

S T O L L | K E E N O N | & | P A R K | L L P

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ROBERT M. WATT, III
859-231-3043
watt@skp.com

August 18, 2005

Hon. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

RECEIVED

AUG 18 2005

PUBLIC SERVICE
COMMISSION

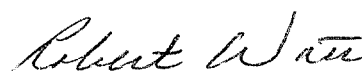
Re: Delta Natural Gas Company, Inc.

Case 2005-00336

Dear Ms. O'Donnell:

We enclose for filing an original and ten (10) copies of the Application of Delta Natural Gas Company, Inc. for an order authorizing the issuance of up to 200,000 shares of common stock. Thank you for your attention to this matter. Best regards.

Sincerely,



Robert M. Watt, III

Rmw

Cc: Elizabeth E. Blackford, Esq. (w/encl.)
Mr. John F. Hall (w/encl.)

RECEIVED

AUG 18 2005

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF UP TO)
200,000 SHARES OF COMMON STOCK)

CASE NO. 2005-00336

APPLICATION

Delta Natural Gas Company, Inc. ("Delta") pursuant to KRS 278.300 respectfully submits its application herein as follows, to-wit:

(1) Delta is a Kentucky corporation with its principal office and place of business located at 3617 Lexington Road, Winchester, Kentucky 40391.

(2) A certified copy of Delta's most recent Amended and Restated Articles of Incorporation has heretofore been filed with this Commission in connection with a prior proceeding of Delta, same being Case No. 2004-00067, *In the Matter of: Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates*, filed on April 5, 2004.

(3) Delta is a utility engaged in the natural gas business. Delta purchases, stores and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Fayette, Fleming, Clark, Robertson and Mason Counties, Kentucky.

(4) As of June 30, 2005 in order to serve its customers, Delta owned approximately 2450 miles of gas gathering, transmission, distribution and service lines

ranging in size from one (1) inch to twelve (12) inches, compressor stations, storage wells, gas mixing equipment, regulating equipment, metering equipment, transportation equipment, maintenance equipment, communications equipment, data processing equipment, land and land rights. As of June 30, 2005 the original cost to Delta of its property was \$172,356,726 as shown on Exhibit A attached hereto.

(5) Delta desires to issue up to approximately 200,000 shares of its authorized but unissued Common Stock, \$1 par value pursuant to its Amended and Restated Dividend Reinvestment and Stock Purchase Plan (the Plan). Delta intends to use the proceeds therefrom for partial funding of capital expenditures.

(6) Further information regarding the Plan is contained in and filed herewith as Exhibit B. Delta's capital expenditures are financed through internally generated funds and short-term borrowings. The borrowings are replaced from time to time with long-term debt and equity financing, the amount and types of which depend upon the Company's capital needs and market conditions. The Plan will provide Delta with additional equity capital for partially funding its construction programs and will also provide shareholders with an easy and convenient means of accumulating additional Common Stock. The Plan further provides that non-stockholders may join the Plan.

(7) There is attached hereto as Exhibit C the financial exhibit of Delta as of June 30, 2005, required by 807 KAR 5:001, Section 6, showing (1) the amounts and kinds of stock authorized; (2) the amounts and kinds of stock issued and outstanding; (3) terms of preference of preferred stock whether cumulative or participating, or on

dividends or assets or otherwise; (4) brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions; (5) amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with amount of interest paid thereon during the last fiscal year; (6) each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year; (7) other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year; (8) rate and amount of dividends paid during the five previous fiscal years, and the amount of capital stock on which dividends were paid each year; and (9) detailed income statement and balance sheet.

(8) Delta believes that the issuance and sale of the common stock described herein is for lawful objectives within the corporate purposes of Delta and is necessary, appropriate for and consistent with the proper performance by Delta of its service to the public and will not impair its ability to perform those services and is reasonably necessary and appropriate for its purposes.

(9) Communications related to this proceeding should be directed to:

John F. Hall
Vice President – Finance,
Secretary and Treasurer
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

Robert M. Watt III
Stoll, Keenon & Park, LLP
300 West Vine Street – Suite 2100
Lexington, KY 40507

WHEREFORE, Delta Natural Gas Company, Inc. respectfully prays that the Public Service Commission enter its Order authorizing Delta to issue and sell a maximum of 200,000 shares of its common stock pursuant to the Amended and Restated Dividend Reinvestment and Stock Purchase Plan.

DELTA NATURAL GAS COMPANY, INC.

BY: John F. Hall
John F. Hall
Vice President - Finance, Secretary and
Treasurer

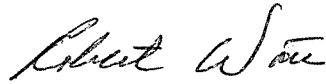
Robert M. Watt III
Stoll, Keenon & Park, LLP
300 West Vine Street – Suite 2100
Lexington, Kentucky 40507
859-231-3000

BY: Robert Watt
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 person on this 18th day of August 2005:

Elizabeth E. Blackford, Esq.
Assistant Attorney General
Office of Rate Intervention
1024 Capital Center Drive
Frankfort, KY 40601



Counsel for Applicant

DELTA NATURAL GAS COMPANY, INC.

DESCRIPTION OF PROPERTY AND ORIGINAL COST

June 30, 2005

INTANGIBLE PLANT

Organization	\$	53,151
Franchise		0

PRODUCTION PLANT

Production Land		0
Production Structures		0
Gas Mixing Equipment		7,795
Land & Land Rights		75,987
Compressor Stations & Structures		870,803
Measuring & Regulating Equipment		115,706
Field Lines – Gathering		1,901,842

STORAGE & PROCESSING PLANT

Storage Land		14,142
Storage Right-Of-Way		177,425
Gas Rights Wells		1,495
Gas Rights Storage		0
Storage Structures & Improvements		294,116
Storage Wells		360,583
Storage Rights		860,396
Storage Reservoirs		1,881,731
Nonrecoverable Natural Gas		294,307
Storage Lines		5,024,284
Storage Compressor Station Equipment		2,427,128
Storage Measuring & Regulating Equipment		361,994
Purification Equipment		346,373
Storage Other Equipment		47,209

TRANSMISSION PLANT

Land & Land Rights		220,625
Right-Of-Way		1,117,530
Structures & Improvements		153,944
Mains		37,754,192
Compressor Station & Equipment		1,653,256
Regulating Equipment		2,297,403
Other Equipment		602,021

DESCRIPTION OF PROPERTY AND ORIGINAL COST
June 30, 2005

DISTRIBUTION PLANT

Land & Land Rights	319,733
Structure & Improvements	120,798
Mains	59,247,572
Regulating Equipment – General	1,345,770
Regulating Equipment – City Gate	484,968
Services	11,873,129
Meter & House Regulators	11,530,551
Meter & House Regulator Installations	3,030,438
Industrial Regulating Station Equipment	1,469,997

GENERAL PLANT

Land & Land Rights	1,038,741
Structure & Improvements	5,414,261
Office Furniture & Equipment	634,272
Transportation Equipment	3,685,253
Tools, Shop & Garage Equipment	985,904
Laboratory Equipment	185,069
Power Operated Equipment	2,689,129
Communications Equipment	528,653
Miscellaneous Equipment	94,395
Other Tangible Property	3,522,448

GAS STORED UNDERGROUND 4,208,069

CONSTRUCTION WORK IN PROGRESS 1,612,897

PLANT ACQUISITION ADJUSTMENT (580,759)

\$ 172,356,726

**AMENDED AND RESTATED DIVIDEND
REINVESTMENT AND STOCK PURCHASE PLAN**

Purpose

The Plan offers participants a convenient method of investing all or part of their dividends in additional shares of the common stock of Delta Natural Gas Company, Inc., (the "Company") and for making voluntary additional cash payments ("Optional Investment") of up to \$50,000.00 in any calendar year to purchase additional shares of the Company's common stock, without payment of service charge or brokerage commission.

Eligibility

Any holder of record of the Company's common stock ("Shareholder") is eligible to participate in the Plan.

Beneficial owners of common stock whose shares are acquired or held for them in registered names other than their own, such as in the names of brokers, bank nominees or trustees, must take appropriate steps to become a holder of record to qualify for Plan participation.

Administration

The Plan is administered by the Dividend Reinvestment Plan Committee (the "Committee") which is appointed by the Board of Directors of the Company. The Committee determines the rights of participants in accordance with the Plan. It may adopt such rules and regulations as it deems appropriate to promote the objectives of the Plan.

ALL REQUESTS FOR INFORMATION REGARDING THE PLAN SHOULD
BE ADDRESSED TO:

DELTA NATURAL GAS COMPANY, INC.
Dividend Reinvestment Plan Committee
3617 Lexington Road
Winchester, KY 40391

The Dividend Reinvestment and Stock Purchase Agent under the Plan is The Fifth Third Bank, an Ohio banking corporation (the "Agent"). The Agent is responsible for investing participants' funds and keeping continuous records of participants' accounts. The Agent will send the participants statements of accounts at

least quarterly and perform other duties for Plan participants as needed.

All written notices concerning the Plan should be mailed to the Agent at the following address:

THE FIFTH THIRD BANK
Corporate Trust Services
MD 10AT66-3212
38 Fountain Square Plaza
Cincinnati, OH 45263

Participation

In order to participate, a Shareholder must complete an Authorization Form, provided by the Company, and deliver it to:

THE FIFTH THIRD BANK
Corporate Trust Services
MD 10AT66-3212
38 Fountain Square Plaza
Cincinnati, OH 45263

Authorization Forms may be obtained from the Company on request.

The Authorization Form provides for the reinvestment of dividends through the following investment options:

- (1) Full Dividend Reinvestment - directs the Company to reinvest in accordance with the Plan all cash dividends on all shares of the Company's common stock then or subsequently registered in the participant's name; or
- (2) Percentage Dividend Reinvestment - directs the Company to reinvest in accordance with the Plan a percentage, specified by the participant, of all cash dividends on all shares of the Company's common stock then or subsequently registered in the participant's name. The remainder of all such cash dividends, after the percentage specified by the participant to be reinvested is deducted, will be sent directly to the participant.

A participant in the Plan may change investment options by completing a new Authorization Form and returning it to the Agent.

At any time a participant may make Optional Investments to their Plan account in a minimum amount of \$25.00 per payment, or in whole dollar increments up to a maximum of \$50,000.00 in any calendar year. The amount of Optional Investment payments need not be the same, and there is no obligation to make Optional Investment payments.

Shareholders may join the Plan at any time, subject to the following. If the Authorization Form is received by the Agent five business days in advance of the record date for the payment of the next dividend (approximately 15 days in advance of the payment date), that dividend will be invested in additional shares of common stock for the applicant's Plan account. If the Authorization Form is received in the period between any dividend record date and payment date, that dividend will be paid in cash, and the Shareholder's initial dividend reinvestment will be delayed until the following dividend.

Any Optional Investment received by the Agent less than five days prior to the "Pricing Date" in any month shall not be invested by the Agent until the Pricing Date in the next month. In any month in which the Company pays dividends, the Pricing Date for that month shall be the day such dividends are paid. In other months, the Pricing Date shall be the fifteenth (15th) day of the month. If, however, the day on which dividends are paid or the 15th day of the month, as the case may be, is not a business day or if there were no reported sales on such day, the Pricing Date shall be the day immediately prior to the day on which dividends are paid or the 15th day of the month, as the case may be, when there were reported sales of the Company's Common Stock.

Payments of Optional Investments may be made by completing an Authorization Form and forwarding it to the Agent together with a check or money order made payable to The Fifth Third Bank. The entire amount of such payments will be invested by the Agent in accordance with the Plan in full and fractional shares to three decimal places.

Such shares will be placed in the participant's Plan account and administered in accordance with the terms and conditions of this Plan.

Any payment received for an Optional Investment which is less than the \$25 required minimum payment or results in a total of Optional Investments in excess of \$50,000.00 per calendar year will be promptly returned to the participant.

On written request, a participant may receive the return of any Optional Investment cash payment if the request is received

by the Agent no less than forty-eight (48) hours before such payment is to be invested.

Purchasing Shares

There are no brokerage fees charged on any dividend reinvestment or Optional Investment, because shares are purchased from the Company. All costs of administration of the Plan are paid by the Company.

Shares purchased under the Plan will come from the authorized but unissued shares of Company common stock. Shares will not be purchased in the open market.

Cash dividends for which dividend reinvestment is authorized are automatically invested by the Agent in common stock of the company on the dividend payment date. That date is the "Pricing Date" for shares purchased with reinvestment dividends.

Optional Investment cash payments are invested monthly to purchase shares of the Company's common stock.

Pricing Dates for Optional Investments shall be monthly. In any month in which the Company pays dividends, the Pricing Date for Optional Investments for that month shall be the date the Company pays its dividends. In other months, the Pricing Date for Optional Investments shall be the fifteenth (15th) day of the month. If, however, the day on which dividends are paid or the 15th day of the month, as the case may be, is not a business day or if there were no reported sales on such day, the Pricing Date shall be the day immediately prior to the day on which dividends are paid or the 15th day of the month, as the case may be, when there were reported sales of the Company's common stock. Any Optional Investments received by the Agent less than five (5) days prior to the Pricing Date shall not be invested until the Pricing Date of the next month.

NO INTEREST IS PAID ON OPTIONAL INVESTMENT CASH PAYMENTS RECEIVED AND HELD PENDING INVESTMENT. ACCORDINGLY, IT IS IN THE BEST INTEREST OF PARTICIPANTS TO DEFER OPTIONAL INVESTMENT CASH PAYMENTS UNTIL SHORTLY BEFORE THE INVESTMENT DATE.

Notwithstanding this investment schedule, shares purchased under the Plan may, for administrative purposes, be issued on or as of a date up to one week after the related Pricing Date.

The price of common stock purchased under this Plan will be the average of the high and low sale prices of the Company's common stock as reported on the National Association of Securities Dealers Automated Quotation System (NASDAQ) National

Market System on the Pricing Date, except that shares will not be issued for less than their par value of one dollar (\$1.00) per share.

The number of shares of the Company's common stock purchased by participants depends on the amount of cash dividends and Optional Investment cash payments available for investment and the price of the shares. Each participant's account is credited with that number of shares, including fractions computed to three decimal places, equal to the total amount invested by the participant divided by the purchase price.

All shares purchased through the Plan on behalf of a participant, whether purchased pursuant to dividend reinvestment or Optional Investment, will be held by the Agent in a participant's Plan account until certificates are issued. The number of shares credited to a participant's account under the Plan is shown on the participant's statement of account.

Upon written request by a participant, certificates for shares of company's common stock purchased under the Plan and held by the Agent in the participant's account will be issued to the participant. Certificates for fractional shares will not be issued, however, and any fractional shares held in Plan accounts will remain in the Plan account unless a participant requests in writing that he or she receive the cash value of any such fractional share. The issuance of certificates does not affect the participant's continuation in the Plan in any way.

Shares credited to the account of a participant under the Plan may not be assigned or pledged as collateral. A participant who wishes to pledge these shares must request that certificates for the shares be issued in the participant's name.

Each account in the Plan will be maintained in the same manner as the Company's shareholder account at the time the participant entered the Plan. Consequently, certificates for full shares will be similarly registered when issued.

Upon written request by a participant to the Company or Agent, all or any portion of the shares held in the participant's Plan account will be transferred, as directed, to the Plan account of any other person. Prior to completing such transfer, the Agent may request reasonable accompanying documentation necessary to satisfy all state and federal laws and facilitate the orderly and efficient transfer of such shares.

Upon written request and submission of appropriate documents, including, where applicable, stock powers, certificates issued with respect to shares held in the Plan can

also be registered in names other than that of the participant subject to compliance with any applicable laws and the payment by the participant of any applicable taxes.

Statements

As soon as practicable after each calendar quarter, a statement will be mailed to the participants advising them of their investment. These statements are the participants' continuing record of cost information and should be retained for tax purposes.

Each new participant will receive any amendments or supplements to the Plan, quarterly and annual reports, proxy statements and tax notices covering both directly held and Plan shares. However, participants will not receive duplicate mailings where the same materials are furnished as a result of their direct ownership of shares.

Dividends, Stock Splits and Rights Offerings

The Company pays dividends, as declared, to the record holders of all of its common stock. Shares purchased under the Plan will participate equally with other shares of common stock in all cash dividends, stock dividends, and stock splits declared after the date of purchase.

Cash dividends declared on shares held in Plan accounts are added to all other cash dividends declared on all common stock registered in a participant's name and are administered in accordance with the directions contained in the participant's Authorization Form.

Any stock dividends or splits on shares purchased under the Plan for which certificates have not been issued to the participant will be credited to the participant's Plan account and administered in accordance with the directions contained in the participant's Authorization Form.

Participants receive cash and stock dividends on fractions of shares, as well as whole shares, purchased under the Plan.

Stock dividends and splits declared on shares held in participants' names individually will be issued directly to the participants individually on the payment date.

In the event the Company makes a rights offering of any of its securities to shareholders of common stock, the Agent will promptly sell on the open market the rights attributable to all of the shares held in participants' Plan accounts. The Agent will

then credit each participant's Plan account with his or her proportionate share of the proceeds of that sale, and those proceeds will be invested as Optional Investments on the next Pricing Date. All participants will be notified by the Company of any such rights offering. Therefore, any participant who wishes to exercise his or her rights will be required to instruct the Agent to withdraw that participant's Plan shares from the Plan prior to the record date for the rights distribution.

Voting

All shares owned by a participant may be voted by the participant in the same manner as shareholders not participating in the Plan.

Termination of the Plan or Participation in the Plan

A participant can terminate participation in the Plan at any time by written notice to:

THE FIFTH THIRD BANK
Corporate Trust Services
MD 10AT66-3212
38 Fountain Square Plaza
Cincinnati, OH 45263

Such notice is effective on the date it is received by the Agent. Such notice, however, must be received by the Agent at least 15 days prior to a dividend record date in order to make the termination effective on that dividend record date. If notice to terminate is received by the Agent less than 15 days prior to a dividend record date, that dividend is reinvested according to the terms of the Plan and the termination notice takes effect immediately after the payment date of that dividend. All subsequent dividends are paid directly to the shareholder unless the shareholder re-enrolls in the Plan.

Upon such termination, the participant will receive (a) cash equal to the value of any fractional share held in the participant's Plan account; and (b) a certificate for all full shares held in the participant's account.

When participants own no common stock of the Company other than fractional shares in their Plan accounts, the Company is authorized to terminate such participation in the Plan and send cash equal to the value of fractional shares, as outlined above.

Generally, an eligible shareholder may again become a participant in the Plan at any time. However, the Company reserves the right to reject any Authorization Form from a

previous participant on the grounds of excessive joining and termination. Such reservation is intended to minimize unnecessary administrative expenses and to encourage use of the Plan as a long-term shareholder investment service.

The Company in its absolute discretion may terminate the Plan at any time upon 30 days notice to participants. Upon such termination, participants will receive a certificate for all full shares held in their Plan account and cash equal to the value of any fractional shares held in their Plan account.

Tax Consequences and SEC Reporting

Neither the Company nor the Agent shall be responsible for the listing of any securities purchased under this Plan or in their possession for the purposes of ad valorem taxes or for compliance with the rules or regulations of the Securities and Exchange Commission (the "SEC"). The preparation and payment of all taxes and all SEC reporting requirements remain the sole responsibility of the participant.

Since each participant's tax consequences may be different, the participant is advised to consult with the participant's own tax advisors.

Other Information

The Company reserves the right to make modifications to the Plan. Any modification will be announced to participating shareholders at least thirty (30) days prior to its effective date.

The participant bears the risk of loss and the benefits of gain from market price changes with respect to all shares. The Company cannot guarantee that shares purchased under the Plan will, at any particular time, be worth more or less than their purchase price.

In performing its duties under the Plan, the Company is not liable for any act done in good faith, or for any good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon the participant's death, the prices or timing at which shares are purchased under the Plan or fluctuations in market value of shares.

The Company reserves the right to interpret and regulate the plan as deemed desirable or necessary in connection with its operation.

DELTA NATURAL GAS COMPANY, INC.

**AMOUNT AND KINDS OF STOCK AUTHORIZED,
ISSUED AND OUTSTANDING
JUNE 30, 2005**

Common Stock, par value \$1.00 per share	--	Authorized - 6,000,000 shares Issued and Outstanding – 3,229,988 shares
Cumulative Preferred	--	Authorized - 312,500 shares Issued and Outstanding - 0

DELTA NATURAL GAS COMPANY, INC.

**LONG-TERM DEBT OUTSTANDING
AND MORTGAGE DESCRIPTIONS
JUNE 30, 2005**

There are no mortgages outstanding.

The following long-term debts are in existence:

- (1) On October 18, 1993, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued \$15,000,000 of unsecured 6-5/8% Debentures that mature in October 2023. The proceeds were used to repay short-term debt. Each holder may require redemption of up to \$25,000 of the 6-5/8% Debentures annually, subject to an annual aggregate limitation of \$500,000. Such redemption will also be made on behalf of deceased holders within sixty days of notice, subject to the annual aggregate \$500,000 limitation. The 6-5/8% Debentures can be redeemed by the Company beginning in October, 1998 at a 5% premium, such premium declining ratably until it ceased in October 2003. Restrictions under the indenture agreement covering the 6-5/8% Debentures include, among other things, a restriction whereby dividend payments cannot be made unless consolidated shareholders' equity of the company exceeds \$12 million. Interest paid during the twelve months ending June 30, 2005 was \$713,408. At June 30, 2005 there was \$456,589 of unamortized debt expense associated with these debentures. JP Morgan Chase Bank is the Trustee and interest-paying agent for these debentures. The balance at June 30, 2005 was \$10,589,000.
- (2) On March 27, 1998, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued \$25,000,000 of unsecured 7.15% Debentures that mature in April 2018. The proceeds were used to repay short-term debt and to redeem the Company's 9% Debentures that would have matured in 2011, in the amount of \$10,000,000. Commencing in April 1999, each holder may require redemption of up to \$25,000 of the 7.15% Debentures annually, subject to an annual aggregate limitation of \$750,000. Such redemption will also be made on behalf of deceased holders within sixty days of notice, subject to the annual aggregate \$750,000 limitation. The Company can redeem the 7.15% Debentures after April 1, 2003. Restrictions under the indenture agreement covering the 7.15% Debentures include, among other things, a restriction whereby dividend payments cannot be made unless consolidated shareholders' equity of the Company exceeds \$21,500,000. Interest paid

during the twelve months ending June 30, 2005 was \$1,701,968. At June 30, 2005 there was \$529,886 of unamortized debt associated with these debentures. The Bank of New York is the Trustee and interest-paying agent for these debentures. The balance at June 30, 2005 was \$23,768,000.

- (3) On February 18, 2003, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued \$20,000,000 of unsecured 7.0% Debentures that mature in February, 2023. The proceeds were used to repay short-term debt and to redeem the Company's 8.3% Debentures that would have matured in 2026, in the amount of \$14,806,000. Commencing in February 2004, each holder may require redemption of up to \$25,000 of 7.0% Debentures annually, subject to an annual aggregate limitation of \$400,000. Such redemption will also be made on behalf of deceased holders within sixty days of notice, subject to the annual aggregate \$400,000 limitation. The Company can redeem the 7.0% Debentures after February 1, 2007. If the Company elects to redeem Debentures in the first year after February 1, 2007, it must pay 102% of the principal value of the Debentures. If the Company elects to redeem the Debentures during the next year, it must pay 101% of the principal value of the Debentures. After February 1, 2009 redemption of Debentures will be at 100% of their principal value. Restrictions under the indenture agreement covering the 7.0% Debentures include, among other things, a restriction whereby dividend payments cannot be made unless consolidated shareholders' equity of the Company exceeds \$25,800,000. Interest paid during the twelve months ending June 30, 2005 was \$1,400,000. At June 30, 2005 that was \$716,507 of unamortized debt associated with these debentures. The Bank of New York is the Trustee and interest-paying agent for these debentures. The balance at June 30, 2005 was \$20,000,000.

DELTA NATURAL GAS COMPANY, INC.
SHORT-TERM DEBT OUTSTANDING
JUNE 30, 2005

Delta had outstanding at June 30, 2005 short-term debt as follows:

<u>LENDER</u>	<u>DUE DATE</u>	<u>RATE</u>	<u>AMOUNT</u>
Branch Banking and Trust Company (BB&T)	Demand ⁽¹⁾	4.14% ⁽²⁾	\$5,959,122.36

Short-term interest paid in the 12 months ended June 30, 2005 was \$398,923.58

⁽¹⁾ This is a demand grid note dated October 31, 2004 with a maturity date of October 31, 2005. It can be increased or decreased daily up to a maximum of \$40,000,000.

⁽²⁾ The interest on this line is determined monthly at the thirty day LIBOR Rate plus 1% on the used line of credit. The cost of the unused line of credit is 0.30%.

DELTA NATURAL GAS COMPANY, INC.

**OTHER INDEBTEDNESS
JUNE 30, 2005**

There is no other indebtedness outstanding.

DELTA NATURAL GAS COMPANY, INC.

**DIVIDENDS FOR LAST FIVE YEARS
JUNE 30, 2005**

<u>MONTH AND YEAR PAID</u>	<u>RATE</u>	<u>ON SHARES OR VALUE</u>	<u>PAR VALUE</u>	<u>DIVIDEND AMOUNT</u>
September 2000	.285	2,466,871	2,466,871	\$703,058
December 2000	.285	2,473,687	2,473,687	\$705,002
March 2001	.285	2,482,244	2,482,244	\$707,440
June 2001	.285	2,490,404	2,490,404	\$709,766
September 2001	.290	2,503,083	2,503,083	\$725,895
December 2001	.290	2,510,443	2,510,443	\$728,028
March 2002	.290	2,518,193	2,518,193	\$730,275
June 2002	.290	2,524,911	2,524,911	\$732,221
September 2002	.295	2,538,845	2,538,845	\$748,958
December 2002	.295	2,546,528	2,546,528	\$751,224
March 2003	.295	2,553,383	2,553,383	\$730,275
June 2003	.295	3,160,924	3,160,924	\$932,473
September 2003	.295	3,174,630	3,174,630	\$936,516
December 2003	.295	3,180,765	3,180,765	\$938,326
March 2004	.295	3,189,925	3,189,925	\$941,028
June 2004	.295	3,196,200	3,196,200	\$942,879
September 2004	.295	3,207,945	3,207,945	\$948,091
December 2004	.295	3,213,869	3,213,869	\$948,091
March 2005	.295	3,219,699	3,219,699	\$949,811
June 2005	.295	3,225,683	3,225,683	\$951,576

DELTA NATURAL GAS COMPANY, INC.

**STATEMENT OF INCOME
12 MONTHS ENDED JUNE 30, 2005
(UNAUDITED)**

OPERATING REVENUES	<u>\$55,566,651</u>
OPERATING EXPENSES AND TAXES	
Gas Purchased	\$28,944,780
Operations	11,236,907
Maintenance	656,329
Depreciation	4,124,679
Property & Other Taxes	1,664,525
Income Taxes	<u>1,701,000</u>
Total	<u>\$48,328,220</u>
Operating Income	\$ 7,238,431
OTHER INCOME/(EXPENSES), NET	<u>2,253,471</u>
INCOME BEFORE INTEREST CHARGES	<u>\$ 9,491,902</u>
INTEREST CHARGES	
Interest	\$ 3,809,693
Amortization	<u>683,591</u>
Total	<u>\$ 4,493,284</u>
NET INCOME	<u>\$ 4,998,618</u>

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
12 MONTHS ENDED JUNE 30, 2005
(UNAUDITED)

ASSETS

Gas Utility Plant, at Cost	\$	172,356,726
Less - Reserve for Depreciation		<u>56,664,570</u>
Net Gas Plant	\$	<u>115,692,156</u>
Current Assets		
Cash	\$	127,530
Receivables		4,505,866
Deferred Gas Cost		3,276,843
Gas in Storage, at Average Cost		9,193,809
Materials and Supplies, at first-in, first-out cost		957,786
Prepayments		<u>899,606</u>
Total Current Assets	\$	<u>18,961,440</u>
Other Assets		
Cash Surrender Value of Life Insurance	\$	387,193
Unamortized Expenses		3,830,794
Receivable/Investment in Subsidiaries		(176,034)
Other		<u>3,511,340</u>
Total Other Assets	\$	<u>7,553,293</u>
TOTAL ASSETS	\$	<u>142,206,889</u>

LIABILITIES

Capitalization		
Common Shareholders' Equity	\$	50,799,454
Long-Term Debt		<u>52,707,000</u>
Total Capitalization	\$	<u>103,506,454</u>
Current Liabilities		
Notes Payable	\$	5,959,122
Long-Term Debt Due Within One Year		1,650,000
Accounts Payable		6,330,400
Customers' Deposits		472,247
Purchased Gas Refund Payable to Customers		265
Accrued Taxes		2,361,758
Accrued Interest		899,964
Other		<u>1,056,127</u>
Total Current Liabilities	\$	<u>18,729,883</u>
Deferred Credits & Others		
Deferred Income Taxes	\$	18,043,635
Investment Tax Credit		288,200
Regulatory Items		1,472,487
Advances for Construction		<u>166,230</u>
Total Deferred Credits and Other	\$	<u>19,970,552</u>
TOTAL LIABILITIES	\$	<u>142,206,889</u>