DIRECT TESTIMONY

OF

CHARLES W. KING

Submitted on Behalf of
the Attorney General of Kentucky

DELTA NATURAL GAS COMPANY, INC.
Kentucky P.S.C. Case No. 2007-00089

August 14, 2007

Witness:	Charles W. King
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Kentucky Attorney General
Case No.:	2007-00089
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CHARLES W. KING

QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Charles W. King. I am President of the economic consulting firm of Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King"). My business address is 1111 14th Street, N.W., Suite 300, Washington, D.C. 20005.

Q. PLEASE DESCRIBE SNAVELY KING.

A. Snavely King, formerly Snavely, King & Associates, Inc., was founded by the late Carl M. Snavely and myself in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 12 economists, accountants, engineers and cost analysts. Most of its work involves the development, preparation and presentation of expert witness testimony before federal and state regulatory agencies. Over the course of its 37-year history, members of the firm have participated in over 1000 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

Q. HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. Attachment A is a summary of my qualifications and experience.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN REGULATORY PROCEEDINGS?

A. Yes. Attachment B is a tabulation of my appearances as an expert witness before state and federal regulatory agencies

Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of the Kentucky Attorney General.

Q. WHAT IS THE OBJECTIVE OF YOUR TESTIMONY?

A. The objective of this testimony is to briefly present the Attorney General's position with regard to the Conservation and Efficiency Program ("CEP") that has been proposed by Delta Natural Gas Company ("Delta," or "the Company") in this case. I will also comment on the class cost of service study and the allocation of the revenue increase among classes of customers.

CONSERVATION AND EFFICIENCY PROGRAM

Q. PLEASE DESCRIBE THE CONSERVATION AND EFFICIENCY PROGRAM.

A. Yes. This program institutes three Demand Side Management ("DSM") programs. The first is an appliance rebate program in which Delta provides rebates ranging from $100 to $400 to customers who install high efficiency furnaces, space heaters, fireplaces or water heaters. The second is a home energy audit where a representative of Delta inspects a home and provides advice on further insulation, appliance substitution and temperature controls that allow the customer to reduce gas consumption. The third program is a customer awareness program. The only feature to of this program identified by Delta is bill inserts.

Delta proposes three revenue recovery mechanisms related to these programs. The CEPR – Conservation/Efficiency Cost Recovery would allow Delta to surcharge all customers for the direct and indirect costs of implementing the program. These costs include the rebates, the cost of the personnel administering the program and the associated administrative overheads. The CEPLS – CEP Revenue from Lost Sales would allow Delta to recover the estimated revenue lost due to the reductions in Ccf sales resulting from the programs. The CEPI – CEP Incentive would provide Delta with 15 percent of the difference between the present value of the program benefits and the cost of achieving those benefits. All of these charges would be recovered in an annual surcharge compute as of the year ending October 31 and implemented on February 1. Beginning in the second year, the CEPBA – CEP Balance Adjustment would true up the revenue recovered in the surcharge with the revenue intended to be recovered.

Q. WHAT JUSTIFICATION DOES DELTA OFFER FOR THESE REVENUE RECOVERY MECHANISMS?

A. Delta argues that these mechanisms remove the Company's disincentive to encourage conservation by making the Company whole not only for the costs of the programs, but also for the lost revenues. The CEPI provides the reverse incentive, that is, the incentive to maximize the conservation to the greatest extent possible.

Q. WHAT IS THE STATUTORY AUTHORITY FOR THESE DSM PROGRAMS?

A. KRS 278.285 authorizes the Commission to approve DSM programs based on a number of factors. Among those factors is the cost and benefit analysis and "(t)he extent to which customer representatives and the Office of the Attorney General have been involved in developing the plan, including program design, cost recovery mechanisms, and financial incentives..."

Q. HAS DELTA PROVIDED A COST AND BENEFIT ANALYSIS?

A. No. I do not find such an analysis in Delta's filing.

Q. TO WHAT EXTENT HAS THE OFFICE OF THE ATTORNEY GENERAL BEEN INVOLVED IN DEVELOPING THE PLAN?

A. Not at all. The first the Attorney General's Office knew of the plan is when Delta filed its application in this case.

Q. IS THAT TYPICAL?

A. No. I am told that utilities typically involve the Attorney General's Office in the planning of DSM programs and their cost recovery mechanisms.

Q. IS IT TRUE THAT DELTA HAS A DISINCENTIVE TO PROMOTE CONSERVATION AND EFFICIENCY?

A. Not altogether. Delta has been losing customers over the last five years. It is very much in Delta's interest to reduce the cost of gas relative to other fuels, principally electricity, as a heating source so that customers will remain on Delta's distribution system.

As for the home energy audits, it appears from Mr. Wesolosky's testimony (at page 7) that Delta is already performing these audits as an enhancement to its customer relations. The CEP program would allow Delta to recover the costs of these audits through a special surcharge.

Q. IF THERE IS SOME BENEFIT TO DELTA FROM THESE DSM PROGRAMS, DOES IT NEED THE CEPI INCENTIVE FEATURE?

A. No. It does not.

Q. HOW ARE THE LOST SALES MEASURED?

A. In answer to a data request,[1] Delta has admitted that it has no way of measuring the sales that are lost due to its DSM programs. Lacking this measurement capability, Delta estimates the conservation from improved appliance efficiency based on engineering studies. For the energy audit, the Company simply assumes the savings that would result from a one degree Fahrenheit reduction in the thermostat setting.

Q. ARE THESE AN ADEQUATE BASIS FOR SETTING A SURCHARGE APPLICABLE TO ALL RESIDENTIAL CUSTOMERS?

A. No. These estimation procedures fail the "known and measurable" standard that typically applies to all utility cost recovery.

Q. ASSUMING THAT THERE WERE AN ADEQUATE WAY TO MEASURE LOST REVENUES, WOULD THE ATTORNEY GENERAL SUPPORT CEPLS LOST REVENUE FEATURE OF DELTA'S PLAN?

A. No. As a matter of principle, the Attorney General's office opposes efforts by utilities to guarantee their revenue streams through mechanisms such as this one that adjust rates automatically for reductions in customer usage. Whatever Delta's rationale for the lost sales adjustment, it sends the wrong message to the

[1] Response to PSC 2(b).

customers: no matter how much you conserve, the gas company will still get its money. Why bother?

Q. DOES THIS MEAN THAT THE ATTORNEY GENERAL'S OFFICE OPPOSES DELTA'S PLAN?

A. No. The Attorney General's Office strongly supports conservation and DSM programs to achieve it. The Attorney General's Office also supports the recovery of specific, identifiable costs associated with DSM programs. The Office does not support incentive payments or the automatic recovery of lost revenues. Finally, there may be other reasons for rejecting the CEP program that fall outside of my area of expertise.

CLASS RATE INCREASES

Q. WHAT RATE INCREASE IS DELTA REQUESTING IN THIS CASE?

A. Delta witness William Seelye testifies (at page 10) that the Company's requested revenue increase is $5,562,341, or 9.2 percent. However, his Exhibit 3 shows a slightly different number, $5,641,640 and a 9.3 percent increase. This increase, whether 9.2 or 9.3 percent, is somewhat understated as the change in Delta's revenue because the base amount includes the pass-through cost of gas to the

Company's retail customers. The percentage increase in revenue actually realized by Delta is 22.0 percent.[2]

Q. HOW DOES DELTA PROPOSE TO DISTRIBUTE THIS INCREASE AMONG THE CUSTOMER CLASSES?

A. Table 1 on page 10 of Mr. Seelye's testimony shows the following increases among customer classes:

Customer Class	Proposed Increase	Percentage
Residential	3,847,230	12.5%
Small Non-Residential	489,319	5.2%
Large Non-Residential	1,130,216	7.3%
Off-system Transportation	95,575	3.8%
Total Sales & Transportation	5,562,340	9.2%

As the table shows, the percentage increase for the residential class is considerably greater than for any other class. It is more than 35 percent greater than the overall increase.

Q. WHAT JUSTIFICATION DOES DELTA OFFER FOR THIS DISPROPORTIONATE INCREASE?

[2] \$5,641,650/\$25,656,632. Ref: Seelye Exhibit 3, columns (8) and (4).

A. Delta justifies this disproportionate increase to the residential class on the basis of the class cost of service study prepared by Mr. Seelye. That study shows the following rates of return for the respective classes as follows:

	Rate of Return	
	Before Increase	After Increase
Total System	5.71%	8.82%
Residential	3.69%	7.88%
Small Non-residential	7.03%	9.26%
Large Non-residential	7.28%	10.10%
Interruptible	19.11%	19.11%
Special Contracts	3.23%	3.23%
Off System Transportation	8.16%	8.81%

According to Mr. Seelye's study, the residential rate of return is seriously below the average return for the system and the returns of all the customer classes except the special contracts that cannot be changed owing to contractual commitments. Mr. Seelye argues that the residential return must be brought closer to the system average return, and the only way to do that is to increase the residential rates more than the rates of the other classes.

Q. WHY DOES MR. SEELYE'S STUDY SHOW SUCH A LOW RETURN FOR THE RESIDENTIAL CLASS?

A. The principal reason for the very low residential rate of return has to do with the allocation of the costs of distribution mains. Distribution mains account for over 38 percent of all of Delta's plant in service, so their allocation significantly affects the overall results of the cost of service study.

Mr. Seeyle has allocated mains costs on two bases, demand and customer. The demand portion is that part of mains costs that varies with the size of the pipe. To determine this portion, Mr. Seelye conducted a linear regression study of the cost of pipes of different diameters. The zero intercept of this regression is taken as the demand related portion of mains costs. The remaining portion, which is the cost of a minimum-sized system, is allocated according to the number of customers in each class. Mr Seelye's Exhibit 8 shows that the demand-related portion of mains costs is 34.19 percent, and the customer-related portion is 65.81 percent.

Q. DO YOU AGREE WITH MR. SEELYE'S APPROACH TO ALLOCATING THE COSTS OF DISTRIBUTION MAINS?

A. I agree that the zero intercept procedure is one of the two accepted methods of identifying the variable portion of mains costs. I agree that the variable portion of mains costs should be allocated on the basis of the respective classes' contribution to the peak demand of the year. I do not agree that the remaining, minimum sized system costs should be allocated on the basis of the number of customers in each class.

Q. WHY DO YOU DISAGREE WITH THE CUSTOMER ALLOCATION OF MINIMUM SYSTEM COSTS?

A. I disagree with the customer allocation of minimum system costs for the simple reason that the minimum system does not vary with the number of customers.

The test of causality for any cost is whether it varies with the "causing" factor. To justify the allocation of the minimum mains system to customer counts, the cost of the minimum system should vary with variations in the number of customers. Mr. Seelye testifies (at page 29) that the average number of customers declined from 40,185 to 38,117 between 2002 and 2006. There is no evidence whatever that the size or the cost of the distribution system has declined at all during this period.

The reason is obvious. If a customer drops off the system, the main that passes his premises remains in place because it must continue to serve other customers reached by that main. Conversely, if a customer is added to the system, he most likely will already be reached by a main. Only at the geographic edges of the system is there any variability in mains costs, and in that case, there are often contributions in aid of construction that offset the added mains investment.

Q. IF CUSTOMERS DON'T CAUSE MAINS COSTS, WHAT DOES?

A. There is no variable that "causes" minimum mains costs. The minimum mains system is the basic infrastructure of the gas distribution system. Without it, no customer would receive any gas whatever. These costs are "common" to all gas customers because they are fundamental to providing gas distribution service to the entire body of gas consumers.

Q. IF NO VARIABLE CAUSES MINIMUM MAINS COSTS, HOW SHOULD THEY BE ALLOCATED?

A. There are two approaches, one is to allocate minimum mains costs on a "value of service" basis. The other is not to allocate those costs at all.

Q. WHAT DO YOU MEAN BY ALLOCATION ON THE BASIS OF "VALUE OF THE SERVICE?"

A. Value of Service allocation is typically used when the costing standard is the variable, incremental or marginal costs associated with a number of services that use a common system. The costs that vary directly with the respective services are assigned to those services. Those directly attributable costs identify the minimum revenue that must be recovered from each service. The remaining costs are allocated among services according to their value to the customer. That value is measured by the extent to which the various customers are willing to pay a higher price for it. Customers with alternatives to the service in question place a relatively low value on their service and are therefore unwilling to pay a large portion of the common costs. Customers for whom the service is critical place a high value on it and are willing to pay a much higher proportion of the common costs.

Q. CAN YOU IDENTIFY SPECIFIC EXAMPLES OF VALUE OF SERVICE COSTING?

A. Yes. I can think of two examples. The first is the Postal Service and the second is the railroad industry as regulated by the Surface Transportation Board.

Q. PLEASE DESCRIBE THE POSTAL SERVICE'S VALUE-OF-SERVICE COSTING APPROACH.

A. The Postal Service's value-of-service costing dates from the Postal Reorganization Act of 1970 when the present United States Postal Service was established. The Postal Service identifies the "attributable" costs of each service, that is, the costs that vary, directly or indirectly, with the volume of mail in each service category.

These include all mail handling costs – sorting, moving mail within postal facilities – as well as volume-related transportation costs. However, about a third of all Postal Service costs are common to all services. They include most of the cost of postal delivery carriers, as well as the investment costs in post offices, distribution centers, and the non-variable transportation costs.

These common costs are described as "institutional," and they are recovered according to a number of criteria, including the degree of importance that mailers attach to their service and the extent of competition from other providers.[3]

First class (letter) mail has the greatest importance to mailers and is assigned largest markup over attributable costs. Third class (advertising) mail has considerable importance to the mailers, but it is quite price-sensitive. It receives a somewhat lower allocation of institutional costs. Second class (publications) mail is not so price-sensitive, but as a matter of public benefit, it is assigned a somewhat lower allocation of institutional costs than first and third class mail. Finally, fourth class (parcel post) faces severe competition from competing delivery services, so its prices are set at or only slightly above attributable costs.[4]

[3] The Postal Accountability and Enhancement Act (P.L. 109-438, Dec. 20, 2006) §3622 (c) lists a total of 14 factors to be considered in setting postal rates, the first of which is the value of the service to the sender and the recipient.

[4] These terms – first, second, third and fourth class – are no longer used by the Postal Service, but the classes remain using different names. They are used here because of their familiarity to many Postal Service users.

Q. PLEASE DESCRIBE THE USE OF VALUE-OF-SERVICE COSTING BY THE SURFACE TRANSPORTATION BOARD.

A. The Surface Transportation Board (STB)[5] regulates the rates only on "market dominant" rail traffic, that is, traffic that has no alternative to rail transportation and the rate charged has a revenue-to-variable-cost ratio equal to or greater than 180 percent. As with the Postal Service, the STB uses variable cost to set a reasonable price that should be charged to each market dominant rail movement (if the existing price is found to be unreasonable). In the railroad industry, however, many of the costs are common costs. These include the cost of the railroad lines and the motive power that pulls trains composed of mixed cargoes. The actual rates for the market-dominant movements are to be based on "Ramsey Pricing" which prescribes that the markups over variable costs should be set inversely with the price elasticity of demand for rail service.[6]

To illustrate, sand and gravel, very low-value commodities, are priced quite close to variable costs. Coal, somewhat more valuable, is priced with a higher contribution. Grain and other agricultural products may have higher value, justifying yet higher markups. Finally, chemicals have one of the highest values

[5] Formerly the Interstate Commerce Commission (ICC).
[6] The ICC adopted Ramsey Pricing in Coal Rate Guidelines Nationwide, 1 I.C.C 2d 522 520 (1985)

among rail-dependent products, and they often experience the highest markups of all[7].

Q. HOW CAN THIS EXPERIENCE WITH VALUE-OF-SERVICE COST ALLOCATION BE APPLIED TO GAS DISTRIBUTION SERVICE?

A. The complexities of value-of-service cost allocation that I have discussed in the Postal Service and the railroad industry do not exist in gas distribution. That is because there is only one homogeneous product being delivered by the gas company, Delta in this case. That product, natural gas, has approximately the same value to all customers except, arguably, interruptible customers. If all firm service customers place the same value on gas, then the appropriate allocator of common costs among gas customers is the volume of gas that they receive. The appropriate allocator of the minimum system is gas commodity.

Q. HAVE YOU PERFORMED A COMMODITY ALLOCATION OF MINIMUM SYSTEM COSTS?

[7] In STB Ex Parte No. 646 (Sub-No.1) Decided July 26, 2006 , the STB calculated that half of all chemical rates ($2.5 billion in revenue) were regulated or have an Revenue to Variable Cost Ratio ("R/VC") equal to or greater than 180% in 2004. During that period, about 30% of Farm products rates ($0.9 billion in revenue) where found to be regulated. In addition the STB's 2000 study of rail rates shows the clear difference in pricing on a revenue per ton mile basis between different commodities (http://www.stb.dot.gov/stb/docs/RI.pdf)

A. Yes. Delta has provided a working copy of Mr. Seelye's cost of service study. In Exhibit CWK-1, I have substituted allocator COM04 for CUST01 in the allocation of minimum system mains costs. All other allocations are the same as in Mr. Seelye's study. The result of my reallocation is as follows:

	Rate of Return	
	Before Increase	After Increase
Total System	5.71%	8.82%
Residential	6.64%	11.97%
Small Non-residential	7.60%	9.92%
Large Non-residential	3.91%	6.07%
Interruptible	4.03%	4.03%
Special Contracts	1.23%	1.23%
Off System Transportation	8.16%	8.81%

Q. IS THERE ANY PRECEDENT FOR THIS SORT OF ALLOCATION?

A. Yes. The Columbia Gas Company of Kentucky routinely provides two allocation studies, a "customer-demand" study similar to Mr Seelye's study, and a "commodity-demand" study similar to Exhibit CWK-1.[8]

Q. IS THERE AN ALTERNATIVE TREATMENT OF MINIMUM MAINS SYSTEM COSTS?

[8] See, for example, Kentucky P.S.C. Case No. 2007-00008, Testimony and Exhibits of Ronald L. Gibbons.

A. Yes. The alternative is not to allocate minimum mains system costs at all. This is the approach taken by the Postal Service and the STB. Neither agency makes any attempt to allocate common "institutional" costs. This approach has the advantage that it identifies the minimum level of revenue – directly variable costs – that should be recovered from each service.

Q. HAVE YOU PERFORMED A STUDY THAT EXCLUDES ANY ALLOCATION OF MINIMUM MAINS SYSTEM COSTS?

A. Yes. Exhibit CWK-1 excludes minimum mains system costs from the allocation. The results of this study are as follows:

	Rate of Return	
	Before Increase	After Increase
Total System (all costs)	5.71%	8.82%
Residential	10.83%	17.05%
Small Non-residential	12.95%	15.71%
Large Non-residential	9.14%	12.02%
Interruptible	25.22%	25.22%
Special Contracts	2.78%	2.78%
Off System Transportation	9.67%	10.32%

Q. WHAT CONCLUSIONS DO YOU DRAW FROM THESE STUDIES?

A. Neither study justifies the disproportionate increase that Delta proposes for the residential class. In the CWK-1 study, the residential class achieves the system average rate of return at present rates, and it greatly exceeds the system average return under Delta's proposed rates. The studies suggest that if anything, the large non-residential class should receive a disproportionately higher increase.

Both studies call into question the benefit that other ratepayers receive from the special contracts. Those contracts do not cover their directly variable costs, inclusive of return.

Finally, Exhibit CWK-2, along with the concept of value-of-service pricing, justifies the Company's proposal to withhold any increase to the interruptible service.

Q. WHAT RECOMMENDATIONS DO YOU DRAW FROM THESE CONCLUSIONS?

A. I recommend that all firm service tariff classes receive the same percentage increase. I recommend that interruptible rates be held at their present levels. Finally, I recommend that the Commission inquire as to the benefit that other ratepayers receive from the special contracts. If no such benefit is found, I recommend that the tariff rates applicable to large customers be imputed to the special contract customers for purposes of establishing Delta's revenue requirement.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Charles W. King

Experience

Snavely King Majoros O'Connor & Lee, Inc. Washington, DC

President (1989 to Present)
Vice President (1970 - 1989)

Mr. King, a founder of the firm and acknowledged authority on regulatory economics, brings over thirty years of experience in economic consulting to his direction of the firm's work in transportation, utility and telecommunications economics.

Mr. King has appeared as an expert witness on over 300 separate occasions before more than thirty state and nine U.S. and Canadian federal regulatory agencies, presenting testimony on rate base calculations, rate of return, rate design, costing methodology, depreciation market forecasting, and ratemaking principles. Mr. King has also testified before House and Senate Committees on energy and telecommunications legislation pending before the U.S. Congress.

In telecommunications, Mr. King has testified before the Federal Communications Commission on a number of policy issues, service authorization, competitive impacts, video dialtone, and prescription of interstate depreciation rates. Before state regulatory bodies, he has presented testimony in proceedings on intrastate rates, costs earnings and depreciation.

Mr. King has testified in electric, gas and water utility cases on virtually every aspect of regulation, including cost of capital, revenue requirements, depreciation, cost allocation and rate design. Mr. King is one of the nation's leading authorities on utility depreciation practices, having testified on this subject in several dozen cases before state regulatory bodies.

In addition to his appearances as a witness in judicial and administrative proceedings, Mr. King has negotiated settlements among private parties and between private parties and regulatory offices. Mr. King also has directed depreciation studies, investment cost benefit analyses, demand forecasts, cost allocation studies and antitrust damage calculations. Mr. King directed analyses of the prices of services under Federal Government's FTS2000 long distance system.

In Canada, Mr. King designed and directed an extended inquiry into the principles and procedures for regulating the telecommunication carriers subject to the jurisdiction of the Canadian Transport Commission. He also was the principal investigator in the Canadian Transport Commission's comprehensive review of rail costing procedures.

EBS Management Consultants, Inc., Washington, DC

Director, Economic Development Department (1968-1970)

Mr. King organized and directed a five-person staff of economists performing research, evaluation, and planning relating to economic development of depressed areas and communities within the U.S. Most of this work was on behalf of federal, state, and municipal agencies responsible for community or regional economic development.

Principal Consultant (1966-1968)

Mr. King conducted research on a broad range of economic topics, including transportation, regional economic development, communications, and physical distribution.

W.B. Saunders & Company, Inc., Washington, DC

Staff Economist (1962-1966)

For this economic consulting firm, which later merged with EBS Management Consultants, Inc., Mr. King engaged in numerous research efforts relating primarily to economic development and transportation.

U.S. Bureau of the Budget, Office of Statistical Standards

Analytical Statistician (1961-1962)

Mr. King was responsible for the review of all federal statistical and data-gathering programs relating to transportation.

Education

Washington & Lee University, B.A. in Economics

The George Washington University, M.A. in Government Economic Policy

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Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
AK	Exxon USA	P-89-1,2	Trans Alaska Pipeline System	October 18, 1990
AZ	Arizona Corporation Commission	U-1345-I	Arizona Public Service Co.	December 16, 1980
	Arizona Retailers Association	U-1345-II	Arizona Public Service Co.	January 15, 1981
CA	California Retailers Association	57666	Pacific Gas & Electric Co.	March 6, 1978
	California Retailers Association	57602	Southern California Edison	April 25, 1978
	California Retailers Association	59351	Pacific Gas & Electric Co.	June 12, 1981
	California Retailers & California Manufacturers	59351	Southern California Edison	May 20, 1982
	California Retailers Association	61138	Southern California Edison	May 28, 1982
CO	U. S. Department of Defense	I&S 1100	Colorado Springs (Elec)	June 14, 1977
	J.C. Penney Company	5693	All Electric Utilities	March 8, 1978
	U.S. Department of Defense	I&S 1339	Colorado Springs DPU (Gas)	October 18, 1979
	U. S. Department of Defense	I&S 1540	Colorado Springs DPU (Gas)	February 9, 1982
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Gas)	September 30, 1984
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Elec)	June 6, 1985
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Elec)	May 19, 1986
	U.S. Department of Defense	C. Council	Colorado Springs DPU (Elec)	June 30, 1987
CT	Retailers Merchants Association	72-0204	Various Electric Utilities	July 22, 1976
	Division of Consumer Counsel	76-0604,5	CL&P and HELCO	November 10, 1977
	Public Utilities Control Auto	78-0303	Bridgeport Hydraulic Co.	(none)
	Division of Consumer Counsel	80-0403,4	CL&P and HELCO	August 11, 1980
	Division of Consumer Counsel	81-0413	United Illuminating Company	July 20, 1981
	Division of Consumer Counsel	81-0602,4	CL&P and HELCO	October 5, 1981
	Division of Consumer Counsel	82-0701	CL&P	September 28, 1982
	Coalition of Hotels, Alloys & Retailers	85-10-22	CL&P	(none)
	Coalition of Hotels, Alloys & Retailers	87-07-01	CL&P	April 25, 1988

CHARLES W. KING
Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
DC	D.C. People's Counsel	685	Potomac Electric Power Company	March 6, 1978
	D.C. People's Counsel	715	Potomac Electric Power Company	(none)
	D.C. People's Counsel	725	Potomac Electric Power Company	April 4, 1980
	D.C. People's Counsel	737	Potomac Electric Power Company	January 1, 1981
	Washington Metro Area Transit Authority	748	Potomac Electric Power Company	June 26, 1981
	Washington Metro Area Transit Authority	758	Potomac Electric Power Company	December 15, 1981
	D.C. People's Counsel	785	Potomac Electric Power Company	September 21, 1982
	Washington Metro Area Transit Authority	759	Potomac Electric Power Company	March 29, 1984
	D.C. People's Counsel	685 Remand	Potomac Electric Power Company	June 10, 1985
	D.C. People's Counsel	905	Potomac Electric Power Company	August 20, 1991
	D.C. People's Counsel	912	Potomac Electric Power Company	May 7, 1992
	D.C. People's Counsel	834, III	Potomac Electric Power Company	May 22, 1992
	D.C. People's Counsel	917	Potomac Electric Power Company	September 24, 1992
	D.C. People's Counsel	922	Washington Gas Light Company	June 15, 1993
	D.C. People's Counsel	929	Potomac Electric Power Company	December 16, 1993
	D.C. People's Counsel	934	Washington Gas Light Company	Filed April 22, 1994
	D.C. People's Counsel	939	Potomac Electric Power Company	March 16, 1995
	D.C. People's Counsel	917	Potomac Electric Power Company	April 16, 1995
	D.C. People's Counsel	951	Potomac Electric Power Company	February 20, 1997
	D.C. People's Counsel	945	Potomac Electric Power Company	September 29, 1999
	D.C. People's Counsel	847	Washington Gas Light Company	June 27, 2001
	D.C. People's Counsel	989	Washington Gas Light Company	May 22, 2002
	D.C. People's Counsel	1016	Washington Gas Light Company	September 23, 2003
DE	Delaware PSC Staff	94-164	Artesian Water Company	Filed March 10, 1995
	Delaware PSC Staff	94-149	Wilmington Suburban Water Company	March 10, 1995
	Delaware PSC Staff	04-152	Tidewater Utilities Company	Filed July 26, 2004
FL	Florida Retail Federation	790593-EU	All Electric Utilities	March 5, 1981
	Florida Retail Federation	810002-EU	Florida Power and Light Company	July 23, 1981
	Florida Retail Federation	820097-EU	Florida Power and Light Company	September 22, 1982
	Florida Retail Federation	820097-EU	Florida Power and Light Company	April 11, 1983
	Florida Retail Federation	830012-EU	Tampa Electric Company	August 19, 1983
	Florida Retail Federation	830465-EI	Florida Power and Light Company	April 19, 1984
	Florida Retail Federation	830465-EI	Tampa Electric Company	(none)

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Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
GA	Georgia Retail Federation	3270-U	Georgia Power Company	September 3, 1981
	Georgia Public Service Commission	4007-U	Georgia Power Company	August 21, 1991
	Georgia Public Service Commission	4384-U	All Electric Utilities	August 1, 1993
	Georgia Public Service Commission	4755-U	Georgia Power Company	January 25, 1994
	Georgia Public Service Commission	4697-U	All Utilities	May 10, 1994
	Georgia Public Service Commission	9355-U	Georgia Power Company	November 4, 1998
	Georgia Public Service Commission	14000-U	Georgia Power Company	October 23, 2001
	Georgia Public Service Commission	14618-U	Savannah Electric & Power Company	March 27, 2002
	Georgia Public Service Commission	14311-U	Atlanta Gas Light Company	April 8, 2002
	Georgia Public Service Commission	17066-U	Georgia Power Company	July 31, 2003
	Georgia Public Service Commission	18300-U	Georgia Power Company	October 26, 2004
	Georgia Public Service Commission	18638-U	Atlanta Gas Light Company	March 14, 2005
	Georgia Public Service Commission	19758-U	Savannah Electric & Power Company	March 29, 2005
	Georgia Public Service Commission	20298-U	Atmos Energy Corp.	October 11, 2005
HI	Public Utilities Department	2793	All Electric Utilities	February 14, 1978
	Hawaii Consumer Advocate	4536	Hawaiian Electric Company	February 1, 1983
IL	Illinois Retail Merchants Association ("IRMA"/ Chicago Bldg. Mgrs. Association ("CBMA")	76-0698	Commonwealth Edison	June 22, 1977
	IRMA/CBMA	76-0568	All Electric Utilities	(none)
	IRMA/CBMA	80-0546	Commonwealth Edison	March 5, 1981
	IRMA/CBMA	82-0026	Commonwealth Edison	July 22, 1982
	IRMA/CBMA	83-0537	Commonwealth Edison	March 19, 1984
	IRMA/CBMA	87-0427	Commonwealth Edison	March/April 22, 1988
	IRMA/CBMA	90-0169	Commonwealth Edison	October 29, 1990
	City of O'Fallon, IL	02-0690	Illinois-American Water Company	Filed Feb.5, Apr.11,2003
IN	Indiana Retail Council	35780-S2	N. Ind. Public Service co.	June 1, 1980
	Indiana Retail Council	35780-S1	Public Service of Indiana	October 15, 1980
	Indiana Retail Council	36318	Public Service of Indiana	May 4, 1982
KS	J.C. Penney Company	115,379-U	All Kansas Utilities	January 22, 1981
KY	Seven Kentucky Retailers	7310	Louisville Gas & Electric Co.	April 25, 1979
	Attorney General of Kentucky	2002-145	Columbia Gas of Kentucky	Filed August 8, 2002
	Attorney General of Kentucky	2003-252	Union Heat Light & Power Co.	September 30, 2003
	Attorney General of Kentucky	2004-67	Delta Gas Company	August 18, 2004

CHARLES W. .ING
Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
MA	Coalition of Municipalities	20279	Western Massachusetts Electric	March 19, 1980
	Coalition of Municipalities	557/558	Western Massachusetts Electric	May 14, 1981
	Coalition of Municipalities	957	Western Massachusetts Electric	March 9, 1982
	Coalition of Municipalities	1300	Western Massachusetts Electric	January 1, 1983
	Coalition of Municipalities	85-270	Western Massachusetts Electric	March 26, 1986
MD	Maryland People's Counsel	6977	Washington Gas & Light Company	September 17, 1976
	Maryland People's Counsel	6814	Potomac Electric Power Company	
	Maryland People's Counsel	6807	All Electric Utilities	September 1, 1977
	Maryland People's Counsel	6882	Baltimore Gas & Electric Company	(none)
	Maryland People's Counsel	6985	Baltimore Gas & Electric Company	September 28, 1976
	Maryland People's Counsel	7070	Baltimore Gas & Electric Company	December 20, 1976
	Maryland People's Counsel	7149	Potomac Electric Power Company	April 18, 1978
	Maryland People's Counsel	7163	All Electric Utilities	January 17, 1979
	Maryland People's Counsel	7236	Delmarva Power & Light Company	October 23, 1978
	Maryland People's Counsel	7397	Baltimore Gas & Electric Company	June 20, 1980
	Retail Merchants of Baltimore	7427	Delmarva Power & Light Company	September 8, 1980
	Maryland People's Counsel	7574	Baltimore Gas & Electric Company	December 2, 1981
	Maryland People's Counsel	7597	Potomac Electric Power Company	February 18, 1982
	Maryland People's Counsel	7604	Potomac Electric Power Company	April 20, 1982
	Organization of Consumer Justice	7588	Baltimore Gas & Electric Company	October 19, 1982
	Maryland People's Counsel	7663	Potomac Electric Power Company	November 22, 1982
	Maryland People's Counsel	7685	Baltimore Gas & Electric Company	April 12, 1983
	Retail Merchants of Baltimore	7878	Potomac Electric Power Company	December 9, 1985
	Genstar Stone Products, et al.	7878	Potomac Electric Power Company	June 28/July 1986
	Industrial Intervenors	7983	Baltimore Gas & Electric Company	March 4, 1987
	Maryland People's Counsel	8855	Baltimore Gas & Electric Company	January 8, 2003
	Giant Foods, Inc.	9036	Baltimore Gas & Electric Company	September 29, 2005
	Maryland People's Counsel	9092	Potomac Electric Power Company	April 16, 2007
	Maryland People's Counsel	9093	Delmarva Power & Light Company	April 9, 2007
MI	General Services Administration	U-10102	Detroit Edison Company	March 22, 1993
	Michigan Attorney General	U-11722	Detroit Edison Company	November 6, 1998
	Michigan Attorney General	U-11772	Consumers Energy/Detroit Edison	November 16, 1998
	Michigan Attorney General	U-11495	Detroit Edison Company	December 8, 1999
	Michigan Attorney General	U-11956	Consumer Energy/Detroit Edison	December 15, 1999
	Michigan Attorney General	U-12505	Consumers Energy Company	September 7, 2000
	Michigan Attorney General	U-12478	Detroit Edison Company	October 5, 2000
	Michigan Attorney General	U-12639	Consumers Energy/Detroit Edison	July 18, 2001
	Michigan Attorney General	U-13000	Consumers Energy Company	January 29,2002
	Michigan Attorney General	U-13380	Consumers Energy Company	September 9, 2002
	Michigan Attorney General	U-13715	Consumers Energy Company	April 24, 2003
	Michigan Attorney General	U-13808	Detroit Edison Company	Dec 12, 2003; Jan 30, Mar 5, 04

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Appearances before State Regulatory Agencies

State	Client	Case Number	Utility	Date of Cross-Examination
	Electric, Gas, Water Utility Cases			
MI (Cont'd)	Michigan Attorney General	U-12999	Consumers Energy Company	March 10, 2004
	Michigan Attorney General	U-13898,9	Michigan Consolidated Gas Co.	August 23, 2004
	Michigan Attorney General	U-14201	Detroit Edison Company	Filed December 5, 2004'
	Michigan Attorney General	U-14274	Consumers Energy Company	Filed February 15, 2005
	Michigan Attorney General	U-14148	Consumers Energy Company	Filed March 2, 25, 2005
	Michigan Attorney General	U-14399	Detroit Edison Company	July 29, 2005
	Michigan Attorney General	U-14428	Detroit Edison Company	September 7, 2005
	Michigan Attorney General	U-14292	All Michigan Utilities	September 27, 2005
	Michigan Attorney General	U-13808-R	Detroit Edison Company	November 7, 2005
	Michigan Attorney General	U-14547	Consumers Energy Company	Nov.7, 2005; Mar. 22, 2006
	Michigan Attorney General	U-14701	Consumers Energy Company	March 21, 2006
	Michigan Attorney General	U-14526	Consumers Energy Company	April 11.2006
	Michigan Attorney General	U-14561	All Gas Distribution Utilities	June 1, 2006
	Michigan Attorney General	U-15002	Detroit Edison Company	December 8, 2006
MN	Minnesota Retail Federation	EOO2/6R-77-611	Northern States Power	1979
MO	Missouri Retailers Association	EO-78-161	Kansas City Power & Light Company	February 19, 1981
	Missouri Public Counsel	ER-2006-0315	Empire District Electric Company	September 14, 2006
	Missouri Public Counsel	GR-2007-0003	Ameren UE (Gas)	Filed December 15, 2006
	Missouri Public Counsel	ER-2007-0002	Ameren UE (Electric)	March 22, 2007
NC	North Carolina Merchants Association	E-100	All Electric Utilities	December 18, 1975
ND	North Dakota Public Service Commission	PU-400-00-521	Xcel Energy, Inc.	April 20, 2001
	North Dakota Public Service Commission	PU-399-01-186	Montana-Dakota Utilities (Electric)	February 25, 2002
	North Dakota Public Service Commission	PU-399-02-183	Montana-Dakota Utilities (Gas)	October 7, 2002
	North Dakota Public Service Commission	PU-399-02-183	Montana-Dakota Utilities (Gas Depr.)	Filed April 7, 2003
	North Dakota Public Service Commission	PU-399-03-296	Montana-Dakota Utilities (Electric)	Filed October 15, 2003
	North Dakota Public Service Commission	PU-04-97	Montana-Dakota Utilities (Gas)	Filed July 6, 2004
NH	Business & Industry Association of N.H.	79-187-II	Public Service of N.H.	February 6, 1981
	Business & Industry Association of N.H.	80-260	Public Service of N.H.	February 5, 1981
	Business & Industry Association of N.H.	82-333	Public Service of N.H.	November 2, 1983
NJ	N.J. Retail Merchants Association	803-151	All New Jersey Utilities	March 31, 1981
	Department of Public Advocate	815-459	N.J. Natural Gas Company	(none)
	Resorts International Hotel, Inc.	8011-827	Atlantic City Sewerage Co.	(none)
	Dept. of Public Advocate	822-116	Atlantic City Electric Co.	August 11, 1982
	Dept. of Public Advocate	355-87	Elizabethtown Gas	June 9, 1987
	Dover Township Fire Chiefs	88-080967	Tom's River Water Company	February 22, 1989

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Appearances before State Regulatory Agencies

State	Electric, Gas, Water Utility Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
NY	N.Y. Council of Retail Merchants Metropolitan N.Y. Retail Council Metropolitan N.Y. Retail Council N.Y. Metro. Transit Authority	26806 27029 27136 27353	All Electric Utilities Consolidated Edison Company Long Island Lighting Company Consolidated Edison Company	February 3, 1976 (none) July 1, 1977 September 5, 1980
OH	Ohio Council of Retail Association Ohio Council of Retail Association	88-170-EL 83-1529-EL	Cleveland Elec. Illuminating Cincinnati Gas & Electric	(none) February 15, 1992
PA	Pennsylvania Retail Association Southeastern Pa. Transp. Authority Eastern Penn Energy Users Group Eastern Penn Energy Association Penn Business Utility User Group Pennsylvania Office of Consumer Advocate	76-PRMD-7 R-811626 R-822169 R-842651 R-850152 R-00016339	All Electric Utilities Philadelphia Electric Company Penn. Power & Light Company Penn. Power & Light Company Philadelphia Electric Company Pennsylvania-American Water Co.	September 7, 1977 December 11, 1981 March/April 1983 December 3, 1984 February 19, 1986 September 19, 2001
TX	Houston Retailers Association Houston Retailers Association Cities for Fair Utility Rates	5779 6765 8425/8431	Houston Lighting Company Houston Lighting Company Houston Lighting Company	October 19, 1984 September 25, 1986 April 25, 1989
UT	Div. Of Public Utilities Dept of Commerce Div. Of Public Utilities Dept of Commerce	98-2035-33 05-057-T01	Pacific Corp Questar Gas Company	Filed August 16, Sept 22, 1999 May 17, 2006
VA	Consumer Congress of Virginia Consumer Congress of Virginia Va. Business Committee on Energy Virginia Pipe Trades Council	19426 19960 PUE 7900012 PUE 8900051	Virginia Electric Power Company Virginia Electric Power Company Virginia Electric Power Company Old Dominion Electric Corp. &	July 1, 1975 September 19, 1978 February 25, 1981 October 31, 1989
WI	Wisconsin Merchants Federation	6630-ER-2	Wisconsin Electric Power Company	May 15, 1978

CHARLES W. KING
Appearances before State Regulatory Agencies

State	Client	Case Number	Utility	Date of Cross-Examination
	Telecommunications Cases			
AL	U.S. Department of Defense	24472	All Telephone Companies	June 14, 1995
AK	GCI Communications, Inc.	U-97-82,U-97-143	Alaska Communications Systems	Filed Feb 25, April 5, 2004
	GCI Communications, Inc.	U-05-46	Matanuska Telephone Association	October 28, 2005
AZ	Arizona Burglar & Fire Alarm Association	9981-E-1051-80-64	Mountain State Telephone	(none)
	Federal Executive Agencies	E-1051-88-146	Mountain State Telephone	(none)
	U.S. Department of Defense	T-01051B-99-0105	US WEST Communications	Filed July 26, Sept 8, 2000
CA	Western Burglar & Fire Alarm Association	59849	Pacific Telephone & Telegraph	March 25, 1981
	Western Burglar & Fire Alarm Association	5984cont.	Pacific Telephone & Telegraph	June 23, 1982
	Western Burglar & Fire Alarm Association	A83-01-22	Pacific Telephone & Telegraph	June 29, 1983
	Western Burglar & Fire Alarm Association	A83-02-02	General Telephone of California	January 17, 1984
	Western Burglar & Fire Alarm Association	A82-11-07	Pacific Telephone & Telegraph	Jan. 18, Oct. 31, Nov 28, 1984
	Western Burglar & Fire Alarm Association	A85-01-034	Pacific Telephone & Telegraph	June 4, 1985, October 2, 1986
	Western Burglar & Fire Alarm Association	A87-01-02	General Telephone of California	October 22, 1987
	Western Burglar & Fire Alarm Association	A88-07-17019	Pac. Bell Tel. & GTE of CA.	January 23, 1989
	California Cellular Resellers	A.88-11-1040	All Cellular Carriers	August 11, 1989
	Federal Executive Agencies	1.87-11-033	All Telephone Companies	March 6-7, 1991
	California Cellular Resellers	1.88-11-040	All Cellular Carriers	August 19, 1991
	Cellular Services, Inc.	1.88-11-040	All Cellular Carriers	October 3, 1991
	Federal Executive Agencies	A92-05-004	Pacific Telephone & Telegraph	June 9, 1993
CO	U.S. Department of Defense	I&S 717	Mountain Bell Telephone Company	1972
	U.S. Department of Defense	I&S 1700	Mountain Bell Telephone Company	(none)
	U.S. Department of Defense	Appl.	Mountain Bell Telephone Company	September 18, 1986
	U.S. Department of Defense	I&S 1766	Mountain Bell Telephone Company	November 28, 1988
	Colorado Municipal League	Appl 36883	Mountain Bell Telephone Company	December 13, 1988
	U.S. Department of Defense	I&S 891-O82T	U.S. West Communications	February 21, 1990
	U.S. Department of Defense	905-544T	U.S. West Communications	July 17, 1991
	U.S. Department of Defense	90A-665T	U.S. West Communications	October 23, 1991
	U.S. Department of Defense	92M-039T	U.S. West Communications	February 24-24, 1992
	U.S. Department of Defense	92S-229T	U.S. West Communications	July 30-31, 1992
	U.S. Department of Defense	90A-665T	U.S. West Communications	November 6, 1996
	AT&T	96S-331T	U.S. West Communications	April 17, 1997

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Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
CT	Connecticut Consumer Counsel	770526	Southern New England Telephone Co.	November 10, 1977
	CT Cellular Resellers Assn.	89-12-05	Southern New England Telephone Co.	(none)
	CT Cellular Resellers Coalition	94-03-27	Springwich Cellular/Bell Atlantic	May 16, June, 1994
	AT&T	AT&T/SNET Arbitration	Southern New England Telephone Co.	Filed October 28, 1996
	Connecticut Consumer Counsel	96-04-07	Southern New England Telephone Co.	February 10,1998
	Connecticut Consumer Counsel	00-07-17	Southern New England Telephone Co.	December 5, 2000
DC	D.C. People's Counsel	729	Chesapeake & Potomac Tel. Co.	May 13, 1980
	D.C. People's Counsel	798	Chesapeake & Potomac Tel. Co.	July 18, 1983
	General Services Administration	827	Chesapeake & Potomac Tel. Co.	May 7, 1985
	General Services Administration	854	Chesapeake & Potomac Tel. Co.	April 16, 1987
	General Services Administration	850	Chesapeake & Potomac Tel. Co.	October 7, 1991
	General Services Administration	926	Chesapeake & Potomac Tel. Co.	October 7, 1993
DE	Public Service Commission	Depr.Repre	Diamond State Telephone Co.	April 1, 1985
	Federal Executive Agencies	86-20	Diamond State Telephone Co.	July 31, 1987
	Public Service Commission	Depr.Repre	Diamond State Telephone Co.	March 8, 1988
FL	GTE Sprint Communications Company	720536-TP	All Telephone Companies	September 12, 1983
	Office of Public Counsel	Depr.Repre	Southern Bell	July 30, 1986
	Federal Executive Agencies	880069-TL	Southern Bell	July 21, 1988
	Federal Executive Agencies	880069-TL	Southern Bell	November 30, 1990
	Federal Executive Agencies	880069-TL	Southern Bell	February 11, 1992
GA	Georgia Attorney General	3893-U	Southern Bell Telephone Co.	January 8, 1990
	Federal Executive Agencies	3905-U	Southern Bell Telephone Co.	June 12, 1990
	Federal Executive Agencies	3987-U	Southern Bell Telephone Co.	February 13, 1992
	Georgia Public Service Commission	4018-U	Southern Bell Telephone Co.	Jan 14, Feb 10, 1993
HI	Hawaii Public Utility Commission	1871	Hawaiian Telephone Company	July 8, 1971
	Four Hawaii Counties	4588	Hawaiian Telephone Company	December 15, 1983
	Department of Defense	7579	Hawaiian Telephone Company	April 26, 1994
	Department of Defense	94-0093	Oceanic Communications	March 13, 1995
	Department of Defense	7702	All Communications Carriers	June 2, 1995
	Department of Defense	94-0298	GTE Hawaiian Telephone Company	May 7, 1996
	Department of Defense	7720	Verizon-Hawaii	November 15, 2000

CHARLES W. KING
Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
ID	U.S. Department of Energy U.S. Department of Energy	U-1000-63 U-1000-70	Mountain Bell Telephone Co. Mountain Bell Telephone Co.	May 16, 1983 March 6, 1984
IL	Illinois Alarm Companies Attorney General of Illinois GTE Sprint Communications Co. Federal Executive Agencies	79-0143 81-0478 83-0142 89-0033	Illinois Bell Telephone Illinois Bell Telephone All Telephone Companies Illinois Bell Telephone	September 26, 1979 December 28, 1981 August 4, 1983 June 12, 1989
KS	State Corporation Commission Federal Executive Agencies Federal Executive Agencies	Depr. Repr. 166.856-U 190, 492	Southwestern Bell Southwestern Bell All Telephone Companies	May 12-14, 1986 November 7, 1989 November 4, 1994
KY	Kentucky Cable Telecommunications Assn. Kentucky Cable Telecommunications Assn.	2000-414 2000-39	Blue Grass Energy Cooperative Cumberland Valley Electric, Inc.	January 11, 2001 January 11, 2001
MD	Maryland People's Counsel Maryland People's Counsel Maryland People's Counsel Maryland People's Counsel Federal Executive Agencies Federal Executive Agencies Federal Executive Agencies	6813 6881 7025 7467 7851 8106 8274	C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company C&P Telephone Company	1975 December 17, 1975 March 15, 1975 October 20, 1981 March 20, 1985 May 9, 1988 August 2, 1990
MI	Michigan Attorney General Michigan Attorney General	U-8911 U-9553	Michigan Bell Telephone Co. AT&T Communications/MCI	November 7, 1988 December 4, 1990
MN	GTE Sprint Communications Co. U.S. Department of Defense	83-102-HC 87-021-BC	All Telephone Companies Northwest Bell Telephone Co.	August 5, 1983 (none)

CHARLES W. KING
Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
MO	GTE Sprint Communications Co. Federal Executive Agencies Federal Executive Agencies	TR83-253 TC-89-14 TO-89-56	Southwestern Bell Tel. Co. Southwestern Bell Tel. Co. Southwestern Bell Tel. Co.	September 5, 1983 (none) November 7, 1990
MS	Federal Executive Agencies	U-5453	South Central Bell Tel. Co.	May 15, 1990
NJ	Department of Public Advocate Department of Public Advocate Department of Public Advocate Department of Public Advocate Department of Public Advocate Department of Public Advocate	Depr.Repr. 815-458 Depr.Repr. Depr.Repr. T092030358 TMO05080739	N.J. Bell Telephone Company N.J. Bell Telephone Company N.J. Bell Telephone Company N.J. Bell Telephone Company N.J. Bell Telephone Company United Telephone Co. of New Jersey	Mar-79 October 15, 1981 March 1, 1982 February 1, 1985 September 30, 1992 January 5,2006
NM	New Mexico Corporation Commission New Mexico Corporation Commission	1032 86-151-TC	Mountain Bell Telephone Co. General Telephone of Southwest	November 14, 1983 February 5, 1987
NV	Prime Cable of Las Vegas Prime Cable of Las Vegas	95-8034/8035 96-9035	Central Telephone - NV Sprint/Centel, Nevada Bell	Filed November 22, 1995 June 2, 1997
NY	Holmes Protection, Inc. Holmes Protection, Inc. 5 Alarm Companies GTE Sprint Communications Co.	27350 27469 27710 28425	New York Telephone Company New York Telephone Company New York Telephone Company All Telephone Companies	October 17, 1978 May 17, 1979 July 24, 1980 July 8, 1983
PA	City of Philadelphia	R-832316	Pennsylvania Bell Telephone	September 20, 1983
SC	Office of Consumer Advocate Office of Consumer Advocate Office of Consumer Advocate Office of Consumer Advocate Office of Consumer Advocate	Depr.Repr. 86-511-C 86-541-C Depr.Repr. 89-180-C	Southern Bell Southern Bell General Telephone of South Southern Bell ALLTEL of South Carolina	July 1, 1986 December 11, 1986 April 8, 1987 July 10, 1989 September 26, 1989

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Appearances before State Regulatory Agencies

State	Telecommunications Cases			Date of Cross-Examination
	Client	Case		
		Case Number	Utility	
TX	U.S. Department of Defense	8585/8218	Southwestern Bell Telephone Co.	(none)
VA	U.S. Dept. Of Defense, GSA, et Federal Executive Agencies	19696 PUC 890014	C&P Telephone Company All Telephone Companies	October 6, 1976 February 13, 1989
VI	V.I. Department of Commerce V.I. Public Service Commission	205 341	Virgin Islands Telephone Co. Virgin Islands Telephone Co.	April 29, 1980 March 20, 1991
WA	U.S. Department of Defense U.S. Department of Defense U.S. Department of Defense U.S. Department of Defense WA Attorney General/TRACER U.S. Department of Defense U.S. Department of Defense WA Attorney General/TRACER WA Attorney General/TRACER U.S. Department of Defense WA Attorney General/WeBTEC/AARP WA Attorney General WA Attorney General	U-72-39 U-87-796-T U-88-20524 U-89-2698-F UT-940641 UT-941464 UT-951425 UT-961632 UT-021120 UT-040788 UT-040520 UT-050814	Pacific Northwest Bell Pacific Northwest Bell Pacific Northwest Bell US West Communications US West Communications US West Communications US West Communications US West Communications GTE Northwest, Inc Qwest Communications Verizon Northwest, Inc. Verizon Northwest, Inc. Verizon - MCI Merger	1973 December 20, 1983 November 8, 1988 November 28, 1989 Filed October 14, 1994 June 22, 1995 January 22, 1996 Filed June 23, 1997 July 29, 1997 May 22, 2003 August 12, 2004 February 2, 2005 November 2, 2005
WI	GTE Sprint Wisconsin Consumers Utility Board Wisconsin Consumers Utility Board	6720-TR-38 2055-TR-102 5846-TR-102	All Telephone Companies CenturyTel of Central Wisconsin Telephone USA, LCC	October 20, 1983 June 26, 2002 June 26, 2002

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Appearances before Federal Regulatory Agencies

Client	Docket	Subject	Date of Cross-Examination
Federal Communications Commission			
Department of Defense	16020	Consat Rate of Return	1973
Airline Parties	16258	Bell System Rates	July 22, 1968
Airline Parties	18128	TELPAK	3/22, 10/15 1971, Feb. 22, 1972
National Data Corporation	19989	WATS	(none)
Press Wire Services	19919	Private Line Rates	(none)
Aeronautical Radio	20814	Private Line Rates	October 5, 1978
Department of Defense	20690	1,544 Mbps Service	January 30, 1979
State of Hawaii	21263	Interstate Separation	February 7, 1979
International Record Carriers	CC78-97	Telex/TWX Rates	March 6, 1980
ITT World Communications	CC84-633	Rate of Return	(none)
Aeronautical Radio	CC78-72	Access Line Charges	(none)
MCI	CC84-800	Rate of Return	(none)
Ind. Data Com. Mfg. Assn.	CC85-26	AT&T Accounting Plan	(none)
Tymnet, Inc.	ENF84-22	Packet Switching Costs	(none)
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 7/29/94
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 8/23/94
Adelphia Jones Intercable, et. al.	Bell Atlantic	Video Dialtone	Filed 2/21/95
Nuclear Regulatory Commission			
Fauquier League for Environment Protection	50-328 50-329	Va. Electric Power Co.	1976
Postal Rate Commission			
Association of Third Class Mail Users	R71-1	Rates	1970
Dow Jones & Company	R72-1	Rates	1972
Dow Jones & Company	R74-1	Rates	September 13, 1974
Dow Jones & Company	MC76-2	Rate Structure	January 6, 1979
Dow Jones & Company	MC79-3	Rate Structure	September 12, 1979
Dow Jones & Company	R80-1	Rates	November 25, 1980
Warshawsky & Company	C82-1	Rate Structure	(none)
Dow Jones & Company	R84-1	Postal Costs	June 14, 1984
Dow Jones & Company	R87-1	Rate Structure Costs	November 2, 1987
Dow Jones & Company	R90-1	Rate Structure Costs	Sept 12, Oct 10, 1990
Dow Jones & Company	MC91-1	Pre-barcoding Discounts	November 19, 1991
Dow Jones & Company	MC91-3	Palletization Discounts	March 2, 1992

CHARLES W. KING
Appearances before Federal Regulatory Agencies

Client	Docket	Subject	Date of Cross-Examination
U.S. Congress			
National Retail Merchants Association	House/Senate Hearings	Electric Rate Reform Legislation	1976, 1977 & 1979
National Wireless Resellers Association	House Commerce Committee	Interconnection & Resale of Wireless Services	October 12, 1995
Federal Maritime Commission			
State of Hawaii	71-18	Ocean Shipping Rates	October-71
Foss Alaska Line	79-54	Barge Rate Increase	July 1979
Palmetto Shipping and Stevadoring	85-20	Vessel Charge Liability	October 27, 1986
Interstate Commerce Commission - Surface Transportation Board			
Western Coal Traffic League	Ex Parte 349	R.R. Rate Increase	May-76
Western Coal Traffic League	Ex Parte 357	R.R. Rate Increase	Oct-78
Western Coal Traffic League	Ex Parte 375 (Sub1)	R.R. Rate Increase	June 1, 1980
Arkansas Power & Light Co.	37276	Cost of Capital	(none)
Central Illinois Light Co.	37450	Cost of Capital	March 10, 1981
Western Coal Traffic League	Ex Parte 347	Costing Methods	(none)
Snavely King Majoros O'Connor & Lee, Inc.	Ex Parte 664	Cost of Capital	December 8, 2006
Civil Aeronautics Board			
Thomas Cook, Inc.	36595	Air Fare Deregulation	(none)
Copyright Royalty Tribunal			
Public Broadcasting Service	88-2-86CD	Television Valuation	(none)
Federal Energy Regulatory Commission			
Exxon USA	OR89-2-000	Pipeline Quality Bank	October 18, 1990
Canadian Transport Commission			
Rail Costing Inquiry, 1967-1969 Telecommunications Costing Inquiry, 1972-1975			
Surface Transportation Board			
Williams Energy Services, Inc	Ex Parte 582, Sub 1	Rail Merger Guidelines	April 5, 2001

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Plant in Service										
Gas Supply Costs										
Demand	PTIS	PTISGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	PTIS	PTISGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses				$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	PTIS	PTISSD	DEM02	$ 17,875,861	$ 8,293,256	$ 2,639,573	$ 6,943,033	$ -	$ -	$ -
Commodity	PTIS	PTISSC	COM02	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Storage				$ 17,875,861	$ 8,293,256	$ 2,639,573	$ 6,943,033	$ -	$ -	$ -
Transmission										
Demand	PTIS	PTISTD	TDEM	$ 57,549,027	$ 16,048,581	$ 5,092,582	$ 12,544,907	$ 2,581,547	$ 5,290,335	$ 15,991,076
Commodity	PTIS	PTISTC	COM03	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Transmission				$ 57,549,027	$ 16,048,581	$ 5,092,582	$ 12,544,907	$ 2,581,547	$ 5,290,335	$ 15,991,076
Distribution Expenses										
Commodity	PTIS	PTISDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	PTIS	PTISDSD	DEM04	$ 2,553,073	$ 1,117,345	$ 354,559	$ 873,410	$ 179,734	$ 28,025	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Plant in Service (Continued)										
Distribution Mains				-	0.29	0.10	0.37	0.21	0.04	
Demand	PTIS	PTISDMD	DEM05	$ 30,091,574	$ 13,169,488	$ 4,178,980	$ 10,294,368	$ 2,118,421	$ 330,319	$ -
Commodity	PTIS	PTISDMC	COM04	39,148,127	$ 11,546,651	$ 3,747,203	$ 14,334,013	$ 8,128,764	$ 1,391,496	$ -
Total Distribution Mains				69,239,701	$ 24,716,139	$ 7,926,183	$ 24,628,380	$ 10,247,184	$ 1,721,815	$ -
Services										
Customer	PTIS	PTISSC	CUST02	$ 14,376,625	$ 10,402,095	$ 2,949,667	$ 979,288	$ 42,239	$ 3,335	$ -
Meters										
Customer	PTIS	PTISMC	CUST03	$ 18,745,871	$ 11,403,369	$ 1,852,410	$ 4,322,532	$ 1,035,848	$ 131,713	$ -
Customer Accounts										
Customer	PTIS	PTISCAC	CUST04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Service										
Customer	PTIS	PTISCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		PLT		$ 180,340,159	$ 71,980,785	$ 20,814,974	$ 50,291,549	$ 14,086,553	$ 7,175,223	$ 15,991,076

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Rate Base										
Gas Supply Costs										
Demand	NCRB	RBGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	NCRB	RBGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses				$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	NCRB	RBSD	DEM02	$ 21,666,046	$ 10,051,659	$ 3,199,236	$ 8,415,150	$ -	$ -	$ -
Commodity	NCRB	RBSC	COM02	32,330	$ 14,289	$ 4,722	$ 13,319	$ -	$ -	$ -
Total Storage				$ 21,698,376	$ 10,065,949	$ 3,203,959	$ 8,428,469	$ -	$ -	$ -
Transmission										
Demand	NCRB	RBTD	TDEM	$ 34,615,060	$ 9,653,032	$ 3,063,128	$ 7,545,613	$ 1,552,770	$ 3,182,074	$ 9,618,444
Commodity	NCRB	RBTC	COM03	34,669	$ 3,599	$ 1,168	$ 4,468	$ 2,534	$ 5,663	$ 17,236
Total Transmission				$ 34,649,729	$ 9,656,631	$ 3,064,296	$ 7,550,082	$ 1,555,304	$ 3,187,737	$ 9,635,680
Distribution Expenses					0.29	0.10	0.37	0.21	0.04	-
Commodity	NCRB	RBDEC	COM04	$ 8,836	$ 2,606	$ 846	$ 3,235	$ 1,835	$ 314	$ -
Distribution Structures & Equipment										
Demand	NCRB	RBDSD	DEM04	$ 1,515,862	$ 663,412	$ 210,516	$ 518,578	$ 106,715	$ 16,640	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Rate Base (Continued)										
Distribution Mains										
Demand	NCRB	RBDMD	DEM05	$ 17,901,507	$ 7,834,541	$ 2,486,079	$ 6,124,129	$ 1,260,251	$ 196,507	$ -
Commodity	NCRB	RBDMC	COM04	23,289,259	$ 6,869,114	$ 2,229,215	$ 8,527,318	$ 4,835,809	$ 827,802	$ -
Total Distribution Mains				41,190,766	$ 14,703,655	$ 4,715,294	$ 14,651,447	$ 6,096,060	$ 1,024,309	$ -
Services										
Customer	NCRB	RBSC	CUST02	$ 8,520,666	$ 6,165,062	$ 1,748,194	$ 580,399	$ 25,034	$ 1,976	$ -
Meters										
Customer	NCRB	RBMC	CUST03	$ 11,132,896	$ 6,772,292	$ 1,100,119	$ 2,567,088	$ 615,175	$ 78,222	$ -
Customer Accounts										
Customer	NCRB	RBCAC	CUST04	$ 220,794	$ 174,835	$ 24,064	$ 20,504	$ 652	$ 87	$ 652
Customer Service										
Customer	NCRB	RBCSC	CUST05	$ 344	$ 294	$ 41	$ 9	$ 0	$ 0	$ -
Total		RBT		$ 118,938,270	$ 48,204,737	$ 14,067,328	$ 34,319,811	$ 8,400,776	$ 4,309,286	$ 9,636,332

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Operation and Maintenance Expenses										
Gas Supply Costs										
Demand	OMT	OMGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	OMT	OMGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		OMGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	OMT	OMSD	DEM02	$ 376,007	$ 174,443	$ 55,522	$ 146,042	$ -	$ -	$ -
Commodity	OMT	OMSC	COM02	257,240	$ 113,694	$ 37,573	$ 105,973	$ -	$ -	$ -
Total Storage		OMST		$ 633,246	$ 288,137	$ 93,095	$ 252,015	$ -	$ -	$ -
Transmission										
Demand	OMT	OMTD	TDEM	$ 2,802,949	$ 781,653	$ 248,036	$ 611,005	$ 125,735	$ 257,668	$ 778,852
Commodity	OMT	OMTC	COM03	275,846	$ 28,639	$ 9,294	$ 35,553	$ 20,162	$ 45,060	$ 137,139
Total Transmission		OMTRT		$ 3,078,795	$ 810,292	$ 257,330	$ 646,557	$ 145,897	$ 302,728	$ 915,991
Distribution Expenses										
Commodity	OMT	OMDEC	COM04	$ 70,306	$ 20,737	$ 6,730	$ 25,742	$ 14,598	$ 2,499	$ -
Distribution Structures & Equipment										
Demand	OMT	OMDSD	DEM04	$ 145,166	$ 63,532	$ 20,160	$ 49,662	$ 10,220	$ 1,594	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Operation and Maintenance Expenses (Continued										
Distribution Mains										
Demand	OMT	OMDMD	DEM05	$ 1,721,636	$ 753,469	$ 239,093	$ 588,974	$ 121,202	$ 18,899	$ -
Commodity	OMT	OMDMC	COM04	2,239,790	$ 660,621	$ 214,390	$ 820,095	$ 465,073	$ 79,612	$ -
Total Distribution Mains				3,961,426	$ 1,414,090	$ 453,482	$ 1,409,069	$ 586,274	$ 98,511	$ -
Services										
Customer	OMT	OMSC	CUST02	$ 766,364	$ 554,497	$ 157,236	$ 52,202	$ 2,252	$ 178	$ -
Meters										
Customer	OMT	OMMC	CUST03	$ 1,087,545	$ 661,568	$ 107,468	$ 250,772	$ 60,095	$ 7,641	$ -
Customer Accounts										
Customer	OMT	OMCAC	CUST04	$ 1,756,764	$ 1,391,087	$ 191,467	$ 163,138	$ 5,190	$ 692	$ 5,190
Customer Service										
Customer	OMT	OMCSC	CUST05	$ 2,737	$ 2,343	$ 322	$ 69	$ 2	$ 0	$ -
Total		OMTT		$ 11,502,349	$ 5,206,281	$ 1,287,290	$ 2,849,226	$ 824,528	$ 413,842	$ 921,181

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Payroll Expenses										
Gas Supply Costs										
Demand	LBTOT	LBGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	LBTOT	LBGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		LBGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	LBTOT	LBSD	DEM02	$ 130,590	$ 60,586	$ 19,283	$ 50,722	$ -	$ -	$ -
Commodity	LBTOT	LBSC	COM02	63,847	$ 28,219	$ 9,326	$ 26,302	$ -	$ -	$ -
Total Storage		LBST		$ 194,437	$ 88,804	$ 28,609	$ 77,024	$ -	$ -	$ -
Transmission										
Demand	LBTOT	LBTD	TDEM	$ 1,889,995	$ 527,059	$ 167,248	$ 411,993	$ 84,782	$ 173,742	$ 525,171
Commodity	LBTOT	LBTC	COM03	157,677	$ 16,370	$ 5,313	$ 20,322	$ 11,525	$ 25,757	$ 78,390
Total Transmission		LBTRT		$ 2,047,672	$ 543,430	$ 172,561	$ 432,316	$ 96,307	$ 199,499	$ 603,561
Distribution Expenses										
Commodity	LBTOT	LBDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	LBTOT	LBDSD	DEM04	$ 84,344	$ 36,913	$ 11,713	$ 28,854	$ 5,938	$ 926	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Payroll Expenses										
Distribution Mains										
Demand	LBTOT	LBDMD	DEM05	$ 1,072,603	$ 469,421	$ 148,958	$ 366,939	$ 75,510	$ 11,774	$ -
Commodity	LBTOT	LBDMC	COM04	1,395,420	$ 411,576	$ 133,568	$ 510,930	$ 289,747	$ 49,599	$ -
Total Distribution Mains				2,468,023	$ 880,997	$ 282,526	$ 877,869	$ 365,257	$ 61,373	$ -
Services										
Customer	LBTOT	LBSC	CUST02	$ 474,949	$ 343,646	$ 97,446	$ 32,352	$ 1,395	$ 110	$ -
Meters										
Customer	LBTOT	LBMC	CUST03	$ 653,285	$ 397,402	$ 64,556	$ 150,638	$ 36,099	$ 4,590	$ -
Customer Accounts										
Customer	LBTOT	LBCAC	CUST04	$ 843,051	$ 667,566	$ 91,883	$ 78,288	$ 2,491	$ 332	$ 2,491
Customer Service										
Customer	LBTOT	LBCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		LBTT		$ 6,765,762	$ 2,958,759	$ 749,293	$ 1,677,342	$ 507,486	$ 266,831	$ 606,051

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Depreciation Expenses										
Gas Supply Costs										
Demand	DEPREX	DEGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	DEPREX	DEGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		DEGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	DEPREX	DESD	DEM02	$ 272,969	$ 126,640	$ 40,307	$ 106,022	$ -	$ -	$ -
Commodity	DEPREX	DESC	COM02	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Storage		DEST		$ 272,969	$ 126,640	$ 40,307	$ 106,022	$ -	$ -	$ -
Transmission										
Demand	DEPREX	DETD	TDEM	$ 1,292,154	$ 360,340	$ 114,344	$ 281,672	$ 57,964	$ 118,784	$ 359,049
Commodity	DEPREX	DETC	COM03	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Transmission		DETT		$ 1,292,154	$ 360,340	$ 114,344	$ 281,672	$ 57,964	$ 118,784	$ 359,049
Distribution Expenses										
Commodity	DEPREX	DEDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	DEPREX	DEDSD	DEM04	$ 65,118	$ 28,499	$ 9,043	$ 22,277	$ 4,584	$ 715	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Depreciation Expenses (Continued'										
Distribution Mains										
Demand	DEPREX	DEDMD	DEM05	$ 747,809	$ 327,277	$ 103,852	$ 255,827	$ 52,645	$ 8,209	$ -
Commodity	DEPREX	DEDMC	COM04	972,875	$ 286,947	$ 93,122	$ 356,216	$ 202,009	$ 34,580	$ -
Total Distribution Mains				1,720,684	$ 614,224	$ 196,975	$ 612,043	$ 254,654	$ 42,789	$ -
Services										
Customer	DEPREX	DESC	CUST02	$ 351,207	$ 254,113	$ 72,058	$ 23,923	$ 1,032	$ 81	$ -
Meters										
Customer	DEPREX	DEMC	CUST03	$ 532,606	$ 323,991	$ 52,630	$ 122,811	$ 29,430	$ 3,742	$ -
Customer Accounts										
Customer	DEPREX	DECAC	CUST04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Service										
Customer	DEPREX	DECSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		DET		$ 4,234,739	$ 1,707,808	$ 485,357	$ 1,168,748	$ 347,664	$ 166,112	$ 359,049

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Other Taxes										
Gas Supply Costs										
Demand	OTT	OTTGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	OTT	OTTGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		OTTGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	OTT	OTTSD	DEM02	$ 130,765	$ 60,667	$ 19,309	$ 50,790	$ -	$ -	$ -
Commodity	OTT	OTTSC	COM02	5,104	$ 2,256	$ 746	$ 2,103	$ -	$ -	$ -
Total Storage		OTTST		$ 135,870	$ 62,923	$ 20,055	$ 52,892	$ -	$ -	$ -
Transmission										
Demand	OTT	OTTTD	TDEM	$ 549,874	$ 153,342	$ 48,659	$ 119,865	$ 24,666	$ 50,549	$ 152,793
Commodity	OTT	OTTTC	COM03	12,606	$ 1,309	$ 425	$ 1,625	$ 921	$ 2,059	$ 6,267
Total Transmission		OTTTT		$ 562,480	$ 154,651	$ 49,084	$ 121,490	$ 25,588	$ 52,608	$ 159,060
Distribution Expenses										
Commodity	OTT	OTTDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	OTT	OTTDSD	DEM04	$ 23,940	$ 10,477	$ 3,325	$ 8,190	$ 1,685	$ 263	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Other Taxes (Continued)										
Distribution Mains										
Demand	OTT	OTTDMD	DEM05	$ 288,788	$ 126,387	$ 40,106	$ 98,795	$ 20,330	$ 3,170	$ -
Commodity	OTT	OTTDMC	COM04	375,703	$ 110,813	$ 35,962	$ 137,563	$ 78,011	$ 13,354	$ -
Total Distribution Mains				664,491	$ 237,200	$ 76,067	$ 236,358	$ 98,342	$ 16,524	$ -
Services										
Customer	OTT	OTTSC	CUST02	$ 134,806	$ 97,538	$ 27,658	$ 9,183	$ 396	$ 31	$ -
Meters										
Customer	OTT	OTTMC	CUST03	$ 178,494	$ 108,580	$ 17,638	$ 41,158	$ 9,863	$ 1,254	$ -
Customer Accounts										
Customer	OTT	OTTCAC	CUST04	$ 67,400	$ 53,371	$ 7,346	$ 6,259	$ 199	$ 27	$ 199
Customer Service										
Customer	OTT	OTTCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		OTTT		$ 1,767,481	$ 724,740	$ 201,173	$ 475,529	$ 136,073	$ 70,707	$ 159,259

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Interest Expense										
Gas Supply Costs										
Demand	INT	INTGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	INT	INTGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		INTGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	INT	INTSD	DEM02	$ 487,325	$ 226,088	$ 71,959	$ 189,278	$ -	$ -	$ -
Commodity	INT	INTSC	COM02	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Storage		INTST		$ 487,325	$ 226,088	$ 71,959	$ 189,278	$ -	$ -	$ -
Transmission										
Demand	INT	INTTD	TDEM	$ 1,615,059	$ 450,388	$ 142,919	$ 352,061	$ 72,449	$ 148,468	$ 448,775
Commodity	INT	INTTC	COM03	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Transmission		INTTT		$ 1,615,059	$ 450,388	$ 142,919	$ 352,061	$ 72,449	$ 148,468	$ 448,775
Distribution Expenses										
Commodity	INT	INTDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	INT	INTDSD	DEM04	$ 69,647	$ 30,481	$ 9,672	$ 23,826	$ 4,903	$ 765	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
<u>Interest Expense (Continued)</u>										
Distribution Mains										
Demand	INT	INTDMD	DEM05	$ 822,308	$ 359,881	$ 114,198	$ 281,313	$ 57,890	$ 9,027	$ -
Commodity	INT	INTDMC	COM04	1,069,795	$ 315,534	$ 102,399	$ 391,704	$ 222,134	$ 38,025	$ -
Total Distribution Mains				1,892,104	$ 675,415	$ 216,598	$ 673,016	$ 280,023	$ 47,052	$ -
Services										
Customer	INT	INTSC	CUST02	$ 392,190	$ 283,766	$ 80,466	$ 26,715	$ 1,152	$ 91	$ -
Meters										
Customer	INT	INTMC	CUST03	$ 511,381	$ 311,080	$ 50,533	$ 117,917	$ 28,258	$ 3,593	$ -
Customer Accounts										
Customer	INT	INTCAC	CUST04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Service										
Customer	INT	INTCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		INTT		$ 4,967,706	$ 1,977,217	$ 572,147	$ 1,382,814	$ 386,785	$ 199,969	$ 448,775

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Net Operating Income -- Adjusted Test Perioc										
Operating Revenues										
Sales and Transportation		REVUC	R01	25,395,331	11,599,893	3,391,784	5,685,582	1,625,063	608,063	2,484,947
Collection Fees		COLFEE	COLL	$ 137,310	$ 124,139	$ 12,285	$ 886	$ -	$ -	$ -
Reconnect Revenue		RCTREV	RCNCT	113,896	$ 97,954	$ 15,030	$ 864	$ 48	$ -	$ -
Bad Check Revenue		BDCH	BDCK	10,095	$ 9,035	$ 970	$ 90	$ -	$ -	$ -
Total Operating Revenues -- Per Books		TOR		$ 25,656,632	$ 11,831,021	$ 3,420,069	$ 5,687,422	$ 1,625,110	$ 608,063	$ 2,484,947
Pro-Forma Adjustments to Revenues										
Temperature normalization		REVADJ1		$ 106,453	$ (53,005)	$ (6,064)	$ 163,640	$ 1,882	$ -	$ -
Total Revenue Adjustments				$ 106,453	$ (53,005)	$ (6,064)	$ 163,640	$ 1,882	$ -	$ -
Total Adjusted Revenue				$ 25,763,085	$ 11,778,016	$ 3,414,004	$ 5,851,062	$ 1,626,992	$ 608,063	$ 2,484,947
Expenses										
Operation and Maintenance Expenses				$ 11,502,349	$ 5,206,281	$ 1,287,290	$ 2,849,226	$ 824,528	$ 413,842	$ 921,181
Depreciation and Amortization Expenses				$ 4,234,739	1,707,808	485,357	1,168,748	347,664	166,112	359,049
Other Taxes				$ 1,767,481	724,740	201,173	475,529	136,073	70,707	159,259
Total Operating Expenses		TOE		$ 17,504,569	$ 7,638,829	$ 1,973,820	$ 4,493,504	$ 1,308,266	$ 650,661	$ 1,439,489

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Net Operating Income -- Adjusted Test Period (Cont.										
Pro-Forma Adjustments to Expenses										
Labor Adjustment		EXADJ1	LBTT	$ 52,914	$ 23,140	$ 5,860	$ 13,118	$ 3,969	$ 2,087	$ 4,740
Eliminate Advedrtising Expenses		EXADJ2	REVUC	(2,264)	$ (1,034)	$ (302)	$ (507)	$ (145)	$ (54)	$ (222)
Lobbying Expense		EXADJ3	REVUC	(26,488)	$ (12,099)	$ (3,538)	$ (5,930)	$ (1,695)	$ (634)	$ (2,592)
Community Relations		EXADJ4	REVUC	(22,664)	$ (10,352)	$ (3,027)	$ (5,074)	$ (1,450)	$ (543)	$ (2,218)
Marketing		EXADJ5	OMTT	(3,973)	$ (1,798)	$ (445)	$ (984)	$ (285)	$ (143)	$ (318)
Rate Case Expenses		EXADJ6	OMTT	33,700	$ 15,254	$ 3,772	$ 8,348	$ 2,416	$ 1,212	$ 2,699
Depreciation Expenses		EXADJ7	DET	292,968	$ 118,150	$ 33,578	$ 80,856	$ 24,052	$ 11,492	$ 24,840
Payroll Tax		EXADJ8	LBTT	3,910	$ 1,710	$ 433	$ 969	$ 293	$ 154	$ 350
Total Expense Adjustments		ADJTOT		$ 328,103	$ 132,969	$ 36,331	$ 90,796	$ 27,155	$ 13,571	$ 27,279
Net Income Before Income Taxes				$ 7,930,413	$ 4,006,218	$ 1,403,853	$ 1,266,761	$ 291,571	$ (56,170)	$ 1,018,178
Income Taxes			TXINC	$ 1,138,000	$ 803,649	$ 334,354	$ (75,256)	$ (47,361)	$ (109,182)	$ 231,797
Net Operating Income (Adjusted)		TOM		$ 6,792,413	$ 3,202,569	$ 1,069,500	$ 1,342,018	$ 338,932	$ 53,012	$ 786,382
Net Cost Rate Base				$ 118,938,270	$ 48,204,737	$ 14,067,328	$ 34,319,811	$ 8,400,776	$ 4,309,286	$ 9,636,332
Rate of Return -- Actual				5.71%	6.64%	7.60%	3.91%	4.03%	1.23%	8.16%

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Net Operating Income -- Adjusted For Increase										
Test Year Operating Income				$ 6,792,413	$ 3,202,569	$ 1,069,500	$ 1,342,018	$ 338,932	$ 53,012	$ 786,382
Proposed Increase				$ 5,563,328	$ 3,847,603	489,441	$ 1,130,709	$ -	$ -	$ 95,575
Increase To Misc Revenue			RCNCT	$ 79,309	$ 70,401	$ 8,340	$ 556	$ 12	$ -	$ -
Total Increase		CLSINC		$ 5,642,637	$ 3,918,004	$ 497,781	$ 1,131,265	$ 12	$ -	$ 95,575
Incremental Income Taxes (@39.4445)			CLSINC	1,941,555	$ 1,348,132	$ 171,280	$ 389,253	$ 4	$ -	$ 32,886
Net Operating Income Adjusted for Increase				10,493,495	5,772,441	1,396,001	2,084,030	338,940	53,012	849,071
Net Cost Rate Base				$ 118,938,270	$ 48,204,737	$ 14,067,328	$ 34,319,811	$ 8,400,776	$ 4,309,286	$ 9,636,332
Rate of Return -- Proposed				8.82%	11.97%	9.92%	6.07%	4.03%	1.23%	8.81%

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Allocation Factors										
Commodity										
Procurement Expenses		COM01		17,149,249	1,780,480	577,814	2,210,287	1,253,445	2,801,367	8,525,855
					0.103823	0.033693	0.128885			
Storage (Dec thru March)		COM02		2,671,021	1,180,526	390,137	1,100,357	-	-	-
Transmission		COM03		17,149,249	1,780,480	577,814	2,210,287	1,253,445	2,801,367	8,525,855
Distribution		COM04		6,036,593	1,780,480	577,814	2,210,287	1,253,445	214,567	-
				-	-	-	-	-	-	-
Demand										
Procurement Expenses		DEM01		84,012	23,443	7,439	18,325	3,771	7,675	23,359
Storage		DEM02		1.00000	0.463936	0.147661	0.388403	-	-	-
					0.463936	0.147661	0.388403			
Transmission		DEM03		84,012	23,443	7,439	18,325	3,771	7,675	23,359
Distribution Structures		DEM04		53,566	23,443	7,439	18,325	3,771	588	-
Distribution Mains		DEM05		53,566	23,443	7,439	18,325	3,771	588	-
Customer										
Distribution Mains (Year-end Customers)		CUST01		37,986	32,511	4,555	881	38	1	-
Services		CUST02		13,391,413	9,689,253	2,747,530	912,179	39,345	3,106	-
Meters		CUST03		5,849,497	3,558,329	578,030	1,348,811	323,228	41,100	-
Customer Count (Average)				37,568	32,164	4,427	943	30	4	-
Customer Accounts		CUST04		40,619	32,164	4,427	3,772	120	16	120
Customer Service		CUST05		37,568	32,164	4,427	943	30	4	-
Forfeited Discounts		REVFD		2,641,717	2,168,773	432,108	9,080	2,703	18,740	9,961

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Allocation Factors Continuec										
Taxable Income Actual										
Net Income Before Income Tax		NIBIT		$ 7,930,413	$ 4,006,218	$ 1,403,853	$ 1,266,761	$ 291,571	$ (56,170)	$ 1,018,178
Interest Expense		INT	PLT	$ 4,967,706	$ 1,982,805	$ 573,376	$ 1,385,347	$ 388,033	$ 197,651	$ 440,495
Interest Adjustment			PLT	$ 224,173	$ 89,476	$ 25,874	$ 62,515	$ 17,510	$ 8,919	$ 19,878
Taxable Income		TXINC		$ 2,738,534	$ 1,933,937	$ 804,604	$ (181,100)	$ (113,972)	$ (262,740)	$ 557,805
Meter Allocatior										
Number of Customers				37,988	32,511	4,555	881	38	3	-
Average Cost Per Service					109.45	126.9	1531	8506	13700	
Meter Cost				5,849,497	3,558,329	578,030	1,348,811	323,228	41,100	-
Service Line Allocatior										
Number of Customers				37,988	32,511	4,555	881	38	3	-
Average Cost Per Service					298.03	603.19	1035.39	1035.39	1035.39	0
Service Cost				13,391,413	9,689,253	2,747,530	912,179	39,345	3,106	-
Collection Fees		COLL		1.00000	0.90408	0.08947	0.00645			
Reconnect Revenue		RCNCT		1.00000	0.86003	0.13196	0.00759	0.00042		
Bad Check Fees		BDCK		1.00000	0.89500	0.09608	0.00892			
Customer Deposits		CSTDEP		1.00000	0.89690	0.08960	0.00980	0.00370		
Transmission Allocatoı										
Transmission Demand Allocator				84,012	23,443	7,439	18,325	3,771	7,675	23,359
Transmission Plant				$ 57,549,027						
Specific Assignment				$ 36,192.40					$ 36,192.40	
Residual Transmission Plant			DEM03	57,512,834	$ 16,048,581	$ 5,092,582	$ 12,544,907	$ 2,581,547	$ 5,254,142	$ 15,991,076
Total Allocation of Transmission Plant				$ 57,549,027	$ 16,048,580.89	$ 5,092,581.72	$ 12,544,906.58	$ 2,581,546.67	$ 5,290,334.72	$ 15,991,076.27
Transmission Allocator		TDEM		1.000000	0.27886798	0.088491187	0.217986424	0.044858216	0.09192744	0.277868752

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Customer Related Unit Cost										
Rate Base				$ 43,163,959	$ 19,981,598	$ 5,101,632	$ 11,695,317	$ 5,476,671	$ 908,088	$ 652
Rate of Return				8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	8.82%
Return				$ 3,808,201	$ 1,762,904	$ 450,099	$ 1,031,836	$ 483,187	$ 80,117	$ 58
Income Taxes				$ 413,143	$ 333,168	$ 121,273	$ (25,651)	$ (30,892)	$ (23,040)	$ 16
Operation and Maintenance Expenses				5,853,199	3,270,116	670,882	1,286,276	532,611	88,123	5,190
Depreciation Expenses				1,856,688	865,052	217,810	502,951	232,471	38,404	-
Other Taxes				756,403	370,302	88,604	194,163	88,470	14,666	199
Expense Adjustment (Classified Pro-Rata on the basis of Operating Expenses)				158,805	78,440	17,992	40,091	17,729	2,954	103
Total Customer-Related Revenue Requirement				$ 12,846,440	$ 6,679,982	$ 1,566,661	$ 3,029,666	$ 1,323,577	$ 201,225	$ 5,565
Less: Misc Service Revenues				(49,687)	(51,014)	(6,568)	(348)	(31)	-	-
Net Revenue Requirement				$ 12,796,754	$ 6,628,968	$ 1,560,093	$ 3,029,318	$ 1,323,546	$ 201,225	$ 5,565
Customer-Months				37,568	32,164	4,427	943	30	4	-
Customer-Related Unit Cost ($/Cust/Mo)				28.386	17.175	29.367	267.702	3,676.515	4,192.198	

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Plant in Service										
Gas Supply Costs										
Demand	PTIS	PTISGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	PTIS	PTISGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses				$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	PTIS	PTISSD	DEM02	$ 17,875,861	$ 8,293,256	$ 2,639,573	$ 6,943,033	$ -	$ -	$ -
Commodity	PTIS	PTISSC	COM02	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Storage				$ 17,875,861	$ 8,293,256	$ 2,639,573	$ 6,943,033	$ -	$ -	$ -
Transmission										
Demand	PTIS	PTISTD	TDEM	$ 57,549,027	$ 16,048,581	$ 5,092,582	$ 12,544,907	$ 2,581,547	$ 5,290,335	$ 15,991,076
Commodity	PTIS	PTISTC	COM03	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Transmission				$ 57,549,027	$ 16,048,581	$ 5,092,582	$ 12,544,907	$ 2,581,547	$ 5,290,335	$ 15,991,076
Distribution Expenses										
Commodity	PTIS	PTISDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	PTIS	PTISDSD	DEM04	$ 2,553,073	$ 1,117,345	$ 354,559	$ 873,410	$ 179,734	$ 28,025	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Plant in Service (Continued)										
Distribution Mains										
Demand	PTIS	PTISDMD	DEM05	$ 30,091,574	$ 13,169,488	$ 4,178,980	$ 10,294,368	$ 2,118,421	$ 330,319	$ -
Customer	PTIS	PTISDMC	CUST01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Distribution Mains				30,091,574	$ 13,169,488	$ 4,178,980	$ 10,294,368	$ 2,118,421	$ 330,319	$ -
Services										
Customer	PTIS	PTISSC	CUST02	$ 14,376,625	$ 10,402,095	$ 2,949,667	$ 979,288	$ 42,239	$ 3,335	$ -
Meters										
Customer	PTIS	PTISMC	CUST03	$ 18,745,871	$ 11,403,369	$ 1,852,410	$ 4,322,532	$ 1,035,848	$ 131,713	$ -
Customer Accounts										
Customer	PTIS	PTISCAC	CUST04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Service										
Customer	PTIS	PTISCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		PLT		$ 141,192,032	$ 60,434,134	$ 17,067,770	$ 35,957,536	$ 5,957,789	$ 5,783,726	$ 15,991,076

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Rate Base										
Gas Supply Costs										
Demand	NCRB	RBGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	NCRB	RBGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses				$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	NCRB	RBSD	DEM02	$ 21,666,046	$ 10,051,659	$ 3,199,236	$ 8,415,150	$ -	$ -	$ -
Commodity	NCRB	RBSC	COM02	32,330	$ 14,289	$ 4,722	$ 13,319	$ -	$ -	$ -
Total Storage				$ 21,698,376	$ 10,065,949	$ 3,203,959	$ 8,428,469	$ -	$ -	$ -
Transmission										
Demand	NCRB	RBTD	TDEM	$ 34,615,060	$ 9,653,032	$ 3,063,128	$ 7,545,613	$ 1,552,770	$ 3,182,074	$ 9,618,444
Commodity	NCRB	RBTC	COM03	34,669	$ 3,599	$ 1,168	$ 4,468	$ 2,534	$ 5,663	$ 17,236
Total Transmission				$ 34,649,729	$ 9,656,631	$ 3,064,296	$ 7,550,082	$ 1,555,304	$ 3,187,737	$ 9,635,680
Distribution Expenses										
Commodity	NCRB	RBDEC	COM04	$ 8,836	$ 2,606	$ 846	$ 3,235	$ 1,835	$ 314	$ -
Distribution Structures & Equipment										
Demand	NCRB	RBDSD	DEM04	$ 1,515,862	$ 663,412	$ 210,516	$ 518,578	$ 106,715	$ 16,640	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Rate Base (Continued)										
Distribution Mains										
Demand	NCRB	RBDMD	DEM05	$ 17,901,507	$ 7,834,541	$ 2,486,079	$ 6,124,129	$ 1,260,251	$ 196,507	$ -
Customer	NCRB	RBDMC	CUST01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Distribution Mains				17,901,507	$ 7,834,541	$ 2,486,079	$ 6,124,129	$ 1,260,251	$ 196,507	$ -
Services										
Customer	NCRB	RBSC	CUST02	$ 8,520,666	$ 6,165,062	$ 1,748,194	$ 580,399	$ 25,034	$ 1,976	$ -
Meters										
Customer	NCRB	RBMC	CUST03	$ 11,132,896	$ 6,772,292	$ 1,100,119	$ 2,567,088	$ 615,175	$ 78,222	$ -
Customer Accounts										
Customer	NCRB	RBCAC	CUST04	$ 220,794	$ 174,835	$ 24,064	$ 20,504	$ 652	$ 87	$ 652
Customer Service										
Customer	NCRB	RBCSC	CUST05	$ 344	$ 294	$ 41	$ 9	$ 0	$ 0	$ -
Total		RBT		$ 95,649,011	$ 41,335,623	$ 11,838,113	$ 25,792,493	$ 3,564,966	$ 3,481,484	$ 9,636,332

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
<u>Operation and Maintenance Expenses</u>										
Gas Supply Costs										
Demand	OMT	OMGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	OMT	OMGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		OMGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	OMT	OMSD	DEM02	$ 376,007	$ 174,443	$ 55,522	$ 146,042	$ -	$ -	$ -
Commodity	OMT	OMSC	COM02	257,240	$ 113,694	$ 37,573	$ 105,973	$ -	$ -	$ -
Total Storage		OMST		$ 633,246	$ 288,137	$ 93,095	$ 252,015	$ -	$ -	$ -
Transmission										
Demand	OMT	OMTD	TDEM	$ 2,802,949	$ 781,653	$ 248,036	$ 611,005	$ 125,735	$ 257,668	$ 778,852
Commodity	OMT	OMTC	COM03	275,846	$ 28,639	$ 9,294	$ 35,553	$ 20,162	$ 45,060	$ 137,139
Total Transmission		OMTRT		$ 3,078,795	$ 810,292	$ 257,330	$ 646,557	$ 145,897	$ 302,728	$ 915,991
Distribution Expenses										
Commodity	OMT	OMDEC	COM04	$ 70,306	$ 20,737	$ 6,730	$ 25,742	$ 14,598	$ 2,499	$ -
Distribution Structures & Equipment										
Demand	OMT	OMDSD	DEM04	$ 145,166	$ 63,532	$ 20,160	$ 49,662	$ 10,220	$ 1,594	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Operation and Maintenance Expenses (Continued										
Distribution Mains										
Demand	OMT	OMDMD	DEM05	$ 1,721,636	$ 753,469	$ 239,093	$ 588,974	$ 121,202	$ 18,899	$ -
Customer	OMT	OMDMC	CUST01	85,024	$ 72,770	$ 10,195	$ 1,972	$ 85	$ 2	$ -
Total Distribution Mains				1,806,660	$ 826,238	$ 249,288	$ 590,946	$ 121,287	$ 18,901	$ -
Services										
Customer	OMT	OMSC	CUST02	$ 766,364	$ 554,497	$ 157,236	$ 52,202	$ 2,252	$ 178	$ -
Meters										
Customer	OMT	OMMC	CUST03	$ 1,087,545	$ 661,568	$ 107,468	$ 250,772	$ 60,095	$ 7,641	$ -
Customer Accounts										
Customer	OMT	OMCAC	CUST04	$ 1,756,764	$ 1,391,087	$ 191,467	$ 163,138	$ 5,190	$ 692	$ 5,190
Customer Service										
Customer	OMT	OMCSC	CUST05	$ 2,737	$ 2,343	$ 322	$ 69	$ 2	$ 0	$ -
Total		OMTT		$ 9,347,583	$ 4,618,430	$ 1,083,096	$ 2,031,103	$ 359,540	$ 334,233	$ 921,181

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Payroll Expenses										
Gas Supply Costs										
Demand	LBTOT	LBGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	LBTOT	LBGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		LBGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	LBTOT	LBSD	DEM02	$ 130,590	$ 60,586	$ 19,283	$ 50,722	$ -	$ -	$ -
Commodity	LBTOT	LBSC	COM02	63,847	$ 28,219	$ 9,326	$ 26,302	$ -	$ -	$ -
Total Storage		LBST		$ 194,437	$ 88,804	$ 28,609	$ 77,024	$ -	$ -	$ -
Transmission										
Demand	LBTOT	LBTD	TDEM	$ 1,889,995	$ 527,059	$ 167,248	$ 411,993	$ 84,782	$ 173,742	$ 525,171
Commodity	LBTOT	LBTC	COM03	157,677	$ 16,370	$ 5,313	$ 20,322	$ 11,525	$ 25,757	$ 78,390
Total Transmission		LBTRT		$ 2,047,672	$ 543,430	$ 172,561	$ 432,316	$ 96,307	$ 199,499	$ 603,561
Distribution Expenses										
Commodity	LBTOT	LBDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	LBTOT	LBDSD	DEM04	$ 84,344	$ 36,913	$ 11,713	$ 28,854	$ 5,938	$ 926	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Payroll Expenses										
Distribution Mains										
Demand	LBTOT	LBDMD	DEM05	$ 1,072,603	$ 469,421	$ 148,958	$ 366,939	$ 75,510	$ 11,774	$ -
Customer	LBTOT	LBDMC	CUST01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Distribution Mains				1,072,603	$ 469,421	$ 148,958	$ 366,939	$ 75,510	$ 11,774	$ -
Services										
Customer	LBTOT	LBSC	CUST02	$ 474,949	$ 343,646	$ 97,446	$ 32,352	$ 1,395	$ 110	$ -
Meters										
Customer	LBTOT	LBMC	CUST03	$ 653,285	$ 397,402	$ 64,556	$ 150,638	$ 36,099	$ 4,590	$ -
Customer Accounts										
Customer	LBTOT	LBCAC	CUST04	$ 843,051	$ 667,566	$ 91,883	$ 78,288	$ 2,491	$ 332	$ 2,491
Customer Service										
Customer	LBTOT	LBCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		LBTT		$ 5,370,342	$ 2,547,183	$ 615,725	$ 1,166,411	$ 217,739	$ 217,232	$ 606,051

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
<u>**Depreciation Expenses**</u>										
Gas Supply Costs										
Demand	DEPREX	DEGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	DEPREX	DEGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		DEGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	DEPREX	DESD	DEM02	$ 272,969	$ 126,640	$ 40,307	$ 106,022	$ -	$ -	$ -
Commodity	DEPREX	DESC	COM02	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Storage		DEST		$ 272,969	$ 126,640	$ 40,307	$ 106,022	$ -	$ -	$ -
Transmission										
Demand	DEPREX	DETD	TDEM	$ 1,292,154	$ 360,340	$ 114,344	$ 281,672	$ 57,964	$ 118,784	$ 359,049
Commodity	DEPREX	DETC	COM03	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Transmission		DETT		$ 1,292,154	$ 360,340	$ 114,344	$ 281,672	$ 57,964	$ 118,784	$ 359,049
Distribution Expenses										
Commodity	DEPREX	DEDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	DEPREX	DEDSD	DEM04	$ 65,118	$ 28,499	$ 9,043	$ 22,277	$ 4,584	$ 715	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Depreciation Expenses (Continued										
Distribution Mains										
Demand	DEPREX	DEDMD	DEM05	$ 747,809	$ 327,277	$ 103,852	$ 255,827	$ 52,645	$ 8,209	$ -
Customer	DEPREX	DEDMC	CUST01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Distribution Mains				747,809	$ 327,277	$ 103,852	$ 255,827	$ 52,645	$ 8,209	$ -
Services										
Customer	DEPREX	DESC	CUST02	$ 351,207	$ 254,113	$ 72,058	$ 23,923	$ 1,032	$ 81	$ -
Meters										
Customer	DEPREX	DEMC	CUST03	$ 532,606	$ 323,991	$ 52,630	$ 122,811	$ 29,430	$ 3,742	$ -
Customer Accounts										
Customer	DEPREX	DECAC	CUST04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Service										
Customer	DEPREX	DECSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		DET		$ 3,261,864	$ 1,420,861	$ 392,235	$ 812,532	$ 145,655	$ 131,532	$ 359,049

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
<u>Other Taxes</u>										
Gas Supply Costs										
Demand	OTT	OTTGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	OTT	OTTGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		OTTGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	OTT	OTTSD	DEM02	$ 130,765	$ 60,667	$ 19,309	$ 50,790	$ -	$ -	$ -
Commodity	OTT	OTTSC	COM02	5,104	$ 2,256	$ 746	$ 2,103	$ -	$ -	$ -
Total Storage		OTTST		$ 135,870	$ 62,923	$ 20,055	$ 52,892	$ -	$ -	$ -
Transmission										
Demand	OTT	OTTTD	TDEM	$ 549,874	$ 153,342	$ 48,659	$ 119,865	$ 24,666	$ 50,549	$ 152,793
Commodity	OTT	OTTTC	COM03	12,606	$ 1,309	$ 425	$ 1,625	$ 921	$ 2,059	$ 6,267
Total Transmission		OTTTT		$ 562,480	$ 154,651	$ 49,084	$ 121,490	$ 25,588	$ 52,608	$ 159,060
Distribution Expenses										
Commodity	OTT	OTTDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	OTT	OTTDSD	DEM04	$ 23,940	$ 10,477	$ 3,325	$ 8,190	$ 1,685	$ 263	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Other Taxes (Continued)										
Distribution Mains										
Demand	OTT	OTTDMD	DEM05	$ 288,788	$ 126,387	$ 40,106	$ 98,795	$ 20,330	$ 3,170	$ -
Customer	OTT	OTTDMC	CUST01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Distribution Mains				288,788	$ 126,387	$ 40,106	$ 98,795	$ 20,330	$ 3,170	$ -
Services										
Customer	OTT	OTTSC	CUST02	$ 134,806	$ 97,538	$ 27,658	$ 9,183	$ 396	$ 31	$ -
Meters										
Customer	OTT	OTTMC	CUST03	$ 178,494	$ 108,580	$ 17,638	$ 41,158	$ 9,863	$ 1,254	$ -
Customer Accounts										
Customer	OTT	OTTCAC	CUST04	$ 67,400	$ 53,371	$ 7,346	$ 6,259	$ 199	$ 27	$ 199
Customer Service										
Customer	OTT	OTTCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		OTTT		$ 1,391,778	$ 613,927	$ 165,211	$ 337,966	$ 58,062	$ 57,353	$ 159,259

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Interest Expense										
Gas Supply Costs										
Demand	INT	INTGSD	DEM01	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commodity	INT	INTGSC	COM01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Procurement Expenses		INTGST		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Storage										
Demand	INT	INTSD	DEM02	$ 487,325	$ 226,088	$ 71,959	$ 189,278	$ -	$ -	$ -
Commodity	INT	INTSC	COM02	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Storage		INTST		$ 487,325	$ 226,088	$ 71,959	$ 189,278	$ -	$ -	$ -
Transmission										
Demand	INT	INTTD	TDEM	$ 1,615,059	$ 450,388	$ 142,919	$ 352,061	$ 72,449	$ 148,468	$ 448,775
Commodity	INT	INTTC	COM03	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Transmission		INTTT		$ 1,615,059	$ 450,388	$ 142,919	$ 352,061	$ 72,449	$ 148,468	$ 448,775
Distribution Expenses										
Commodity	INT	INTDEC	COM04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distribution Structures & Equipment										
Demand	INT	INTDSD	DEM04	$ 69,647	$ 30,481	$ 9,672	$ 23,826	$ 4,903	$ 765	$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
<u>Interest Expense (Continued)</u>										
Distribution Mains										
Demand	INT	INTDMD	DEM05	$ 822,308	$ 359,881	$ 114,198	$ 281,313	$ 57,890	$ 9,027	$ -
Customer	INT	INTDMC	CUST01	-	$ -	$ -	$ -	$ -	$ -	$ -
Total Distribution Mains				822,308	$ 359,881	$ 114,198	$ 281,313	$ 57,890	$ 9,027	$ -
Services										
Customer	INT	INTSC	CUST02	$ 392,190	$ 283,766	$ 80,466	$ 26,715	$ 1,152	$ 91	$ -
Meters										
Customer	INT	INTMC	CUST03	$ 511,381	$ 311,080	$ 50,533	$ 117,917	$ 28,258	$ 3,593	$ -
Customer Accounts										
Customer	INT	INTCAC	CUST04	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Service										
Customer	INT	INTCSC	CUST05	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		INTT		$ 3,897,911	$ 1,661,683	$ 469,747	$ 991,110	$ 164,651	$ 161,943	$ 448,775

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Net Operating Income -- Adjusted Test Perioc										
Operating Revenues										
Sales and Transportation		REVUC	R01	25,395,331	11,599,893	3,391,784	5,685,582	1,625,063	608,063	2,484,947
Collection Fees		COLFEE	COLL	$ 137,310	$ 124,139	$ 12,285	$ 886	$ -	$ -	$ -
Reconnect Revenue		RCTREV	RCNCT	113,896	$ 97,954	$ 15,030	$ 864	$ 48	$ -	$ -
Bad Check Revenue		BDCH	BDCK	10,095	$ 9,035	$ 970	$ 90	$ -	$ -	$ -
Total Operating Revenues -- Per Books		TOR		$ 25,656,632	$ 11,831,021	$ 3,420,069	$ 5,687,422	$ 1,625,110	$ 608,063	$ 2,484,947
Pro-Forma Adjustments to Revenues										
Temperature normalization		REVADJ1		$ 106,453	$ (53,005)	$ (6,064)	$ 163,640	$ 1,882	$ -	$ -
Total Revenue Adjustments				$ 106,453	$ (53,005)	$ (6,064)	$ 163,640	$ 1,882	$ -	$ -
Total Adjusted Revenue				$ 25,763,085	$ 11,778,016	$ 3,414,004	$ 5,851,062	$ 1,626,992	$ 608,063	$ 2,484,947
Expenses										
Operation and Maintenance Expenses				$ 9,347,583	$ 4,618,430	$ 1,083,096	$ 2,031,103	$ 359,540	$ 334,233	$ 921,181
Depreciation and Amortization Expenses				$ 3,261,864	1,420,861	392,235	812,532	145,655	131,532	359,049
Other Taxes				$ 1,391,778	613,927	165,211	337,966	58,062	57,353	159,259
Total Operating Expenses		TOE		$ 14,001,225	$ 6,653,217	$ 1,640,542	$ 3,181,602	$ 563,258	$ 523,117	$ 1,439,489

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Net Operating Income -- Adjusted Test Period (Cont.										
Pro-Forma Adjustments to Expenses										
Labor Adjustment		EXADJ1	LBTT	$ 52,914	$ 25,097	$ 6,067	$ 11,493	$ 2,145	$ 2,140	$ 5,971
Eliminate Advedrtising Expenses		EXADJ2	REVUC	(2,264)	$ (1,034)	$ (302)	$ (507)	$ (145)	$ (54)	$ (222)
Lobbying Expense		EXADJ3	REVUC	(26,488)	$ (12,099)	$ (3,538)	$ (5,930)	$ (1,695)	$ (634)	$ (2,592)
Community Relations		EXADJ4	REVUC	(22,664)	$ (10,352)	$ (3,027)	$ (5,074)	$ (1,450)	$ (543)	$ (2,218)
Marketing		EXADJ5	OMTT	(3,973)	$ (1,963)	$ (460)	$ (863)	$ (153)	$ (142)	$ (392)
Rate Case Expenses		EXADJ6	OMTT	33,700	$ 16,650	$ 3,905	$ 7,323	$ 1,296	$ 1,205	$ 3,321
Depreciation Expenses		EXADJ7	DET	292,968	$ 127,616	$ 35,229	$ 72,978	$ 13,082	$ 11,814	$ 32,248
Payroll Tax		EXADJ8	LBTT	3,910	$ 1,855	$ 448	$ 849	$ 159	$ 158	$ 441
Total Expense Adjustments		ADJTOT		$ 328,103	$ 145,770	$ 38,321	$ 80,268	$ 13,239	$ 13,944	$ 36,560
Net Income Before Income Taxes				$ 11,433,757	$ 4,979,029	$ 1,735,141	$ 2,589,192	$ 1,050,495	$ 71,002	$ 1,008,898
Income Taxes			TXINC	$ 1,138,000	$ 502,604	$ 201,921	$ 230,990	$ 151,581	$ (25,830)	$ 76,733
Net Operating Income (Adjusted)		TOM		$ 10,295,757	$ 4,476,425	$ 1,533,220	$ 2,358,202	$ 898,914	$ 96,832	$ 932,165
Net Cost Rate Base				$ 95,649,011	$ 41,335,623	$ 11,838,113	$ 25,792,493	$ 3,564,966	$ 3,481,484	$ 9,636,332
Rate of Return -- Actual				10.76%	10.83%	12.95%	9.14%	25.22%	2.78%	9.67%

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Net Operating Income -- Adjusted For Increase										
Test Year Operating Income				$ 10,295,757	$ 4,476,425	$ 1,533,220	$ 2,358,202	$ 898,914	$ 96,832	$ 932,165
Proposed Increase				$ 5,563,328	$ 3,847,603	489,441	$ 1,130,709	$ -	$ -	$ 95,575
Increase To Misc Revenue			RCNCT	$ 79,309	$ 70,401	$ 8,340	$ 556	$ 12	$ -	$ -
Total Increase		CLSINC		$ 5,642,637	$ 3,918,004	$ 497,781	$ 1,131,265	$ 12	$ -	$ 95,575
Incremental Income Taxes (@39.4445)			CLSINC	1,941,555	$ 1,348,132	$ 171,280	$ 389,253	$ 4	$ -	$ 32,886
Net Operating Income Adjusted for Increase				13,996,839	7,046,297	1,859,721	3,100,214	898,922	96,832	994,854
Net Cost Rate Base				$ 95,649,011	$ 41,335,623	$ 11,838,113	$ 25,792,493	$ 3,564,966	$ 3,481,484	$ 9,636,332
Rate of Return -- Proposed				14.63%	17.05%	15.71%	12.02%	25.22%	2.78%	10.32%

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Allocation Factors										
Commodity										
Procurement Expenses		COM01		17,149,249	1,780,480	577,814	2,210,287	1,253,445	2,801,367	8,525,855
					0.103823	0.033693	0.128885			
Storage (Dec thru March)		COM02		2,671,021	1,180,526	390,137	1,100,357	-	-	-
Transmission		COM03		17,149,249	1,780,480	577,814	2,210,287	1,253,445	2,801,367	8,525,855
Distribution		COM04		6,036,593	1,780,480	577,814	2,210,287	1,253,445	214,567	-
				-	-	-	-	-	-	-
Demand										
Procurement Expenses		DEM01		84,012	23,443	7,439	18,325	3,771	7,675	23,359
Storage		DEM02		1.00000	0.463936	0.147661	0.388403	-	-	-
					0.463936	0.147661	0.388403			
Transmission		DEM03		84,012	23,443	7,439	18,325	3,771	7,675	23,359
Distribution Structures		DEM04		53,566	23,443	7,439	18,325	3,771	588	-
Distribution Mains		DEM05		53,566	23,443	7,439	18,325	3,771	588	-
Customer										
Distribution Mains (Year-end Customers)		CUST01		37,986	32,511	4,555	881	38	1	-
Services		CUST02		13,391,413	9,689,253	2,747,530	912,179	39,345	3,106	-
Meters		CUST03		5,849,497	3,558,329	578,030	1,348,811	323,228	41,100	-
Customer Count (Average)				37,568	32,164	4,427	943	30	4	-
Customer Accounts		CUST04		40,619	32,164	4,427	3,772	120	16	120
Customer Service		CUST05		37,568	32,164	4,427	943	30	4	-
Forfeited Discounts		REVFD		2,641,717	2,168,773	432,108	9,080	2,703	18,740	9,961

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Allocation Factors Continuec										
Taxable Income Actual										
Net Income Before Income Tax		NIBIT		$ 11,433,757	$ 4,979,029	$ 1,735,141	$ 2,589,192	$ 1,050,495	$ 71,002	$ 1,008,898
Interest Expense		INT	PLT	$ 4,967,706	$ 2,126,317	$ 600,513	$ 1,265,131	$ 209,619	$ 203,495	$ 562,631
Interest Adjustment			PLT	$ 224,173	$ 95,952	$ 27,099	$ 57,090	$ 9,459	$ 9,183	$ 25,389
Taxable Income		TXINC		$ 6,241,878	$ 2,756,759	$ 1,107,529	$ 1,266,970	$ 831,417	$ (141,676)	$ 420,878
Meter Allocatior										
Number of Customers				37,988	32,511	4,555	881	38	3	-
Average Cost Per Service					109.45	126.9	1531	8506	13700	
Meter Cost				5,849,497	3,558,329	578,030	1,348,811	323,228	41,100	-
Service Line Allocatior										
Number of Customers				37,988	32,511	4,555	881	38	3	-
Average Cost Per Service					298.03	603.19	1035.39	1035.39	1035.39	0
Service Cost				13,391,413	9,689,253	2,747,530	912,179	39,345	3,106	-
Collection Fees		COLL		1.00000	0.90408	0.08947	0.00645			
Reconnect Revenue		RCNCT		1.00000	0.86003	0.13196	0.00759	0.00042		
Bad Check Fees		BDCK		1.00000	0.89500	0.09608	0.00892			
Customer Deposits		CSTDEP		1.00000	0.89690	0.08960	0.00980	0.00370		
Transmission Allocatoı										
Transmission Demand Allocator				84,012	23,443	7,439	18,325	3,771	7,675	23,359
Transmission Plant				$ 57,549,027						
Specific Assignment				$ 36,192.40					$ 36,192.40	
Residual Transmission Plant			DEM03	57,512,834	$ 16,048,581	$ 5,092,582	$ 12,544,907	$ 2,581,547	$ 5,254,142	$ 15,991,076
Total Allocation of Transmission Plant				$ 57,549,027	$ 16,048,580.89	$ 5,092,581.72	$ 12,544,906.58	$ 2,581,546.67	$ 5,290,334.72	$ 15,991,076.27
Transmission Allocator		TDEM		1.000000	0.27886798	0.088491187	0.217986424	0.044858216	0.09192744	0.277868752

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2006

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Customer Related Unit Cost										
Rate Base				$ 19,874,700	$ 13,112,484	$ 2,872,417	$ 3,167,999	$ 640,862	$ 80,286	$ 652
Rate of Return				14.63%	14.63%	14.63%	14.63%	14.63%	14.63%	14.63%
Return				$ 2,908,373	$ 1,918,821	$ 420,336	$ 463,591	$ 93,781	$ 11,749	$ 95
Income Taxes				$ 236,570	$ 159,460	$ 49,003	$ 28,380	$ 27,283	$ (597)	$ 5
Operation and Maintenance Expenses				3,698,433	2,682,264	466,688	468,153	67,624	8,514	5,190
Depreciation Expenses				883,813	578,105	124,688	146,734	30,462	3,824	-
Other Taxes				380,700	259,489	52,642	56,600	10,458	1,312	199
Expense Adjustment (Classified Pro-Rata on the basis of Operating Expenses)				116,406	77,134	15,048	16,950	2,556	365	137
Total Customer-Related Revenue Requirement				$ 8,224,296	$ 5,675,273	$ 1,128,406	$ 1,180,408	$ 232,163	$ 25,167	$ 5,627
Less: Misc Service Revenues				(31,812)	(41,647)	(4,695)	(140)	(9)	-	-
Net Revenue Requirement				$ 8,192,483	$ 5,633,626	$ 1,123,711	$ 1,180,267	$ 232,154	$ 25,167	$ 5,627
Customer-Months				37,568	32,164	4,427	943	30	4	-
Customer-Related Unit Cost ($/Cust/Mo)				18.173	14.596	21.153	104.301	644.873	524.303	

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS CO., INC. FOR AN ADJUSTMENT OF GAS RATES	)))	Case No. 2007-00089

AFFIDAVIT OF CHARLES W. KING

State of Maine)
)
County of Hancock)

Charles W. King, being first duly sworn, states the following: The prepared Pre-Filed Direct Testimony, and the Schedules and Appendix attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, his statements made are true and correct. Further affiant saith not.

Charles W. King

SUBSCRIBED AND SWORN to before me this 7th day of August, 2007.

Donna L. Sawyer
NOTARY PUBLIC
Donna L Sawyer

My Commission Expires: 11-21-2007

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF RATES	)))	**CASE NO. 2007-00089**

DIRECT TESTIMONY

AND EXHIBITS

OF

ROBERT J. HENKES

ON BEHALF OF THE OFFICE OF RATE INTERVENTION OF THE ATTORNEY GENERAL FOR THE COMMONWEALTH OF KENTUCKY

August 14, 2007

Delta Natural Gas Company
Case No. 2007-00089
Direct Testimony of Robert J. Henkes

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I. STATEMENT OF QUALIFICATIONS

Q. WOULD YOU STATE YOUR NAME AND ADDRESS?

A. My name is Robert J. Henkes, and my business address is 7 Sunset Road, Old Greenwich, Connecticut, 06870.

Q. WHAT IS YOUR PRESENT OCCUPATION?

A. I am Principal and founder of Henkes Consulting, a financial consulting firm that specializes in utility regulation.

Q. WHAT IS YOUR REGULATORY EXPERIENCE?

A. I have prepared and presented numerous testimonies in rate proceedings involving electric, gas, telephone, water and wastewater companies in jurisdictions nationwide including Arkansas, Delaware, District of Columbia, Georgia, Kentucky, Maryland, New Jersey, New Mexico, Pennsylvania, Vermont, the U.S. Virgin Islands, and before the Federal Energy Regulatory Commission. A complete listing of jurisdictions and rate proceedings in which I have been involved is provided in Appendix I attached to this testimony.

Q. WHAT OTHER PROFESSIONAL EXPERIENCE HAVE YOU HAD?

A. Prior to founding Henkes Consulting in 1999, I was a Principal of The Georgetown Consulting Group, Inc. for over 20 years. At Georgetown Consulting, I performed the same type of consulting services that I am currently rendering through Henkes Consulting. Prior to my association with Georgetown Consulting, I was employed by the American Can Company as Manager of Financial Controls. Before joining the American Can Company, I was employed by the management consulting division of Touche Ross & Company (now Deloitte & Touche) for over six years. At Touche Ross, my experience, in addition to regulatory work, included numerous projects in a wide variety of industries and financial disciplines such as cash flow projections, bonding feasibility, capital and profit forecasting, and the design and implementation of accounting and budgetary reporting and control systems.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I hold a Bachelor degree in Management Science received from the Netherlands School of Business, The Netherlands in 1966; a Bachelor of Arts degree received from the University of Puget Sound, Tacoma, Washington in 1971; and an MBA degree in Finance received from Michigan State University, East Lansing, Michigan in 1973. I have also completed the CPA program of the New York University Graduate School of Business.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. WHAT IS THE SCOPE AND PURPOSE OF YOUR TESTIMONY?

A. I was engaged by the Office of Rate Intervention of the Attorney General of Kentucky ("AG") to conduct a review and analysis and present testimony regarding the petition of Delta Natural Gas Company ("Delta" or the "Company") for an increase in its base rates for gas service.

The purpose of this testimony is to present to the Kentucky Public Service Commission ("KPSC" or "the Commission") the AG's recommended position regarding the Company's proposed Experimental Customer Rate Stabilization mechanism ("CRS").

Q. WHAT INFORMATION HAVE YOU RELIED UPON IN THE DEVELOPMENT OF YOUR TESTIMONY?

A. In developing this testimony, I have reviewed the Company's proposed CRS tariff pages, CRS-related testimonies, and responses to AG and KPSC initial and supplemental interrogatories.

III. EXPERIMENTAL CUSTOMER RATE STABILIZATION MECHANISM

Q. PLEASE GENERALLY DESCRIBE THE CUSTOMER RATE STABILIZATION ("CRS") MECHANISM THE COMPANY HAS PROPOSED IN THIS CASE.

A. In this case, Delta has proposed a revolutionary new rate mechanism (the CRS) which would allow Delta to implement, on an annual basis and without testimony and hearings, a reconcilable surcharge that would provide a virtual guarantee that the actual return on equity ("ROE") earned by Delta between rate cases will be equal to the ROE authorized by the KPSC in the Company's most recent preceding base rate proceeding. This novel surcharge proposal, which is equivalent to a request for an annual reconcilable adjustment clause for each and every component of the ratemaking formula that determines Delta's revenue requirement and rate of return, is unprecedented in Kentucky.

The proposed CRS mechanism uses a so-called Evaluation Period, defined as the twelve-month period ending June 30 of each calendar year, and a Rate Effective Period, defined as the twelve-month period starting November 1 of each calendar year. In each annual CRS filing, to be submitted on September 15 of the calendar year, Delta would perform a review exercise to true up the actual achieved ROE in the historical Evaluation Period. This review would consider actual and pro forma adjusted rate base investments, costs and revenues in the Evaluation Period and would then calculate the amount of revenue to be increased or decreased such that the earned ROE for the historical Evaluation Period equals the ROE authorized by the Commission in the most recent rate case. The required CRS revenue adjustment derived from this true up review will be in effect during the 12-month Rate Effective Period starting on November 1 of the calendar year. To the extent that the actual CRS revenue adjustments collected or refunded in the Rate Effective Period vary from the required CRS revenue adjustment, the following year's true-up review for the Evaluation Period will correct for such variances. Thus, during each respective Rate Effective Period there are two components of the CRS rates, the first being the CRS revenue adjustment for the most recent Evaluation Period and the second being a balancing mechanism for any over- or under-collections of the prior year's CRS revenue adjustment.

Q. DOES THE COMPANY'S PROPOSED CRS MECHANISM INCLUDE A "DEAD-BAND" AROUND THE COMMISSION'S AUTHORIZED ROE?

A. Yes. The Company has proposed a dead-band of +/- 0.50% around the allowed ROE.

Q. HOW WOULD THIS ROE DEAD-BAND WORK IN THE CONTEXT OF THE PROPOSED CRS MECHANISM?

A. If the Company's actual achieved Evaluation Period ROE is within this dead-band, there will be no CRS adjustment. If the Company's actual achieved Evaluation Period ROE is above or below this dead-band, a CRS revenue adjustment will be calculated to adjust Delta's earnings back to the ROE allowed by the Commission in Delta's most recent base rate case. Thus, assuming hypothetically that the PSC will authorize a ROE of

10.00% for Delta in the instant rate case, there will be no CRS adjustment if in any CRS Evaluation Period the actual achieved ROE is between 9.51% and 10.49%. However, if in any CRS Evaluation Period the actual achieved ROE is 9.50% or lower or 10.49% or higher, there will be a CRS rate adjustment equivalent to the difference between the actual achieved ROE and the allowed ROE of 10.00%.[1]

Q. WHAT IS THE TERM OF DELTA'S PROPOSED CRS MECHANISM?

A. Delta has proposed that the CRS mechanism be implemented in this rate case and remain in effect for an experimental 5-year period. In addition, the "General Rate Cases" paragraph of the proposed CRS tariff has the following provision:

> Nothing in this mechanism shall prevent the Company from seeking an adjustment of rates outside this mechanism, but in strict accord with the law of the Commonwealth of Kentucky governing such filings.

Thus, under the Company's CRS proposal, Delta is seeking regulatory protection from ROE erosion through both annual CRS filings and potential general base rate proceedings that it could file at any time during the proposed 5-year experimental CRS period.

Q. DO YOU BELIEVE THAT THE END RESULT OF THE COMPANY'S PROPOSED CRS MECHANISM IS A VIRTUAL GUARANTEE THAT IT WILL EARN ITS ALLOWED ROE?

A. Yes. This is not only evident from the structure of the proposed CRS, it is essentially

[1] All of the foregoing facts are confirmed by the Company in its response to AG-2-33.

conceded by Delta in its filing:

> Therefore, any adjustment under this mechanism will normalize Delta's earnings and *ensure* Delta earns only the return allowed by the Commission. (Wesolosky testimony, page 12, lines 19-20, emphasis added)
>
> The CRS mechanism would provide transparency of Delta's annual financial performance and ensure that rates paid by our customers will provide only the revenue needed to achieve the rate of return authorized in Delta's most recent general rate case. (Jennings testimony, page 13, lines 14-16)
>
> The CRS is a mechanism designed to only to allow Delta to earn the return as allowed by the Commission in its most recent general rate case. (Response to PSC-2-27a)
>
> As noted above, the CRS will not propose changes to rate design or update studies, but to ensure Delta can earn the return it has been granted in the most recent rate case. (Response to PSC-2-27d)

The way the proposed Customer Rate Stabilization mechanism is set up and designed, I would suggest calling it a "GRAM", or Guaranteed ROE Adjustment Mechanism, rather than a CRS.

Q. PLEASE SUMMARIZE YOUR OVERALL RECOMMENDATION REGARDING THE COMPANY'S PROPOSED CRS MECHANISM.

A. I recommend that Delta's proposed CRS mechanism be rejected by the Commission, as this proposed surcharge mechanism:

1) is in violation of accepted ratemaking principles and inconsistent with appropriate regulatory policy;
2) reduces the incentive for the Company to manage its business in the most efficient manner and at the lowest possible costs;

3) represents a request for extraordinary rate remedy that is not needed and is unsubstantiated; and

4) produces no benefits for the ratepayers and inappropriately shifts virtually all risks from the stockholders to the ratepayers.

Q. WHY IS THE COMPANY'S PROPOSED CRS MECHANISM IN VIOLATION OF ACCEPTED RATEMAKING PRINCIPLES AND INCONSISTENT WITH APPROPRIATE REGULATORY POLICY?

A. Whether a utility is being regulated under traditional rate-setting rules or performance based/alternative ratemaking mechanisms, one of the most important tenets of ratemaking is that the utility should be afforded a *reasonable opportunity* to earn its authorized rate of return, rather than being virtually *guaranteed* those earnings. This is confirmed by the American Gas Association which holds that,

> Under the existing regulatory standards, a gas company has the legal right to charge rates which should earn a fair return but there is no guarantee of that fair return. It is up to management to earn that return by revenues collected at the rates established.[2] [emphasis supplied]

The proposed CRS surcharge mechanism, which seeks a virtually guaranteed, dollar-for-dollar recovery of any deficiency in the Company's authorized rate of return experienced between rate cases, represents a significant move away from this important ratemaking principle. Regulation is not intended to be a mechanism whereby a utility is guaranteed dollar-for-dollar recovery of either its costs or a particular level of profit and

[2] American Gas Association's "Gas Rate Fundamentals," Third Edition, page 109.

rate of return. That inappropriate ratemaking approach is generally referred to as "reimbursement ratemaking." Instead, appropriate regulatory policy is founded on the principle that the utility has an *opportunity* to earn its rate of return. The production of safe and adequate utility services at the lowest possible cost requires that a company exerts itself and work efficiently and a clause that guarantees that this company will always earn its allowed rate of return does not provide the appropriate stimulus for accomplishing these end products.

Through the proposed CRS mechanism, the Company has ignored the foundation upon which the regulatory process was developed; i.e., regulation is intended to be a substitute for competition. This principal of regulation was designed to stimulate a utility to act as it would if it were in a competitive industry. Clearly, if a utility's rate of return is guaranteed, this represents a departure from generally accepted ratemaking foundations. Competitive entities do not have any such return guarantees. Since regulation is supposed to be a substitute for competition, regulated entities should not receive guaranteed recovery of their authorized rate of return if such guarantees are not available in the competitive marketplace.

In summary, the Commission has to make some major policy decisions in this case. Either it can retain the current regulatory process, which sets rates on a prospective basis and provides the opportunity for a utility to earn its authorized rate of return, or it can go down the slippery slope of reimbursement ratemaking. For all of the preceding and following reasons, I would respectfully urge the Commission to favor the first alternative, i.e., retain the current regulatory process.

Q. WHY MAY THE COMPANY'S PROPOSED CRS MECHANISM NEGATIVELY INFLUENCE THE INCENTIVE OF MANAGEMENT TO RUN ITS BUSINESS IN THE MOST EFFICIENT MANNER AND AT THE LOWEST POSSIBLE COST?

A. In my opinion, the automatic, dollar-for-dollar true-up of the Company's actual achieved rate of return to its authorized rate of return between rate cases reduces the Company's incentive to control its costs. Currently, an increase in costs in any one area will stimulate cost cutting elsewhere as the Company strives to attain its rate of return goals. This incentive will be lost if the CRS is adopted. The guarantees provided by the proposed CRS remove or reduce the regulatory incentives for the Company to provide utility services in the most efficient manner and at the lowest possible cost which, in turn, may lead to more relaxed management attention to cost containment. Any mechanism that diminishes the incentive for a utility to actively manage its costs removes some of the ratepayer protections provided under traditional regulation.

Management is responsible for planning and anticipating the cost of providing utility service, setting appropriate budgets, and obtaining rate relief through the regulatory process when necessary. The management of Delta should continue to be held accountable for these tasks. Ratepayers should pay for attentive management, not pampered management that is immune from the consequences of its own decision making.

Q. HAS THE COMPANY SUBSTANTIATED THE NEED FOR THE PROPOSED CRS MECHANISM?

A. No. As I discussed before, traditional ratemaking involves the establishment of a base rate that allows the utility a reasonable opportunity to recover its cost of service and to earn a fair rate of return but does not guarantee either because some expenses and revenues will rise and others will fall while the base rate remains the same. Both the risk and reward of the efficient operation of the company are on the utility when the cost of service is recovered through base rates. Adjustment clauses such as the proposed CRS rate mechanism are formula rates that set up the elements of expense or revenue to be collected/credited under the rate. The adjustment clauses may result in a credit or charge based on how the included expenses and revenues actually materialize. The purpose of an adjustment clause is to guarantee rate recovery for the particular ratemaking element for which the clause was set up.

From a regulatory policy standpoint, the impact of an adjustment clause established in the context of a general rate case - where the base rates are set on traditional principles of ratemaking - is to *declare that the general rates established in the case cannot in and of themselves be fair, just and reasonable* because the expenses and revenues covered by the clause cannot be accommodated within the traditional ratemaking expectation that some expenses and revenues will rise and others will fall, but the *opportunity* to earn will continue to be present until new rates are sought. Outside of (i) clauses agreed to by all parties to allow the parties to give and/or receive the benefits of settlements, and (ii) clauses allowed or required by the state's regulatory scheme, my experience has been that adjustment clauses are generally utilized only when the covered costs or revenues are outside the control of management and exhibit extreme volatility and unpredictability. These are the properties that underlie the most commonly utilized adjustment clauses such as fuel adjustment clauses and gas recovery clauses. Rate recovery through an automatic rate adjustment mechanism should continue to be allowed only when management has little or no control over the item at issue and specific requirements of volatility and unpredictability can be met.

In this case, Delta's proposed CRS clause mechanism does not meet these requirements. Delta's rate of return (which the CRS seeks to guarantee) is mostly within the control of management and the Company has provided no evidence that would support the need for the extraordinary remedy sought by the proposed CRS mechanism. In this regard, Delta has presented no analyses showing that it needs the additional rate increases from the CRS to address any potential future rate of return erosions. Delta claims that under the traditional ratemaking rules under which it has been regulated up to this point, it has not been given a reasonable assurance of earning a rate of return in the range established by the Commission. While the Company blames this on the declining use per customer, Delta confirms in its response to data request PSC-3-18 that it has not performed any studies which highlight the problem of reduced revenue streams from the declining usage per customer. In addition, in response to data request PSC-3-19(a), in which the Company was asked to provide copies of any Board presentations or minutes which show that Delta's management and the Board have been concerned with the Company's inability to earn its allowed rate of return, the Company confirmed that no such Board presentations or minutes were available. Furthermore, in response to data request PSC-3-19(b), in which the Company was asked to provide a list of specific cost savings measures that have been instituted over the last 10 years to address the Company's inability to earn its allowed rate of return, the Company stated that "There has been no specific program implemented." From the foregoing information, it would appear that Delta has not performed any formal analysis or studies to determine the exact causes of the Company's below-par earnings performance.

I should also note that I find the concept of the proposed CRS especially egregious to the ratepayers when it is bundled with the adjustment clauses that are already in effect for Delta and which already provide guaranteed rate recovery of significant cost of service components that determine the Company's achieved rate of return. These adjustment clauses concern the Weather Normalization Adjustment (WNA) clause and the Gas Cost Adjustment (GCA) clause. The WNA clause protects Delta's achieved rate of return from the financial consequences of abnormal weather conditions. The GCA provides Delta with guaranteed, dollar-for-dollar rate recovery of the largest component of the Company's cost of service, the purchased gas cost. As confirmed by Delta in its response to data request AG-2-39, of the Company's total test year operating expenses of $56.2 million, an amount of $35.2 million, or 63% consists of purchased gas cost that is recovered through the Company's GCA clause. Thus, in addition to having its revenues stabilized by the WNA clause and already recovering approximately 63% of its cost of service on a dollar-for-dollar basis through a fully-reconcilable GCA clause, Delta is now requesting an additional automatic adjustment mechanism to recover the remaining 37% of its cost of service and *receive a virtually guaranteed* Commission-allowed ROE.

In summary, there is no substantiation for the need of the proposed CRS mechanism and Delta has not met the burden of proof that there is a true and legitimate need for the extraordinary remedy sought by it in this case through the proposed surcharge.

Q. WHAT DOES DELTA CLAIM TO BE THE BENEFITS TO THE RATEPAYERS FROM THE IMPLEMENTATION OF THE PROPOSED CRS MECHANISM?

A. As described on pages 12 and 13 of the testimony of Company witness Jennings, Delta has claimed two ratepayer benefits resulting from the proposed CRS mechanism. First, the Company claims that the CRS will provide customer rate protection by the assurance of having more stable and equitable rates. Second, the Company claims that the costs (ultimately to be borne by the ratepayers) associated with regulation through the proposed CRS rate mechanism will be less than the cost of continued traditional regulation.

Q. DO YOU BELIEVE THAT THE PROPOSED CRS MECHANISM WILL RESULT IN RATEPAYER BENEFITS?

A. No. I believe that the proposed CRS will result in annual rate changes for Delta that will certainly benefit the Company's shareholders, but will not benefit the ratepayers when compared to the average annual rate changes experienced historically under traditional regulation. The response to data request AG-2-37 shows the following rate changes as a result of Delta's most recent 5 base rate cases:

Case No.	Rate Case Filing Date	Rate Increase Granted
9331	05/31/1985	$ 452,000
90-342	12/14/1990	$ 2,050,000
97-066	03/14/1997	$ 1,827,000
99-176	01/01/2000	$ 420,000
2004-0067	04/05/04	$ 2,755,576
Total		$ 7,504,576

The data in the above table indicate that during the approximate 22-year period from May 31, 1985 up to April 20, 2007 (the filing date of the instant rate case), Delta's ratepayers experienced an average annual rate increase of $341,117.[3] By contrast, the historical test of the proposed CRS for the three years 2004, 2005 and 2006 shown in the Company's response to data request PSC-2-28 indicates that if the CRS had been operating in each of these three years since its last base rate case, the total cumulative rate increase for this 3-year period would have been $7,750,816. This would translate into an average annual rate increase amount of approximately $2,584,000, or more than

[3] Calculation: $7,504,576 / 22 yrs = $341,117.

7.5 times as high as the average annual rate increase of $341,117[4] experienced by Delta under traditional regulation in the last 20+ years. Thus, I don't see how the proposed CRS would be of benefit and provide rate protection to the customers. It would seem to me that the Company's stockholders would benefit infinitely more from the CRS than the ratepayers since I believe that the true stimulus for the proposed surcharge is stockholder protection from rate of return erosion between rate cases. In addition, the proposed CRS mechanism, with its virtual assurance that the authorized ROE will always be achieved between rate cases, shifts virtually all risks from the stockholder to the ratepayers.

The Company has also not proven its second ratepayer benefit claim; i.e., that the proposed CRS mechanism will be less costly than the cost of traditional regulation. In this regard, it should be noted that the Company bases this claim on the assumption that the alternative to the annual CRS filings would be annual full-fledged base rate cases:

> If Delta is required to file annual general rate cases, we believe that cost on the Company, its customers, the Commission and the Attorney General will be substantially above the cost of annual reviews under the CRS mechanism. (Jennings testimony, page 15, lines 8-11)
>
> Assuming regulated companies need to file annual rate cases, staff needs by the Commission and the AG, as well as outside consultant costs, should be much less under the CRS filing approach. (Response to data request PSC-2-14)

I previously discussed that in the 22-year period from May 1985 to today, Delta has had only 5 rate cases and it would be unrealistic to assume that Delta from now on will have

[4] $2,584,000 / $341,117 = 7.575.

annual base rate filings.

Q. WHAT DOES DELTA CLAIM ITS ESTIMATED COSTS WILL BE TO FILE AND PROCESS AN ANNUAL CRS CASE?

A. In its response to data request PSC-2-27(f), Delta provided the following answer to this question:

> Assuming a risk based evaluation procedure can be agreed upon to focus the review efforts, Delta does not foresee incurring any incremental costs other than legal expenses for filing the mechanism and supplies associated with preparing the annual CRS filing. We do not expect these amounts to exceed $10,000 per year.

Q. DO YOU BELIEVE THIS COST ESTIMATE TO BE REASONABLE?

A. No, I do not believe it reasonable at all to assume that the total CRS filing costs, including the costs associated with the Commission's and AG's CRS filing reviews, would not exceed $10,000. As referenced above, the Company has based this cost estimate on expected legal expenses and supplies associated with preparing the CRS filing. The actual legal expenses in the Company's last rate case and the estimated legal expenses for the instant rate proceeding amount to approximately $60,000. Based on this information, it would not be unreasonable to expect just the legal expenses alone in a CRS filing to be significantly higher than $10,000, particularly if the filing triggers a litigious response. From the response to data request AG-2-37, one can also derive that the supplies expenses and the costs associated with newspaper ads and public and customer notices incurred in the Company's most recent rate case and estimated for the current rate case amount to a total cost of approximately $37,000. These types of expenses would also have to be incurred for a CRS filing. Furthermore, the $10,000 cost estimate does not include the costs to be incurred by the Commission and the AG in their review of the annual CRS filings which the Company proposes to include in the CRS rates to be charged to the ratepayers. Although the Company does not know the total cost amount of such annual reviews, it proposes that these costs be limited to the equivalent salary of one full-time staff member for the Commission and the AG.[5] Conservatively estimated, this additional CRS cost could be at least $50,000. Thus, including the Commission's and AG's review costs, the CRS filing costs could be anywhere between $50,000 and $100,000, depending on the adversarial nature of the particular CRS filing.

Next, one has to consider the fact that these CRS related regulatory expenses would be incurred *annually* between rate cases. This means that during the Company's proposed 5-year CRS experiment, the ratepayers would incur estimated charges ranging from $250,000 to $500,000 for additional regulatory expenses associated with 5 CRS filings that would not be chargeable to the ratepayers under traditional regulation. And these additional costs would be incurred on top of the costs associated with the Company's traditional base rate proceedings which would still have to take place periodically, such as the instant rate proceeding (with an estimated cost of $350,000) and the base rate proceeding at the end of the proposed 5-year CRS experiment. Furthermore, as

[5] See response to PSC-2-29(a).

previously discussed, the proposed CRS tariff allows Delta to file a base rate case at any time during the proposed 5-year experimental CRS period. If that were to occur, it would pile even more regulatory charges on the ratepayer's plate.

Q. WHAT IS THE HISTORY OF DELTA'S ACTUAL RATE CASE EXPENSES UNDER TRADITIONAL REGULATION UP TO THIS POINT?

A. The response to data request AG-2-37 shows the following rate case expenses actually incurred by Delta in its most recent 4 base rate cases:[6]

Case No.	Rate Case Filing Date	Rate Case Expenses
90-342	12/14/1990	$ 38,902
97-066	03/14/1997	$ 129,048
99-176	01/01/2000	$ 170,118
2004-0067	04/05/04	$ 267,098
Total		$ 605,163

The data in the above table indicate that during the approximate 16 ½-year period from December 14 1990 up to April 20, 2007 (the filing date of the instant rate case), Delta experienced average annual rate case expenses of approximately $37,000[7] under the traditional ratemaking process.

From the foregoing information, I conclude that the Company has not proven that the regulatory costs to the ratepayers with the CRS mechanism in place will be lower than the regulatory costs associated with the continuation of traditional regulation. In fact, I

[6] In its response to AG-2-37 , the Company indicated that only the actual rate case expenses for the most recent 4 base rate cases were available.
[7] Calculation: $7,504,576 / 16 1/2 yrs = $36,677.

believe that the opposite will turn out to be the case. The Company is simply dangling the unsubstantiated promise of lower regulatory costs under the CRS mechanism as bait to get a tremendous benefit for shareholders in the form of a guaranteed rate of return.

Q. HAS THE COMPANY QUANTIFIED ANY NUMERICAL RATEPAYER BENEFITS TO BE PRODUCED BY THE PROPOSED CRS RATE MECHANISM?

A. No. When the Company was asked this question in data request AG-2-38, it responded that:

> Delta has not performed any formal studies or analysis to quantify the benefits. However, at a minimum the CRS mechanism will save the customers the costs of frequent rate cases.

As previously discussed, there may be less frequent rate cases with the implementation of the CRS mechanism, however, this will not result in cost savings to the ratepayers.

Q. WHAT IS YOUR OVERALL CONCLUSION REGARDING THE PROPOSED CRS MECHANISM FROM THE VIEWPOINT OF RATEPAYER BENEFITS?

A. While the Company claims that the proposed CRS is of benefit to the ratepayers, the mechanism focuses predominantly on the interests of Delta and its stockholders rather than the ratepayers and shifts significant risks from the stockholders to the ratepayers. It should also be noted that the proposed CRS is not a *performance based* rate mechanism with performance benchmarks which, when reached or exceeded, would represent an *improvement* over what Delta is already achieving under its current regulatory regime. Rather, the proposed CRS is merely a rate mechanism that would virtually guarantee the Company's authorized ROE no matter how the Company and its management perform.

In summary, Delta's proposed CRS only focuses on the guarantee that it will earn its authorized ROE, without any real financial and operational improvements and cost savings built in, and with no incremental benefits to the ratepayers over and above what they are currently experiencing under traditional regulation. The only incremental benefits from the proposed CRS would accrue to Delta's shareholders (at the expense of the ratepayers) in the form of protection from ROE erosion between rate cases.

Q. ARE THERE OTHER SHORTCOMINGS IN DELTA'S PROPOSED CRS MECHANISM THAT SHOULD BE OF CONCERN TO THE COMMISSION?

A. Yes. There are a number of other issues associated with the proposed CRS mechanism that should be of concern to the Commission. I note, though, that even if the Company were to fix these additional issues, this should not render the CRS appropriate for implementation in this case. The proposed CRS mechanism should be rejected by the Commission for all of the reasons and regulatory policy issues previously described in this testimony. The additional issues that I will discuss now are to be considered supplemental reasons for rejecting the proposed CRS.

What should first be of concern to the Commission is the fact that the proposed CRS mechanism does not include any decrease in the Company's requested return on equity in the instant base rate case. While I am not the AG's rate of return expert in this case, it is my understanding that the Company's return on equity rate to be established in this proceeding is partially a function of the degree of earnings risk to be experienced by Delta. As previously discussed, the CRS mechanism provides for a guaranteed rate of return between rate cases and thereby completely removes the Company's earnings risk. For that reason, it is inappropriate for the Company to propose the CRS mechanism without a concomitant reduction in its requested return on equity.

Second, Delta has proposed that no testimony be filed in support of the annual CRS filings and that the total filing review period be limited to 45 days. In my opinion, it will be rather difficult, if not impossible, for the Commission and the AG to determine the reasonableness of the pro forma adjusted Evaluation Period rate base investment levels, expenses and revenues, and potentially challenge and change the filing results in a time frame of only 45 days and without supporting testimony on the part of Delta.

Third, Delta takes the position that no hearings are necessary to implement the CRS rates. While the proposed CRS filings may not be equivalent to full-blown rate cases, they can certainly be characterized as "mini rate cases" that have as their purpose to adjust the then-current base rates. I believe it would be appropriate to include hearings in the process of establishing the new rates produced by these mini rate cases, particularly since no pre-filed testimonies are proposed to be included in the CRS filings.

Finally, there may well be other reasons for rejecting the proposed CRS mechanism that fall outside of my area of expertise such as, for example, legal reasons.

Q. MR. HENKES, DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

APPENDIX I

PRIOR REGULATORY EXPERIENCE OF ROBERT J. HENKES

* = Testimonies prepared and submitted

ARKANSAS

Southwestern Bell Telephone Company Divestiture Base Rate Proceeding*	Docket 83-045-U	09/1983

DELAWARE

Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 41-79	04/1980
Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 80-39	02/1981
Delmarva Power and Light Company Sale of Power Station Generation	Complaint Docket 279-80	04/1981
Delmarva Power and Light Company Electric Base Rate Proceeding	Docket 81-12	06/1981
Delmarva Power and Light Company Gas Base Rate Proceeding*	Docket 81-13	08/1981
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 82-45	04/1983
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 83-26	04/1984
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 84-30	04/1985
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 85-26	03/1986
Delmarva Power and Light Company Report of DP&L Operating Earnings*	Docket 86-24	07/1986
Delmarva Power and Light Company Electric Base Rate Proceeding*	Docket 86-24	12/1986 01/1987
Delmarva Power and Light Company	Docket 85-26	10/1986

Report Re. PROMOD and Its Use in Fuel Clause Proceedings*		
Diamond State Telephone Company Base Rate Proceeding*	Docket 86-20	04/1987
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 87-33	06/1988
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 90-35F	05/1991
Delmarva Power and Light Company Electric Base Rate Proceeding*	Docket 91-20	10/1991
Delmarva Power and Light Company Gas Base Rate Proceeding*	Docket 91-24	04/1992
Artesian Water Company Water Base Rate Proceeding*	Docket 97-66	07/1997
Artesian Water Company Water Base Rate Proceeding*	Docket 97-340	02/1998
United Water Delaware Water Base Rate Proceeding*	Docket 98-98	08/1998
Delmarva Power and Light Company Revenue Requirement and Stranded Cost Reviews	Not Docketed	12/1998
Artesian Water Company Water Base Rate Proceeding*	Docket 99-197 (Direct Test.)	09/1999
Artesian Water Company Water Base Rate Proceeding*	Docket 99-197 (Supplement. Test)	10/1999
Tidewater Utilities/ Public Water Co. Water Base Rate Proceedings*	Docket No. 99-466	03/2000
Delmarva Power & Light Company Competitive Services Margin Sharing Proceeding*	Docket No. 00-314	03/2001
Artesian Water Company Water Base Rate Proceeding*	Docket No. 00-649	04/2001

Chesapeake Gas Company Gas Base Rate Proceeding*	Docket No. 01-307	12/2001
Tidewater Utilities Water Base Rate Proceeding*	Docket No. 02-28	07/2002
Artesian Water Company Water Base Rate Proceeding*	Docket No. 02-109	09/2002
Delmarva Power & Light Company Electric Cost of Service Proceeding	Docket No. 02-231	03/2003
Delmarva Power & Light Company Gas Base Rate Proceeding*	Docket No. 03-127	08/2003
Artesian Water Company Water Base Rate Proceeding*	Docket No. 04-42	08/2004
United Water Delaware Water Base Rate Proceeding*	Docket No. 06-174	10/2006

<u>DISTRICT OF COLUMBIA</u>

District of Columbia Natural Gas Co. Gas Base Rate Proceeding*	Formal Case 870	05/1988
District of Columbia Natural Gas Co. Gas Base Rate Proceeding*	Formal Case 890	02/1990
District of Columbia Natural Gas Co. Waiver of Certain GS Provisions	Formal Case 898	08/1990
Chesapeake and Potomac Telephone Co. Base Rate Proceeding*	Formal Case 850	07/1991
Chesapeake and Potomac Telephone Co. Base Rate Proceeding*	Formal Case 926	10/1993
Bell Atlantic - District of Columbia SPF Surcharge Proceeding	Formal Case 926	06/19/94
Bell Atlantic - District of Columbia Price Cap Plan and Earnings Review	Formal Case 814 IV	07/1995

GEORGIA

Southern Bell Telephone Company Base Rate Proceeding	Docket 3465-U	08/1984
Southern Bell Telephone Company Base Rate Proceeding	Docket 3518-U	08/1985
Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3673-U	08/1987
Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3840-U	08/1989
Southern Bell Telephone Company Base Rate Proceeding	Docket 3905-U	08/1990
Southern Bell Telephone Company Implementation, Administration and Mechanics of Universal Service Fund*	Docket 3921-U	10/1990
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket 4177-U	08/1992
Southern Bell Telephone Company Report on Cash Working Capital*	Docket 3905-U	03/1993
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket No. 4451-U	08/1993
Atlanta Gas Light Company Gas Base Rate Proceeding	Docket No. 5116-U	08/1994
Georgia Independent Telephone Companies Earnings Review and Show Cause Proceedings	Various Dockets	1994
Georgia Power Company Earnings Review - Report to GPSC*	Non-Docketed	09/1995
Georgia Alltel Telecommunication Companies Earnings and Rate Reviews	Docket No. 6746-U	07/1996
Frontier Communications of Georgia Earnings and Rate Review	Docket No. 4997-U	07/1996

Georgia Power Company Electric Base Rate / Accounting Order Proceeding	Docket No. 9355-U	12/1998
Savannah Electric Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 14618-U	03/2002
Georgia Power Company Electric Base Rate / Alternative Rate Plan Proceeding*	Docket No. 18300-U	12/2004
Savannah Electric Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 19758-U	03/2005

FERC

Philadelphia Electric/Conowingo Power Electric Base Rate Proceeding*	Docket ER 80-557/558	07/1981

KENTUCKY

Kentucky Power Company Electric Base Rate Proceeding*	Case 8429	04/1982
Kentucky Power Company Electric Base Rate Proceeding*	Case 8734	06/1983
Kentucky Power Company Electric Base Rate Proceeding*	Case 9061	09/1984
South Central Bell Telephone Company Base Rate Proceeding*	Case 9160	01/1985
Kentucky-American Water Company Base Rate Proceeding*	Case 97-034	06/1997
Delta Natural Gas Company Base Rate Proceeding*	Case 97-066	07/1997
Kentucky Utilities and LG&E Company Environmental Surcharge Proceeding	97-SC-1091-DG	01/1999
Delta Natural Gas Company Experimental Alternative Regulation Plan*	Case No. 99-046	07/1999

Delta Natural Gas Company Base Rate Proceeding*	Case No. 99-176	09/1999
Louisville Gas & Electric Company Gas Base Rate Proceeding*	Case No. 2000-080	06/2000
Kentucky-American Water Company Base Rate Proceeding*	Case No. 2000-120	07/2000
Jackson Energy Cooperative Corporation Electric Base Rate Proceeding*	Case No. 2000-373	02/2001
Kentucky-American Water Company Base Rate Rehearing*	Case No. 2000-120	02/2001
Kentucky-American Water Company Rehearing Opposition Testimony*	Case No. 2000-120	03/2001
Union Light Heat and Power Company Gas Base Rate Proceeding*	Case No. 2001-092	09/2001
Louisville Gas & Electric Company and Kentucky Utilities Company Deferred Debits Accounting Order	Case No. 2001-169	10/2001
Fleming-Mason Energy Cooperative Electric Base Rate Proceeding	Case No. 2001-244	05/2002
Northern Kentucky Water District Water District Base Rate Proceeding	Case No. 2003-0224	02/2004
Louisville Gas & Electric Company Electric Base Rate Proceeding*	Case No. 2003-0433	03/2004
Louisville Gas & Electric Company Gas Base Rate Proceeding*	Case No. 2003-0433	03/2004
Delta Natural Gas Company Base Rate Proceeding*	Case No. 2004-00067	07/2004
Union Light Heat and Power Company Gas Base Rate Proceeding*	Case No. 2005-00042	06/2005
Big Sandy Rural Electric Cooperative Electric Base Rate Proceeding	Case No. 2005-00125	08/2005

Louisville Gas & Electric Company Value Delivery Surcredit Mechanism*	Case No. 2005-00352	12/2005
Kentucky Utilities Company Value Delivery Surcredit Mechanism*	Case No. 2005-00351	12/2005
Kentucky Power Company Electric Base Rate Proceeding*	Case No. 2005-00341	01/2006
Cumberland Valley Electric Cooperative Electric Base Rate Proceeding	Case No. 2005-00187	05/2006
South Kentucky Rural Electric Cooperative Electric Base Rate Proceeding	Case No. 2005-00450	07/2006
Duke Energy Kentucky Electric Base Rate Proceeding*	Case No. 2006-00172	09/2006
Atmos Energy Corporation Gas Show Cause Proceeding*	Case No. 2005-00057	09/2006
Inter County Electric Cooperative Electric Base Rate Proceeding	Case No. 2006-00415	04/2007
Atmos Energy Corporation Gas Base Rate Proceeding*	Case No. 2006-00464	04/2007
Columbia Gas of Kentucky Gas Base Rate Proceeding*	Case No. 2007-00008	06/2007

MAINE

Continental Telephone Company of Maine Base Rate Proceeding	Docket 90-040	12/1990
Central Maine Power Company Electric Base Rate Proceeding	Docket 90-076	03/1991
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MARYLAND

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Electric Base Rate Proceeding*		
Delmarva Power and Light Company Electric Base Rate Proceeding*	Case 7427	08/1980
Chesapeake and Potomac Telephone Company Western Electric and License Contract	Case 7467	10/1980
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7467	10/1980
Washington Gas Light Company Gas Base Rate Proceeding	Case 7466	11/1980
Delmarva Power and Light Company Electric Base Rate Proceeding*	Case 7570	10/1981
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7591	12/1981
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7661	11/1982
Chesapeake and Potomac Telephone Company Computer Inquiry II*	Case 7661	12/1982
Chesapeake and Potomac Telephone Company Divestiture Base Rate Proceeding*	Case 7735	10/1983
AT&T Communications of Maryland Base Rate Proceeding	Case 7788	1984
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7851	03/1985
Potomac Electric Power Company Electric Base Rate Proceeding	Case 7878	1985
Delmarva Power and Light Company Electric Base Rate Proceeding	Case 7829	1985

NEW HAMPSHIRE

Granite State Electric Company Electric Base Rate Proceeding	Docket DR 77-63	1977

NEW JERSEY

Elizabethtown Water Company Water Base Rate Proceeding	Docket 757-769	07/1975
Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 759-899	09/1975
Middlesex Water Company Water Base Rate Proceeding	Docket 761-37	01/1976
Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 769-965	09/1976
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings	Docket 761-8	10/1976
Atlantic City Electric Company Electric Base Rate Proceeding*	Docket 772-113	04/1977
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 7711-1107	05/1978
Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 794-310	04/1979
Rockland Electric Company Electric Base Rate Proceeding*	Docket 795-413	09/1979
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 802-135	02/1980
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8011-836	02/1981
Rockland Electric Company Electric Base Rate Proceeding*	Docket 811-6	05/1981
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8110-883	02/1982
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket 812-76	08/1982

Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 812-76	08/1982
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8211-1030	11/1982
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 829-777	12/1982
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 837-620	10/1983
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8311-954	11/1983
AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1035	02/1984
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 849-1014	11/1984
AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1064	05/1985
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket ER8512-1163	05/1986
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket ER8512-1163	07/1986
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER8609-973	12/1986
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER8710-1189	01/1988
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United Telephone of New Jersey Base Rate Proceeding	Docket TR8810-1187	08/1989
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER9009-10695	09/1990
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Base Rate Proceeding

Elizabethtown Gas Company Gas Base Rate Proceeding*	Docket GR9012-1391J	05/1991
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER9109145J	11/1991
Jersey Central Power and Light Company Electric Fuel Clause Proceeding	Docket ER91121765J	03/1992
New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR9108-1393J	03/1992
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket ER91111698J	07/1992
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER92090900J	12/1992
Middlesex Water Company Water Base Rate Proceeding*	Docket WR92090885J	01/1993
Elizabethtown Water Company Water Base Rate Proceeding*	Docket WR92070774J	02/1993
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER91111698J	03/1993
New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR93040114	08/1993
Atlantic City Electric Company Electric Fuel Clause Proceeding	Docket ER94020033	07/1994
Borough of Butler Electric Utility Various Electric Fuel Clause Proceedings	Docket ER94020025	1994
Elizabethtown Water Company Water Base Rate Proceeding	Non-Docketed	11/1994
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER 94070293	11/1994
Rockland Electric Company Electric Fuel Clause Proceeding and	Docket Nos. 940200045	

Purchased Power Contract By-Out	and ER 9409036	12/1994
Jersey Central Power & Light Company Electric Fuel Clause Proceeding	Docket ER94120577	05/1995
Elizabethtown Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR95010010	05/1995
Middlesex Water Company Purchased Water Adjustment Clause Proceeding	Docket WR94020067	05/1995
New Jersey American Water Company* Base Rate Proceeding	Docket WR95040165	01/1996
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER95090425	01/1996
United Water of New Jersey Base Rate Proceeding*	Docket WR95070303	01/1996
Elizabethtown Water Company Base Rate Proceeding*	Docket WR95110557	03/1996
New Jersey Water and Sewer Adjustment Clauses Rulemaking Proceeding*	Non-Docketed	03/1996
United Water Vernon Sewage Company Base Rate Proceeding*	Docket WR96030204	07/1996
United Water Great Gorge Company Base Rate Proceeding*	Docket WR96030205	07/1996
South Jersey Gas Company Base Rate Proceeding	Docket GR960100932	08/1996
Middlesex Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR96040307	08/1996
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER96030257	08/1996
Public Service Electric & Gas Company and Atlantic City Electric Company Investigation into the continuing outage of the Salem Nuclear Generating Station*	Docket Nos. ES96039158 & ES96030159	10/1996

Rockland Electric Company Electric Fuel Clause Proceeding*	Docket No.EC96110784	01/1997
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No.WR96100768	03/1997
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER97020105	08/1997
Public Service Electric & Gas Company Electric Restructuring Proceedings*	Docket Nos. EX912058Y, EO97070461, EO97070462, EO97070463	11/1997
Atlantic City Electric Company Limited Issue Rate Proceeding*	Docket No.ER97080562	12/1997
Rockland Electric Company Limited Issue Rate Proceeding	Docket No.ER97080567	12/1997
South Jersey Gas Company Limited Issue Rate Proceeding	Docket No.GR97050349	12/1997
New Jersey American Water Company Limited Issue Rate Proceeding	Docket No.WR97070538	12/1997
Elizabethtown Water Company and Mount Holly Water Company Limited Issue Rate Proceedings	Docket Nos. WR97040288, WR97040289	12/1997
United Water of New Jersey, United Water Toms River and United Water Lambertville Limited Issue Rate Proceedings	Docket Nos.WR9700540, WR97070541, WR97070539	12/1997
Public Service Electric & Gas Company Electric Restructuring Proceedings*	Docket Nos. EX912058Y, EO97070461, EO97070462, EO97070463	01/1998
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No. WR97080615	01/1998
New Jersey-American Water Company Base Rate Proceeding*	Docket No.WR98010015	07/1998
Consumers New Jersey Water Company Merger Proceeding	Docket No.WM98080706	12/1998

Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER98090789	02/1999
Middlesex Water Company Base Rate Proceeding*	Docket No.WR98090795	03/1999
Mount Holly Water Company Base Rate Proceeding - Phase I*	Docket No. WR99010032	07/1999
Mount Holly Water Company Base Rate Proceeding - Phase II*	Docket No. WR99010032	09/1999
New Jersey American Water Company Acquisitions of Water Systems	Docket Nos. WM9910018 WM9910019	09/1999 09/1999
Mount Holly Water Company Merger with Homestead Water Utility	Docket No. WM99020091	10/1999
Applied Wastewater Management, Inc. Merger with Homestead Treatment Utility	Docket No.WM99020090	10/1999
Environmental Disposal Corporation (Sewer) Base Rate Proceeding*	Docket No.WR99040249	02/2000
Elizabethtown Gas Company Gas Cost Adjustment Clause Proceeding DSM Adjustment Clause Proceeding	 Docket No.GR99070509 Docket No. GR99070510	 03/2000 03/2000
New Jersey American Water Company Gain on Sale of Land	Docket No. WM99090677	04/2000
Jersey Central Power & Light Company NUG Contract Buydown	Docket No. EM99120958	04/2000
Shore Water Company Base Rate Proceeding	Docket No. WR99090678	05/2000
Shorelands Water Company Water Diversion Rights Acquisition	Docket No. WO00030183	05/2000
Mount Holly and Elizabethtown Water Companies Computer and Billing Services Contracts	Docket Nos. WO99040259 WO9904260	06/2000 06/2000
United Water Resources, Inc. Merger with Suez-Lyonnaise	Docket No. WM99110853	06/2000

E'Town Corporation Merger with Thames, Ltd.	Docket No. WM99120923	08/2000
Consumers Water Company Water Base Rate Proceeding*	Docket No. WR00030174	09/2000
Atlantic City Electric Company Buydown of Purchased Power Contract	Docket No. EE00060388	09/2000
Applied Wastewater Management, Inc. Authorization for Accounting Changes	Docket No. WR00010055	10/2000
Elizabethtown Gas Company		
Gas Cost Adjustment Clause Proceeding	Docket No. GR00070470	10/2000
DSM Adjustment Clause Proceeding	Docket No. GR00070471	10/2000
Trenton Water Works Water Base Rate Proceeding*	Docket No. WR00020096	10/2000
Middlesex Water Company Water Base Rate Proceeding*	Docket No. WR00060362	11/2000
New Jersey American Water Company Land Sale - Ocean City	Docket No. WM00060389	11/2000
Pineland Water Company Water Base Rate Proceeding*	Docket No. WR00070454	12/2000
Pineland Wastewater Company Wastewater Base Rate Proceeding*	Docket No. WR00070455	12/2000
Elizabethtown Gas Company Regulatory Treatment of Gain on Sale of Property*	Docket No. GR00070470	02/2001
Wildwood Water Utility Water Base Rate Proceeding*	Docket No. WR00100717	04/2001
Roxbury Water Company Water Base Rate Proceeding	Docket No. WR01010006	06/2001
SB Water Company Water Base Rate Proceeding	Docket No. WR01040232	06/2001
Pennsgrove Water Company Water Base Rate Proceeding*	Docket No. WR00120939	07/2001

Public Service Electric & Gas Company Gas Base Rate Proceeding* Direct Testimony	Docket No. GR01050328	08/2001
Public Service Electric & Gas Company Gas Base Rate Proceeding* Surrebuttal Testimony	Docket No. GR01050328	09/2001
Elizabethtown Water Company Water Base Rate Proceeding*	Docket No. WR01040205	10/2001
Middlesex Water Company Financing Proceeding	Docket No. WF01090574	12/2001
New Jersey American Water Company Financing Proceeding	Docket No. WF01050337	12/2001
Consumers New Jersey Water Company Stock Transfer/Change in Control Proceeding	Docket No. WF01080523	01/2002
Consumers New Jersey Water Company Water Base Rate Proceeding	Docket No. WR02030133	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding*	Docket No. WM01120833	07/2002
Borough of Haledon – Water Department Water Base Rate Proceeding*	Docket No. WR01080532	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding	Docket No. WM02020072	09/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Direct Testimony*	Docket No. ER02050303	10/2002
United Water Lambertville Land Sale Proceeding	Docket No. WM02080520	11/2002
United Water Vernon Hills & Hampton Management Service Agreement	Docket No. WE02080528	11/2002
United Water New Jersey Metering Contract With Affiliate	Docket No. WO02080536	12/2002

Public Service Electric & Gas Company Electric Base Rate Proceeding Surrebuttal and Supplemental Surrebuttal Testimonies*	Docket No. ER02050303	12/2002
Public Service Electric & Gas Company Minimum Pension Liability Proceeding	Docket No. EO02110853	12/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Supplemental Direct Testimony*	Docket No. ER02050303	12/2002
Public Service Electric & Gas Company Electric Deferred Balance Proceeding Direct Testimony*	Docket No. ER02050303	01/2003
Rockland Electric Company Electric Base Rate Proceeding Direct Testimony*	Docket No. ER02100724	01/2003
Public Service Electric & Gas Company Supplemental Direct Testimony*	Docket No. ER02050303	02/2003
Rockland Electric Company Electric Base Rate Proceeding Supplemental Direct Testimony*	Docket No. ER02100724	02/2003
Consumers New Jersey Water Company Acquisition of Maxim Sewerage Company	Docket No. WM02110808	05/2003
Rockland Electric Company Audit of Competitive Services	Docket No. EA02020098	06/2003
New Jersey Natural Gas Company Audit of Competitive Services	Docket No. GA02020100	06/2003
Public Service Electric & Gas Company Audit of Competitive Services	Docket No. EA02020097	06/2003
Mount Holly Water Company Water Base Rate Proceeding*	Docket No. WR03070509	12/2003
Elizabethtown Water Company Water Base Rate Proceeding*	Docket No. WR03070510	12/2003
New Jersey-American Water Company Water and Sewer Base Rate Proceeding*	Docket No. WR03070511	12/2003

Applied Wastewater Management, Inc. Water and Sewer Base Rate Proceeding*	Docket No. WR03030222	01/2004
Middlesex Water Company Water Base Rate Proceeding	Docket No. WR03110900	04/2004
Consumers New Jersey Water Company Water Base Rate Proceeding	Docket No. WR02030133	07/2004
Roxiticus Water Company Purchased Water Adjustment Clause	Docket No. WR04060454	08/2004
Rockland Electric Company Societal Benefit Charge Proceeding	Docket No. ET04040235	08/2004
Wildwood Water Utility Water Base Rate Proceeding - Interim Rates	Docket No. WR04070620	08/2004
United Water Toms River Litigation Cost Accounting Proceeding	Docket No. WF04070603	11/2004
Lake Valley Water Company Water Base Rate Proceeding	Docket No. WR04070722	12/2004
Public Service Electric & Gas Company Customer Account System Proceeding	Docket No. EE04070718	02/2005
Jersey Central Power and Light Company Various Land Sales Proceedings	Docket No. EM04101107 Docket No. EM04101073 Docket No. EM04111473	02/2005 02/2005 03/2005
Environmental Disposal Corporation Water Base Rate Proceeding	Docket No. WR040080760	05/2005
Universal Service Fund Compliance Filing For 7 New Jersey Electric and Gas Utilities	Docket No. EX00020091	05/2005
Rockland Electric Company Societal Benefit Charge Proceeding	Docket No. ET05040313	08/2005
Public Service Electric & Gas Company Buried Underground Distribution Tariff Proceeding	Docket No. ET05010053	08/2005
Aqua New Jersey Acquisition of Berkeley Water Co. Water Merger Proceeding	Docket No. WM04121767	08/2005

Middlesex Water Company Water Base Rate Proceeding	Docket No. WR05050451	10/2005
Public Service Electric & Gas Company Land Sale Proceeding	Docket No. EM05070650	10/2005
Public Service Electric & Gas Company Merger of PSEG and Exelon Corporation Direct Testimony	Docket No. EM05020106	11/2005
Public Service Electric & Gas Company* Merger of PSEG and Exelon Corporation Surrebuttal Testimony	Docket No. EM05020106	12/2005
Public Service Electric & Gas Company* Financial Review of Electric Operations	Docket No. ER02050303	12/2005
Rockland Electric Company Competitive Services Audit	Docket No. EA02020098	12/2005
Public Service Electric & Gas Company Customer Accounting System Cost Recovery	Docket No. EE04070718	01/2006
Roxiticus Water Company Stock Sale and Change of Ownership and Control	Docket No. WM05080755	01/2006
Public Service Electric & Gas Company Competitive Services Audit	Docket No. EA02020097	02/2006
Wildwood Water Company Water Base Rate Proceeding	Docket No. WR05070613	03/2006
Pinelands Water Company Water Base Rate Proceeding*	Docket No. WR05080681	03/2006
Pinelands Wastewater Company Wastewater Base Rate Proceeding*	Docket No. WR05080680	03/2006
Aqua New Jersey Water Company Water Base Rate Proceeding*	Docket No. WR05121022	06/2006
Public Service Electric & Gas Company Gas Base Rate Proceeding*	Docket No. GR05100845	07/2006
New Jersey American Company	Docket No. WR06030257	10/2006

Consolidated Water Base Rate Proceeding,* New Jersey American Water Company, Elizabethtown Water Company, and Mount Holly Water Company		
Roxiticus Water Company Water Base Rate Proceeding	Docket No. WR06120884	04/2007
United Water Company of New Jersey Change of Control Proceeding	Docket No. WM06110767	05/2007
United Water Company of New Jersey Water Base Rate Proceeding*	Docket No. WR07020135	07/2007

NEW MEXICO

Southwestern Public Service Company Electric Base Rate Proceeding*	Case 1957	11/1985
El Paso Electric Company Rate Moderation Plan	Case 2009	1986
El Paso Electric Company Electric Base Rate Proceeding	Case 2092	06/1987
Gas Company of New Mexico Gas Base Rate Proceeding*	Case 2147	03/1988
El Paso Electric Company Electric Base Rate Proceeding*	Case 2162	06/1988
Public Service Company of New Mexico Phase-In Plan*	Case 2146/Phase II	10/1988
El Paso Electric Company Electric Base Rate Proceeding*	Case 2279	11/1989
Gas Company of New Mexico Gas Base Rate Proceeding*	Case 2307	04/1990
El Paso Electric Company Rate Moderation Plan*	Case 2222	04/1990
Generic Electric Fuel Clause - New Mexico Amendments to NMPSC Rule 550	Case 2360	02/1991

Southwestern Public Service Company Rate Reduction Proceeding	Case 2573	03/1994
El Paso Electric Company Base Rate Proceeding	Case 2722	02/1998

OHIO

Dayton Power and Light Company Electric Base Rate Proceeding	Case 76-823	1976

PENNSYLVANIA

Duquesne Light Company Electric Base Rate Proceeding*	R.I.D. No. R-821945	09/1982
AT&T Communications of Pennsylvania Base Rate Proceeding*	Docket P-830452	04/1984
AT&T Communications of Pennsylvania Base Rate Proceeding*	Docket P-830452	11/1984
National Fuel Gas Distribution Company Gas Base Rate Proceeding*	Docket R-870719	12/1987

RHODE ISLAND

Blackstone Valley Electric Company Electric Base Rate Proceeding	Docket No. 1289	
Newport Electric Company Report on Emergency Relief		

VERMONT

Continental Telephone Company of Vermont Base Rate Proceeding	Docket No. 3986	
Green Mountain Power Corporation Electric Base Rate Proceeding	Docket No. 5695	01/1994

Central Vermont Public Service Corp. Rate Investigation	Docket No. 5701	04/1994
Central Vermont Public Service Corp. Electric Base Rate Proceeding*	Docket No. 5724	05/1994
Green Mountain Power Corporation Electric Base Rate Proceeding*	Docket No. 5780	01/1995
Green Mountain Power Corporation Electric Base Rate Proceeding*	Docket No. 5857	01/1996

VIRGIN ISLANDS

Virgin Islands Telephone Corporation Base Rate Proceeding*	Docket 126	

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS CO., INC. FOR AN ADJUSTMENT OF GAS RATES	)))	Case No. 2007-00089

AFFIDAVIT OF ROBERT J. HENKES

State of Connecticut)
)
)

Robert J. Henkes, being first duly sworn, states the following: The prepared Pre-Filed Direct Testimony, and the Schedules and Appendix attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, his statements made are true and correct. Further affiant saith not.

Robert J. Henkes

SUBSCRIBED AND SWORN to before me this 4th day of August, 2007.

NOTARY PUBLIC

My Commission Expires: 2/28/10

LISA A. LATTANZIO
NOTARY PUBLIC
CONNECTICUT
My Commission Expires 02-28-2010