



Delta Natural Gas Company, Inc.

3617 Lexington Road
Winchester, Kentucky 40391-9797

Phone: 606-744-6171
Fax: 606-744-3623

September 13, 2005

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

RECEIVED

SEP 15 2005

PUBLIC SERVICE
COMMISSION

RE: Delta Natural Gas Company Inc
Case No. 2005-00336

Dear Ms. O'Donnell:

We enclose for filing an original and 5 copies of the Responses of Delta Natural Gas Company Inc. to the Commission Staff's Data Request in the above-captioned case. Thank you for your attention to this matter.

Sincerely,

John F. Hall
Vice President – Finance, Secretary & Treasurer

copy: Hon. Robert M. Watt III (w/enclosure)

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

RECEIVED
SEP 15 2005
PUBLIC SERVICE
COMMISSION

COMMISSION STAFF'S DATA REQUEST TO
DELTA NATUAL GAS COMPANY, INC.

1. Delta proposes to issue up to 200,000 shares of its \$1 par value common stock. Its response to the Commission's notice of filing deficiency, received August 25, 2005, indicates that 100 percent of the proceeds from the proposed stock issuance will be used to repay its short-term debt of approximately \$6 million, which is described on page 4 of 8 in Exhibit C of its application.

RESPONSE:

Delta has a Dividend Reinvestment and Stock Purchase Plan (DRIP) as filed with the application. Our application is for the authorization to issue 200,000 shares of common stock pursuant to this plan. The DRIP was started in 1989 and additional shares have been authorized by the Commission in the years of 1994 and 2000 and issued in later years pursuant to this Plan. The DRIP has been a cost effective way since 1989 to raise equity capital for the Company. Approximately 52% of Delta's record holders participate in Delta's DRIP. The stock will not be issued at one time but over a number of years. As was done in 1989, 1994 and 2000, a shelf registration will be filed with the Securities and Exchange Commission for the stock to be issued pursuant to the DRIP.

SPONSORING WITNESS:

John F. Hall

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

COMMISSION STAFF'S DATA REQUEST TO
DELTA NATURAL GAS COMPANY, INC.

1 a. Provide the market price for Delta's \$1 par value common stock, as of the first business date of each month, for the past 12 months.

RESPONSE:

Below is the data for the first business date of each month as requested. Pursuant to Delta's DRIP the pricing date is the fifteenth (15th) day of the month.

September 2004	\$26.52
October 2004	\$26.91
November 2004	\$24.00
December 2004	\$26.05
January 2005	\$27.00
February 2005	\$25.85
March 2005	\$27.11
April 2005	\$25.60
May 2005	\$25.17
June 2005	\$25.58
July 2005	\$26.44
August 2005	\$28.05
September 2005	\$28.22

SPONSORING WITNESS:

John F. Hall

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN ORDER) CASE NO. 2005-00336
AUTHORIZING THE ISSUANCE OF UP TO)
200,000 SHARES OF COMMON STOCK)

COMMISSION STAFF'S DATA REQUEST TO
DELTA NATURAL GAS COMPANY, INC.

1 b. Based on currently available information, at what price does Delta anticipate selling the stock that is the subject of its application:

RESPONSE:

Delta's current DRIP registered 150,000 shares of common stock as authorized by the Commission in the year 2000 and will be completely utilized somewhere after December 31, 2005 and before the end of Delta's fiscal year ending June 30, 2006. If stock prices and shareholder purchases for the fiscal year ended 2005 were prevalent for the 200,000 shares in this case, these shares would be issued over approximately 8 years. The stock is sold pursuant to the DRIP plan at the closing stock market price on the 15th of each month. We cannot predict those future prices.

SPONSORING WITNESS:

John F. Hall

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN ORDER) CASE NO. 2005-00336
AUTHORIZING THE ISSUANCE OF UP TO)
200,000 SHARES OF COMMON STOCK)

COMMISSION STAFF'S DATA REQUEST TO
DELTA NATURAL GAS COMPANY, INC.

1 c. Described the market conditions, or other factors, that have led Delta to determine that it should attempt to repay its short-term debt at this point in time.

RESPONSE:

The majority of Delta's construction takes place during the warmer summer months, and this is also the time Delta injects gas into its underground storage field. Due to the seasonal nature of Delta's sales, this is a time of the year when Delta uses a line of credit to supplement its cash needs. Delta's line of credit is a promissory note with Branch Banking and Trust Company, which involves a cash account that all funds (receipts and payables) flow through. Thus, Delta is continuously either paying down or drawing against its line of credit. All funds received monthly from the DRIP flow through this bank account and thus are used to help meet daily cash needs and the resultant increase or decrease in Delta's short-term debt that is used in the Company's general operations as mentioned above.

SPONSORING WITNESS:

John F. Hall

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN ORDER) CASE NO. 2005-00336
AUTHORIZING THE ISSUANCE OF UP TO)
200,000 SHARES OF COMMON STOCK)

COMMISSION STAFF'S DATA REQUEST TO
DELTA NATURAL GAS COMPANY, INC.

2. Delta's June 30, 2005 balance sheet, shown on page 8 of 8 in Exhibit C of its application, shows a common equity balance of \$50.8 million and a long-term debt balance of \$52.7 million.

a. With this type of balance between its common equity and long-term debt, explain why Delta is proposing to issue common equity to repay its existing short-term debt rather than issue additional long-term debt.

RESPONSE:

This is a continuation of Delta's long-term dividend reinvestment plant that provides Delta a low cost source of small, yet continuous, amounts of common equity. This will continue to move Delta gradually toward a capital structure more consistent with the industry.

b. What consideration, if any, did Delta give to issuing long-term debt to repay/replace its existing short-term debt? Explain the response.

RESPONSE:

As this is a Dividend Reinvestment and Stock Purchase Plan, Delta did not consider issuing long-term debt. At current interest rates, long-term debt is more expensive than short-term debt.

SPONSORING WITNESS:

John F. Hall

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN ORDER) CASE NO. 2005-00336
AUTHORIZING THE ISSUANCE OF UP TO)
200,000 SHARES OF COMMON STOCK)

COMMISSION STAFF'S DATA REQUEST TO
DELTA NATURAL GAS COMPANY, INC.

3. Delta's dividend payment schedule for the past 5 years is included on page 6 of 8 in Exhibit C of the application. Provide a comparison of the expected annual payout on an additional 200,000 shares, versus the \$398,924 in annual interest paid on Delta's short-term debt during the 12 months ended June 30, 2005.

RESPONSE:

Delta's current annualized dividend rate is \$1.20 per share. Thus, \$1.20 times 200,000 share is \$240,000. Not all of these shares will be issued the first year. It is anticipated that the 200,000 shares to be registered would be issued over the next several years as our shareholders reinvest their dividends.

SPONSORING WITNESS:

John F. Hall

SEP 1 2015

HON. ELIZABETH O'DONNELL
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
P O BOX 615
FRANKFORT, KY 40601