100.00%	USED FOR BUDGET
HEAT FACTORS PER DEGREE DAY														AVERAGE	
RESIDENTIAL	0.0000	0.0000	0.0000	0.0066	0.0117	0.0119	0.0148	0.0139	0.0138	0.0150	0.0139	0.0054		0.0119	
COMMERCIAL	0.0000	0.0000	0.0000	0.0505	0.0371	0.0436	0.0590	0.0538	0.0494	0.0541	0.0493	0.0500		0.0496	
MCF SALES															
FIRM:															
RESIDENTIAL															
BILLS	30,400	30,200	30,200	30,800	31,800	32,500	33,100	33,100	33,100	32,800	32,300	31,700	382,000	31,833	AVERAGE CUSTOMERS
BASE LOAD	34,400	34,100	34,100	34,800	35,900	36,700	37,400	37,400	37,400	37,100	36,500	35,800	431,600	1.13	BASE LOAD PER CUST/MO
HEATING	0	0	0	56,300	215,400	338,000	510,000	383,300	280,500	154,500	51,200	1,900	1,991,100		
0 - 1000	34,400	34,100	34,100	91,100	251,300	374,700	547,400	420,700	317,900	191,600	87,700	37,700	2,422,700	76.11	PER AVERAGE CUSTOMER
COMMERCIAL															
BILLS	4,500	4,500	4,500	4,600	4,900	5,200	5,200	5,200	5,200	5,100	4,900	4,700	58,500	4,875	AVERAGE CUSTOMERS
BASE LOAD	35,800	35,800	35,800	36,600	39,000	41,300	41,300	41,300	41,300	40,500	39,000	37,400	465,100	7.95	BASE LOAD PER CUST/MO
HEATING															
0 - 1000	0	0	0	62,700	102,000	193,000	313,300	228,100	154,100	84,800	26,900	2,500	1,167,400		
1001 - 5000	0	0	0	1,600	3,300	5,200	6,100	4,900	3,600	1,800	600	100	27,200		
TOTAL	35,800	35,800	35,800	100,900	144,300	239,500	360,700	274,300	199,000	127,100	66,500	40,000	1,659,700	340.45	PER AVERAGE CUSTOMER
INDUSTRIAL															
BILLS	70	70	70	70	70	70	70	70	70	70	70	70	840		
0 - 1000	3,500	3,500	3,500	9,900	13,400	16,900	16,900	16,900	16,900	14,500	8,100	4,900	128,900		
1001 - 5000					1,900	3,500	5,800	4,700	3,500	1,900			21,300		
5001 - 10000													0		
OVER 10000													0		
TOTAL	3,500	3,500	3,500	9,900	15,300	20,400	22,700	21,600	20,400	16,400	8,100	4,900	150,200		
INTERRUPTIBLE:															
COMMERCIAL															
BILLS	1	1	1	1	1	1	1	1	1	1	1	1	12		
0 -1000	700	700	700	1,000	1,000	1,000	1,000	1,000	1,000	1,000	900	800	10,800		
1001 - 5000	0	0	0	300	900	1,200	2,100	2,100	1,700	1,000		0	9,300		
TOTAL	700	700	700	1,300	1,900	2,200	3,100	3,100	2,700	2,000	900	800	20,100		
INDUSTRIAL															
BILLS	6	6	6	6	6	6	6	6	6	6	6	6	72		
0 - 1000	3,500	3,500	3,500	5,500	5,500	6,900	9,000	9,000	7,600	5,500	2,800	3,500	65,800		
1001 - 5000					1,400	3,500	6,900	6,900	3,500	2,100			24,300		
5001 - 10000													0		
OVER 10000													0		
TOTAL	3,500	3,500	3,500	5,500	6,900	10,400	15,900	15,900	11,100	7,600	2,800	3,500	90,100		
TOTAL MCF'S	77,900	77,600	77,600	208,700	419,700	647,200	949,800	735,600	551,100	344,700	166,000	86,900	4,342,800		

Bas120t5 excl subs of BAS120 (Reporter)

BUDGET

Friday, December 18, 1998 6:43:58 PM

12/18/98

Roll-up Description,Fiscal Year (YYYYMM),DE

	1997/Jul	1997/Aug	1997/Sep	1997/Oct	1997/Nov	1997/Dec	1998/Jan	1998/Feb	1998/Mar	1998/Apr	1998/May	1998/Jun
Operating Revenues	(1,084,600)	(1,079,200)	(1,080,000)	(2,037,900)	(3,571,300)	(5,225,800)	(7,410,900)	(5,873,600)	(4,524,300)	(3,018,200)	(1,726,900)	(1,150,600)
PURCHASED GAS	255,300	236,500	236,500	851,800	1,824,700	2,892,500	4,312,700	3,290,000	2,424,000	1,455,300	599,100	227,900
OPERATION EXPENSE	723,500	718,600	747,500	734,300	724,400	688,800	698,800	687,300	703,600	693,900	689,900	733,800
MAINTENANCE EXPENSE	47,500	39,000	39,000	37,000	37,000	37,000	35,700	35,700	58,700	35,700	37,700	37,700
DEPRECIATION EXPENSE	270,900	270,900	270,900	270,900	270,900	270,900	270,800	270,800	270,800	270,800	270,800	270,800
TAXES OTHER THAN INCOME TAXES	96,200	96,200	96,200	96,200	96,200	101,000	107,600	102,800	102,800	102,800	102,800	102,800
INCOME TAXES	(234,700)	(229,400)	(243,800)	(118,900)	86,400	308,700	580,800	404,600	216,800	32,600	(124,000)	(215,500)
Operating Expenses	1,158,700	1,131,800	1,146,300	1,871,300	3,039,600	4,298,900	6,006,400	4,791,200	3,776,700	2,591,100	1,576,300	1,157,500
Operating Income	74,100	52,600	66,300	(166,600)	(531,700)	(926,900)	(1,404,500)	(1,082,400)	(747,600)	(427,100)	(150,600)	6,900
NON REGULATED INCOME (Excl. Subs)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(13,100)
INTEREST ON LONG TERM DEBT	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900	253,900
OTHER INTEREST	80,000	92,000	104,000	115,000	115,000	115,000	109,000	100,000	99,000	106,000	108,000	113,000
AMORTIZATION OF DEBT EXPENSE	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
Net Income (Excl. Subs)	***413,700***	***404,200***	***429,900***	***208,000***	***(157,100)***	***(552,300)***	***(1,035,900)***	***(722,800)***	***(389,000)***	***(61,500)***	***217,000***	***369,900***
Yearly Accumulation												(875,900)