



Delta Natural Gas Company, Inc.



3617 Lexington Road
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171

FAX: 859-744-3623

June 1, 2006

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

RECEIVED
JUN 05 2006
PUBLIC SERVICE
COMMISSION

CASE 2006-00238

Dear Ms. O'Donnell:

Enclosed is Delta Natural Gas Company's Application for Certificate of Convenience and Necessity to bid on a franchise being offered by the City of Owingsville.

The Ordinance established the date of the sale as May 15, 2006. However, due to the City not publishing the invitation for bids for this date and a revised bid date of June 12, 2006 was established (see attached Invitation For Bids published in the Bath County News Outlook on May 11, 2006). Delta would appreciate the Commission's earliest convenient consideration of this request.

If I can provide any additional information, please feel free to contact me.

Please acknowledge receipt of this filing by stamping the extra copy of the cover letter and returning in the envelope provided.

Sincerely,

Connie King

Connie King
Director - Rates & Treasury

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR A CERTIFICATE)
OF CONVENIENCE AND NECESSITY TO BID)
ON A FRANCHISE OFFERED BY THE)
CITY OF OWINGSVILLE, KENTUCKY)

CASE NO. 2006-00238

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APPLICATION

Comes Delta Natural Gas Company, Inc. (hereinafter called "Delta") pursuant to KRS 278.300 for its application herein states 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) That the City of Owingsville has offered a franchise for the distribution and sale of natural gas. A true copy of said Ordinance Creating Franchise and documents pertinent thereto are attached, made a part hereof and designated as Exhibit A for purposes of identification.

(5) That there is a need and demand for such service by Delta to the City of Owingsville and Delta is ready, willing and able to provide such service.

WHEREFORE, Delta Natural Gas Company, Inc. respectfully prays that the Public Service Commission of Kentucky enter its Order authorizing Delta to bid on the franchise offered by the City of Owingsville.

By:



John F Hall

Vice President, Secretary, Treasurer

Delta Natural Gas Company Inc

3617 Lexington Road

Winchester, KY 40391

ORDINANCE NO. 2006-1

AN ORDINANCE AUTHORIZING AND DIRECTING THE OWINGSVILLE CITY CLERK TO ADVERTISE AND RECEIVE BIDS FOR A FRANCHISE DEFINED HEREIN FOR THE USE AND OCCUPATION OF CERTAIN PARTS OF THE STREETS, ALLEYS, AND PUBLIC GROUNDS IN THE CITY FOR THE TRANSMISSION AND DISTRIBUTION OF NATURAL GAS ENERGY WITHIN THE CITY OF OWINGSVILLE, KENTUCKY AND DEFINING THE TERMS AND CONDITIONS HEREOF.

WHEREAS, the City Commissioners have found and determined that all public utilities operating within the City of Owingsville, (hereinafter "City") utilize public streets and rights-of-way for their operation and that such utilization is a valuable property right and benefit said utilities in that such utilities would be required to invest substantial capital and right-of-way costs in acquisition without the use thereof, and such use by utilities results in certain damages to public improvements thereon so that a public purpose would be served by requiring all public utilities operating within the City to be covered by the terms of the franchise herein; and

WHEREAS, the Constitution of the Commonwealth of Kentucky, Section 163, and Chapter 96 of the Kentucky Revised Statutes, authorize municipal corporations to require public utilities operating within their boundaries to operate under franchise agreements and to grant utilities the right to use public properties on such conditions as seem proper, and further, K.R.S. 82.082 authorizes a city to exercise such powers within its boundaries as are not in conflict with other state law.

BE IT ORDAINED BY THE CITY OF OWINGSVILLE, KENTUCKY:

The franchise is defined as follows and includes the terms and conditions upon which it shall be granted:

Section I - Creation of Franchise

The Purchaser and Grantee of this franchise or its legal representatives, successors and assigns, (hereinafter "Franchisee") be and is, subject to the conditions hereinafter contained, hereby authorized and empowered to acquire, purchase, construct, maintain and operate in and through parts of the present and future corporate limits of this City a system or works for the transmission, distribution and sale of natural gas from points either within or without the corporate limits of this City, to said parts of the City and the inhabitants thereof, and from and through said parts of this City to persons and corporations beyond the limits thereof, and for the sale of same for light, heat, power and other purposes; and for such purposes to construct and maintain a system of mains, pipe lines, feeders, conduits, appurtenances, and other facilities necessary or convenient for the operation of said system, upon, across, under, and along each and all of the streets, alleys and public grounds, within the City; to have and to hold, as by law authorized, any and all real estate, easements, water and other rights necessary or convenient for its said purpose; to use any and all such streets, alleys and public grounds within said parts of this City while constructing or operating said natural gas system or works; and to cross any and all streets and public ways in the said parts of the City for the purpose of constructing, maintaining or extending such system of mains, pipe lines, feeders, conduits, appurtenances, and such other facilities as may be necessary or convenient for the proper distribution of natural gas in and through the City. If, after any main, pipe line, feeder, conduit or other structure or facility has once been erected or placed, in exercise of the authority herein granted, the City Council shall order the removal of said main, pipe line, feeder, conduit or other structure or facility to another

location, the City shall pay the cost of making such relocation; except that, if the relocation is made necessary due to widening, regrading or reconstruction of a street or highway and a main, pipe line, feeder, conduit, appurtenance or other facility was originally installed in public right-of-way and is in public right-of-way immediately prior to the relocation, Purchaser will pay the cost of the relocation.

Section II - Term of Franchise

The Franchise herein shall be for a term of Term (10) years from the date of the Franchise Agreement entered into between the City of Owingsville and the Franchisee.

Section III - Operation and Maintenance

In the maintenance and operation of its transmission and distribution system in the streets, alleys and other public places and in the course of any new construction or addition to its facility, franchisee shall proceed so as to cause the least possible inconvenience to the general public.

Section IV - Franchise Requirements

In addition to any other franchise requirements hereunder or made or adopted herein as provided, the following requirements shall apply to any Franchise granted hereunder.

a) Franchise Fee - In consideration of the granting and exercise of a Franchise herein, and in further consideration of the grant to the Franchisee the right to make use of public streets, alleys, or other public ways in the City, since such public properties are valuable properties acquired and maintained at great expense to the taxpayers of the City, and the grant to Franchisee of the right to use same is a valuable property right without which the Franchisee would be

required to invest substantial capital in right-of-way costs and acquisitions, Franchisee shall pay to the City during the entire life of the Franchise a sum equal to 3% percent of the Franchisee's gross service revenues, for sales generated within the corporate limits. Franchisee shall pay such sum quarterly, by the 30th day after the end of each quarter and shall furnish to the City a statement setting forth the amount of its gross revenues received.

b) The Franchise fee does not apply to gross revenues received by the Franchisee attributable to the sale, use, storage or other sale of natural gas to customers who use it in the course of manufacturing or industrial processing to the extent that the cost of all energy or energy producing fuels used by the customer exceeds three (3%) percent of the cost of production. This exemption is available only to those customers who qualify for direct energy pay authorization by the Kentucky Department of Revenue under KRS 139.480(3).

c) Any Franchise payments to the City by Franchisee shall not be in lieu of any occupational, income, license, or property tax, or similar levy, assessment, fee, or charge which would otherwise be payable by Franchisee.

d) Upon acceptance of such Franchise, Franchisee shall during the entire term of such Franchise, maintain in full force and effect a single limit comprehensive liability policy of insurance with limits of not less than \$500,000 each occurrence and \$1,000,000 aggregate, and which shall insure Franchisee.

e) Franchisee shall indemnify and hold harmless the City, its officers, boards,

commissions, agents, and employees, against and from any and all claims, demands, causes of actions, suits, proceedings, damages, costs or liabilities (including costs for liabilities of the City with respect to its employees), arising out of or related to Franchisee's acts or omissions in the construction, maintenance, repair and operation of said natural gas system.

Section V

The Franchisee, its successors and assigns, shall have the right to sell gas to the consumers of the City and to receive for its service just and reasonable compensation subject to the terms and at the rates specified by the Public Service Commission of the Commonwealth of Kentucky. The Franchisee shall serve its consumers in the City in accordance with the rules, regulations, control, and supervision of the Public Service Commission of the Commonwealth of Kentucky and such other state or federal agency as may be authorized and empowered by law to regulate the Franchisee and its service.

Section VI

The Purchaser or Purchasers of the Franchise or Franchises created hereunder shall provide service in accordance with accepted standards of the industry and regulated by the Kentucky Public Service Commission.

Section VII

The Purchaser or Purchasers of any Franchise created hereby shall have the right to break, take up and remove such portion or part of any pavement to make such excavation in the streets and public ways of the City as may be deemed necessary to provide the service so franchised hereby; provided, however, that any such work shall be performed in accordance with applicable ordinances of the City; and further provided that any such work or project so

commenced by Franchisee hereunder be promptly and diligently prosecuted to completion and upon such completion the streets, alleys, sidewalks and public ways of the City shall exist in as good condition and repair as before such work was commenced.

Section VIII

The consideration paid by Franchisee hereunder shall be the full and complete consideration for the Franchise, privilege, and right granted by the City of Owingsville, and shall be expressly in lieu of any street or alley rental or of any charge for the use or occupancy of said streets, alleys, or public places in the City.

Section IX

The Franchise created hereby shall not be transferred, assigned, nor delegated without the written consent of the City, which shall not be unduly withheld by the City.

Section X

It shall be the duty of the City Clerk as soon as practical after the passage of this Ordinance to offer for sale at public auction the Franchise and privileges involved herein. Such Franchise shall be sold to the best available bidder(s) on the 15th day of May, 2006, at 10:00a.m. The City Clerk shall give notice by advertising pursuant to K.R.S. Chapter 424 for request for bids and the time for receipt of same. Any utility subject to the terms and provisions of this Ordinance may provide for in its bid any special or extraordinary matters or circumstances which relate or apply to its particular business; all subject, however to the right of rejection of any such bid by the City of Owingsville. After the time set for receipt of bids hereunder, the City Clerk shall report and submit to the City Council at the time of its next regular meeting the bids and proposals for its approval. The City Council reserves the right for and on behalf of the City to reject any and all bids for

said Franchises and privileges, and the City Council may direct by Resolution or Ordinance said Franchise or Franchises to be again offered for sale from time to time until a satisfactory bid or bids shall be received and approved.

Section XI

Any utility, agency, or other entity providing services herein contemplated which is owned and operated by the City or a subordinate agency thereof is excluded from the terms and provisions hereof.

Section XII

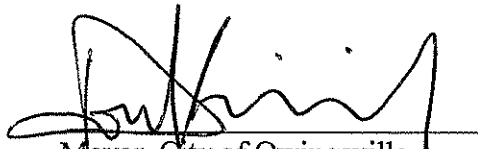
All Ordinances or parts of Ordinances in conflict herewith are hereby repealed.

Section XIII

That this Ordinance shall be signed by the Mayor, attested by the City Clerk, recorded, published and effective upon publication.

PASSED: First reading 3-13-06

PASSED: Second reading 4-10-06



Mayor, City of Owingsville

ATTEST:

Faye Davis
City Clerk, City of Owingsville

PUBLISHED: By summary in BCNO, the 20th day of April, 2006

INVITATION FOR BIDS

City of Owingsville

Bath Co., KY

Sale of Natural Gas

Distribution Franchise

Sealed bids will be received at the office of the City Clerk in City Hall in the City of Owingsville, KY, until 7 p.m. June 12, 2006 for a non-exclusive franchise to distribute natural gas within the City of Owingsville, KY.

Bids will be opened by the City Clerk at the time stated above and will be referred to and acted upon by the City Council of the city within thirty (30) days thereafter.

The Official Bid Form and the Ordinance establishing the terms and conditions of the franchise may be obtained from the City of Owingsville, POB 639, Owingsville, KY 40360.

The City of Owingsville, KY, reserves the right to reject any or all bids for any reason deemed advisable by the City Council.

Don Kincaid, Mayor

(CH-43c1)