

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

**SUPPLEMENTAL RESPONSE TO ITEM 19  
OF THE ATTORNEY GENERAL'S INITIAL  
REQUEST FOR INFORMATION**

**VOLUME 19**

Minutes of the Regular Quarterly Meeting of the Board of Directors  
of Delta Natural Gas Company, Inc.  
Held in Winchester, Kentucky on May 25, 2007

**RECEIVED**

JUL 06 2007

PUBLIC SERVICE  
COMMISSION

The regular quarterly meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the principal office of the Company at 3617 Lexington Road, Winchester, Kentucky, on Friday, May 25, 2007 beginning at 10:00 a.m.

The following directors participated: Donald R. Crowe, Lanny D. Greer, Billy Joe Hall, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet, Emeritus, Arthur E. Walker, Jr. and Michael R. Whitley. John B. Brown, Vice President - Controller, Assistant Secretary and Acting Chief Financial Officer also attended the meeting.

Glenn R. Jennings, the Chairman, called the meeting to order, announced a quorum and the meeting proceeded.

The first order of business was the approval of the minutes of the meeting held on February 22, 2007. Upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the minutes of the meeting held February 22, 2007 be approved and that reading of said minutes be waived.

Mr. Jennings announced there was no old business, then proceeded to new business.

Mr. Jennings reviewed the Company's financial results and highlighted information from the Quarterly Summary Report. The report had been prepared and mailed to all Directors prior to the meeting and is attached to these minutes as Exhibit I.

The declaration of a dividend on common stock was discussed. Upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that a dividend on common stock of \$.305 per share be paid to common shareholders of record as of the close of business on June 1, 2007, said dividend to be paid June 15, 2007.

The next item was a review and discussion of the Operating and Capital Budgets for fiscal year 2008 by Mr. Jennings, a copy of which had been sent to all Directors prior to the meeting. After discussion, on motion duly made, seconded and approve, it was

**RESOLVED**, that the Operating and Capital Budgets for fiscal year 2008 be approved as submitted. A copy is attached as Exhibit II.

Mr. Jennings also reviewed with the Board the status of Delta's general rate case filed with the Kentucky Public Service Commission on April 20, 2007.

Michael J. Kistner, Chairman of the Audit Committee, discussed with the Board a meeting held on May 4, 2007 by the Audit Committee. Mr. Kistner also reviewed with the Board a meeting the Committee held on May 25 with John Brown, Matthew Wesolosky and Marian Carpenter to discuss Mr. Wesolosky's change to Manager - Accounting and Information Technology and Ms. Carpenter's change to Director - Internal Control. Both changes are to be effective July 1, 2007. The Audit Committee agreed with Ms. Carpenter assuming the Director - Internal Control position. They will meet with her quarterly in that role as they have been doing with Mr. Wesolosky and they will monitor her work in the internal audit function.

Lewis N. Melton, Chairman of the Nominating and Compensation Committee, updated the Board on a meeting held by that Committee on May 10,

2007. After discussion and upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that effective May 25, 2007 John B. Brown is appointed to the position of Chief Financial Officer, Treasurer and Secretary and that Connie H. King, Delta's Manager - Employee and Corporate Services is additionally named Assistant Treasurer and Assistant Secretary, both to serve until Delta's Board of Directors' meeting following the 2007 Annual Meeting of Shareholders planned to be held on November 15, 2007 or until their successors are elected and qualified.

**RESOLVED**, instead of the previously approved \$5,000 increase on July 1, 2007 for John B. Brown, that Mr. Brown's annual salary is

**RESOLVED**, that Linda K. Breathitt, Billy Joe Hall and Lanny D. Greer are nominated to serve on Delta's Board for three year terms beginning November 15, 2007, which is the scheduled meeting date for Delta's 2007 Annual Meeting of Shareholders.

Next, Mr. Jennings reviewed his memo to Delta's officers concerning Delta's performance indicators for 2006 and prior periods. This memo had been mailed to the Directors prior to the meeting and a copy is attached as Exhibit III.

Mr. Jennings discussed a proposed resolution in honor of John F. Hall, Delta's deceased Vice President - Finance, Secretary and Treasurer. After discussion, it was

**RESOLVED**, that Delta's Board of Directors sadly acknowledges the death of John F. Hall on April 30, 2007 and recognizes his 28 years of outstanding service as an employee of Delta; and

**RESOLVED FURTHER**, that Delta's Board of Directors expresses their appreciation to John F. Hall for the hard work, wisdom, expertise, support and guidance that he provided to the Company through the years as an officer; and

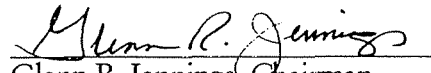
**RESOLVED FURTHER**, that Delta's Board of Directors expresses their sincere condolences and best wishes to John's widow, Sharon Hall.


An updated Officers and Directors list was provided to the Board.

The date of Friday, August 24, 2007 was set for Delta's next Board meeting.

The Board adjourned into Executive Session with only the Independent Directors in attendance. Mr. Whitley, Lead Director, chaired that session. There were no recommendations or concerns from that session that required action.

There being no further business to come before the meeting, the meeting was adjourned.

  
Glenn R. Jennings, Chairman

  
Secretary

**DELTA NATURAL GAS COMPANY, INC.**  
**BOARD OF DIRECTORS' MEETING - 5/25/07**  
**QUARTERLY SUMMARY REPORT**

	Periods ended March 31				
	9 months		12 months		
	<u>2007</u> <u>Actual</u>	2007 <u>Budget</u>	2006 <u>Actual</u>	<u>2007</u> <u>Actual</u>	2006 <u>Actual</u>
Retail Sales and Unbilled Volumes	<u>2,875</u>		<u>2,909</u>	<u>3,190</u>	<u>3,312</u>
Transportation Volumes					
- off system	7,328		6,886	9,232	8,591
- on system	<u>4,018</u>		<u>4,071</u>	<u>5,268</u>	<u>5,339</u>
Total Transportation	<u>11,346</u>		<u>10,957</u>	<u>14,500</u>	<u>13,930</u>
Total Throughput (million cubic feet)	<u>14,221</u>		<u>13,866</u>	<u>17,690</u>	<u>17,242</u>
Actual Lexington Calendar Degree Days as % of 30 Year Average	93.8		93.5	92.7	93.5
Net Income (\$000)	5,509		5,659	4,875	5,263
Net Income Per Common Share (\$)	1.69		1.75	1.50	1.63

The attached detailed financial data is provided for further information and review. Weather has again been warmer than normal. Weather adjusted rates have provided \$309,000 of additional revenues this year, but this was not enough to offset the weather impact and the conservation impact.

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

March 31, 2007

ASSETS		2007		2006
GAS UTILITY PLANT, AT COST	\$	184,267,309	\$	177,878,569
Less - Reserve for Depreciation		<u>63,292,173</u>		<u>59,242,120</u>
	\$	<u>120,975,136</u>	\$	<u>118,636,449</u>
<b>CURRENT ASSETS:</b>				
Cash	\$	1,615,077	\$	221,041
Receivables		9,052,327		14,268,906
Deferred Gas Cost		826,698		1,370,175
Gas in Storage, at Cost		1,921,648		6,559,200
Materials and Supplies, at Cost		852,871		365,134
Prepayments		<u>1,059,649</u>		<u>2,080,079</u>
	\$	<u>15,328,270</u>	\$	<u>24,864,535</u>
<b>OTHER ASSETS:</b>				
Cash Surrender Value of Life Insurance	\$	379,661	\$	387,193
Unamortized Expenses		5,607,359		3,773,613
Receivable/Investment in Subsidiaries		5,632,553		406,454
Other		<u>6,643,530</u>		<u>4,466,855</u>
	\$	<u>18,263,103</u>	\$	<u>9,034,115</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>154,566,509</u></b>	<b>\$</b>	<b><u>152,535,099</u></b>
<b>LIABILITIES</b>				
<b>CAPITALIZATION:</b>				
Common Stock	\$	3,272,687	\$	3,250,768
Paid-in Surplus		46,042,913		45,515,284
Capital Stock Expense		(2,643,354)		(2,615,274)
Accum Other Comprehensive Income		0		0
Retained Earnings		<u>8,851,793</u>		<u>7,937,485</u>
Total Common Equity	\$	55,524,039	\$	54,088,263
Long-term Debt		<u>58,645,000</u>		<u>52,631,000</u>
Total Capitalization	\$	<u>114,169,039</u>	\$	<u>106,719,263</u>
<b>CURRENT LIABILITIES:</b>				
Notes Payable	\$	3,803,634	\$	12,669,551
Current Portion of Long-Term Debt		1,200,000		1,200,000
Accounts Payable		4,721,904		3,212,947
Accrued Taxes		1,646,267		2,337,887
Refunds Due Customers		428		2,057
Customer Deposits		594,435		558,326
Accrued Interest		858,695		1,471,867
Current Deferred Income Taxes		701,000		999,700
Other		<u>1,083,217</u>		<u>1,124,969</u>
	\$	<u>14,609,580</u>	\$	<u>23,577,304</u>
<b>DEFERRED CREDITS AND OTHER:</b>				
Deferred Income Taxes	\$	22,191,088	\$	19,193,684
Deferred Investment Tax Credit		222,850		260,000
Regulatory Items		1,644,300		2,548,787
Advances for Construction and Other		1,729,652		236,061
Accum Provision for Pensions & Benefit		0		0
	\$	<u>25,787,890</u>	\$	<u>22,238,532</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>154,566,509</u></b>	<b>\$</b>	<b><u>152,535,099</u></b>

# DELTA NATURAL GAS COMPANY, INC.

## STATEMENT OF INCOME

March 31, 2007

	9 MONTHS TO DATE		12 MONTHS ENDED	
	2007	2006	2007	2006
<b>OPERATING REVENUES</b>	\$ 48,167,234	\$ 60,971,270	\$ 56,037,318	\$ 69,735,477
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 26,736,056	\$ 39,420,056	\$ 30,548,131	\$ 43,554,058
Operations	8,592,964	8,366,773	11,134,252	11,530,268
Maintenance	451,167	503,044	642,654	681,892
Depreciation	3,336,626	3,036,854	4,383,643	4,032,119
Property & Other Taxes	1,338,272	1,252,304	1,777,601	1,687,980
Income Taxes	1,700,350	1,827,500	1,019,450	1,349,300
<b>Total</b>	<b>\$ 42,155,435</b>	<b>\$ 54,406,531</b>	<b>\$ 49,505,731</b>	<b>\$ 62,835,617</b>
Operating Income	\$ 6,011,799	\$ 6,564,739	\$ 6,531,587	\$ 6,899,860
<b>OTHER INCOME/(EXPENSES),NET</b>	<b>2,944,097</b>	<b>2,758,097</b>	<b>3,117,017</b>	<b>3,128,604</b>
Gross Income	\$ 8,955,896	\$ 9,322,836	\$ 9,648,604	\$ 10,028,464
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 3,156,225	\$ 3,487,010	\$ 4,386,589	\$ 4,529,128
Amortization	290,265	177,138	386,661	236,186
Other	-	-	-	-
<b>Total</b>	<b>\$ 3,446,490</b>	<b>\$ 3,664,148</b>	<b>\$ 4,773,250</b>	<b>\$ 4,765,314</b>
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	<b>\$ 5,509,406</b>	<b>\$ 5,658,688</b>	<b>\$ 4,875,354</b>	<b>\$ 5,263,150</b>
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	<b>\$ 1.69</b>	<b>\$ 1.75</b>	<b>\$ 1.50</b>	<b>\$ 1.63</b>
<b>CUSTOMERS AT END OF PERIOD</b>			<b>38,632</b>	<b>38,983</b>
<b>AVERAGE SHARES</b>	<b>3,263,194</b>	<b>3,238,981</b>	<b>3,260,442</b>	<b>3,235,727</b>
	FISCAL YTD	FISCAL YTD	12 MONTH ENDED	12 MONTH ENDED



**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**March 31, 2007**

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over			Over (Under)			This Year	Last Year
	(Under) Budget	This Year	Last Year	Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA		939	821		3,700	3,324	4,685	4,317
<b>MCF'S:</b>								
DELTA NATURAL								
RESIDENTIAL		362,953	317,312		1,487,248	1,396,783	1,858,728	1,824,541
SMALL COMMERCIAL		112,444	98,796		462,489	437,686	567,690	554,177
COMMERCIAL - OTHER		134,902	122,139		642,979	602,072	814,898	768,922
INDUSTRIAL		25,494	22,219		112,003	118,381	140,396	150,798
TOTAL SOLD		635,793	560,466		2,704,719	2,554,922	3,381,712	3,298,438
OFF SYSTEM		1,166,558	845,347		7,328,408	6,885,467	9,231,904	8,590,589
ON SYSTEM		445,911	482,144		4,017,521	4,071,302	5,267,787	5,338,692
TOTAL TRANSPORTED		1,612,469	1,327,491		11,345,929	10,956,769	14,499,691	13,929,281
TOTAL DELTA NATURAL		2,248,262	1,887,957		14,050,648	13,511,691	17,881,403	17,227,719
RESOURCES ON SYS INCL		156,371	189,800		1,526,691	1,579,533	1,970,293	2,042,401
DELGASCO OFF SYS INCL		572,989	270,177		2,543,166	1,963,151	2,868,930	2,314,819
ENPRO - SALES TO AFFILIATES		25,677	15,767		143,032	164,695	174,352	223,531
Unbilled MCF		(324,181)	(157,545)		170,356	353,998	(192,040)	13,468
<b>REVENUES:</b>								
DELTA NATURAL								
RETAIL SALES		8,063,203	10,957,304		40,262,719	48,384,821	53,613,551	59,308,022
UNBILLED REVENUE		3,521,176)	(3,601,482)		2,248,785	7,022,702	(4,832,522)	3,294,870
MISC OPERATING		13,801	27,667		157,443	156,764	250,907	240,018
OFF SYS TRANSPORT		347,155	248,227		2,157,865	1,994,036	2,706,635	2,490,823
ON SYS TRANSPORT		365,901	409,635		3,340,422	3,412,946	4,298,747	4,401,743
TOTAL DELTA NATURAL		5,268,884	8,041,352		48,167,234	60,971,270	56,037,318	69,735,477
RESOURCES ON SYS SALES		1,400,547	2,105,520		13,189,302	19,167,384	17,167,087	22,789,435
DELGASCO OFF SYS SALES		4,981,536	2,270,876		21,098,967	22,573,990	23,639,109	25,356,253
ENPRO - SALES TO AFFILIATES		192,578	113,365		1,011,865	1,835,822	1,226,218	2,229,949
TOTAL CONSOLIDATED		11,843,545	12,531,113		83,467,368	104,548,466	98,069,732	120,111,114
<b>GAS COSTS:</b>								
DELTA NATURAL		5,476,539	8,297,153		25,430,596	33,941,588	34,757,135	40,605,017
DELTA NATURAL UNBILLED GAS COST		(2,793,173)	(2,331,959)		1,305,460	5,478,467	(4,209,003)	2,949,041
DELTA RESOURCES		1,169,394	1,967,319		11,064,405	17,510,879	14,603,174	20,761,268
DELGASCO		4,513,204	2,102,548		19,090,905	21,250,370	21,523,902	23,940,122
TOTAL CONSOLIDATED		8,365,964	10,035,061		56,891,366	78,181,304	66,675,208	88,255,448
<b>NET SALES:</b>								
DELTA NATURAL EXCLUDING UNBILLED		2,586,664	2,660,151		14,832,123	14,443,233	18,856,416	18,703,005
DELTA NATURAL UNBILLED		(728,003)	(1,269,523)		943,325	1,544,235	(623,519)	345,829
DELTA RESOURCES TOTAL		231,153	138,201		2,124,897	1,656,505	2,563,913	2,028,167
DELGASCO		468,332	168,328		2,008,062	1,323,620	2,115,207	1,416,131
TOTAL CONSOLIDATED		2,558,146	1,697,157		19,908,407	18,967,593	22,912,017	22,493,132
<b>PER MCF:</b>								
DELTA NATURAL								
TOTAL SALES		12.6821	19.5503		14.8861	18.9379	15.8540	17.9806
COST OF GAS		8.6137	14.8040		9.4023	13.2848	10.2780	12.3104
NET SALES		4.0684	4.7463		5.4838	5.6531	5.5760	5.6703
DELTA RESOURCES								
TOTAL SALES		8.9566	11.0934		8.6391	12.1348	8.7130	11.1582
COST OF GAS		7.4783	10.3652		7.2473	11.0861	7.4117	10.1651
NET SALES		1.4782	0.7281		1.3918	1.0487	1.3013	0.9930
DELGASCO								
TOTAL SALES		8.6839	8.4051		8.2963	11.4989	8.2397	10.9539
COST OF GAS		7.8766	7.7821		7.5067	10.8246	7.5024	10.3421
NET SALES		0.8173	0.6230		0.7896	0.6742	0.7373	0.6118
<b>DELTA NATURAL ONLY:</b>								
% Change to Customers Between Yrs:	Total Cost		-35.1%		-21.4%		-11.8%	
	Gas Cost		-31.7%		-20.5%		-11.3%	
	Net Sales		-3.5%		-0.9%		-0.5%	

## DELTA NATURAL GAS CO. AND SUBSIDIARIES

## Income Statement - Delta Natural Gas Co

July 01, 2006 - March 31, 2007

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
01							
<b>OPERATING REVENUES</b>							
<b>General Service Rate Billed</b>							
Residential	2,952,944.37CR	4,202,000.82CR	24,402,566.60CR		31,491,622.20CR	27,845,832.83CR	35,735,446.54CR
Small Commercial	835,406.59CR	1,207,405.28CR	7,234,895.96CR		9,425,471.88CR	8,221,108.26CR	10,539,569.76CR
Other Commercial	931,644.28CR	1,623,587.94CR	9,094,176.04CR		11,918,308.32CR	10,725,283.64CR	13,559,082.60CR
Industrial	115,323.35CR	218,543.95CR	1,116,559.49CR		1,642,987.74CR	1,297,187.27CR	1,860,902.07CR
Unmetered Gas Light	593.96CR	995.40CR	6,017.52CR		7,373.31CR	8,619.88CR	7,373.31CR
Residential WNA	259,144.28	19,931.59CR	245,604.94CR		317,023.59CR	223,276.93CR	256,711.65CR
Small Non-Residential WNA	68,227.19	3,775.26CR	63,562.05CR		89,059.27CR	57,924.79CR	75,605.55CR
Weather Normalization Revenu	327,371.47	23,706.85CR	309,166.99CR		406,082.86CR	281,201.72CR	332,317.20CR
<b>Total General Service Ra</b>	<b>4,508,541.08CR</b>	<b>7,276,240.24CR</b>	<b>42,163,382.60CR</b>		<b>54,891,846.31CR</b>	<b>48,379,233.60CR</b>	<b>62,034,691.48CR</b>
<b>Interruptible Rate Billed</b>							
Commercial	4,175.21CR	5,948.09CR	26,819.21CR		34,448.91CR	28,904.89CR	36,984.45CR
Industrial	29,311.13CR	73,634.07CR	321,302.69CR		481,228.21CR	372,890.58CR	531,216.57CR
<b>Total Interruptible Rate</b>	<b>33,486.34CR</b>	<b>79,582.16CR</b>	<b>348,121.90CR</b>		<b>515,677.12CR</b>	<b>401,795.47CR</b>	<b>568,201.02CR</b>
<b>Total Gas Revenue</b>	<b>4,542,027.42CR</b>	<b>7,355,822.40CR</b>	<b>42,511,504.50CR</b>		<b>55,407,523.43CR</b>	<b>48,781,029.07CR</b>	<b>62,602,892.50CR</b>
Miscellaneous Operating Revenue	13,801.00CR	27,667.00CR	157,443.00CR		156,764.00CR	250,907.06CR	240,018.00CR
Off System Transportation Reven	347,154.34CR	248,227.46CR	2,157,865.06CR		1,994,036.20CR	2,706,635.36CR	2,490,822.62CR
On System Transportation Revenu	365,901.00CR	409,635.00CR	3,340,421.89CR		3,412,946.11CR	4,298,747.31CR	4,401,743.29CR
<b>TOTAL OPERATING REVENUE</b>	<b>5,268,883.76CR</b>	<b>8,041,351.86CR</b>	<b>48,167,234.45CR</b>		<b>60,971,269.74CR</b>	<b>56,037,318.80CR</b>	<b>69,735,476.41CR</b>
<b>OPERATING EXPENSES</b>							
Purchased Gas	2,683,365.78	5,965,194.45	26,736,055.57		39,420,055.58	30,548,131.18	43,554,058.27
Recovery of Canada Mountain	.00	.00	.00		.00	.00	.00
<b>Purchased Gas, net</b>	<b>2,683,365.78</b>	<b>5,965,194.45</b>	<b>26,736,055.57</b>		<b>39,420,055.58</b>	<b>30,548,131.18</b>	<b>43,554,058.27</b>
<b>Operation Expense</b>							
Labor	608,199.22	582,404.23	4,582,491.06		4,453,003.63	6,691,697.07	6,480,866.36
Transportation	98,788.78	128,601.00	577,685.26		553,709.73	748,837.26	717,952.73

## DELTA NATURAL GAS CO., I. AND SUBSIDIARIES

## Income Statement - Delta

July 01, 2006 - March 31, 2007

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
General Operations	86,385.79	56,691.04	468,319.32		375,455.27	564,500.15	470,776.10
Customer Billing	18,795.53	23,764.71	168,501.09		174,827.31	219,818.47	237,870.87
Uncollectible Accounts	43,000.00	42,500.00	383,200.00		502,464.04	486,210.37	573,223.20
Administrative	54,994.47	50,429.94	421,041.52		435,367.32	564,633.91	575,007.15
Outside Services	83,501.17	58,108.60	550,574.41		507,811.54	702,682.76	695,701.29
Insurance	65,265.20	64,874.17	598,869.71		545,052.18	792,359.52	765,725.59
Employee Benefits	268,350.90	184,297.47	1,928,706.28		1,644,676.21	2,420,543.56	2,295,628.50
General Administration	43,371.54	41,242.33	623,586.37		617,547.10	747,500.54	869,796.63
Expenses Transferred	216,002.27CR	192,517.24CR	1,938,565.16CR		1,800,680.66CR	3,117,317.88CR	2,484,168.26CR
Other	37,664.71	36,727.61	228,554.76		257,539.51	312,786.57	331,887.80
	-----	-----	-----		-----	-----	-----
Total Operation Expense	1,192,315.04	1,077,123.86	8,592,964.62		8,366,773.18	11,134,252.30	11,530,267.96
	-----	-----	-----		-----	-----	-----
Maintenance Expense							
Labor	13,305.70	18,956.80	70,213.08		91,897.16	113,378.23	114,424.47
Transportation	6,097.94	10,803.61	23,269.98		32,789.28	35,964.84	40,240.77
Mains	6,126.67	11,390.65	42,553.00		46,984.07	57,733.24	65,696.92
Meter & Regulators	6,316.43	4,444.66	36,649.87		38,693.01	46,240.91	66,399.17
Other	23,777.29	20,335.85	278,480.76		292,680.59	389,336.19	395,129.97
	-----	-----	-----		-----	-----	-----
Total Maintenance Expens	55,624.03	65,931.57	451,166.69		503,044.11	642,653.41	681,891.30
	-----	-----	-----		-----	-----	-----
Total Operation and Maintenance	1,247,939.07	1,143,055.43	9,044,131.31		8,869,817.29	11,776,905.71	12,212,159.26
	-----	-----	-----		-----	-----	-----
Depreciation Expense	381,510.96	346,797.37	3,336,626.27		3,036,854.14	4,383,643.54	4,032,119.34
	-----	-----	-----		-----	-----	-----
Taxes Other Than Income Taxes							
Property Taxes	106,543.00	104,621.00	917,888.00		868,023.12	1,232,891.00	1,150,983.29
Payroll Taxes	46,737.20	43,600.15	420,384.30		384,281.42	544,710.21	536,996.84
	-----	-----	-----		-----	-----	-----
Total Other Taxes	153,280.20	148,221.15	1,338,272.30		1,252,304.54	1,777,601.21	1,687,980.13
	-----	-----	-----		-----	-----	-----
TOTAL OPERATING EXPENSES	4,466,096.01	7,603,268.40	40,455,085.45		52,579,031.55	48,486,281.64	61,486,317.00
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## DELTA NATURAL GAS CO., LTD. AND SUBSIDIARIES

## Income Statement - Delta

July 01, 2006 - March 31, 2007

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
OPERATING INCOME	802,787.75CR	438,083.46CR	7,712,149.00CR		8,392,238.19CR	7,551,037.16CR	8,249,159.41CR
Other Income and Expenses							
Other Net Income	6,263.79CR	10,886.11CR	62,220.26CR		73,754.42CR	216,102.29CR	103,816.26CR
Net Non Regulated Income	6,263.79CR	10,886.11CR	62,220.26CR		73,754.42CR	216,102.29CR	103,816.26CR
Total Income Before Interest Ch	809,051.54CR	448,969.57CR	7,774,369.26CR		8,465,992.61CR	7,767,139.45CR	8,352,975.67CR
Interest Expense							
Interest On Long-Term Debt	307,515.63	314,104.30	2,771,695.84		2,832,915.60	3,907,773.74	3,783,415.60
Interest On Short-Term Debt	7,968.94CR	73,144.27	361,957.61		631,662.00	448,350.85	715,099.96
Other Interest	2,880.38	2,772.56	22,571.75		22,431.65	30,466.04	30,611.65
Amortization of Debt Expense	32,271.88	19,681.75	290,264.70		177,137.75	386,660.51	236,186.00
Total Interest Expense	334,698.95	409,702.88	3,446,489.90		3,664,147.00	4,773,251.14	4,765,313.21
Net Income Before Income Taxes	474,352.59CR	39,266.69CR	4,327,879.36CR		4,801,845.61CR	2,993,888.31CR	3,587,662.46CR
Current Federal	194,200.00	18,900.00	524,090.00		1,251,340.00	1,328,050.00CR	417,315.00CR
Current State	.00	.00	240,878.00CR		43,165.00CR	273,813.00CR	68,540.00
Deferred Federal & State	5,100.00CR	4,900.00CR	1,444,888.00		647,525.00	2,658,463.00	1,735,775.00
Investment Tax Credit-Net	3,083.33CR	3,133.33CR	27,750.01CR		28,200.01CR	37,150.00CR	37,700.02CR
Income Taxes Non-Regulated	2,400.00	4,100.00	23,500.00		27,900.00	83,400.00	40,800.00
Total Income Taxes	188,416.67	14,966.67	1,723,849.99		1,855,399.99	1,102,850.00	1,390,099.98
Net Income - Delta Natural	285,935.92CR	24,300.02CR	2,604,029.37CR		2,946,445.62CR	1,891,038.31CR	2,197,562.48CR
Subsidiary Net Income							
Total Subsidiary Net Income	504,374.00CR	241,931.00CR	2,905,377.00CR		2,712,242.00CR	2,984,315.00CR	3,065,586.00CR
Net Income - Consolidated	790,309.92CR	266,231.02CR	5,509,406.37CR		5,658,687.62CR	4,875,353.31CR	5,263,148.48CR

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta Resources

July 01, 2006 - March 31, 2007

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
02							
<b>Operating Revenues</b>							
Sales To Parent	.00	.00	.00		.00	.00	.00
Sales To Others	1,625,307.74CR	2,360,676.35CR	15,343,961.02CR		21,329,893.20CR	19,946,850.74CR	25,601,013.14CR
<b>Total Operating Revenues</b>	<b>1,625,307.74CR</b>	<b>2,360,676.35CR</b>	<b>15,343,961.02CR</b>		<b>21,329,893.20CR</b>	<b>19,946,850.74CR</b>	<b>25,601,013.14CR</b>
<b>Operating Expenses</b>							
Purchased Gas	1,169,394.00	1,967,319.00	11,064,405.00		17,510,878.82	14,603,173.79	20,761,267.13
Total Operation, Maintenance and	228,041.86	256,167.04	2,183,721.39		2,177,878.08	3,047,414.58	2,877,313.85
Taxes Other than Income Tax	.00	.00	.00		.00	.00	.00
<b>Total Operating Expenses</b>	<b>1,397,435.86</b>	<b>2,223,486.04</b>	<b>13,248,126.39</b>		<b>19,688,756.90</b>	<b>17,650,588.37</b>	<b>23,638,580.98</b>
<b>Operating Income</b>	<b>227,871.88CR</b>	<b>137,190.31CR</b>	<b>2,095,834.63CR</b>		<b>1,641,136.30CR</b>	<b>2,296,262.37CR</b>	<b>1,962,432.16CR</b>
Interest Expense	3,000.00CR	2,800.00CR	24,900.00		24,400.00	4,100.00	13,300.00
<b>Net Income Before Income Taxes</b>	<b>230,871.88CR</b>	<b>139,990.31CR</b>	<b>2,070,934.63CR</b>		<b>1,616,736.30CR</b>	<b>2,292,162.37CR</b>	<b>1,949,132.16CR</b>
Income Tax Expense	84,600.00	51,300.00	757,300.00		592,300.00	873,200.00	759,500.00
<b>Net Income</b>	<b>146,271.88CR</b>	<b>88,690.31CR</b>	<b>1,313,634.63CR</b>		<b>1,024,436.30CR</b>	<b>1,418,962.37CR</b>	<b>1,189,632.16CR</b>
	=====	=====	=====		=====	=====	=====

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delgasco

July 01, 2006 - March 31, 2007

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
03							
Operating Revenues							
Sales To Affiliates	1,169,394.00CR	1,967,319.00CR	11,064,405.00CR		21,156,168.27CR	14,603,035.00CR	24,304,338.53CR
Sales To Others	5,156,174.25CR	2,354,750.20CR	21,884,452.02CR		23,183,389.56CR	24,525,776.57CR	26,080,174.48CR
<b>Total Operating Revenues</b>	<b>6,325,568.25CR</b>	<b>4,322,069.20CR</b>	<b>32,948,857.02CR</b>		<b>44,339,557.83CR</b>	<b>39,128,811.57CR</b>	<b>50,384,513.01CR</b>
Operating Expenses							
Purchased Gas	5,682,598.45	4,069,866.61	30,155,310.76		42,406,537.75	36,126,938.75	48,244,460.16
Operation and Maintenance	180,777.62	85,997.18	837,919.22		638,310.18	1,098,226.60	805,815.86
Taxes Other Than Income Tax	.00	814.00	.00		7,630.63	.00	8,835.63
<b>Total Operating Expense</b>	<b>5,863,376.07</b>	<b>4,156,677.79</b>	<b>30,993,229.98</b>		<b>43,052,478.56</b>	<b>37,225,165.35</b>	<b>49,059,111.65</b>
<b>Operating Income</b>	<b>462,192.18CR</b>	<b>165,391.41CR</b>	<b>1,955,627.04CR</b>		<b>1,287,079.27CR</b>	<b>1,903,646.22CR</b>	<b>1,325,401.36CR</b>
<b>Total Interest Expense</b>	<b>37,099.82</b>	<b>8,822.34</b>	<b>170,234.37</b>		<b>40,645.62</b>	<b>162,969.36</b>	<b>34,612.79</b>
<b>Net Income Before Income Taxes</b>	<b>425,092.36CR</b>	<b>156,569.07CR</b>	<b>1,785,392.67CR</b>		<b>1,246,433.65CR</b>	<b>1,740,676.86CR</b>	<b>1,290,788.57CR</b>
<b>Income Tax Expense</b>	<b>166,700.00</b>	<b>61,400.00</b>	<b>700,300.00</b>		<b>488,900.00</b>	<b>673,900.00</b>	<b>504,700.00</b>
<b>Net Income</b>	<b>258,392.36CR</b>	<b>95,169.07CR</b>	<b>1,085,092.67CR</b>		<b>757,533.65CR</b>	<b>1,066,776.86CR</b>	<b>786,088.57CR</b>

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Enpro

July 01, 2006 - March 31, 2007

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
05							
Operating Revenues							
Gas Production	192,577.50CR	113,364.73CR	1,011,864.14CR		1,835,822.19CR	1,226,217.58CR	2,229,948.39CR
Oil Production	.00	1,141.58CR	.00		9,668.06CR	.00	8,668.06CR
Royalty	13,411.14CR	8,874.05CR	114,499.47CR		99,171.15CR	153,147.88CR	139,687.09CR
Other	.00	.00	.00		.00	.00	.00
Total Operating Revenues	205,988.64CR	123,380.36CR	1,126,363.61CR		1,943,661.40CR	1,379,365.46CR	2,378,303.54CR
Operating Expenses							
Purchased Gas	33,860.97	19,946.60	181,015.42		313,893.19	224,005.11	346,999.68
Operations and Maintenance							
Total Operations and Maint. E	4,119.85	3,941.80	38,507.17		39,639.23	247,934.49	143,785.10
Depreciation and Amortization	9,899.18	9,986.18	89,092.62		89,880.62	119,051.16	119,943.26
Taxes Other Than Income Taxes	.00	1,314.00	31,099.72		21,156.31	31,099.72	20,975.20
Total Operating Expenses	47,880.00	35,188.58	339,714.93		464,569.35	622,090.48	631,703.24
Operating Income	158,108.64CR	88,191.78CR	786,648.68CR		1,479,092.05CR	757,274.98CR	1,746,600.30CR
Total Other Income and Expenses	.00	.00	.00		.00	.00	14.84
Interest Expense	3,700.00CR	5,980.00CR	35,700.00CR		30,280.00CR	55,700.00CR	35,980.00CR
Net Income Before Income Taxes	161,808.64CR	94,171.78CR	822,348.68CR		1,509,372.05CR	812,974.98CR	1,782,565.46CR
Income Tax Expense	62,100.00	36,100.00	315,700.00		579,100.00	314,400.00	692,700.00
Net Income	99,708.64CR	58,071.78CR	506,648.68CR		930,272.05CR	498,574.98CR	1,089,865.46CR

KESTES

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

GBVCRC/GBVCR.

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 3/31/2007

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

1117 CUSH GAS  
1325 LAND&RGHTS  
1327 STRUCTURES  
1331 WELL EQUIP  
1332 GATH LINES  
1333 COMP EQUIP  
1334 REG STAT  
135001 STORAGE LD  
135002 STOR ROW  
1351 STRUCTURES  
1352 STOR WELLS  
135201 STORAGE RT  
135202 STOR RESEV  
135203 NONR NAT G  
1353 STORAGE LN  
1354 COMPR EQUIP  
1355 REG EQUIP  
1356 PURIFICATN  
1357 OTHER EQUIP  
136501 LAND RGHTS  
136502 TRAN ROW  
1366 TRAN STRUC  
1367 TRAN MAINS  
1368 COMP STAT  
1369 REG EQUIP  
1371 OTHR EQUIP  
1381 METERS



KESTES

GBVCRC/GBVCRPI

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 3/31/2007

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

1383 REGULATORS

1385 IND METERS

1395 LAB EQUIP

139901 MAPPING

5117 CUSHN GAS

532503 MIN RIGHTS

532521 LEASEH-GAS

532523 INT INVESH

533101 GAS WELL E

535006 GAS RGT ST

Total ALH ALH

KESTES

page 3

GBVCRC/GBVCR.

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 3/31/2007

CAPITAL EXPENDITURES

All Agents

GRJ GLENN R JENNINGS

119909 CONTINGENC

Total GRJ GRJ

KESTES

GBVCRC/GBVCRPW

DELTA NATURAL GAS CO., INC. . . SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 3/31/2007

CAPITAL EXPENDITURES

All Agents

JFH JOHN F HALL

139902 COMP SOFTW

139903 COMP HWARE

Total JFH JFH

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 3/31/2007

CAPITAL EXPENDITURES

All Agents

JLC JOHNNY L CAUDILL

- 1121 NON U PROP
- 1374 LAND & ROW
- 1375 DIS STRUCT
- 1376 DIST MAINS
- 1378 REG STATNS
- 1379 CG REG STA
- 1380 DIST SERV
- 1382 MET&REG IN
- 1389 LAND&RGHTS
- 1390 STRUCTURES
- 1391 FURN&EQUIP
- 1392 TRANSP EQP
- 1393 STORES EQP
- 1394 TOOLS&EQUIP
- 139401 CNG EQUIPM
- 1396 PO EQUIPMT
- 1397 COMM EQUIP
- 1398 MISC EQUIP
- 139931 OFFC EQUIP

Total JLC JLC

Grand Total



**Delta Natural Gas Company, inc.**

LISTED

3617 Lexington Road  
Winchester, Kentucky 40391-9797

GLENN R. JENNINGS  
CHAIRMAN OF THE BOARD,  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

March 16, 2007

PHONE: 859-744-6171 EXT 148  
FAX: 859-744-6552  
EMAIL: gjennings@deltagas.com

To: John Brown, Johnny Caudill, Alan Heath

Attached are Delta's proposed operating and capital budgets for the upcoming fiscal year of July 1, 2007 through June 30, 2008. Thank you for all the hard work by you and your staff to develop these budgets. I believe that they are well prepared and represent our best estimate for next year as well as capital expenditure projections through 2012. I appreciate you all getting them prepared on an earlier schedule this year as a help in reviewing results and plans as we analyzed the need to file a rate case. The 2008 budgets clearly indicate the need to file a general rate case. As you know, we are working on that rate filing and thus no additional revenues are included in the 2008 budgets since the rate filing will not be made until latter April and will most likely be suspended until latter October.

Each operating budget account compares the budget for 2008 with the 2007 budget and the twelve months ended December 31, 2006 actual results. The capital budget comparison includes the proposed budget for fiscal 2008, and reflects fiscal year-to-date actual results through December 31, 2006. It also includes projections for fiscal 2009 – 2012.

Retail sales volumes are budgeted utilizing historical usage factors and are based upon normal (thirty year average) degree days. Adjustments are made for known changes in customers' requirements and to reflect expected customer usage. Revenues are budgeted based upon current rates. Gas cost, the largest operating cost, is developed using expected purchases based upon budgeted sales volumes. Those volumes for retail sales are priced at the gas cost recovery rates currently in effect.

Comparative throughput volumes are as follows (in million cubic feet) for the twelve month periods:

	<u>6/30/08</u>	<u>6/30/07</u>	<u>12/31/06</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>
Retail Sales Volumes			3,248
Off System Transportation			8,526
On System Transportation			<u>5,375</u>
			<u>17,149</u>
Billed degree days (% of 30 year average)			95.7%

Transportation revenues are estimated based upon expected transportation of gas for others. Delta Resources and Delgasco revenues are estimated based upon existing customers and historical consumption, adjusted for known changes. Enpro production estimates, and related depletion and royalties, are based upon planned levels of production considering historical production levels and normal declines.

Payroll is based on existing employees at current salaries plus an estimate for overall raises to be given effective July 1. This also includes several part-time workers and an estimate for overtime.

This overall percentage includes amounts for promotions, merit increases, and increases to reflect pay grade changes and position upgrades. Salary adjustments for each employee consider all these factors, as well as job performance and performance toward individual goals and performance objectives. Bonuses were not included for 2008. Any bonus amounts for employees in 2008 would be after 2008 audited results are complete and then only after specific Board approval in August, 2008.

Some other major budget components in the operating budget include employee benefits, which are based on the benefit plans in effect and the budgeted payroll. Maintenance is estimated based upon expected levels of maintenance and historical cost levels. Insurance is based upon coverage in effect and applicable premiums. Bad debt expense is estimated based on expected revenues and historical write-off results. Depreciation is based on plant in service and expected to be in service at the current effective depreciation rates for the various classes of property. Taxes other than income taxes, which are primarily property and payroll taxes, are based on the property and payroll budgeted and the related tax rates. Income taxes are based on the effective income tax rate and pre-tax budgeted net income. Long-term interest costs are based on existing long-term debt at embedded rates.

The capital budget for 2008 is

The budgets will be reviewed with the Board for their consideration and approval at their next meeting, currently scheduled for May 25.

A handwritten signature in black ink, appearing to read "Glen", is positioned to the right of the text block.

CC: Board of Directors

Fiscal 2008 Income Statement Budget Summary  
 Compared with Calendar 2006 Actual and Fiscal 2007 Budget  
 by Financial Statement Caption

Delta Natural Gas Company, Inc.

	Proposed Budget Fiscal 2008	Actual Calendar 2006	Proposed Budget Fiscal 2007
Operating revenues		(63,515,559)	
<b>Operating Revenues</b>		<b>(63,515,559)</b>	
Purchased gas		38,363,849	
Operations and maintenance		11,502,347	
Depreciation and depletion		4,234,739	
Taxes other than income taxes		1,767,481	
<b>Operating Expenses</b>		<b>55,868,416</b>	
Other income and deductions, net		(191,009)	
<b>Other income and deductions, net</b>		<b>(191,009)</b>	
Interest charges		4,967,706	
<b>Interest Charges</b>		<b>4,967,706</b>	
Net income from subsidiaries		(2,709,770)	
<b>Net Income from Subsidiaries</b>		<b>(2,709,770)</b>	
<b>Net Income (Loss) Before Income Taxes</b>		<b>(5,580,217)</b>	
Income taxes		1,030,200	
<b>Income Taxes</b>		<b>1,030,200</b>	
<b>Net Income</b>		<b>(4,550,017)</b>	
Earnings per Common Share		(1.40)	
Weighted Average Number of Shares		3,254,475	
Dividends Declared per Common Share		1.21	

**Fiscal 2008 Income Statement Budget Detail**  
**Compared with Calendar 2006 Actual and Fiscal 2007 Budget**  
**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	Gl #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget				
1	Net Income (Loss) Before Income Taxes	Operating Revenues	Operating revenues	Residential	1.480.010 GS RATE SALES RESIDENTIAL		(34,155,499)					
				Residential	1.480.011 UNBILLED REVENUE - RESIDENTIAL		2,112,536					
				Residential	1.480.050 UNMETERED GAS LIGHT REVENUE		(9,737)					
				Residential			(32,052,701)					
				Commercial	1.480.020 GS RATE SALES OTHER COMMERCIAL		(13,259,071)					
				Commercial	1.480.021 UNBILLED REVENUE - OTHER COMMERCIAL		837,932					
				Commercial	1.480.040 GS RATE SALES SMALL COMMERCIAL		(10,166,003)					
				Commercial	1.480.041 UNBILLED REVENUE - SMALL COMMERCIAL		737,356					
				Commercial	1.481.020 INTERRUPTIBLE RATE COMMERCIAL		(39,289)					
				Commercial	1.481.021 UNBILLED REVENUE INTERRUPTIBLE RATE COMMERCIAL		4,761					
				Commercial			(21,884,313)					
				Industrial	1.480.030 GS RATE SALES INDUSTRIAL		(1,721,229)					
				Industrial	1.480.031 UNBILLED REVENUE - INDUSTRIAL		154,704					
				Industrial	1.481.030 INTERRUPTIBLE RATE INDUSTRIAL		(484,019)					
				Industrial	1.481.031 UNBILLED REVENUE INTERRUPTIBLE RATE INDUSTRIAL		28,113					
				Industrial			(2,022,431)					
					Weather Normalization Revenue	1.480.060 WNA RESIDENTIAL		(371,842)				
					Weather Normalization Revenue	1.480.070 WNA SMALL NON-RESIDENTIAL		(109,890)				
					Weather Normalization Revenue			(481,733)				
					Miscellaneous Operating Revenue	1.488.010 COLLECTION REVENUE		(137,310)				
					Miscellaneous Operating Revenue	1.488.020 RECONNECT REVENUE		(113,856)				
					Miscellaneous Operating Revenue	1.488.030 METER TEST REVENUE		(40)				
					Miscellaneous Operating Revenue	1.488.040 BAD CHECK REVENUE		(10,095)				
					Miscellaneous Operating Revenue	1.488.100 OTHER OPERATING REVENUE						
					Miscellaneous Operating Revenue			(261,301)				
					Transported Gas Cost	1.489.010 TRANSPORTED GAS COST						
					Transported Gas Cost							
					Off System Transportation Revenue	1.489.020 OFF SYSTEM TRANSP REVENUE		(1,797,703)				
					Off System Transportation Revenue	1.489.021 OFF SYSTEM TRANSP REVENUE - DELGASCO		(687,244)				
					Off System Transportation Revenue			(2,484,948)				
					On System Transportation Revenue	1.489.040 ON SYSTEM TRANSP REVENUE		(1,530,909)				
					On System Transportation Revenue	1.489.041 ON SYSTEM TRANSP DR		(2,797,224)				
					On System Transportation Revenue			(4,328,133)				
					Operating revenues			(63,515,559)				
					Operating Revenues			(63,515,559)				
					Operating Expenses	Purchased gas	Purchased gas	Purchased Gas	1.803.000 PURCHASED GAS - OUTSIDE		41,730,337	
				Purchased Gas				1.803.100 PURCHASED GAS - I/C				
				Purchased Gas				1.803.110 UNBILLED PURCHASE GAS		(3,366,488)		
				Purchased Gas						38,363,849		
				Recovery Of Canada Mountain				1.922.010 EXPENSES TRANSFERRED (CANADA MOUNTAIN)				
				Recovery Of Canada Mountain								
				Purchased gas						38,363,849		
				Operations and maintenance				Labor	1.753.010 WELLS & GATHERING PAYROLL		8,355	
								Labor	1.754.010 COMPRESSOR STATION PAYROLL		54,680	
								Labor	1.764.010 MNT WELLS & GATHERING PAYROLL		316	
					Labor	1.765.010 MNT COMPRESSOR STATION PAYROLL		12,318				
					Labor	1.816.010 CM WELLS EXPENSES - PAYROLL		61,280				
Labor	1.818.010 CM COMPRESSOR STATION EXPENSES - PAYROLL		21,113									
Labor	1.824.010 CM OTHER UNDERGROUND STORAGE EXPENSES - PAYROLL											
Labor	1.831.010 CM MAINTENANCE STRUCT & IMPROVEMENTS - PAYROLL											



**Fiscal 2008 Income Statement Budget Detail**  
**Compared with Calendar 2006 Actual and Fiscal 2007 Budget**  
**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 5 Description (GDSC6)	GF #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget
1	Net Income (Loss) Before Income Taxes	Operating Expenses	Operations and maintenance	Labor	1 832.010 CM MAINT OF RESERVOIRS AND WELLS - PAYROLL		907	
Labor				1 833.010 CM MAINTENANCE OF LINES - PAYROLL				
Labor				1 834.010 CM MAINT OF COMPRESSOR STAT EQUIP - PAYROLL		9,527		
Labor				1 835.010 CM MAINT OF MEAS & REG STAT EQUIP - PAYROLL		483		
Labor				1 837.010 CM MAINTENANCE OF OTHER EQUIPMENT - PAYROLL				
Labor				1 887.010 MNT TRANS & DIST MAINS PAYROLL		86,672		
Labor				1 893.010 MNT OF METERS & REG PAYROLL		16,313		
Labor				1 894.010 MNT OF OTHER EQUIPMENT PAYROLL		9,805		
Labor				1 900.010 TRANS & DIST. PAYROLL		2,560,526		
Labor				1 903.010 CASHIERING PAYROLL		404,578		
Labor				1 920.010 ADMINISTRATIVE PAYROLL		2,482,184		
Labor				1 926.010 TIME OFF PAYROLL		1,036,705		
Labor						6,765,762		
Transportation				1 898.010 MNT - TRANSP EQUIP EXPENSE-PAYROLL		36,961		
Transportation				1 898.020 MNT - POWER OPR EQUIP EXPENSE-PAYROLL		8,955		
Transportation				1 900.020 OPR TRANSPORTATION EXPENSES		675,613		
Transportation				1 920.020 ADM TRANSPORTATION EXPENSES		94,100		
Transportation						815,630		
General Operations				1 821.020 CM PURIFICATION OF NATURAL GAS - MISC		103,330		
General Operations				1 871.000 TELEMETRY COSTS		58,165		
General Operations				1 880.010 OPERATIONS OFFICE TELEPHONE		98,383		
General Operations				1 880.020 OPERATIONS OFFICE UTILITIES		59,497		
General Operations				1 880.030 OPERATIONS OFFICE MISC		107,926		
General Operations				1 880.040 FEES TRAINING SCHOOLS		30,008		
General Operations				1 880.050 UNIFORMS		33,589		
General Operations				1 880.060 WELDING SUPPLIES		20,150		
General Operations				1 881.010 RENT OPERATING OFFICES				
General Operations				1 881.020 RENT LAND & LAND RIGHTS		17,394		
General Operations						528,442		
Customer Billing				1 903.020 CUSTOMER COLLECTIONS & RECORDS		223,782		
Customer Billing						223,782		
Uncollectible Accounts				1 904.000 UNCOLLECTIBLE ACCOUNTS		484,710		
Uncollectible Accounts						484,710		
Administrative				1 921.010 ADM TELEPHONE		141,689		
Administrative				1 921.030 BOOKS & SUBSCRIPTIONS		22,731		
Administrative				1 921.040 COMPANY FORMS		29,263		
Administrative				1 921.050 SMALL SUPPLY ITEMS		62,149		
Administrative				1 921.060 MISCELLANEOUS OTHER ITEMS		151,008		
Administrative				1 921.070 EMPLOYEE MEMBERSHIPS		3,708		
Administrative				1 921.080 SAFETY LITERATURE & EDUCATION		18,782		
Administrative				1 921.090 ENGR & DRAFTING SUPPLIES		6,260		
Administrative				1 921.100 ADM UTILITIES		45,850		
Administrative				1 921.110 INVENTORY - DIFFERENCE		(1,074)		
Administrative				1 921.210 TRAVEL ETC CO BUS PRES & CEO		11,421		
Administrative				1 921.220 TRAVEL ETC CO BUS OFFICERS		10,095		
Administrative				1 921.230 TRAVEL ETC CO BUS OPER & CONST		9,966		
Administrative				1 921.240 TRAVEL ETC CO BUS ADM&CUST SER		5,263		
Administrative				1 921.250 TRAVEL ETC CO BUS EXTERNAL AFFAIRS				
Administrative				1 921.260 TRAVEL ETC CO BUS FINANCE		14,830		
Administrative				1 921.270 TRAVEL ETC CO BUS TREASURY				
Administrative				1 921.280 TRAVEL ETC CO-BUS CUST SERVICE				

**Fiscal 2008 Income Statement Budget Detail**  
**Compared with Calendar 2006 Actual and Fiscal 2007 Budget**  
**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	GL #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget
1	Net Income (Loss) Before Income Taxes	Operating Expenses	Operations and maintenance	Administrative	1.921.290 CO BUS MEALS & ENTERTAINMENT		33,669	
Administrative				1.921.300 COMPUTER EQUIPMENT OPERATIONS		14,220		
Administrative						579,827		
Outside Services				1.923.010 OUTSIDE SERVICES LEGAL		28,405		
Outside Services				1.923.020 OUTSIDE SERVICES ACCOUNTING		265,104		
Outside Services				1.923.030 OUTSIDE SERVICES JANITORIAL		59,555		
Outside Services				1.923.040 OUTSIDE SERVICES OTHER		122,604		
Outside Services				1.923.050 OUTSIDE SERVICES COMPUTERS		182,316		
Outside Services						657,984		
Insurance				1.924.000 INSURANCE		786,124		
Insurance						786,124		
Employee Benefits				1.926.020 PENSION		700,262		
Employee Benefits				1.926.030 EMPLOYEE 401K PLAN		240,839		
Employee Benefits				1.926.040 MEDICAL COVERAGE		985,273		
Employee Benefits				1.926.050 SALARY CONTINUATION COVERAGE		129,709		
Employee Benefits				1.926.060 EMPLOYEE STOCK PLAN				
Employee Benefits				1.926.070 EMPLOYEE EDUCATION		9,031		
Employee Benefits				1.926.080 EMPLOYEE RECREATION & SOCIAL		7,680		
Employee Benefits				1.926.090 HOUSE TRAILERS				
Employee Benefits				1.926.100 SUPPLEMENTAL RETIREMENT PLAN		72,258		
Employee Benefits						2,145,052		
General Administration				1.913.000 ADVERTISING		2,264		
General Administration				1.928.000 REGULATORY COMMISSION EXPENSE		163,359		
General Administration				1.930.010 DIRECTOR FEES & EXPENSES		204,464		
General Administration				1.930.020 COMPANY MEMBERSHIPS		49,470		
General Administration				1.930.030 FEES CONVENTIONS & MEETINGS		6,125		
General Administration				1.930.040 MARKETING		3,973		
General Administration				1.930.050 COMPANY RELATIONS		15,945		
General Administration				1.930.060 TRUSTEE, REGISTRAR, AGENT FEES		69,450		
General Administration				1.930.070 STOCKHOLDERS MEETINGS				
General Administration				1.930.080 STOCKHOLDER REPORTS		74,536		
General Administration				1.930.090 CUSTOMER & PUBLIC INFORMATION		30,493		
General Administration				1.930.100 PUBLIC & COMMUNITY RELATIONS		52,664		
General Administration				1.930.110 CONSERVATION PROGRAM		32,821		
General Administration				1.930.120 LOBBYING EXPENDITURES		22,281		
General Administration				1.930.130 MISC NON TAX DEDUCTIBLE		375		
General Administration						728,220		
Expenses Transferred				1.922.000 EXP. TRANSFERRED - CAPITAL			(2,349,858)	
Expenses Transferred				1.922.100 EXP. TRANSFERRED I/C			(686,711)	
Expenses Transferred							(3,036,569)	
Other				1.753.020 WELLS & GATHERING MISC		500		
Other				1.754.020 COMPRESSOR STATION MISC		67,208		
Other				1.764.020 MNT WELLS & GATHERING OTHER				
Other				1.765.020 MNT COMPRESSOR STATION OTHER		21,183		
Other				1.816.020 CM WELLS EXPENSES - MISC		366		
Other	1.818.020 CM COMPRESSOR STATION EXPENSES - MISC		24,964					
Other	1.821.000 CM PURIFICATION OF NATURAL GAS							
Other	1.824.020 CM OTHER UNDERGROUND STORAGE EXPENSES - MISC		1,808					
Other	1.825.000 CM STORAGE WELL ROYALTIES/RENTS		56,371					
Other	1.831.020 CM MAINTENANCE STRUCTURES & IMPROVEMENTS - MISC		2,649					
Other	1.832.020 CM MAINTENANCE OF RESERVOIRS AND WELLS - MISC		43,432					
Other	1.833.020 CM MAINTENANCE OF LINES - MISC							

**Fiscal 2008 Income Statement Budget Detail**  
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**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	GL #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget
1	Net Income (Loss) Before Income Taxes	Operating Expenses	Operations and maintenance	Other	1.834.020 CM MAINTENANCE OF COMPRESSOR STAT EQUIP - MISC		26,302	
				Other	1.835.020 CM MAINTENANCE OF MEAS & REG STAT EQUIP - MISC		1,735	
				Other	1.837.020 CM MAINTENANCE OF OTHER EQUIPMENT - MISC		2,303	
				Other	1.856.000 RIGHT OF WAY CLEARING		66,285	
				Other	1.886.000 MNT STRUCTURES TRANS & DIST.			
				Other	1.889.000 MNT REG STATION TRANS & DIST.		7,505	
				Other	1.894.020 MNT OF OTHER EQUIPMENT OTHER		102,281	
				Other	1.900.030 SMALL TOOLS & WORK EQUIPMENT		108,395	
				Other	1.932.010 MNT COMMUNICATION EQUIPMENT		38,523	
				Other	1.932.020 MNT OFFICE EQUIPMENT		30,419	
				Other	1.932.030 MNT GENERAL STRUCTURES		41,636	
				Other	1.932.050 MAINTENANCE COMPUTER EQUIPMENT		72,817	
				Other			716,682	
				Mains	1.887.020 MNT TRANS & DIST MAINS OTHER		63,707	
				Meters			63,707	
				Meter & Regulators	1.893.020 MNT OF METERS & REG OTHER		42,994	
				Meters & Regulators			42,994	
				Depreciation and depletion			11,502,347	
				Depreciation Expense	1.403.000 DEPRECIATION EXPENSE		4,246,739	
				Depreciation Expense	1.403.100 DEPRECIATION EXPENSE FOR ASSET RETIREMENT COST		0	
				Depreciation Expense	1.406.000 AMORT OF GAS PLANT ACQ ADJ-TRANEX		(58,800)	
				Depreciation Expense	1.406.010 AMORT OF GAS PLANT ACQ ADJ-MT OLIVET		46,800	
				Depreciation Expense	1.411.000 INVESTMENT TAX CREDIT			
				Depreciation Expense	1.411.100 ACCRETION EXPENSE		0	
				Depreciation Expense			4,234,739	
				Depreciation Expense			4,234,739	
				Taxes other than income taxes				
				Property Taxes	1.408.010 LICENSE & PRIVILEGE FEES		5,432	
				Property Taxes	1.408.020 PROPERTY TAXES		1,221,140	
				Property Taxes			1,226,572	
				Payroll Taxes	1.408.030 PAYROLL TAXES		540,909	
				Payroll Taxes			540,909	
				Taxes other than income taxes			1,767,481	
				Receipts and debits			55,868,416	
				Other income and deductions, net				
				Other Net Income Before Income Taxes	1.415.010 LABOR SERVICE REVENUE		(4,150)	
				Other Net Income Before Income Taxes	1.415.020 MERCHANDISING REVENUE		(10,852)	
				Other Net Income Before Income Taxes	1.415.030 SALES TAX COMMISSION		(10,479)	
				Other Net Income Before Income Taxes	1.416.010 LABOR SERVICE EXPENSE		2,269	
				Other Net Income Before Income Taxes	1.416.020 MERCHANDISING EXPENSE		8,422	
				Other Net Income Before Income Taxes	1.419.000 INTEREST & DIVIDEND INCOME		(156,137)	
				Other Net Income Before Income Taxes	1.421.000 MISC NON OPERATING INCOME		(19,182)	
				Other Net Income Before Income Taxes	1.421.010 MISC NON OPERATING EXPENSE - PAYROLL		4,365	
				Other Net Income Before Income Taxes	1.426.020 LIFE INSURANCE CO BENEFICIARY		(5,265)	
				Other Net Income Before Income Taxes			(191,009)	
				Other Net Income Before Income Taxes			(191,009)	
				Other Net Income Before Income Taxes			(191,009)	
				Interest Charges				
				Interest On Long Term Debt	1.427.000 INTEREST ON LONG TERM DEBT		3,926,613	
				Interest On Long Term Debt			3,926,613	
				Interest On Short Term Debt	1.431.020 INTEREST ON SHORT-TERM DEBT		718,348	
				Interest On Short Term Debt	1.431.021 SUBSIDIARY INTEREST		(56,200)	
				Interest On Short Term Debt			662,148	
				Other Interest	1.431.010 INTEREST ON CUSTOMER DEPOSITS		30,055	

**Fiscal 2008 Income Statement Budget Detail**  
**Compared with Calendar 2006 Actual and Fiscal 2007 Budget**  
**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	GI #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget
1	Net Income (Loss) Before Income Taxes	Interest Charges	Interest charges	Other Interest Amortization Of Debt Expense Amortization Of Debt Expense			30,055	30,055
					1 428 000 AMORT OF DEBT EXPENSES		348,890	
							348,890	
				Interest charges			4,967,706	
				Interest Charges			4,967,706	
	Net Income (Loss) Before Income Taxes						(2,870,447)	
	Income Taxes	Income Taxes	Income taxes	Current Federal	1 409 010 CURRENT FED INC TAX		(1,391,650)	
				Current Federal	1 409 070 ESTIMATED INTERIM INCOME TAXES		0	
				Current Federal			(1,391,650)	
				Current State	1 409 020 CURRENT STATE INC TAX		(273,813)	
				Current State			(273,813)	
				Deferred Federal & State	1 410 000 DEFERRED INCOME TAXES		2,724,863	
				Deferred Federal & State	1 410 010 AMORT OF REGULATORY LIABILITY		(65,800)	
				Deferred Federal & State			2,659,063	
				Investment Tax Credit-Net	1 420 000 INVESTMENT TAX CREDIT NET		(37,300)	
				Investment Tax Credit-Net			(37,300)	
				Income Taxes Non Regulated	1 409 080 INCOME TAXES NON-REGULATED		73,900	
				Income Taxes Non Reg. Taxes			73,900	
							1,030,200	
							1,030,200	
							1,030,200	
							(1,840,247)	
2	Net Income (Loss) Before Income Taxes	Operating Revenues	Operating revenues	Sales To Subsidiary Companies Sales To Subsidiary Companies Sales To Others Sales To Others	2 489 000 SALES TO PARENT 2 496 000 ON SYSTEM SALES 2 496 100 FRANCHISE TAX & GTI TAX - NET		(22,284,348)	
				Sales To Others			28,545	
				Sales To Others			(22,255,803)	
							(22,255,803)	
							(22,255,803)	
		Operating Expenses	Purchased gas	Purchased Gas	2 803 000 GAS PURCHASED		16,980,274	
				Purchased Gas			16,980,274	
				Purchased Gas			16,980,274	
			Transportation fee	Transportation Fee	2 804 000 ON SYSTEM EXPENSE TRANSP FEE		2,797,252	
				Transportation Fee			2,797,252	
				Transportation Fee			2,797,252	
		Operations and maintenance	General Operations	General Operations	2 415 030 SALES TAX COMMISSION		(10,789)	
				General Operations			(10,789)	
			Uncollectible Accounts	Uncollectible Accounts	2 904 000 UNCOLLECTIBLE ACCOUNTS			
				Uncollectible Accounts				
			Outside Services	Outside Services	2 923 000 OUTSIDE SERVICES I/C		272,797	
				Outside Services	2 923 100 OUTSIDE SERVICES		20	
				Outside Services			272,817	
				Outside Services			262,028	
			Taxes other than income taxes	Payroll Taxes	2 408 000 TAXES - NON INCOME			
				Payroll Taxes				
				Payroll Taxes				
				Payroll Taxes			20,039,554	
		Interest Charges	Interest charges	Interest On Short Term Debt	2 419 000 INTEREST AND DIVIDEND INCOME		3,600	
				Interest On Short Term Debt			3,600	
				Interest Charges			3,600	
				Interest Charges			3,600	
							(2,212,649)	
	Income Taxes	Income Taxes	Income taxes	Current Federal	2 409 010 CURRENT FED INC TAX		582,000	
				Current Federal	2 409 070 ESTIMATED INTERIM INCOME TAXES		135,900	

**Fiscal 2008 Income Statement Budget Detail**  
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**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	Gl #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget
2	Income Taxes	Income Taxes	Income taxes	Current Federal			717,900	
				Current State	2 409 020 CURRENT STATE INC TAX		126,200	
				Current State			126,200	
			Income taxes				844,100	
		Income Taxes					844,100	
	Income Taxes						844,100	
							(1,368,549)	
2								
3	Net Income (Loss) Before Income Taxes	Operating Revenues	Operating revenues	Sales To Subsidiary Companies	3 489 000 REVENUE FROM AFFILIATED CO'S		(16,980,274)	
				Sales To Subsidiary Companies			(16,980,274)	
				Sales To Others	3 496 000 SALES TO OTHERS		(20,072,798)	
				Sales To Other			(20,072,798)	
			Operating Revenues				(37,053,072)	
		Operating Revenues					(37,053,072)	
		Operating Expenses	Purchased gas	Purchased Gas	3 489 010 AFFILIATED STORAGE REVENUE		(1,555,971)	
				Purchased Gas	3 803 000 GAS PURCHASED		35,013,933	
				Purchased Gas	3 803 100 GAS PURCHASED - I/C		1,378,122	
				Purchased Gas			34,836,084	
				Purchased Gas			34,836,084	
			Transportation fee	Transportation Fee	3 804 000 EXPENSE-TRANSPORTATION FEES		687,244	
				Transportation Fee			687,244	
				Transportation Fee			687,244	
			Operations and maintenance	Uncollectible Accounts	3 904 000 UNCOLLECTIBLE ACCOUNTS			
				Uncollectible Accounts				
				Outside Services	3 923 000 OUTSIDE SERVICES - INTERCOMPANY		197,585	
				Outside Services			197,585	
				Outside Services			197,585	
			Taxes other than income taxes	Payroll Taxes	3 408 000 TAXES - NON INCOME			
				Payroll Taxes	3 408 100 OTHER TAXES		814	
				Payroll Taxes			814	
				Payroll Taxes			814	
			Operating Expenses				35,721,728	
		Interest Charges	Interest charges	Interest On Short Term Debt	3 419 000 INT. INCOME - SUBS		113,600	
				Interest On Short Term Debt	3 419 100 INTEREST INCOME		(24,948)	
				Interest On Short Term Debt			88,652	
			Interest Charges				88,652	
			Interest Charges				88,652	
			Interest Charges				(1,242,692)	
	Income Taxes	Income Taxes	Income taxes	Current Federal	3 409 010 CURRENT FEDERAL INCOME TAX		380,900	
				Current Federal	3 409 070 ESTIMATED INTERIM INCOME TAXES		16,100	
				Current Federal			397,000	
				Current State	3 409 020 CURRENT STATE INCOME TAX		81,600	
				Current State			81,600	
			Income taxes				478,600	
		Income Taxes					478,600	
							478,600	
							(764,092)	
4	Net Income (Loss) Before Income Taxes	Operating Revenues	Operating revenues	Sales To Subsidiary Companies	4 489 000 REVENUES FROM AFFILIATED CO'S			
				Sales To Subsidiary Companies				
				Sales To Other				
			Operating Revenues					
		Operating Expenses	Operations and maintenance	General Operations	4 824 020 OTHER UNDERGROUND STORAGE EXPENSES - MISC			
				General Operations				
				Outside Services	4 923 000 OUTSIDE SERVICES			
				Outside Services				

**Fiscal 2008 Income Statement Budget Detail**  
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**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	GL #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget
4	Net Income (Loss) Before Income Taxes	Operating Expenses	Operations and maintenance	Outside Services				
			Operations and maintenance					
			Depreciation and depletion	Depreciation Expense	4 403 000 DEPRECIATION EXPENSE			
			Depreciation and depletion	Depreciation Expense				
			Taxes other than income taxes	Property Taxes	4 408 000 PROPERTY TAXES			
			Taxes other than income taxes	Property Taxes	4 409 010 CURRENT FED INC TAX			
			Taxes other than income taxes	Property Taxes				
		Operating Expenses	Interest charges	Interest On Short Term Debt	4 431 000 INTEREST EXPENSE			
			Interest charges	Interest On Short Term Debt				
			Interest charges	Interest On Short Term Debt				
		Income Taxes	Income taxes	Current Federal	4 409 070 ESTIMATED INTERIM INCOME TAXES			
			Income taxes	Current Federal				
			Income taxes	Current State	4 409 020 CURRENT STATE INC TAX			
			Income taxes	Current State				
5	Net Income (Loss) Before Income Taxes	Operating Revenues	Operating revenues	Sales To Subsidiary Companies	5 489 000 REVENUE FROM AFFILIATED CO'S		(1,378,122)	(1,378,122)
			Operating revenues	Sales To Subsidiary Companies				
				Sales To Others	5 496 000 REVENUE FROM OIL		(1,142)	(1,142)
				Sales To Others	5 497 000 REVENUE FROM ROYALTIES		(148,767)	(148,767)
				Sales To Others	5 498 000 SALES TO OTHERS			
				Sales To Others				
				Sales To Others				(149,909)
				Sales To Others				(1,528,031)
		Operating Expenses	Purchased gas	Purchased Gas	5 803 000 PURCHASED GAS		249,278	249,278
			Purchased gas	Purchased Gas			249,278	249,278
			Purchased gas	Purchased Gas			249,278	249,278
		Operations and maintenance	Labor	Labor	5 752 010 GAS WELLS - PAYROLL		13,197	13,197
			Labor	Labor	5 763 010 MNT - GAS WELLS - PAYROLL		221	221
			Labor	Labor	5 952 010 OIL WELLS - PAYROLL			
			Labor	Labor	5 963 010 MNT - OIL WELLS - PAYROLL			
			Labor	Labor				13,418
			Outside Services	Outside Services	5 923 000 OUTSIDE SERV. I/C		216,329	216,329
			Outside Services	Outside Services	5 923 100 OUTSIDE SERVICES		4,074	4,074
			Outside Services	Outside Services	5 930 130 MISC NON TAX DEDUCTIBLE			
			Outside Services	Outside Services				220,403
			Insurance	Insurance	5 924 000 INSURANCE		9,466	9,466
			Insurance	Insurance			9,466	9,466
			Other	Other	5 752 020 GAS WELLS - OTHER		1,696	1,696
			Other	Other	5 763 020 MNT - GAS WELLS - OTHER		2,725	2,725
			Other	Other	5 805 000 ROYALTIES			
			Other	Other	5 806 000 ACCRUED EXP WI TO OTHERS			
			Other	Other	5 952 020 OIL WELLS - OTHER			
			Other	Other	5 963 020 MNT - OIL WELLS - OTHER			
			Other	Other				4,421
		Operations and maintenance					247,707	247,707

**Fiscal 2008 Income Statement Budget Detail**  
**Compared with Calendar 2006 Actual and Fiscal 2007 Budget**  
**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	GL #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget
5	Net Income (Loss) Before Income Taxes	Operating Expenses	Depreciation and depletion	Depreciation Expense	5 403 100 DEPRECIATION EXPENSE FOR ASSET RETIREMENT COST		1,026	
				Depreciation Expense	5 404 000 DEPLETION EXPENSE		108,074	
				Depreciation Expense	5 411 100 ACCRETION EXPENSE		10,212	
				Depreciation Expense			119,312	
			Depreciation and depletion				119,312	
			Taxes other than income taxes	Property Taxes	5 408 000 PROPERTY TAXES		31,100	
				Property Taxes			31,100	
				Payroll Taxes	5 408 100 OTHER TAXES		1,314	
				Payroll Taxes			1,314	
			Taxes other than income taxes				32,414	
			Operating Expenses				648,711	
	Other income and deductions, net	Other income and deductions, net	Other Net Income Before Income Taxes	Other Net Income Before Income Taxes	5 421 000 MISC NON OPERATING INCOME			
			Other Net Income Before Income Taxes	Other Net Income Before Income Taxes				
			Other income and deductions, net					
			Other income and deductions, net					
			Interest Charges	Interest charges	Interest On Short Term Debt	5 431 000 INTEREST EXPENSE - SUBS	(61,000)	
					Interest On Short Term Debt	5 431 100 INTEREST EXPENSE	20	
					Interest On Short Term Debt		(60,980)	
			Interest charges				(60,980)	
			Interest charges				(60,980)	
	Net Income Before Income Taxes	Net Income Before Income Taxes					(940,300)	
	Income Taxes	Income Taxes	Income taxes	Current Federal	5 409 010 CURRENT FEDERAL INCOME TAX		478,900	
				Current Federal	5 409 070 ESTIMATED INTERIM INCOME TAXES		(214,600)	
				Current State			264,300	
				Current State	5 409 020 CURRENT STATE INCOME TAX		103,300	
				Deferred Federal & State			103,300	
				Deferred Federal & State	5 410 000 DEFERRED INCOME TAXES		(4,400)	
				Deferred Federal & State			(4,400)	
			Income Taxes				363,200	
			Income Taxes				363,200	
	Net Income Taxes						363,200	
							(577,100)	
6	Net Income (Loss) Before Income Taxes	Operating Revenues	Operating revenues	Sales To Subsidiary Companies	6 489 000 REVENUE FROM AFFILIATED CO'S			
				Sales To Subsidiary Companies				
				Sales To Others	6 497 000 REVENUE FROM OTHERS			
				Sales To Others				
			Operating Revenues					
			Operating Expenses and maintenance	Labor	6 887 010 MNT TRANS & DIST MAINS PAYROLL			
				Labor	6 900 010 TRANS & DIST PAYROLL			
				Transportation	6 900 020 OPR TRANSPORTATION EXPENSES			
				General Operations				
				General Operations	6 871 000 TELEMETRY COSTS			
				General Operations	6 881 020 RENT LAND & LAND RIGHTS			
				Outside Services				
				Outside Services	6 923 000 OUTSIDE SERVICES			
				Insurance				
				Insurance	6 924 000 INSURANCE			
				Other				
				Other	6 754 020 COMPRESSOR STATION MISC.			
				Other	6 765 020 MNT COMPRESSOR STATION OTHER			

**Fiscal 2008 Income Statement Budget Detail**  
**Compared with Calendar 2006 Actual and Fiscal 2007 Budget**  
**By Financial Statement Caption**

Company	Grouping Level 3 Description (GDSC3)	Grouping Level 4 Description (GDSC4)	Grouping Level 5 Description (GDSC5)	Grouping Level 6 Description (GDSC6)	GI #/Description (GHCT)	Fiscal 2008 Proposed Budget	Calendar 2006 Actual	Fiscal 2007 Adopted Budget		
6	Net Income (Loss) Before Income Taxes	Operating Expenses	Operations and maintenance	Other	6 856 000 RIGHT OF WAY CLEARING					
				Other	6 886 000 MNT STRUCTURES TRANS & DIST					
				Other	6 889 000 MNT REG STATIONS - TRANSM & DIST					
				Other						
				Mains		6 887 020 MNT TRANS & DIST MAINS OTHER				
				Mains						
				Operations and maintenance						
			Depreciation and depletion	Depreciation Expense	6 403 000 DEPRECIATION EXPENSE					
			Depreciation and depletion	Depreciation Expense	6 406 000 AMORT OF GAS PLANT ACQ ADJ					
			Depreciation and depletion	Depreciation Expense						
			Depreciation and depletion							
			Taxes other than income taxes	Property Taxes	6 408 000 PROPERTY TAXES					
			Taxes other than income taxes	Property Taxes						
			Taxes other than income taxes							
			Operating Expenses							
			Interest Charges	Interest charges	Other Interest	6 431 000 INTEREST EXPENSE				
			Interest Charges	Interest charges	Other Interest					
			Interest Charges							
			Interest Charges							
			Income Taxes	Income Taxes	Income taxes	Current Federal	6 409 010 CURRENT FEDERAL INCOME TAX			
			Income Taxes	Income Taxes	Income taxes	Current Federal	6 409 070 ESTIMATED INTERIM INCOME TAXES			
			Income Taxes	Income Taxes	Income taxes	Current Federal				
			Income Taxes	Income Taxes	Income taxes	Current State	6 409 020 CURRENT STATE INCOME TAX			
Income Taxes	Income Taxes	Income taxes	Current State							
Income Taxes	Income Taxes	Income taxes								
Reporting Point										
7	Net Income (Loss) Before Income Taxes	Operating Revenues	Operating revenues	Sales To Subsidiary Companies	7 489 000 REVENUE FROM AFFILIATED CO					
				Sales To Subsidiary Companies						
				Operating revenues						
			Operating Revenues							
			Interest Charges	Interest charges	Other Interest	7 426 050 OTHER DEDUCTIONS				
			Interest Charges	Interest charges	Other Interest					
			Interest Charges	Interest charges	Other Interest					
			Interest Charges	Interest charges	Other Interest					
			Interest Charges	Interest charges	Other Interest					
			Interest Charges	Interest charges	Other Interest					
			Interest Charges	Interest charges	Other Interest					
Income Taxes	Income Taxes	Income taxes	Current Federal	7 409 070 ESTIMATED INTERIM INCOME TAXES						
Income Taxes	Income Taxes	Income taxes	Current Federal							
Income Taxes	Income Taxes	Income taxes	Current State							
Income Taxes	Income Taxes	Income taxes								
Income Taxes	Income Taxes	Income taxes								
Reporting Point										
							(4,549,988)			



**Fiscal 2008 - 2012 Capital Budget**  
 Compared with 2007 Capital Budget and YTD December 2006 Actual  
**By Agent and Capital Budget Account**

Agent	Account	Description	2008 Projected	Fiscal 2007 Actual YTD Dec	2007 Adopted Budget	2009 Projected	2010 Projected	2011 Projected	2012 Projected
ALH	1325	GATHERING LAND & RIGHTS		0					
	1327	GATHERING COMP STAT STRUCTURES		0					
	1332	GATHERING LINES		0					
	1333	GATH COMP STAT EQUIPMENT		0					
	1334	GATH MEAS & REG STAT EQUIPMENT		18,358					
	136501	TRANSM LAND & LAND RIGHTS		0					
	136502	TRANSM RIGHTS OF WAY		13,000					
	1366	TRANSM STRUCTURES & IMPROVMNTS		1,649					
	1367	TRANSMISSION MAINS		18,432					
	1368	TRANSM COMPRESSOR STAT EQUIPMT		1,484,258					
	1369	TRANSM MEASURING & REG EQUIPMT		156,265					
	1371	TRANSMISSION OTHER EQUIPMENT		5,834					
	1381	DISTRIBUTION METERS		178,084					
	1383	DISTRIBUTION REGULATORS		153,615					
	1385	DIST INDUSTRIAL METER SETS		4,966					
	1395	LABORATORY EQUIPMENT		354					
	5117	ENPRO CUSHION GAS		(19,216)					
ALH				2,015,600					
GRJ	139909	CONTINGENCY		0					
GPJ				0					
JFH	139902	COMPUTER SOFTWARE		159,792					
	139903	COMPUTER HARDWARE		23,070					
JFH				182,862					
JLC	1374	DISTRIBUTION LAND & ROW		2,205					
	1375	DIST STRUCTURES & IMPROVEMENTS		0					
	1376	DISTRIBUTION MAINS		688,375					
	1378	DIST GENERAL REG STATIONS		13,712					
	1379	DIST CITY GATE REG STATIONS		(12)					
	1380	DISTRIBUTION SERVICES		317,422					
	1382	DIST METER & REG INSTALLATION		48,244					
	1390	GEN STRUCTURES & IMPROVEMENTS		10,890					
	1391	OFFICE FURNITURE & EQUIPMENT		3,912					
	1392	TRANSPORTATION EQUIPMENT		108,286					
	1394	TOOLS, SHOP & GARAGE EQUIPMENT		114,567					
	1396	POWER OPERATED EQUIPMENT		89,984					
	1397	COMMUNICATION EQUIPMENT		2,697					
	139931	COMPUTERIZED OFFICE EQUIPMENT		7,155					
JLC				1,407,438					
Total				3,605,900					



## COMPANY CORRESPONDENCE

TO: Officers

FROM: Glenn Jennings

SUBJECT: Performance Indicators

DATE: May 9, 2007

Delta's updated performance indicators are included on the attached report. In addition to the items in the report, the following information is also included as a part of the performance indicators.

Exhibit 1 - Insurance coverage and cost comparison. (Connie King)

Exhibit 2 - Average cost per foot for replacement and extensions, by size and type of pipe, for 2006, 2005, and 2004. (John Brown)

Exhibit 3 - Customer service cards results and complaints summary for 2006. (Emily Bennett, Connie King, Bob Hazelrigg)

Exhibit 4 - Summary of customer service interruptions for 2006, 2005, and 2004. (Johnny Caudill)

Exhibit 5 - Schedule for 2006, 2005 and 2004 comparing sales and transportation volumes to the budget and the previous year. (John Brown)

Exhibit 6 - Schedule of peak requirements for fiscal 2007, 2006, and 2005 compared to estimated requirements, and a comparison of annual retail requirements versus estimated requirements for fiscal 2006, 2005, and 2004. (Brian Ramsey)

Exhibit 7 - Certain gas industry data, as available from AGA, as compared with Delta.

## Delta Natural Gas Company, Inc. Performance Indicators

<u>Data provided by</u>		<u>Year Ended December 31,</u>		
Johnny Caudill	(1) Customers Added:			
		<u>2004</u>	<u>2005</u>	<u>2006</u>
	Conversion	61	44	44
	New	<u>598</u>	<u>589</u>	<u>452</u>
	Total	<u>659</u>	<u>633</u>	<u>496</u>
John Brown	(2) Per new meter installed:			
	Advertising costs	\$ 2.53	\$ 5.99	\$ 4.31
	Marketing costs	\$ 8.48	\$ 8.65	\$ 7.57
	Conservation/builder program cost	\$ 53.24	\$ 35.01	\$ 62.52
	Average feet for main extension	121	117	284

## Delta Natural Gas Company, Inc. Performance Indicators

Connie King (3) Total customer bill for retail rates:

	Residential 20 Mcf	Small Non- Residential 40 Mcf
Delta Gas (11/1/06)	\$292.70	\$570.82
Columbia Gas of Ky. (11/29/06)	211.22	429.28
Western Kentucky Gas (11/1/06)	207.04	419.08
Union Light (11/29/06)	262.29	507.64
LG & E (12/1/06)	192.94	383.36

Jonathan Morpew

(4) Right of way cost:

	Year Ended December 31					
	2004		2005		2006	
	Footage	Cost Per Foot	Footage	Cost Per Foot	Footage	Cost Per Foot
Transmission footage designed	11,582	\$ 1.61	72,577	\$ 1.34	0	\$ 0
Transmission footage purchased	11,679	\$ 1.59	73,944	\$ 1.32	0	\$ 0
Distribution footage designed	104,929	\$ .03	104,398	\$ .01	88,611	\$ .03
Distribution footage purchased	0	\$ 0	0	\$ 0	0	\$ 0

**Delta Natural Gas Company, Inc.**  
**Performance Indicators**

		<u>January,</u>		
		<u>2005</u>	<u>2006</u>	<u>2007</u>
Johnny Caudill	(5) Customers per:			
	Customer Service Representative	1,000	982	962
	Customer Representative	2,759	2,709	2,654

		<u>Year Ended December 31,</u>		
		<u>2004</u>	<u>2005</u>	<u>2006</u>
Johnny Caudill	(6) Inventory turnover ratio:	1.40	2.30	1.31

		<u>Year Ended December 31,</u>		
		<u>2004</u>	<u>2005</u>	<u>2006</u>
Alan Heath	(7) Company Construction Crews:			
	Average hours per			
	foot of pipe installed	.14	.19	.15

**Delta Natural Gas Company, Inc.**  
**Performance Indicators**

Year Ended December 31, \_\_\_\_\_

Brian Ramsey	(8) Average Gas Costs:		<u>2004</u>	<u>% Change</u>	<u>2005</u>	<u>% Change</u>	<u>2006</u>	<u>% Change</u>
	Delta Gas		\$6.8291	16.9	\$ 9.5970	40.5	\$ 8.8740	(7.5)
	Columbia Gas of Ky.		8.9165	39.9	10.3284	15.8	12.7769	23.7
	Western Ky. Gas		6.6899	3.4	8.8974	33.0	8.1512	(8.4)
	Union Light		6.2669	(1.1)	9.0722	44.8	8.8222	(2.8)
	L G & E		7.5055	20.6	10.1639	35.4	8.4953	(16.4)

5

			Year Ended December 31, _____		
			<u>2004</u>	<u>2005</u>	<u>2006</u>
Jim Potter	(9) Safety:				
	Lost time injuries		3	5	4
	Lost time days		11	200	41
	Injuries per 10,000 hours worked		.087	.146	.119
	Reportable vehicle accidents		0	7	1
	Accidents per 10,000 miles driven		0	.034	.005

## Delta Natural Gas Company, Inc. Performance Indicators

		12 months ended		
		<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>
John Brown/ Connie King	(10) Employee data:			
	% employee benefits to payroll			
	- Delta	48.2%	47.6%	43.8%
	- U.S. Chamber data	51.9%	51.9%	48.4%
	- Local	60.9%	54.4%	54.5%
	Number of full-time employees	155	154	155
	Turnover percentage	2.6%	6.3%	9.0%
	Per employee data:			
	Medical expense	\$6,852	\$8,752	\$6,776
	Pension expense	\$4,208	\$4,155	\$4,518
	Customers	258	255	248
	Mcf of total throughput	114,050	119,981	115,546

**Delta Natural Gas Company, Inc.**  
**Performance Indicators**

		<u>Year Ended December 31,</u>		
		<u>2004</u>	<u>2005</u>	<u>2006</u>
John Brown	(11) Per Mcf of total throughput:			
	Total revenue	\$3.47	\$3.39	\$3.55
	Operating expenses	.57	.62	.60
	Maintenance expenses	.04	.03	.04
	Total payroll	.37	.39	.42
	Administrative and general expenses	.19	.20	.21
Johnny Caudill	(12) Company vehicle data:			
	Mileage driven per customer	50.0	50.9	53.4
	Operations and maintenance expense per mile driven	\$.201	\$.23	\$.25
John Brown	(13) Percentage of gross plant additions to:			
	Gross plant at year end	3.37%	4.26%	4.38%
	Net plant at year end	4.99%	6.37%	6.60%
John Brown	(14) Footage of pipe installed:	183,590	129,909	171,561
	Extensions %	51.7%	65.4%	86.8%
	Replacements %	48.3%	34.6%	13.2%



DELTA NATURAL GAS COMPAY, INC.

Expiring 2006-2007

Renewal 2007-2008

	2006-2007 EXPIRING PREMIUM*	2007-2008 RENEWAL PREMIUM*	PERCENT INCREASE/ DECREASE	INCREASE/ DECREASE
GENERAL LIABILITY	\$ 97,192	\$ 83,992 <sup>(1)</sup>	-13.58%	\$ (13,200)
EXCESS LIABILITY	\$ 153,382	\$ 157,120 <sup>(2)</sup>	2.44%	\$ 3,738
EXCESS EBL & FIDUCIARY LIABILITY	\$ 21,256	\$ 23,381 <sup>(3)</sup>	10.00%	\$ 2,125
DIRECTORS & OFFICERS	\$ 272,204	\$ 270,493 <sup>(4)</sup>	-0.63%	\$ (1,711)
FIDUCIARY LIABILITY	\$ 3,045	\$ 3,147	3.35%	\$ 102
CRIME	\$ 3,147	\$ 3,147	0.00%	\$ -
EMPLOYMENT PRACTICES LIABILITY	\$ 12,180	\$ 12,180	0.00%	\$ -
AUTOMOBILE	\$ 83,015	\$ 63,646 <sup>(5)</sup>	-23.33%	\$ (19,369)
PROPERTY/GAS IN STORAGE	\$ 105,346	\$ 102,661 <sup>(6)</sup>	-2.55%	\$ (2,685)
ELECTRONIC DATA PROCESSING	\$ 5,616	\$ 5,524 <sup>(7)</sup>	-1.64%	\$ (92)
EQUIPMENT FLOATER	\$ 17,968	\$ 16,689 <sup>(8)</sup>	-7.12%	\$ (1,279)
BOILER & MACHINERY	\$ 5,550	\$ 5,633	1.50%	\$ 83
OPERATORS EXTRA EXPENSE/CONTROL OF WELL	\$ 8,705	\$ 8,460	-2.81%	\$ (245)
WORKERS COMPENSATION	\$ 91,584	\$ 111,039 <sup>(9)</sup>	21.24%	\$ 19,455
	\$ 880,190	\$ 867,112	-1.49%	\$ (13,078)

\*Includes all credits, fees and taxes

- (1) General Liability projected payroll subject to audit - \$3,955,000; terrorism endorsement declined - 07/08 policy; Employee Benefit Liability included
- (2) Continuity credit decreased from \$17,792 - 06/07 policy to \$16,962 - 07/08 policy; rated premium increased from \$151,750 - 06/07 policy to \$154,185 - 07/08 policy; terrorism endorsement declined for 07/08 policy
- (3) The premium increase is entirely a rating increase
- (4) Continuity credit increased from \$26,054 - 06/07 policy to \$27,549 - 07/08 policy; rated premium of \$263,787 - 07/08 policy remained the same as 06/07 policy; terrorism endorsement declined 07/08 policy
- (5) Premium basis - composite rate; final premium will be based on average during year based on beginning of year count and end of year count; terrorism endorsement declined 07/08 policy
- (6) Scheduled values \$17,975,460 - 07/08 policy; Maximum Working Gas \$14,000,000 - 07/08 policy; property rate decreased .09/\$100 for 07/08 mandatory terrorism charge increased from \$7,007 - 06/07 policy to \$9,754 - 07/08 policy
- (7) Scheduled values EDP Equipment \$2,126,704 at \$0.250/\$100
- (8) Scheduled values \$3,128,643 - 07/08 policy; rate of \$0.500/\$100 - 07/08 policy decreased from .550/\$100 - 06/07 policy  
Note: In lieu of adjusting the policy with each addition/deletion of Equipment & EDP hardware/software one adjustment will be made at end of policy year with the submission of schedules for mobile equipment and EDP hardware/software. If the total of the schedules at the end of policy year varies by 10% or less no adjustment to premium will be made. If variance is 11% or more the rate will be \$0.50/\$100 mobile property and \$0.25/\$100 EDP
- (9) Premium based on payroll subject to audit; rate for class code 8810 (clerical) .38/\$100 - 07/08 policy remained the same as 06/07 policy; rate class code 7502 increased from \$2.32/\$100 - 06/07 policy to \$2.82/\$100 - 07/08 policy; Delta's experience modification increased from .83 for 06/07 policy to .96 for 07/08 policy

**DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES**

	<i>COST COMPARISON EXPIRING VS RENEWAL</i>			
	<i>POLICY EFFECTIVE DATE</i>	<i>2007 - 2008 RENEWAL PREMIUM*</i>	<i>2006 - 2007 EXPIRING PREMIUM*</i>	<i>PERCENT INCREASE -DECREASE</i>
<b>GENERAL LIABILITY</b> - American International Group (AIG) \$2,000,000 General Aggregate - \$1,000,000 Each Occurrence Deductible - None Premium Basis - Payroll (subject to audit) - Occurrence Form	3/9/07 - 3/9/08	\$ 83,992	\$ 97,192	-13.58% <sup>(1)</sup>
<b>AUTOMOBILE</b> - American International Group (AIG) Bodily Injury and Property Damage Liability \$1,000,000 Comprehensive - Owned Vehicles - \$250 Deductible Collision - Self Insured Premium Basis - Composite Rate Per Class of Vehicle - Subject to Audit	3/9/07 - 3/9/08	\$ 63,646	\$ 83,015	-23.33% <sup>(2)</sup>
<b>EXCESS LIABILITY</b> - AEGIS Limit of Liability \$35,000,000 (each occurrence) Underlying Limit \$2,000,000 General Liability - General Aggregate Claims Made - Retroactive Date 3/09/86	3/9/07 - 3/9/08	\$ 157,120	\$ 153,382	2.44% <sup>(3)</sup>
<b>DIRECTORS &amp; OFFICERS</b> - AEGIS Limit of Liability \$20,000,000 Corporate Retention - \$250,000 Directors and Officers Individually - No Deductible Includes Corporate Defense Costs Coverage Claims Made - Retroactive Date 10/10/49	3/9/07 - 3/9/08	\$ 270,493	\$ 272,204	-0.63% <sup>(4)</sup>
<b>EMPLOYMENT PRACTICES LIABILITY</b> - St. Paul Travelers Limit of Liability \$1,000,000 Each Claim - \$1,000,000 Aggregate Deductible - \$50,000 Claims Made; Retroactive Date - Full Prior Acts Defense and claims expenses are included in the limit of liability	3/9/07 - 3/9/08	\$ 12,180	\$ 12,180	0.00%
<b>EXCESS FIDUCIARY &amp; EMPLOYEE BENEFIT LIABILITY</b> - AEGIS Limit of Liability \$15,000,000 Underlying Limits \$1,000,000 Claims Made Retroactive Date - 3/09/86	3/9/07 - 3/9/08	\$ 23,381	\$ 21,256	10.00% <sup>(5)</sup>

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge and 3% Surplus Lines Tax  
Risk Management Annual Report 2007-2008.XLS

**DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES**

*COST COMPARISON EXPIRING VS RENEWAL*

	<i>POLICY EFFECTIVE DATE</i>	<i>2007 - 2008 RENEWAL PREMIUM*</i>	<i>2006 - 2007 EXPIRING PREMIUM*</i>	<i>PERCENT INCREASE -DECREASE</i>
<b>FIDUCIARY LIABILITY - St. Paul Travelers</b> Limit of Liability \$1,000,000 (each loss) Deductible - \$5,000 Claims Made Retroactive Date - Full Prior Acts	3/9/07 - 3/9/08	\$ 3,147	\$ 3,045	3.35%
<b>CRIME - St. Paul Travelers</b> Limit of Liability - \$500,000 Form A - Employee Dishonesty Theft, Form B - Forgery or Alterations, Form C - Theft, Destruction or Disappearance of Money and Securities Deductible - \$10,000	3/9/07 - 3/9/08	\$ 3,147	\$ 3,147	0.00%
<b>OPERATORS EXTRA EXPENSE- St. Paul Surplus Lines</b> Limit of Liability - \$3,000,000 Retention/Deductible - \$25,000 Operators Extra Expense \$10,000 Care, Custody & Control Premium Basis - Per Well Schedule (subject to annual audit & adjustment)	3/9/07 - 3/9/08	\$ 8,460	\$ 8,705	-2.81%
<b>PROPERTY/GAS IN STORAGE - American International Group (AIG)</b> Limit of Liability Building/Personal Property - \$17,975,460 Premium Basis - Statement of Values Deductible - \$10,000 (earthquake \$25,000) Gas in Storage \$14,000,000 Deductible - \$25,000 (earthquake \$50,000)	3/9/07 - 3/9/08	\$ 102,661	\$ 105,346	-2.55% <sup>(6)</sup>
<b>ELECTRONIC DATA PROCESSING - Fireman's Fund</b> Coverage Limits - \$2,126,704 Deductible - \$2,500	3/9/07 - 3/9/08	\$ 5,524	\$ 5,616	-1.64% <sup>(7)</sup>
<b>EQUIPMENT FLOATER - Fireman's Fund</b> Coverage Limits - \$3,128,643 (Scheduled Equipment as of 1/15/07) Deductible - \$2,500; Miscellaneous Employee Tools \$250	3/9/07 - 3/9/08	\$ 16,689	\$ 17,968	-7.12% <sup>(8)</sup>
<b>BOILER &amp; MACHINERY - Cincinnati Insurance Company</b> Coverage - \$5,000,000/Accident including Business Interruption & Extra Expense Deductible - \$5,000 Property Damage	3/9/07 - 3/9/08	\$ 5,633	\$ 5,550	1.50%

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge and 3% Surplus Lines Tax  
Risk Management Annual Report 2007-2008.XLS

**DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES**

*COST COMPARISON EXPIRING VS RENEWAL*

	POLICY EFFECTIVE DATE	2007 - 2008 RENEWAL PREMIUM*	2006 - 2007 EXPIRING PREMIUM*	PERCENT INCREASE -DECREASE
3-Year Policy from 3/09/06 - 3/09/09 with annual installments <b>WORKERS COMPENSATION</b> - Midwestern Insurance Alliance Limit of Liability - \$1,000,000 Premium Basis - Payroll Subject to Audit	3/9/07 - 3/9/08	\$ 111,039	\$ 91,584	21.24% <sup>(9)</sup>
		\$ 867,112	\$ 880,190	-1.49%

- (1) General Liability premium subject to audit; premium basis \$3,955,000; Employee Benefit Liability included; terrorism endorsement declined
- (2) Premium basis - composite rate; final premium based on average number of vehicles during the year based on beginning of year count and end of year count; terrorism endorsement declined
- (3) Continuity credit decreased \$17,792 - 06/07 policy to \$16,962 - 07/08 policy; rated premium increased from \$151,750 - 06/07 policy to \$154,185 07/08 policy; terrorism endorsement declined
- (4) Continuity credit increased from \$26,054 - 06/07 policy to 27,549 - 07/08 policy; rated premium of \$263,787 - 07/08 policy remained the same for 06/07 policy; terrorism endorsement declined
- (5) Premium increase is entirely a rating increase
- (6) Schedules values property \$17,975,480; underground gas contents \$14,000,000; property rate decreased .09/\$100 for 07/08 policy; mandatory terrorism charge increased from \$7,007 - 06/07 policy to \$9,754 - 07/08 policy
- (7) Premium Based on Actual Scheduled Values - EDP Hardware & Software
- (8) Scheduled values \$3,128,643 - 07/08 policy; rate of \$0.500/\$100 - 07/08 policy decreased from .550/\$100 - 06/07 policy  
Note: In lieu of adjusting the policy with each addition/deletion Equipment & EDP one adjustment will be made at end of policy year with the submission of schedules; if the total of the schedules at the end of the policy year end varies by 10% or less no adjustment to premium will be made; if variance is 11% or more adjustment will be made
- (9) Premium based on payroll subject to audit; rate for class code 8810 (clerical) increased from \$0.38/\$100 - 07/08 policy remained the same as 06/07 policy; rate for class code 7502 increased from \$2.32/\$100 - 06/07 policy to \$2.62/0\$100 - 07/08 policy; Delta's experience modification increased from .83 to 06/07 policy to .96 for 07/08 policy

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge and 3% Surplus Lines Tax  
Risk Management Annual Report 2007-2008.XLS

**DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES**

	<i>POLICY EFFECTIVE DATE</i>	<i>PREMIUM</i>
<b>FLOOD INSURANCE- National Flood Insurance Program</b> Limit of Liability - As Scheduled for Williamsburg & Barbourville Deductible - \$1,000 Building/Location - \$1,000 Contents/Location	05/29/06 - 5/29/07	\$ 2,503
<b>OIL WELL DRILLING BOND - CNA Insurance Company</b> Limit of Liability - \$10,000 Obligee - Commonwealth of Kentucky Three Year Pre-paid Premium	03/02/06 - 03/02/09	\$ 254
<b>PERMIT BOND - CNA Insurance Company</b> Limit of Liability - \$5,000 Street Restoration Obligee - City of Williamsburg, Kentucky Three Year Pre-paid Premium	03/07/06 - 03/07/09	\$ 253
<b>PERMIT BOND - CNA Insurance Company</b> Limit of Liability - \$10,000 Street Restoration Obligee - Whitley County, Kentucky	11/07/06 - 11/07/07	\$ 102
<b>PERMIT BOND - CNA Insurance Company</b> Limit of Liability - \$25,000 Street Restoration Obligee - Knox County, Kentucky Three Year Pre-paid Premium	11/13/04 - 11/13/07	\$ 571
<b>KENTUCKY HIGHWAY USE BOND - CNA Insurance Company</b> Limit of Liability - \$1,000 Obligee - Commonwealth of Kentucky	06/18/06 - 06/18/07	\$ 102
<b>OIL WELL DRILLING BOND - CNA Insurance Company</b> Limit of Liability - \$10,000 Obligee - Commonwealth of Kentucky Kettle Island	04/13/07 - 04/13/08	\$ 508
<b>PERMIT BOND - CNA Insurance Company</b> Limit of Liability - \$5,000 Street Restoration Obligee - City of Middlesboro, Kentucky	09/21/06 - 09/21/07	\$ 102

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge

**DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES**

<i>POLICY</i>	<i>EFFECTIVE DATE</i>	<i>PREMIUM</i>
<b>PERMIT BOND - CNA Insurance Company</b> Limit of Liability - \$10,000 Street Restoration Obligee - Lexington/Fayette Urban County Government	04/01/07 - 04/01/08	\$ 102

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge

GATHERING, STORAGE, TRANSMISSION AND DISTRIBUTION MAINS  
12 MONTHS ENDED 12/06 VS 12 MONTHS ENDED 12/05

REPLACEMENTS					EXTENSIONS				
BLANKET WORK ORDERS					BLANKET WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/06 CURRENT	12/05 PRIOR	12/06 CURRENT	12/05 PRIOR		12/06 CURRENT	12/05 PRIOR	12/06 CURRENT	12/05 PRIOR
UNDER 2" PLASTIC	1,221	802	-	-	UNDER 2" PLASTIC	4,015	4,932	-	-
2" PLASTIC	12,382	10,478	-	-	2" PLASTIC	11,066	18,046	-	-
3" PLASTIC	0	0	-	-	3" PLASTIC	0	0	-	-
4" PLASTIC	963	469	-	-	4" PLASTIC	2,149	635	-	-
6" PLASTIC	0	0	-	-	6" PLASTIC	0	0	-	-
1" STEEL	0	71	-	-	1" STEEL	160	1,265	-	-
2" STEEL	43	0	-	-	2" STEEL	0	0	-	-
3" STEEL	0	0	-	-	3" STEEL	0	0	-	-
4" STEEL	273	126	-	-	4" STEEL	686	544	-	-
6" STEEL	0	0	-	-	6" STEEL	0	0	-	-
<b>TOTAL BWO'S</b>	<b>14,882</b>	<b>11,946</b>	<b>26.22</b>	<b>22.87</b>	<b>TOTAL BWO'S</b>	<b>18,076</b>	<b>25,422</b>	<b>17.37</b>	<b>19.15</b>
SPECIFIC WORK ORDERS					SPECIFIC WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/06 CURRENT	12/05 PRIOR	12/06 CURRENT	12/05 PRIOR		12/06 CURRENT	12/05 PRIOR	12/06 CURRENT	12/05 PRIOR
UNDER 2" PLASTIC	83	832	14.53	27.25	UNDER 2" PLASTIC	68	122	17.09	19.15
2" PLASTIC	6,596	17,535	15.48	13.49	2" PLASTIC	30,569	54,520	7.86	13.49
3" PLASTIC	0	0	0.00	0.00	3" PLASTIC	0	0	0.00	0.00
4" PLASTIC	371	12,846	101.47	27.77	4" PLASTIC	25,900	4,857	11.09	13.49
6" PLASTIC	0	0	0.00	0.00	6" PLASTIC	0	0	0.00	0.00
UNDER 2" STEEL	0	0	0.00	0.00	UNDER 2" STEEL	0	0	0.00	0.00
2" STEEL	0	0	0.00	0.00	2" STEEL	0	0	0.00	0.00
3" STEEL	0	0	0.00	0.00	3" STEEL	0	0	0.00	0.00
4" STEEL	0	1,345	0.00	38.35	4" STEEL	5,383	0	23.96	38.35
6" STEEL	780	44	56.66	145.88	6" STEEL	0	0	0.00	145.88
8" STEEL	0	484	0.00	122.78	8" STEEL	68,853	11,477	51.45	51.45
<b>TOTAL SWO'S</b>	<b>7,830</b>	<b>33,086</b>	<b>--</b>	<b>--</b>	<b>TOTAL SWO'S</b>	<b>130,773</b>	<b>70,976</b>	<b>--</b>	<b>--</b>

GATHERING, STORAGE, TRANSMISSION AND DISTRIBUTION MAINS  
12 MONTHS ENDED 12/05 VS 12 MONTHS ENDED 12/04

REPLACEMENTS					EXTENSIONS				
BLANKET WORK ORDERS					BLANKET WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/05 CURRENT	12/04 PRIOR	12/05 CURRENT	12/04 PRIOR		12/05 CURRENT	12/04 PRIOR	12/05 CURRENT	12/04 PRIOR
UNDER 2" PLASTIC	802	873	-	-	UNDER 2" PLASTIC	4,932	6,463	-	-
2" PLASTIC	10,478	12,884	-	-	2" PLASTIC	18,046	17,482	-	-
3" PLASTIC	0	0	-	-	3" PLASTIC	0	0	-	-
4" PLASTIC	469	1,707	-	-	4" PLASTIC	635	396	-	-
6" PLASTIC	0	0	-	-	6" PLASTIC	0	0	-	-
1" STEEL	71	0	-	-	1" STEEL	1,265	250	-	-
2" STEEL	0	0	-	-	2" STEEL	0	0	-	-
3" STEEL	0	0	-	-	3" STEEL	0	0	-	-
4" STEEL	126	0	-	-	4" STEEL	544	0	-	-
6" STEEL	0	0	-	-	6" STEEL	0	0	-	-
<b>TOTAL BWO'S</b>	<b>11,946</b>	<b>15,464</b>	<b>22.87</b>	<b>25.30</b>	<b>TOTAL BWO'S</b>	<b>25,422</b>	<b>24,591</b>	<b>15.02</b>	<b>20.70</b>
SPECIFIC WORK ORDERS					SPECIFIC WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/05 CURRENT	12/04 PRIOR	12/05 CURRENT	12/04 PRIOR		12/05 CURRENT	12/04 PRIOR	12/05 CURRENT	12/04 PRIOR
UNDER 2" PLASTIC	832	1,385	27.25	12.45	UNDER 2" PLASTIC	122	369	11.95	11.80
2" PLASTIC	17,535	15,642	13.49	9.55	2" PLASTIC	54,520	60,127	7.08	8.26
3" PLASTIC	0	0	0.00	0.00	3" PLASTIC	0	0	0.00	0.00
4" PLASTIC	12,846	12,804	27.70	11.24	4" PLASTIC	4,857	9,773	13.83	13.18
6" PLASTIC	0	0	0.00	0.00	6" PLASTIC	0	0	0.00	0.00
UNDER 2" STEEL	0	0	0.00	0.00	UNDER 2" STEEL	0	0	0.00	0.00
2" STEEL	0	0	0.00	0.00	2" STEEL	0	0	0.00	0.00
3" STEEL	0	0	0.00	0.00	3" STEEL	0	0	0.00	0.00
4" STEEL	1,345	61	38.12	22.60	4" STEEL	0	0	0.00	0.00
6" STEEL	44	514	145.88	92.45	6" STEEL	0	141	0.00	67.64
8" STEEL	484	42,719	122.78	41.43	8" STEEL	11,477	0	54.01	0.00
<b>TOTAL SWO'S</b>	<b>33,086</b>	<b>73,125</b>	<b>--</b>	<b>--</b>	<b>TOTAL SWO'S</b>	<b>70,976</b>	<b>70,410</b>	<b>--</b>	<b>--</b>



**DELTA NATURAL GAS COMPANY, INC.**  
2006 CUSTOMER RESPONSES - CUSTOMER SERVICE CARDS

**CUSTOMER RESPONSES RECEIVED:**

Owingsville District	43
Berea District	50
Nicholasville District	437
Middlesboro District	55
Corbin District	<u>291</u>
	876

**SERVICE REQUESTS:**

Turn on	470
Reconnect	66
Set meter/turn on	56
Meter rotation/inspection	153
Check for leak, gas odor	47
Check furnace, light pilots, logs, read meter	51
Not indicated	<u>33</u>
	876

	Yes	No	Not Indicated
Timely response to request	834	7	35
Service satisfactory	848	2	26
Courteous/Professional Service Rendered	848	1	27

**COMMENTS:**

Excellent/professional service and employees	81
Comments concerning high prices/bills /deposits	16
Schedule appointments/specific time to do work	2
Comments concerning local office/payment location, internet	4

**DELTA NATURAL GAS COMPANY  
COMPLAINT SUMMARY  
JANUARY - DECEMBER**

- 1 - COMBL (Complaint Billing Adjustment)
- 2 - COMC (Complaint PSC)
- 3 - COMEA (Complaint Employee Attitude)
- 4 - COMOT (Complaint Other)
- 5 - COMSR (Complaint Service)

Distribution: Glenn John John Johnny Alan Bob Gerald Mike  
District Customer Service Supervisors - Arvil Bill Mark Mike Robert

**DELTA NATURAL GAS COMPANY  
COMPLAINT SUMMARY  
JANUARY - DECEMBER**

DISTRICT	2006	TOTAL NUMBER OF COMPLAINTS	COMPLAINTS (SEE LEGEND BELOW)					COMMENTS
			1	2 <sup>(1)</sup>	3 <sup>(2)</sup>	4 <sup>(3)</sup>	5 <sup>(4)</sup>	
OWINGSVILLE	January							
	thru	2		2				
	December							
BEREA	January							
	thru	2	2					Customer's meter over-read by 10 Mcf - credit adjustment made; ERT programmed wrong - adjustment made
	December							
NICHOLASVILLE	January							
	thru	12	6	6				Customer received bill for reading period 11/28 - 12/27 - service not turned on until 12/12 - failed to change reading & date when service order closed - credited account for 11.4 Mcf; Customer complained about high bill for 121 days - failed to change reading & date when service order closed - credited account fo 2 Mcf; Customer complained about high bill for 11 days - beginning reading keyed wrong - credited account for 4.1 Mcf; Customer's service no disconnected when requested - credited account for .1 Mcf Customer called re monthly customer chage - meter off since 6/13/06 due to fire - adjustment made Credit adjustment for .1 Mcf - no gas on at residence
	December							
MIDDLESBORO	January							
	thru	4	1	2			1	ERT stopped in mid-May - based on customer's past history adjustment made for 15.06 Mcf
	December							
CORBIN	January							
	thru	5	5					ERT programmed wrong - credit adjustment made ERT progrmmed wrong - credit adjustment for 5.1 Mcf made on account Account set up as commercial - converted to residential - adjusted customer charge and state tax for 5 months Customer called re high usage - water heater only - leak on swivel - customer service representative thought he might have mseed up swivel when he rotated meter - credit adjustment made Meter over-read - adjustment ade for 9.3 Mcf
	December							
<b>TOTAL</b>		<b>25</b>	<b>14</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>1</b>	

**OWINGSVILLE**

**COMC** Customer informed PSC that he had been overcharged; changed heating and water heater to other sources and feels he should only be charged minimum bill for December and January; service disconnected 12/22/05 at customer's request; at time of turn-off CSR discovered that meter had been shut-off at valve by customer; CSR took reading and sealed meter; meter pulled and tested for accuracy; customer informed CSR that he would be satisfied as long as there were no additional charged billed; Delta agreed - customer satisfied

**COMC** Customer contacted Governor's office seeking assistance in having service reconnected; customer of the opinion that she owes budget amount only not amount shown on closing bill; provided PSC Consumer Inquiry Division with billing and pay history; customer's service disconnected for nonpayment in August (last payment April); customer advised that past due balance + deposit + reconnect fee would have to be paid prior to service being reconnected

**Nicholasville**

**COMC** Customer's service was disconnected on 2/01 for nonpayment of bill dated 1/04/06 in the amount of \$177.18; customer informed PSC that he did not receive disconnect notice ; advised PSC that final notice was mailed 1/20/06 advising customer that account was subject to be disconnected on 1/30 if payment or payment arrangements not made prior to that date; customer paid past due amount of 2/03 and service was reconnected  
receive disconnect notice; advised PSC that final notice was mailed 1/20/06 advising customer that account was subject to be disconnected on 1/30

**COMC** Customer contacted PSC re high bill; wanted to know why PSC had increased bill; sent letter to customer explaining that Delta files a quarterly gas cost adjustment to become effective February, May, August and November and that rates are approved by the PSC prior to becoming effective and that the rates increase/decrease based on the cost of gas to Delta; explained that although PSC approves rates that do not increase Delta's rates to its customers

**COMC** Customer contacted PSC re Delta's rate as compared to Columbia's rate and wanted to know if she could switch gas companies; sent letter regarding Delta's quarterly GCR filings; also explained WNA; informed customer that Delta has a franchise to serve specific areas within Fayette County and that customer's address was in the service area specifically covered by Delta's franchise

**COMC** Customer contacted PSC requesting corrected bill for reading period 12/27/05 - 1/24/06 with February 1 rates; advised customer and PSC that Delta's order stated "rates are approved for final meter readings on and after February 1, 2006"; Delta interprets this to mean that meter readings are not "final" until they have been subjected to quality assurance procedures prior to billing

**COMC** Customer contacted PSC regarding Delta's billing format; as former customer of Columbia Gas thinks Delta's bill format should be same as Columbia and show customer charge, current rate, taxes, etc; wanted breakdown showing how February and March bill calculated; sent this information to customer along with WNA information; advised customer rates available on Delta's web site

**COMC** Customer did not think he should have been disconnected since he paid within 30 days of the due date nor should he have been charged a reconnect fee; customer stated that he did not receive a disconnect notice; records show that disconnect notice was mailed on June 23; advised customer that in the future if he could not pay by the due date that he needed to contact local office and set up payment arrangements

- COMBL - Complaint Billing Adjustment
- COMC - Complaint PSC
- COME - Complaint Employee Attitude
- COMOT - Complaint Other
- COMSR - Complaint Service

**Middlesboro**

**COMC**

Customer unable to calculate bill using rates approved 2/01/06; sent information to customer regarding WNA and advised customer to contact district office during the months of December - April for WNA rate since not reflected on web

Attorney General contacted PSC Consumer Services regarding letter he received from customer regarding budget reflected on August bill; customer stated that August bill reflected a new budget of \$377; customer representative explained to customer that this amount reflected his new budget of \$167 plus past due balance of \$210; customer stated he wanted to be taken off budget; sent memo to PSC that we had attempted to explain the \$377 reflected on customers' bill on two separate occasions to no avail; that customer had been cancelled from budget per customer's request and account paid in full as of 9/20/06

**COMSR**

Customer not satisfied with work done on yard; weeds planted rather than grass; tried to explain to customer that he was seeing new rye grass; re-thatched three spots with falcon fescue only; covered with potting soil

COMBL - Complaint Billing Adjustment  
COMC - Complaint PSC  
COMEIA - Complaint Employee Attitude  
COMOT - Complaint Other  
COMSR - Complaint Service

**DELTA NATURAL GAS COMPANY, INC.**  
**SUMMARY OF CUSTOMER SERVICE INTERRUPTIONS**  
**2006**

<b>TOTAL NUMBER OF INTERRUPTIONS FOR COMPANY</b>	<b>219</b>	
<b>TOTAL CUSTOMERS INTERRUPTED FOR 2006</b>	<b>898</b>	
<b>TOTAL CUSTOMER HOURS OF INTERRUPTION FOR 2006</b>	<b>432.00</b>	
<b>AVERAGE INTERRUPTION TIME PER CUSTOMER INTERRUPTED</b>	<b>0.48</b>	<b>HOURS</b>

	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	TOTAL			TOTAL	
<b>DISTRIBUTION:</b>					
LINE BREAK	185			819	
EQUIPMENT FAILURE	4			8	
FREEZE OFF	1			1	
OTHER	1			6	
<b>TOTAL FOR DISTRIBUTION</b>		<b>191</b>			<b>834</b>

<b>TRANSMISSION:</b>					
LINE BREAK	1			2	
EQUIPMENT FAILURE	0			0	
FREEZE OFF	3			3	
OTHER	1			31	
<b>TOTAL FOR TRANSMISSION</b>		<b>5</b>			<b>36</b>

<b>GATHERING:</b>					
LINE BREAK	1			1	
EQUIPMENT FAILURE	0			0	
FREEZE OFF	17			19	
OTHER	5			8	
<b>TOTAL FOR GATHERING</b>		<b>23</b>			<b>28</b>

DELTA NATURAL GAS COMPANY, INC.  
SUMMARY OF CUSTOMER SERVICE INTERRUPTIONS  
2005

TOTAL NUMBER OF INTERRUPTIONS FOR COMPANY	261	
TOTAL CUSTOMERS INTERRUPTED FOR 2005	794	
TOTAL CUSTOMER HOURS OF INTERRUPTION FOR 2005	561.15	
AVERAGE INTERRUPTION TIME PER CUSTOMER INTERRUPTED	0.71	HOURS

DISTRIBUTION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	EQUIPMENT FAILURE	FREEZE OFF	OTHER	TOTAL
	191	4	1	13	640
					4
					1
					16
<b>TOTAL FOR DISTRIBUTION</b>			209		661

TRANSMISSION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	EQUIPMENT FAILURE	FREEZE OFF	OTHER	TOTAL
	2	0	0	1	52
					0
					0
					1
<b>TOTAL FOR TRANSMISSION</b>			3		53

GATHERING:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	EQUIPMENT FAILURE	FREEZE OFF	OTHER	TOTAL
	1	1	41	6	6
					2
					63
					9
<b>TOTAL FOR GATHERING</b>			49		80

DELTA NATURAL GAS COMPANY, INC.  
SUMMARY OF CUSTOMER SERVICE INTERRUPTIONS  
2004

<b>TOTAL NUMBER OF INTERRUPTIONS FOR COMPANY</b>	282
<b>TOTAL CUSTOMERS INTERRUPTED FOR 2004</b>	875
<b>TOTAL CUSTOMER HOURS OF INTERRUPTION FOR 2004</b>	695.25
<b>AVERAGE INTERRUPTION TIME PER CUSTOMER INTERRUPTED</b>	0.79 HOURS

DISTRIBUTION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	1			1	
FREEZE OFF	8			10	
OTHER	17			33	
<b>TOTAL FOR DISTRIBUTION</b>		217			778

TRANSMISSION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	0			0	
FREEZE OFF	0			0	
OTHER	2			4	
<b>TOTAL FOR TRANSMISSION</b>		6			8

GATHERING:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	1			1	
FREEZE OFF	1			1	
OTHER	56			86	
<b>TOTAL FOR GATHERING</b>		59			89



Delta Natural Gas Company, Inc.  
Comparison of Sales and  
Transportation Volumes  
to Budget and Previous Year

EXHIBIT 5

December 31, 2006

	MONTH			YEAR TO DATE			YEAR ENDED		
	This Year Over			Over (Under )			This Year	Last Year	
	(Under )	Budget	This Year	Last Year	Budget	This Year			Last Year
DEGREE DAYS BILLED - LEXINGTON AREA			639	655		1,080	923	4,466	4,389
<b>MCFS:</b>									
DELTA NATURAL									
RESIDENTIAL			252,325	273,984		480,466	469,352	1,779,377	2,036,700
SMALL COMMERCIAL			74,948	83,079		146,897	145,287	544,497	604,106
COMMERCIAL - OTHER			102,912	111,494		254,052	244,028	784,015	805,548
INDUSTRIAL			17,330	20,530		41,227	47,893	140,108	158,867
TOTAL SOLD			447,515	489,087		922,642	906,560	3,247,997	3,605,221
OFF SYSTEM			798,239	830,602		4,244,888	4,507,996	8,525,855	8,246,962
ON SYSTEM			485,430	494,398		2,626,960	2,573,134	5,375,394	5,335,963
TOTAL TRANSPORTED			1,283,669	1,325,000		6,871,848	7,081,130	13,901,249	13,582,925
TOTAL DELTA NATURAL			1,731,184	1,814,087		7,794,490	7,987,690	17,149,246	17,188,146

December 31, 2005

	MONTH			YEAR TO DATE			YEAR ENDED		
	This Year Over			This Year Over			This Year	Last Year	
	(Under )	Budget	This Year	Last Year	(Under )	Budget			This Year
DEGREE DAYS BILLED - LEXINGTON AREA			655	534		923	827	4,389	4,357
<b>MCFS:</b>									
DELTA NATURAL									
RESIDENTIAL			273,984	200,979		469,352	424,938	2,036,700	2,100,518
SMALL COMMERCIAL			83,079	51,608		145,287	116,765	604,106	630,092
COMMERCIAL - OTHER			111,494	70,392		244,028	215,602	805,548	829,882
INDUSTRIAL			20,530	13,957		47,893	42,966	158,867	158,273
TOTAL SOLD			489,087	336,946		906,560	800,352	3,605,221	3,718,765
OFF SYSTEM			830,602	684,120		4,507,996	3,454,615	8,246,962	7,171,033
ON SYSTEM			494,398	454,746		2,573,134	2,510,096	5,335,963	5,048,222
TOTAL TRANSPORTED			1,325,000	1,138,866		7,081,130	5,964,711	13,582,925	12,219,255
TOTAL DELTA NATURAL			1,814,087	1,475,812		7,987,690	6,765,063	17,188,146	15,938,020

December 31, 2004

	MONTH			YEAR TO DATE			YEAR ENDED		
	This Year Over			This Year Over			This Year	Last Year	
	(Under )	Budget	This Year	Last Year	(Under )	Budget			This Year
DEGREE DAYS BILLED - LEXINGTON AREA			534	557		827	963	4,357	4,601
<b>MCFS:</b>									
DELTA NATURAL									
RESIDENTIAL			290,979	251,844		424,938	525,965	2,100,518	2,293,335
SMALL COMMERCIAL			51,608	75,610		116,766	155,589	630,092	697,274
COMMERCIAL - OTHER			76,392	91,624		215,682	246,595	829,882	860,512
INDUSTRIAL			13,967	16,358		42,966	46,589	158,273	176,672
TOTAL SOLD			336,946	435,436		800,352	976,738	3,718,765	4,027,193
OFF SYSTEM			684,120	553,482		3,454,615	3,473,442	7,171,033	6,212,794
ON SYSTEM			454,746	445,674		2,510,096	2,627,534	5,048,222	5,265,621
TOTAL TRANSPORTED			1,138,866	999,156		5,964,711	6,100,976	12,219,255	11,498,415
TOTAL DELTA NATURAL			1,475,812	1,434,592		6,765,063	7,077,714	15,938,020	15,525,608

DELTA NATURAL GAS COMPANY, INC.  
COMPARISON OF ESTIMATED PEAK DAY MCF REQUIREMENTS  
TO ACTUAL USAGE  
FOR THE FISCAL YEARS ENDED JUNE 30

	<u>2005</u>	<u>2006</u>	<u>2007</u>
ESTIMATED REQUIREMENTS			
REVISED REQUIREMENTS			
ACTUAL USAGE	60,128	48,175	54,993
% DIFFERENCE			

**DELTA NATURAL GAS COMPANY, INC.**  
**COMPARISON OF SYSTEM REQUIREMENTS FOR 2005-2006 (RETAIL SALES ONLY)**  
**VOLUMES SHOWN IN MCF**

JULY 2005	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY 2006	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
-----------	--------	-----------	---------	----------	----------	--------------	----------	-------	-------	-----	------	-------

NORMAL REQUIREMENTS  
 REVISED REQUIREMENTS  
 ACTUAL REQUIREMENTS  
 % DIFFERENCE

69,949	59,061	71,403	64,091	152,969	489,085	609,722	478,174	560,467	439,386	122,171	115,436	3,231,914
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**DELTA NATURAL GAS COMPANY, INC.**  
**COMPARISON OF SYSTEM REQUIREMENTS FOR 2004-2005 (RETAIL SALES ONLY)**  
**VOLUMES SHOWN IN MCF**

JULY 2004	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY 2005	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
-----------	--------	-----------	---------	----------	----------	--------------	----------	-------	-------	-----	------	-------

NORMAL REQUIREMENTS  
 REVISED REQUIREMENTS  
 ACTUAL REQUIREMENTS  
 % DIFFERENCE

81,332	63,646	85,303	82,073	151,052	336,944	710,738	669,420	574,884	470,597	186,402	86,517	3,498,908
--------	--------	--------	--------	---------	---------	---------	---------	---------	---------	---------	--------	-----------

**DELTA NATURAL GAS COMPANY, INC.**  
**COMPARISON OF SYSTEM REQUIREMENTS FOR 2003-2004 (RETAIL SALES ONLY)**  
**VOLUMES SHOWN IN MCF**

JULY 2003	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY 2004	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
-----------	--------	-----------	---------	----------	----------	--------------	----------	-------	-------	-----	------	-------

NORMAL REQUIREMENTS  
 REVISED REQUIREMENTS  
 ACTUAL REQUIREMENTS  
 % DIFFERENCE

69,234	78,086	66,646	98,970	228,363	435,436	846,852	809,591	567,406	456,304	157,131	81,133	3,895,152
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Appendix 10: 2005 Comparison Summary For:  
**DELTA NATURAL GAS COMPANY**

<u>Metric</u>	<u>Value</u>	<u>Rank</u>
Appendix 10A: Total Customers	38,408	135
Appendix 10B: Total Deliveries (Mcf)	8,892,901	133
Appendix 10C: Residential Share of Total Deliveries	22.8%	182
Appendix 10D: Total Sales Deliveries (Mcf)	3,585,754	141
Appendix 10E: Transportation Share of Total Deliveries	59.7%	26
Appendix 10F: Residential Sales Revenue (\$/Mcf)	\$ 16.03	188
Appendix 10G: Commercial Sales Revenue (\$/Mcf)	\$ 15.03	196
Appendix 10H: Use Per Customer (Mcf/Yr)	231.5	50
Appendix 10I: Use Per Residential Customer (Mcf/Yr)	61.2	160
Appendix 10J: Use Per Commercial Customer (Mcf/Yr)	336.6	178
Appendix 10K: Total Miles of Main	1,494	113
Appendix 10L: Miles of Main - Cast Iron Share	0.0%	129
Appendix 10M: Miles of Main - Plastic Share	82.2%	13
Appendix 10N: Average Length of Service (Feet)	65	124
Appendix 10O: System Density (Cust/Mile Of Main)	25.7	170
Appendix 10P: Percent Unaccounted For Gas	1.5%	115

*Sources: Energy Information Administration and Department of Transportation public records*

*NOTE: Data and rankings are very dependent on numerous variables, such as weather, customer base, age of system, regulatory environment, access to supplies, accuracy of data filings, etc. Rank is simply based on a data sort and is not to be inferred as a value judgment.*

*Member companies can access these data to perform their own analyses at this web address:  
<http://equs.aqa.org/Reports/Welcome.asp>  
under the file name: **2005 EIA and DOT***

	DELTA MEDIAN		ALL COMPANIES		
	Yes	South	Yes	No	Total
Are you a "Gas Only" Company?			28	21	49
Which Geographic Portion of the country is your company predominately located?	South				
Number of Customers	38,351	568,865			
Annual Increase in number of customers	-322	6,185			
Number of Residential Customers	33,082	517,539			
Number of Gas Employees	157	838			
Miles of Distribution Main	1,446	10,297			
Number of Services	50,622	505,590			
Number of Heating Degree Days	4,389	5,258			
FERC Distribution Operations Expenses					
FERC Account 878	\$3,216,044.00	\$19,126,588.60			
FERC Account 879		\$2,295,050.81			
FERC Distribution Maintenance Expenses		\$2,016,821.00			
FERC Account 893	\$309,442.00	\$11,832,875.50			
MCF of Natural Gas Sold	\$77,553.00	\$593,499.00			
MCF of Natural Gas Transported	3,605,222	80,800,000			
	5,335,961	38,173,000			
MCF of natural gas sold to residential Gas Operating Revenue	2,036,700	42,572,968			
Residential Customer Revenue	\$62,682,261.00	\$938,544,615.49			
Distribution Plant Base	\$32,476,341.00	\$558,538,000.00			
Distribution Depreciation	\$90,701,366.00	\$903,698,630.45			
Capital Additions - New Distribution Plant	\$27,910,838.00	\$29,975,280.00			
Capital Additions - Replacement Distribution Plant	\$1,789,610.00	\$20,418,512.00			
General Plant Capital Additions in Support of Distribution System	\$1,119,125.00	\$19,509,087.82			
General Plant Capital Additions in Support of Transmission System	\$527,971.00	\$3,761,135.00			
Does your company prepare and submit a FERC Form 2 to FERC or State Agency?		\$158,395.50			
Does your company perform work downstream of the meter?	Yes		30	19	49
Do you perform this work as part of the utility?	No		17	29	46
Do you perform this work as part of the non-regulated entity?			25	11	36
Do you perform this work as part of the shared resources?			6	26	32
Does your utility headcount reflect downstream work?			7	25	32
Does your non-regulated entity headcount reflect downstream work?			18	15	33
			5	25	30

2006 Distribution Cost Practices Program

Company Profile

ALL COMPANIES

DELTA

median

Yes	No	Total
5	25	30
20	13	33
4	26	30
4	26	30

Does your shared resources headcount reflect downstream work?		
Do the utility O&M expenses that you report reflect downstream work?		
Do the non-regulated entity O&M expenses that you reported reflect downstream work?		
Do the shared resources O&M expenses that you reported reflect downstream work?		
Administrative and General Expenses	\$6,635,144.00	\$37,896,129.00
Administrative and General Salaries	\$2,431,894.00	\$7,091,392.00
Office Supplies and Expenses	\$552,026.00	\$4,077,274.50
Administrative Expenses transferred - Credit	-\$2,508,523.00	-\$160,965.50
Outside Services Employed	\$765,795.00	\$3,744,045.00
Property Insurance	\$754,608.00	\$282,825.50
Injuries and Damage	\$0.00	\$1,992,081.50
Employees Pensions and Benefits	\$3,512,878.00	\$7,083,312.00
Franchise Requirements	\$0.00	\$0.00
Regulatory Commission Expenses	\$159,545.00	\$436,309.00
Duplicate Charges - Credit	\$0.00	\$0.00
General Advertising Expenses	\$0.00	\$13,213.00
Miscellaneous General Expenses	\$665,085.00	\$945,789.00
Rents	\$0.00	\$527,114.00
Maintenance of General Plant	\$301,836.00	\$299,507.56
Sales and Marketing Expenses	\$4,362.00	\$719,744.00
Customer Accounts Expenses	\$1,323,990.00	\$23,091,510.00
Meter Reading Expenses	\$100,000.00	\$2,920,047.00
Call Center Expenses		\$1,815,796.50
Uncollectible Accounts Expenses	\$601,623.00	\$4,894,942.00
Customer Service and Information Expense	\$0.00	\$1,063,816.00
Operating Income	\$7,520,789.00	\$49,433,304.00
Percent of total labor costs are fringe benefits	0%	36%
Percentage of Outsourced O & M Activities		
Percent of outsourced Appliance Service Work	0%	0%
Percent of outsourced Leak Response	0%	0%
Percent of outsourced Main Leak Repair	0%	0%
Percent of outsourced Service Leak Repair	0%	0%
Percent of outsourced Staking/Locating	0%	5%
Percent of outsourced Meter Order Work	0%	0%

**2006 Distribution Best Practices Program  
Company Profile**

	DELTA	MEDIAN	ALL COMPANIES		
			Yes	No	Total
Percent of outsourced Service Terminations/Abandonments/Cuts & Caps	0%	0%			
Percent of outsourced New Construction Work	0%	30%			
What percent of your field work force (hourly) is unionized?	0%	98%			
Does your company own the meters?	Yes		47	1	48
What percent of meters are inside?	0%	5%			
Does your company do soft offs/close?	No		27	18	45
Do you set gas meters at the same time the service is installed for new attachments?	Yes		23	23	46
Does your company use "pay as you go" meters in order to reduce uncollectables?	No		6	41	47

DELTA Median

Delta Median

Are you a gas only company	Yes	
Number of metered customers	39,281	518,234
Number of Locate Requests Received	10,060	121,031
Total number of known Grade II leaks on hand at year end	186	200
Total number of known Grade III leaks on hand at year end	428	350
<b>Customer Outages: Single</b>		
Third Party Damage Tracked: Single Outage	Yes	
Third Party Damage: Single Outages	145	500
Capacity or Insufficient Design Tracked: Single Outages	Yes	
Capacity or Insufficient Design: Single Outages		0
Operator Error Tracked: Single Outages	Yes	
Operator Error: Single Outages		3
Catastrophic Event Tracked: Single Outages	Yes	
Catastrophic Event: Single Outages		0
Equipment Failure Tracked: Single Outages	Yes	
Equipment Failure: Single Outages	4	1
Other Tracked: Single Outages	Yes	
Other: Single Outages	49	11
TOTAL Number of Single Outages	198	498
<b>Customer Outages: Multiple</b>		
Third Party Damage Tracked: Multiple Outages	Yes	
Third Party Damage: Multiple Outages	49	54
Capacity or Insufficient Design Tracked: Multiple Outages	Yes	
Capacity or Insufficient Design: Multiple Outages		0
Operator Error Tracked: Multiple Outages	Yes	
Operator Error: Multiple Outages		2
Catastrophic Event Tracked: Multiple Outages	Yes	
Catastrophic Event: Multiple Outages		0
Equipment Failure Tracked: Multiple Outages	Yes	
Equipment Failure: Multiple Outages	1	0
Other Tracked: Multiple Outages	Yes	
Other: Multiple Outages	13	4
TOTAL Number of Multiple Outages	63	58
Does your company track the number of customers affected by an outage?	Yes	
Customers affected by Third Party Damage: Multiple Outages	554	790
Customers Affected by Capacity or Insufficient Design: Multiple Outages		0
Customers Affected by Operator Error: Multiple Outages		36
Customers Affected by Catastrophic Event: Multiple Outages		4
Customers Affected by Equipment Failure: Multiple Outages	2	0
Customers Affected by Other: Multiple Outages	42	81
TOTAL Customers Affected by Multiple Outages	598	1,629

American Gas Association

Does your company track the number of meter hours for each outage?

Number of meter-hours during all outages for the year: Single Outages

Number of meter-hours during all outages for the year: Multiple Outages

Mains

Miles of Main: Unprotected Bare Steel  
Miles of Main: Unprotected Coated Steel

Miles of Main: Cathodically Protected Bare Steel

Miles of Main: Cathodically Protected Coated Steel

Miles of Main: Plastic- PE Polyethylene  
Miles of Main: Pre-1973 Vintage Plastic

Miles of Main: Total Plastic  
Miles of Main: Cast/Wrought Iron

Miles of Main: Ductile Iron

Miles of Main: Copper

Miles of Main: Other

TOTAL MILES OF MAIN

DOT Reported Corrosion Leaks Repaired: Mains

DOT Reported Natural Force Leaks Repaired: Mains

DOT Reported Excavation Leaks Repaired: Mains

DOT Reported Other Outside Force Leaks Repaired: Mains

DOT Reported Material And Weld Leaks Repaired: Mains

DOT Reported Equipment Leaks Repaired: Mains

DOT Reported Operation Leaks Repaired: Mains

DOT Reported Other Leaks Repaired: Mains

TOTAL DOT Reported Leaks Repaired: Mains

Total Number of Grade 1 Main Leaks Repaired During the Year

Number of DOT Reported Main Leaks Repaired: Unprotected Bare Steel

Number of DOT Reported Main Leaks Repaired: Unprotected Coated Steel

Number of DOT Reported Main Leaks Repaired: Cathodically Protected Bare Steel

Number of DOT Reported Main Leaks Repaired: Cathodically Protected Coated Steel

Number of DOT Reported Main Leaks Repaired: PE Polyethylene

Number of DOT Reported Main Leaks Repaired: Pre-1973 Vintage Plastic

Number of DOT Reported Main Leaks Repaired: Total Plastic

Number of DOT Reported Main Leaks Repaired: Cast/Wrought Iron

Yes

396

165

63.0

0.5

203.0

1,228.0

1,228.0

159.0

1,494.0

198

140

1

12

4

1

32

388

136

155

53

0

106

33

0

33

135

727

2,589

162.5

6.0

2,754.0

2,714.0

2,719.0

0.0

0.0

0.0

6,562.0

191

36

115

1

46

11

1

115

907

400

75

0

0

37

0

47

0

47

135



2006 Distribution Practices Program  
System Reliability

	Delta	Median
Number of DOT Reported Main Leaks Repaired: Ductile Iron		0
Number of DOT Reported Main Leaks Repaired: Copper		0
Number of DOT Reported Main Leaks Repaired: Other	7	0
TOTAL Number of DOT Reported Main Leaks Repaired	248	658
Number of Cast Iron Main Breaks (Excludes 3rd Party Damages)		10
Number of Pre-1973 Vintage Plastic Main Breaks (Excludes 3rd Party Damages)		2
Number of 3rd Party Damages: Mains	24	191
Miles of Main Replaced: Unprotected Bare Steel	3.0	4.3
Miles of Main Replaced: Unprotected Coated Steel		0.0
Miles of Main Replaced: Cathodically Protected Bare Steel		0.0
Miles of Main Replaced: Cathodically Protected Coated Steel		1.0
Miles of Main Replaced: PE Polyethylene		1.5
Miles of Main Replaced: Pre-1973 Vintage Plastic		0.0
Miles of Main Replaced: Total Plastic		1.7
Miles of Main Replaced: Cast/Wrought Iron		7.1
Miles of Main Replaced: Ductile Iron		0.0
Miles of Main Replaced: Copper		0.0
Miles of Main Replaced: Other		0.0
TOTAL Miles of Main Replaced	3.0	30.0
<b>Services</b>		
Miles of Services: Unprotected Bare Steel	2.0	177.0
Miles of Services: Unprotected Coated Steel		2.0
Miles of Services: Cathodically Protected Bare Steel		0.0
Miles of Services: Cathodically Protected Coated Steel	94.0	984.0
Miles of Services: Plastic- PE Polyethylene	468.0	3,625.0
Miles of Services: Pre-1973 Vintage Plastic		0.0
Miles of Services: Total Plastic	468.0	3,976.0
Miles of Services: Cast/Wrought Iron		0.0
Miles of Services: Ductile Iron		0.0
Miles of Services: Copper		23.0
Miles of Services: Other		0.0
TOTAL MILES OF SERVICES	564.0	5,954.0
Number of Services: Unprotected Bare Steel	195	12,283
Number of Services: Unprotected Coated Steel		181
Number of Services: Cathodically Protected Bare Steel		0
Number of Services: Cathodically Protected Coated Steel	7,644	83,310
Number of Services: Plastic- PE Polyethylene	38,083	272,173
Number of Services: Pre-1973 Vintage Plastic		103
Number of Services: Total Plastic	38,083	294,553
Number of Services: Cast/Wrought Iron		0

American Gas Association

	Delta	Median
Number of Services: Ductile Iron		0
Number of Services: Copper		2,023
Number of Services: Other		0
Number of Services: TOTAL	45,922	483,705
DOT Reported Corrosion Leaks Repaired: Services	108	388
DOT Reported Natural Force Leaks Repaired: Services		40
DOT Reported Excavation Leaks Repaired: Services	259	515
DOT Reported Other Outside Force Leaks Repaired: Services	2	12
DOT Reported Material Weld Leaks Repaired: Services	10	82
DOT Reported Equipment Leaks Repaired: Services	6	19
DOT Reported Operation Leaks Repaired: Services	0	2
DOT Reported Other Leaks Repaired: Services	49	161
TOTAL DOT Reported Services Leaks Repaired	434	2,022
Total Number of Grade 1 Service Leaks Repaired During the Year	278	971
Number of DOT Reported Leaks Service Repaired: Unprotected Bare Steel	127	123
Number of DOT Reported Service Leaks Repaired: Unprotected Coated Steel	19	1
Number of DOT Reported Service Leaks Repaired: Cathodically Protected Bare Steel		0
Number of DOT Reported Service Leaks Repaired: Cathodically Protected Coated Steel		157
Number of DOT Reported Service Leaks Repaired: PE Polyethylene	24	135
Number of DOT Reported Service Leaks Repaired: Pre-1973 Vintage Plastic		21
Number of DOT Reported Service Leaks Repaired: Total Plastic	24	143
Number of DOT Reported Service Leaks Repaired: Cast/Wrought Iron		0
Number of DOT Reported Service Leaks Repaired: Ductile Iron		0
Number of DOT Reported Service Leaks Repaired: Copper		11
Number of DOT Reported Service Leaks Repaired: Other	7	0
TOTAL Number of DOT Reported Service Leaks Repaired	177	1,032
Number of 3rd Party Damages: Services	40	761
Number of Services Replaced: Unprotected Bare Steel	127	829
Number of Services Replaced: Unprotected Coated Steel		0
Number of Services Replaced: Cathodically Protected Bare Steel		0
Number of Services Replaced: Cathodically Protected Coated Steel	36	36
Number of Services Replaced: PE Polyethylene		85
Number of Services Replaced: Vintage Plastic		0
Number of Services Replaced: Total Plastic		119

Delta Median

Number of Services Replaced: Cast/Wrought Iron		0
Number of Services Replaced: Ductile Iron		0
Number of Services Replaced: Copper		16
Number of Services Replaced: Other	8	0
TOTAL Number of Services Replaced	171	3,004
<u>Service Level Measures</u>		
<u>Customer Outages</u>		
A. Avg hrs out of service per customer	0.94	4.51
B. No. of all outages per 1,000 customers	6.64	1.07
C. No. of multiple outages per 1,000 customers	1.60	0.18
D. No. of Customers affected by outages/No. of outages	2.29	2.77
E. No. of customers affected by mul. outages/No. of mul. outages	9.49	14.63
<u>Leak Management</u>		
A. Main Leaks repaired per mile of main	0.26	0.12
B. Service leaks repairs per mile of service	0.77	0.30
C. Total leaks repaired/system miles	0.40	0.23
D. No. of Protected Steel Main Leaks per Mile of Protected Steel Main		0.03
E. Cast Iron Breaks/Miles of Cast Iron		0.12
F. Vintage Plastic Main breaks/miles of Vintage Plastic main		0.04
<u>System Composition</u>		
<u>Main Composition</u>		
A. % of main in system of unprotected bare steel	4.22%	1.38%
B. % of main in system of unprotected coated steel	0.00%	0.00%
C. % of main in system cast/wrought iron	0.00%	1.60%
D. % of main in system of pre-1973 vintage plastic	0.00%	0.00%
E. % of main in system of copper	0.00%	0.00%
F. % of main in system of other	0.00%	0.00%
<u>Service Composition</u>		
A. % of services in system of unprotected bare steel	0.35%	2.64%
B. % of services in system of unprotected coated steel	0.00%	0.00%
C. % of services in system cast/wrought iron	0.00%	0.00%
D. % of services in system of pre-1973 vintage plastic	0.00%	0.00%
E. % of services in system of copper	0.00%	0.06%
F. % of services in system of other	0.00%	0.00%
<u>Pipe Replacement</u>		
A. % of cast/wrought iron main replaced		2.54%
B. % of unprotected steel main replaced	4.76%	3.41%
C. % of Pre-1973 Vintage Plastic main replaced		0.43%

Delta Median

<u>Underground System Protection</u>		
A. No. of locate requests/No. of customers	0.26	0.29
B. No. of 3rd party main damages per 1,000 locate requests	2.39	1.28
C. No. of 3rd party service damages per 1,000 locate requests	3.98	4.65
D. No. of 3rd party damages per 1,000 miles of main & service	31.10	57.91

**Minutes of the Regular Quarterly Meeting of the Board of Directors  
of Delta Natural Gas Company, Inc.  
Held in Winchester, Kentucky on February 22, 2007**

The regular quarterly meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the principal office of the Company at 3617 Lexington Road, Winchester, Kentucky, on Thursday, February 22, 2007 beginning at 10:00 a.m. E.S.T., pursuant to notice attached hereto as Exhibit I.

The following directors participated: Donald R. Crowe, Lanny D. Greer, Billy Joe Hall, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet, Emeritus, Arthur E. Walker, Jr. and Michael R. Whitley (by phone). John B. Brown, Vice President - Controller, Assistant Secretary and Acting Chief Financial Officer also attended the meeting in John F. Hall's absence.

Glenn R. Jennings, the Chairman, called the meeting to order, announced a quorum and the meeting proceeded.

The first order of business was the approval of the minutes of the meetings held on November 16, 2006 and February 2, 2007. Upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the minutes of the meetings held November 16, 2006 and February 2, 2007 be approved and that reading of said minutes be waived.

Mr. Jennings announced there was no old business, then proceeded to new business.

Mr. Jennings reviewed the Company's financial results and highlighted information from the Quarterly Summary Report. The report had been prepared and mailed to all Directors prior to the meeting and is attached to these minutes as Exhibit II.

The declaration of a dividend on common stock was discussed. Upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that a dividend on common stock of \$.305 per share be paid to common shareholders of record as of the close of business on March 1, 2007, said dividend to be paid March 15, 2007.

Alan L. Heath, Delta's Vice President - Operations and Engineering and Clyde A. Russell, Delta's Manager - Transmission joined the meeting and reviewed with the Board Delta's transportation and underground storage operations. A copy of their presentation is attached as Exhibit III.

Michael J. Kistner, Chairman of the Audit Committee, discussed with the Board a meeting held on February 2, 2007 by the Audit Committee.

Lewis N. Melton, Chairman of the Nominating and Compensation Committee, updated the Board on a meeting held by that Committee on February 2, 2007. After discussion and upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the revised attached salary ranges (Exhibit IV) for Delta's officer positions be approved to be effective July 1, 2007.

**RESOLVED**, that the attached specific annual pay increases (Exhibit V) be approved to be effective July 1, 2007 for each of the officers of Delta.

**RESOLVED**, that the total payroll increase to be budgeted for fiscal 2008 be

Mr. Jennings reviewed with the Board risk areas and related controls for Delta. A copy of this is attached as Exhibit VI.

The Strategic Plan of the Company was revised and a copy was mailed to all Directors prior to the meeting. The revised Strategic Plan is attached hereto as

Exhibit VII. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the revised Strategic Plan of the Company dated February 22, 2007 is hereby approved and adopted.

Mr. Jennings discussed with the Board the defined benefit plan of Delta. No action was recommended at this time.

Mr. Jennings reviewed a proposed amendment to Delta's Employee Savings Plan, a copy of which had been sent to all Directors prior to the meeting. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that this amendment to the Delta Natural Gas Company, Inc. Employee Savings Plan effective January 1, 2006 presented to this meeting, a copy of which is attached hereto as Exhibit VIII, is hereby approved and adopted and that the proper officers of the Corporation are hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Amendment.

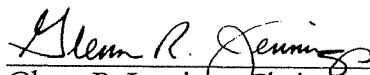
**FURTHER RESOLVED**, that the proper officers of the Corporation shall act as soon as possible to notify employees of the Corporation of the adoption of this Amendment to the Delta Natural Gas Company, Inc. Employee Savings Plan by delivering to each employee a copy of the summary description of the changes to the Plan in the form of the Summary Modifications presented to this meeting, which form is hereby approved.

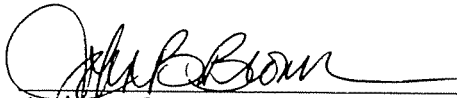
An updated Officers and Directors list was provided to the Board.

The date of Friday, May 25, 2007 was set for Delta's next Board meeting.

The Board adjourned into Executive Session with only the Independent Directors in attendance. Mr. Whitley, Lead Director, chaired that session. There were no recommendations or concerns from that session that required action.

There being no further business to come before the meeting, the meeting was adjourned.

  
\_\_\_\_\_  
Glenn R. Jennings, Chairman

  
\_\_\_\_\_  
Assistant Secretary



## Delta Natural Gas Company, Inc.

3617 Lexington Road  
Winchester, Kentucky 40391-9797



GLENN R. JENNINGS  
CHAIRMAN OF THE BOARD,  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

PHONE: 859-744-6171 EXT 148  
FAX: 859-744-6552  
EMAIL: gjennings@deltagas.com

February 2, 2007

Glenn R. Jennings  
9 Fairway Drive  
Berea KY 40403

Dear Glenn:

Notice is hereby given that a meeting of the Board of Directors of Delta Natural Gas Company, Inc. will be held at the Offices of the Company, 3617 Lexington Road, Winchester, Kentucky, on Thursday, February 22, 2007 at the hour of 10:00 a.m.

Matters to be considered and voted upon at the meeting are as follows:

1. Common Stock Dividend (quarterly) for period ended December 31, 2006 to be paid March 15, 2007.
2. Transact such other business as may properly come before said meeting.

Enclosed for your prior perusal is:

1. A copy of the minutes of the Directors meeting held November 16, 2006.
2. A copy of the Quarterly Summary Report.
3. A copy of the revised Strategic Plan.
4. A copy of the updated Risk Memo.
5. A copy of a proposed amendment to Delta's 401-K employee savings plan.

Lunch will be served in the downstairs meeting room after the meeting. We hope you will plan to stay.

Sincerely,

Glenn R. Jennings

/epb

enclosures

Delta Natural Gas Company, Inc  
Board of Directors' Meeting - 2/22/07  
Quarterly Summary Report

	Periods ended December 31				
	6 months			12 months	
	<u>2006</u> <u>Actual</u>	2006 <u>Budget</u>	2005 <u>Actual</u>	<u>2006</u> <u>Actual</u>	2005 <u>Actual</u>
Retail Sales and Unbilled Volumes	<u>1,209</u>		<u>1,426</u>	<u>2,872</u>	<u>3,598</u>
Transportation Volumes					
- off system	<u>4,244</u>		4,508	<u>8,526</u>	8,247
- on system	<u>2,627</u>		<u>2,573</u>	<u>5,375</u>	<u>5,336</u>
Total Transportation	<u>6,871</u>		<u>7,081</u>	<u>13,901</u>	<u>13,583</u>
Total Throughput (million cubic feet)	<u>8,080</u>		<u>8,507</u>	<u>16,773</u>	<u>17,181</u>
Actual Lexington Calendar Degree Days as % of 30 Year Average	93.1		100.8	89.4	96.5
Net Income (\$000)	1,844		2,319	4,550	5,649
Net Income Per Common Share (\$)	.57		.72	1.40	1.75

The attached detailed financial data is provided for further information and review.



## DELTA NATURAL GAS COMPANY, INC.

## BALANCE SHEET

December 31, 2006

<b>ASSETS</b>		<b>2006</b>		<b>2005</b>
<b>GAS UTILITY PLANT, AT COST</b>	\$	182,615,712	\$	176,401,779
Less - Reserve for Depreciation		<u>61,435,867</u>		<u>58,481,386</u>
	\$	<u>121,179,845</u>	\$	<u>117,920,393</u>
<b>CURRENT ASSETS:</b>				
Cash	\$	385,644	\$	421,531
Receivables		11,182,535		17,361,522
Deferred Gas Cost		1,117,889		7,363,944
Gas in Storage, at Cost		9,809,341		12,277,340
Materials and Supplies, at Cost		480,166		479,579
Prepayments		<u>1,032,803</u>		<u>2,772,907</u>
	\$	<u>24,008,378</u>	\$	<u>40,676,823</u>
<b>OTHER ASSETS:</b>				
Cash Surrender Value of Life Insurance	\$	379,661	\$	387,193
Unamortized Expenses		5,704,177		3,712,703
Receivable/Investment in Subsidiaries		8,225,272		5,571,056
Other		<u>5,186,763</u>		<u>3,166,173</u>
	\$	<u>19,495,873</u>	\$	<u>12,837,125</u>
<b>TOTAL ASSETS</b>	\$	<u><u>164,684,096</u></u>	\$	<u><u>171,434,341</u></u>
<b>LIABILITIES</b>				
<b>CAPITALIZATION:</b>				
Common Stock	\$	3,267,942	\$	3,242,502
Paid-in Surplus		45,929,039		45,309,685
Capital Stock Expense		(2,643,353)		(2,599,226)
Accum Other Comprehensive Income		0		0
Retained Earnings		<u>6,183,319</u>		<u>5,571,314</u>
Total Common Equity	\$	52,736,947	\$	51,524,275
Long-term Debt		<u>58,670,000</u>		<u>52,191,000</u>
Total Capitalization	\$	<u>111,406,947</u>	\$	<u>103,715,275</u>
<b>CURRENT LIABILITIES:</b>				
Notes Payable	\$	17,146,346	\$	32,034,527
Current Portion of Long-Term Debt		1,200,000		1,650,000
Accounts Payable		4,712,879		7,480,766
Accrued Taxes		498,346		849,873
Refunds Due Customers		1,440		174
Customer Deposits		596,453		585,659
Accrued Interest		863,201		888,380
Current Deferred Income Taxes		701,000		999,700
Other		<u>952,844</u>		<u>987,485</u>
	\$	<u>26,672,509</u>	\$	<u>45,476,564</u>
<b>DEFERRED CREDITS AND OTHER:</b>				
Deferred Income Taxes	\$	22,191,088	\$	19,198,351
Deferred Investment Tax Credit		232,100		269,400
Regulatory Items		2,491,478		2,544,875
Advances for Construction and Other		1,689,974		229,876
Accum Provision for Pensions & Benefit		0		0
	\$	<u>26,604,640</u>	\$	<u>22,242,502</u>
<b>TOTAL LIABILITIES</b>	\$	<u><u>164,684,096</u></u>	\$	<u><u>171,434,341</u></u>

# DELTA NATURAL GAS COMPANY, INC.

## STATEMENT OF INCOME

December 31, 2006

	6 MONTHS TO DATE		12 MONTHS ENDED	
	2006	2005	2006	2005
<b>OPERATING REVENUES</b>	\$ 24,214,421	\$ 29,540,217	\$ 63,515,558	\$ 62,682,263
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 12,663,211	\$ 17,531,493	\$ 38,363,849	\$ 35,650,664
Operations	5,335,786	5,421,244	10,822,603	11,428,619
Maintenance	288,399	303,186	679,744	611,279
Depreciation	2,156,686	2,005,818	4,234,739	3,988,963
Property & Other Taxes	863,338	787,491	1,767,480	1,675,149
Income Taxes	237,300	427,600	956,300	1,806,800
Total	\$ 21,544,720	\$ 26,476,832	\$ 56,824,715	\$ 55,161,474
Operating Income	\$ 2,669,701	\$ 3,063,385	\$ 6,690,843	\$ 7,520,789
<b>OTHER INCOME/(EXPENSES), NET</b>	1,548,801	1,652,939	2,826,879	2,763,573
Gross Income	\$ 4,218,502	\$ 4,716,324	\$ 9,517,722	\$ 10,284,362
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 2,180,979	\$ 2,279,538	\$ 4,618,815	\$ 4,399,166
Amortization	193,447	118,091	348,890	236,184
Other				
Total	\$ 2,374,426	\$ 2,397,629	\$ 4,967,705	\$ 4,635,350
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ 1,844,076	\$ 2,318,695	\$ 4,550,017	\$ 5,649,012
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ 0.57	\$ 0.72	\$ 1.40	\$ 1.75
<b>CUSTOMERS AT END OF PERIOD</b>			37,836	38,702
<b>AVERAGE SHARES</b>	3,260,389	3,235,701	3,254,475	3,229,324
	FISCAL YTD	FISCAL YTD	12 MONTH ENDED	12 MONTH ENDED

DELTA NATURAL GAS CO., INC.  
COMPARISON OF MCF, REVENUE AND GAS COST  
December 31, 2006

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over		Last Year	Over (Under )			This Year	Last Year
	(Under )	Budget		Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA		639	655		1,080	923	4,466	4,389
MCF'S:								
DELTA NATURAL								
RESIDENTIAL		252,325	273,984	480,466	469,352	1,779,377	2,036,700	
SMALL COMMERCIAL		74,948	83,079	146,897	145,287	544,497	604,106	
COMMERCIAL - OTHER		102,912	111,494	254,052	244,028	784,015	805,548	
INDUSTRIAL		17,330	20,530	41,227	47,893	140,108	158,867	
TOTAL SOLD		447,515	489,087	922,642	906,560	3,247,997	3,605,221	
OFF SYSTEM		798,239	830,602	4,244,888	4,507,996	8,525,855	8,246,962	
ON SYSTEM		485,430	494,398	2,626,960	2,573,134	5,375,394	5,335,963	
TOTAL TRANSPORTED		1,283,669	1,325,000	6,871,848	7,081,130	13,901,249	13,582,925	
TOTAL DELTA NATURAL		1,731,184	1,814,087	7,794,490	7,987,690	17,149,246	17,188,146	
RESOURCES ON SYS INCL		181,719	215,793	972,697	995,891	1,999,941	2,057,318	
DELGASCO OFF SYS INCL		373,405	332,382	1,072,574	1,160,298	2,201,191	2,154,905	
ENPRO - SALES TO AFFILIATES		45,197	26,013	97,038	113,519	179,534	234,124	
Unbilled MCF		39,412	214,865	325,402	518,651	(201,647)	(6,462)	
REVENUES:								
DELTA NATURAL								
RETAIL SALES		6,661,710	8,283,579	15,795,473	17,214,546	60,316,580	52,946,018	
UNBILLED REVENUE		1,081,205	3,694,736	4,974,232	8,791,029	(3,875,402)	2,686,092	
MISC OPERATING		22,972	22,761	107,603	96,530	261,301	235,519	
OFF SYS TRANSPORT		235,882	240,750	1,238,740	1,296,599	2,484,947	2,382,931	
ON SYS TRANSPORT		413,024	477,702	2,098,373	2,141,512	4,328,132	4,431,701	
TOTAL DELTA NATURAL		8,414,793	12,719,528	24,214,421	29,540,216	63,515,559	62,682,261	
RESOURCES ON SYS SALES		1,747,912	2,906,696	8,442,030	12,128,619	19,458,580	20,377,522	
DELGASCO OFF SYS SALES		3,614,891	3,870,066	8,816,109	14,544,687	19,385,554	21,678,400	
ENPRO - SALES TO AFFILIATES		374,231	296,548	692,043	1,364,096	1,378,122	2,147,105	
TOTAL CONSOLIDATED		14,151,827	19,792,838	42,164,603	57,577,618	103,737,815	106,885,288	
GAS COSTS:								
DELTA NATURAL		4,464,211	6,030,076	9,510,312	11,048,102	41,730,337	33,029,800	
DELTA NATURAL UNBILLED GAS COST		393,497	2,644,764	3,152,899	6,483,391	(3,366,488)	2,620,865	
DELTA RESOURCES		1,395,259	2,399,954	7,134,319	11,203,693	16,980,274	18,484,625	
DELGASCO		3,133,244	3,687,546	8,068,619	13,896,177	17,855,809	20,631,712	
TOTAL CONSOLIDATED		9,386,211	14,762,340	27,866,149	42,631,363	73,189,932	74,767,002	
NET SALES:								
DELTA NATURAL EXCLUDING UNBILLED		2,197,499	2,253,503	6,285,161	6,166,444	-18,586,243	19,916,218	
DELTA NATURAL UNBILLED		687,708	1,049,972	1,821,333	2,307,638	(508,914)	65,227	
DELTA RESOURCES TOTAL		352,653	506,742	1,307,711	924,926	2,478,306	1,892,897	
DELGASCO		481,647	182,520	747,490	648,510	1,529,745	1,046,688	
TOTAL CONSOLIDATED		3,719,507	3,992,737	10,161,695	10,047,518	22,085,380	22,921,030	
PER MCF:								
DELTA NATURAL								
TOTAL SALES		14.8860	16.9368	17.1198	18.9889	18.5704	14.6859	
COST OF GAS		9.9756	12.3293	10.3077	12.1868	12.8480	9.1617	
NET SALES		4.9104	4.6076	6.8121	6.8020	5.7224	5.5243	
DELTA RESOURCES								
TOTAL SALES		9.6188	13.4698	8.6790	12.1787	9.7296	9.9049	
COST OF GAS		7.6781	11.1216	7.3346	11.2499	8.4904	8.9848	
NET SALES		1.9407	2.3483	1.3444	0.9287	1.2392	0.9201	
DELGASCO								
TOTAL SALES		9.6809	11.6434	8.2196	12.5353	8.8068	10.0600	
COST OF GAS		8.3910	11.0943	7.5227	11.9764	8.1119	9.5743	
NET SALES		1.2899	0.5491	0.6969	0.5589	0.6950	0.4857	
DELTA NATURAL ONLY:								
% Change to Customers Between Yrs:		-12.1%		-9.8%		26.5%		
		-13.9%		-9.9%		25.1%		
		1.8%		0.1%		1.3%		

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta Natural Gas Co  
July 01, 2006 - December 31, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>01</b>							
<b>OPERATING REVENUES</b>							
<b>General Service Rate Billed</b>							
Residential	4,625,801.24CR	6,972,312.09CR	11,889,455.52CR		14,781,080.63CR	32,042,960.32CR	32,214,592.55CR
Small Commercial	1,345,879.95CR	2,175,013.26CR	3,443,229.07CR		4,426,266.32CR	9,428,646.93CR	9,335,255.44CR
Other Commercial	1,511,614.09CR	2,454,150.06CR	4,703,297.63CR		5,831,574.97CR	12,421,138.58CR	11,634,099.94CR
Industrial	199,955.97CR	362,709.26CR	551,195.39CR		808,286.21CR	1,566,524.70CR	1,520,716.64CR
Unmetered Gas Light	657.20CR	890.28CR	4,172.40CR		4,410.62CR	9,737.45CR	5,673.09CR
Residential WNA	2,339.01CR	74,807.73	2,339.01CR		74,807.73	371,842.32CR	261,649.24CR
Small Non-Residential WNA	2,815.16CR	23,653.29	2,815.16CR		23,653.29	129,890.46CR	66,922.17CR
Weather Normalization Revenu	5,154.17CR	98,461.02	5,154.17CR		98,461.02	481,732.78CR	328,571.41CR
<b>Total General Service Ra</b>	<b>7,689,062.62CR</b>	<b>11,866,613.93CR</b>	<b>20,596,504.19CR</b>		<b>25,753,457.73CR</b>	<b>55,950,743.76CR</b>	<b>55,139,008.07CR</b>
<b>Interruptible Rate Billed</b>							
Commercial	4,767.30CR	8,828.96CR	11,963.52CR		13,970.58CR	34,527.53CR	28,943.87CR
Industrial	49,084.96CR	102,871.67CR	161,236.92CR		238,146.56CR	455,906.46CR	464,150.60CR
<b>Total Interruptible Rate</b>	<b>53,852.26CR</b>	<b>111,700.63CR</b>	<b>173,200.44CR</b>		<b>252,117.14CR</b>	<b>490,433.99CR</b>	<b>493,102.55CR</b>
<b>Total Gas Revenue</b>	<b>7,742,914.88CR</b>	<b>11,978,314.56CR</b>	<b>20,769,704.62CR</b>		<b>26,005,574.87CR</b>	<b>56,441,177.75CR</b>	<b>55,632,110.62CR</b>
Miscellaneous Operating Revenue	22,972.00CR	22,761.00CR	107,603.00CR		96,530.00CR	261,301.06CR	235,519.00CR
Off System Transportation Reven	235,881.88CR	240,750.12CR	1,238,739.84CR		1,296,598.69CR	2,484,947.56CR	2,382,930.68CR
On System Transportation Revenu	413,024.39CR	477,701.96CR	2,098,373.45CR		2,141,512.44CR	4,328,132.54CR	4,431,701.12CR
<b>TOTAL OPERATING REVENUE</b>	<b>8,414,793.15CR</b>	<b>12,719,527.64CR</b>	<b>24,214,420.91CR</b>		<b>29,540,215.99CR</b>	<b>63,515,559.01CR</b>	<b>62,682,251.42CR</b>
<b>OPERATING EXPENSES</b>							
Purchased Gas	4,857,707.68	8,674,839.70	12,663,210.59		17,531,492.79	38,363,848.99	35,650,663.87
Recovery of Canada Mountain	.00	.00	.00		.00	.00	.00
<b>Purchased Gas, net</b>	<b>4,857,707.68</b>	<b>8,674,839.70</b>	<b>12,663,210.59</b>		<b>17,531,492.79</b>	<b>38,363,848.99</b>	<b>35,650,663.87</b>
<b>Operation Expense</b>							
Labor	416,092.57	412,385.70	2,943,482.40		2,976,271.34	6,629,420.70	6,456,035.09
Transportation	50,111.44	46,457.16	352,679.78		307,828.44	769,713.07	625,836.94

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta

July 01, 2006 - December 31, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
General Operations	37,974.75	43,371.29	274,823.89		218,017.83	529,442.16	399,924.47
Customer Billing	17,094.90	23,711.54	110,454.21		112,816.82	223,782.08	231,133.00
Uncollectible Accounts	211,200.00	100,000.00	254,200.00		474,964.04	484,710.37	601,523.20
Administrative	51,768.80	51,213.51	278,887.14		278,020.09	579,826.76	552,024.93
Outside Services	64,044.30	76,050.54	348,486.70		350,422.47	657,984.12	765,795.28
Insurance	64,180.87	46,303.93	401,777.07		354,195.15	786,123.91	754,608.17
Employee Benefits	312,845.43	247,512.95	1,150,300.27		1,141,761.48	2,145,052.29	2,418,521.55
General Administration	48,696.52	74,955.31	338,882.46		352,123.77	728,219.96	828,991.99
Expenses Transferred	203,530.01CR	187,875.01CR	1,279,610.27CR		1,222,474.58CR	3,036,569.07CR	2,508,523.16CR
Other	12,369.77	32,473.87	161,422.55		177,295.87	325,997.00	303,646.66
<b>Total Operation Expense</b>	<b>1,082,849.34</b>	<b>966,560.79</b>	<b>5,335,786.20</b>		<b>5,421,243.72</b>	<b>10,822,603.34</b>	<b>11,428,619.12</b>
<b>Maintenance Expense</b>							
Labor	2,406.48	5,438.07	43,963.18		42,683.86	135,341.63	91,188.39
Transportation	775.14	1,538.54	13,153.69		12,721.40	45,916.43	27,178.38
Mains	4,308.28	3,252.13	28,068.65		25,525.91	53,707.05	62,736.80
Meter & Regulators	5,754.33	359.34	18,407.96		23,698.28	42,993.73	62,427.99
Other	33,893.47	36,664.44	184,805.30		197,555.61	390,784.71	367,747.10
<b>Total Maintenance Expense</b>	<b>47,137.70</b>	<b>47,252.52</b>	<b>288,398.78</b>		<b>303,186.06</b>	<b>679,743.55</b>	<b>611,278.02</b>
<b>Total Operation and Maintenance</b>	<b>1,129,987.04</b>	<b>1,013,813.31</b>	<b>5,624,184.98</b>		<b>5,724,429.78</b>	<b>11,502,346.89</b>	<b>12,039,896.94</b>
<b>Depreciation Expense</b>	<b>309,890.56</b>	<b>336,190.50</b>	<b>2,156,685.51</b>		<b>2,005,817.52</b>	<b>4,234,739.40</b>	<b>3,988,963.40</b>
<b>Taxes Other Than Income Taxes</b>							
Property Taxes	92,659.00	112,143.12	594,499.00		550,949.12	1,226,572.00	1,138,840.15
Payroll Taxes	39,851.85	39,562.50	258,943.32		236,542.44	540,908.71	536,307.83
<b>Total Other Taxes</b>	<b>132,510.85</b>	<b>151,705.62</b>	<b>863,337.32</b>		<b>787,490.56</b>	<b>1,767,480.71</b>	<b>1,675,147.98</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>6,430,096.13</b>	<b>10,176,549.13</b>	<b>21,307,418.90</b>		<b>25,049,230.65</b>	<b>55,868,415.99</b>	<b>53,354,672.19</b>

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta

July 01, 2006 - December 31, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
OPERATING INCOME	1,984,697.02CR	2,542,978.51CR	2,907,002.01CR		3,490,985.34CR	7,647,143.02CR	9,327,589.23CR
Other Income and Expenses							
Other Net Income	25,275.46	6,598.06CR	10,090.23CR		46,717.24CR	191,009.44CR	94,990.10CR
Net Non Regulated Income	25,275.46	6,598.06CR	10,090.23CR		46,717.24CR	191,009.44CR	94,990.10CR
Total Income Before Interest Ch	1,959,421.56CR	2,549,576.57CR	2,917,092.24CR		3,537,702.58CR	7,838,152.46CR	9,422,579.33CR
Interest Expense							
Interest On Long-Term Debt	307,700.00	313,000.00	1,848,950.00		1,891,330.50	3,926,613.00	3,793,475.43
Interest On Short-Term Debt	49,541.19	102,000.78	318,101.95		374,009.56	662,147.51	574,632.93
Other Interest	2,888.76	2,779.55	13,926.91		14,297.88	30,054.97	31,056.42
Amortization of Debt Expense	32,271.88	19,681.75	193,447.06		118,090.50	348,890.17	236,184.00
Total Interest Expense	392,401.83	438,262.08	2,374,425.92		2,397,628.56	4,967,705.60	4,635,348.78
Net Income Before Income Taxes	1,567,019.73CR	2,111,314.49CR	542,666.32CR		1,140,074.02CR	2,870,446.86CR	4,787,230.55CR
Current Federal	621,310.00CR	169,515.00	963,510.00CR		172,660.00CR	1,391,650.00CR	31,960.00
Current State	240,878.00CR	43,165.00CR	240,878.00CR		43,165.00CR	273,813.00CR	69,540.00
Deferred Federal & State	1,491,488.00	689,550.00	1,460,188.00		662,225.00	2,659,063.00	1,744,100.00
Investment Tax Credit-Net	3,083.33CR	3,133.33CR	18,500.02CR		18,800.02CR	37,300.00CR	37,800.04CR
Income Taxes Non-Regulated	9,500.00CR	2,500.00	3,800.00		17,700.00	73,900.00	37,400.00
Total Income Taxes	616,716.67	815,265.67	241,099.98		445,290.98	1,030,200.00	1,844,199.95
Net Income - Delta Natural	950,303.05CR	1,296,047.82CR	301,566.34CR		694,774.04CR	1,840,246.86CR	2,943,030.59CR
Subsidiary Net Income							
Total Subsidiary Net Income	670,809.00CR	556,629.00CR	1,542,511.00CR		1,623,921.00CR	2,709,770.00CR	2,706,981.00CR
Net Income - Consolidated	1,621,112.06CR	1,852,672.82CR	1,844,077.34CR		2,318,695.04CR	4,550,016.86CR	5,649,011.59CR

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta Resources

July 01, 2006 - December 31, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
02							
Operating Revenues							
Sales To Parent	.00	.00	.00		.00	.00	.00
Sales To Others	2,007,610.53CR	3,195,007.96CR	9,828,808.17CR		13,505,798.46CR	22,255,802.63CR	23,198,713.64CR
Total Operating Revenues	2,007,610.53CR	3,195,007.96CR	9,828,808.17CR		13,505,798.46CR	22,255,802.63CR	23,198,713.64CR
Operating Expenses							
Purchased Gas	1,395,259.00	2,399,954.00	7,134,319.00		11,202,692.61	16,980,274.00	18,484,524.75
Total Operation, Maintenance and	262,811.48	290,682.62	1,406,237.53		1,388,556.79	3,059,252.10	2,887,608.14
Taxes Other than Income Tax	.00	.00	.00		.00	.00	.00
Total Operating Expenses	1,658,070.48	2,690,636.62	8,540,556.53		12,592,249.31	20,039,526.10	21,372,232.89
Operating Income	349,540.05CR	504,371.34CR	1,288,251.64CR		913,539.15CR	2,216,276.53CR	1,826,480.75CR
Interest Expense	9,700.00	10,000.00	20,600.00		20,600.00	3,600.00	8,200.00
Net Income Before Income Taxes	339,840.05CR	494,371.34CR	1,267,651.64CR		892,939.15CR	2,212,676.53CR	1,818,280.75CR
Income Tax Expense	124,500.00	181,100.00	463,000.00		327,100.00	844,100.00	711,500.00
Net Income	215,340.05CR	313,271.34CR	804,651.64CR		565,839.15CR	1,368,576.53CR	1,106,780.75CR

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delgasco

July 01, 2006 - December 31, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
03							
<b>Operating Revenues</b>							
Sales To Affiliates	1,395,259.00CR	1,086,450.20CR	7,134,319.00CR		14,848,843.27CR	16,930,274.00CR	20,552,609.57CR
Sales To Others	3,731,483.38CR	3,970,392.40CR	9,153,354.05CR		14,905,259.82CR	20,072,790.34CR	22,352,221.71CR
<b>Total Operating Revenues</b>	<b>5,126,742.38CR</b>	<b>5,056,842.60CR</b>	<b>16,287,673.05CR</b>		<b>29,754,103.09CR</b>	<b>37,003,064.34CR</b>	<b>42,904,831.28CR</b>
<b>Operating Expenses</b>							
Purchased Gas	4,528,503.77	4,773,995.95	15,202,938.32		28,745,019.55	34,836,084.40	41,184,320.57
Operation and Maintenance	122,125.54	104,109.46	367,893.96		381,652.04	894,829.48	756,443.20
Taxes Other Than Income Tax	.00	139.37CR	.00		6,815.53	814.00	9,021.63
<b>Total Operating Expense</b>	<b>4,650,629.31</b>	<b>4,878,244.78</b>	<b>15,570,832.28</b>		<b>29,133,487.08</b>	<b>35,721,727.88</b>	<b>41,948,785.50</b>
<b>Operating Income</b>	<b>476,113.07CR</b>	<b>178,597.82CR</b>	<b>716,840.77CR</b>		<b>620,615.99CR</b>	<b>1,331,336.46CR</b>	<b>956,045.78CR</b>
<b>Total Interest Expense</b>	<b>21,207.32</b>	<b>10,463.25</b>	<b>63,101.04</b>		<b>7,829.24</b>	<b>38,652.41</b>	<b>6,661.96</b>
<b>Net Income Before Income Taxes</b>	<b>454,905.75CR</b>	<b>168,134.57CR</b>	<b>653,739.73CR</b>		<b>612,786.75CR</b>	<b>1,292,684.05CR</b>	<b>949,383.82CR</b>
<b>Income Tax Expense</b>	<b>178,400.00</b>	<b>66,000.00</b>	<b>256,500.00</b>		<b>240,499.00</b>	<b>478,600.00</b>	<b>379,900.00</b>
<b>Net Income</b>	<b>276,505.75CR</b>	<b>102,134.57CR</b>	<b>397,239.73CR</b>		<b>372,287.75CR</b>	<b>814,084.05CR</b>	<b>579,483.82CR</b>



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Enpro

July 01, 2006 - December 31, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
05							
<b>Operating Revenues</b>							
Gas Production	374,231.16CR	296,548.20CR	692,043.17CR		1,364,096.34CR	1,370,122.44CR	2,147,104.33CR
Oil Production	.00	4,525.14CR	.00		7,526.48CR	1,141.58CR	7,526.48CR
Royalty	17,512.66CR	13,468.96CR	75,007.06CR		64,059.58CR	148,767.04CR	130,681.15CR
Other	.00	.00	.00		.00	.00	.00
<b>Total Operating Revenues</b>	<b>391,743.82CR</b>	<b>314,542.30CR</b>	<b>767,050.23CR</b>		<b>1,435,682.42CR</b>	<b>1,528,031.06CR</b>	<b>2,285,311.96CR</b>
<b>Operating Expenses</b>							
Purchased Gas	57,905.57	55,962.63	122,085.41		229,690.53	249,277.66	314,524.62
<b>Operations and Maintenance</b>							
Total Operations and Maint. E	3,943.40	3,652.25	26,950.60		28,310.07	247,707.08	182,101.54
Depreciation and Amortization	9,899.18	9,986.18	59,395.08		59,922.08	119,312.16	120,047.16
Taxes Other Than Income Taxes	31,032.63	19,600.13	31,099.72		19,842.31	33,413.72	21,352.20
<b>Total Operating Expenses</b>	<b>102,780.38</b>	<b>89,201.19</b>	<b>239,530.81</b>		<b>337,765.09</b>	<b>648,710.62</b>	<b>638,025.82</b>
<b>Operating Income</b>	<b>288,962.94CR</b>	<b>225,341.11CR</b>	<b>527,519.42CR</b>		<b>1,097,917.33CR</b>	<b>879,320.44CR</b>	<b>1,647,286.14CR</b>
<b>Total Other Income and Expenses</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>		<b>.00</b>	<b>.00</b>	<b>14.84</b>
<b>Interest Expense</b>	<b>1,500.00CR</b>	<b>3,400.00CR</b>	<b>25,400.00CR</b>		<b>14,700.00CR</b>	<b>50,980.00CR</b>	<b>33,045.00CR</b>
<b>Net Income Before Income Taxes</b>	<b>290,462.94CR</b>	<b>228,741.11CR</b>	<b>552,119.42CR</b>		<b>1,112,617.33CR</b>	<b>940,300.44CR</b>	<b>1,570,316.30CR</b>
<b>Income Tax Expense</b>	<b>111,500.00</b>	<b>87,800.00</b>	<b>212,300.00</b>		<b>426,900.00</b>	<b>363,200.00</b>	<b>649,600.00</b>
<b>Net Income</b>	<b>178,962.94CR</b>	<b>140,941.11CR</b>	<b>340,619.42CR</b>		<b>685,717.33CR</b>	<b>577,100.44CR</b>	<b>1,020,716.30CR</b>

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 12/31/2006

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

- 1117 CUSH GAS
- 1325 LAND&RGHTS
- 1327 STRUCTURES
- 1331 WELL EQUIP
- 1332 GATH LINES
- 1333 COMP EQUIP
- 1334 REG STAT
- 135001 STORAGE LD
- 135002 STOR ROW
- 1351 STRUCTURES
- 1352 STOR WELLS
- 135201 STORAGE RT
- 135202 STOR RESEV
- 135203 NONR NAT G
- 1353 STORAGE LN
- 1354 COMPR EQUIP
- 1355 REG EQUIP
- 1356 PURIFICATN
- 1357 OTHER EQUIP
- 136501 LAND RGHTS
- 136502 TRAN ROW
- 1366 TRAN STRUC
- 1367 TRAN MAINS
- 1368 COMP STAT
- 1369 REG EQUIP
- 1371 OTHR EQUIP
- 1381 METERS

KESTES

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 12/31/2006

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

1383 REGULATORS

1385 IND METERS

1395 LAB EQUIP

139901 MAPPING

5117 CUSHN GAS

532503 MIN RIGHTS

532521 LEASEH-GAS

532523 INT INVESM

533101 GAS WELL E

535006 GAS RGT ST

Total ALH ALH

KESTES

GBVCRC/GBVL

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 12/31/2006

CAPITAL EXPENDITURES

All Agents

GRJ GLENN R JENNINGS

119909 CONTINGENC

Total GRJ GRJ

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DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 12/31/2006

CAPITAL EXPENDITURES

All Agents

JFH JOHN F HALL

139902 COMP SOFTW

139903 COMP HWARE

Total JFH JFH

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 + 12/31/2006

CAPITAL EXPENDITURES

All Agents

JLC JOHNNY L CAUDILL

1121 NON U PROP

1374 LAND & ROW

1375 DIS STRUCT

1376 DIST MAINS

1378 REG STATNS

1379 CG REG STA

1380 DIST SERV

1382 MET&REG IN

1389 LAND&RGHTS

1390 STRUCTURES

1391 FURN&EQUIP

1392 TRANSP EQP

1393 STORES EQP

1394 TOOLS&EQUIP

139401 CNG EQUIPM

1396 PO EQUIPMT

1397 COMM EQUIP

1398 MISC EQUIP

139931 OFFC EQUIP

Total JLC JLC

Grand Total



**SOUTH SYSTEM  
PERFORMANCE**

**BOARD OF DIRECTORS  
PRESENTATION**

**FEBRUARY 22, 2007**

Presented by Alan L. Heath

# Canada Mountain Daily Data

ACTUALS UPDATED THROUGH 2/14/07

Date	Daily Withdraw	Daily Inject	Total Withdraw Seasonal Balance	Total Injection Seasonal Balance	Total Field Cumulative Balance
01/20/07	13,124				
01/21/07	12,815				
01/22/07	16,705				
01/23/07	28,176				
01/24/07	28,182				
01/25/07	30,372				
01/26/07	28,885				
01/27/07	24,155				
01/28/07	34,134				
01/29/07	33,728				
01/30/07	33,876				
01/31/07	33,019				
02/01/07	28,984				
02/02/07	32,617				
02/03/07	31,919				
02/04/07	35,377				
02/05/07	36,880				
02/06/07	33,530				
02/07/07	31,815				
02/08/07	32,963				
02/09/07	34,459				
02/10/07	34,129				
02/11/07	32,355				
02/12/07	32,925				
02/13/07	25,066				
02/14/07	33,037				
02/15/07	33,244				
02/16/07	30,821				
02/17/07	26,895				
02/18/07	31,657				
02/19/07	32,061				
02/20/07	28,073				
02/21/07	21,638				
02/22/07	19,215				
02/23/07	18,433				
02/24/07	17,423				
02/25/07	21,058				
02/26/07	23,480				
02/27/07	20,452				
02/28/07	19,669				

Actual daily volumes withdrawn  
Forecasted volume estimated



DELTA NATURAL GAS COMPANY, INC.  
OFF-SYSTEM TRANSPORTATION REVENUES  
FEBRUARY 2007

DELIVERY POINT:	VOLUMES IN DTH	RATE	REVENUE
KA-1	120,624	0.26 \$	31,362.24
JELLICO	81,284	0.26 \$	21,133.71
SPEEDWELL (DISPLACEMENT)	66,000	0.26 \$	17,160.00
SOMERSET	66,193	0.26 \$	17,210.05
Delgasco On System	13,805	0.26 \$	3,589.31
Berea Displacement	24,000	0.26 \$	6,240.00
Columbia Gulf	173,412	0.26 \$	45,087.12
NO. DAYS IN CURRENT MONTH <span style="border: 1px solid black; padding: 2px;">12</span>		<b>TOTAL</b>	<b>\$ 141,782.44</b>

**BUDGET**

THROUGH 12 DAYS OVER/(UNDER) BUDGET FOR FEB \$

2006-2007 BUDGETED REVENUES:

	MONTHLY	CUMULATIVE
JULY \$		
AUGUST \$		
SEPTEMBER \$		
OCTOBER \$		
NOVEMBER \$		
DECEMBER \$		
JANUARY \$		
FEBRUARY \$		
MARCH \$		
APRIL \$		
MAY \$		
JUNE \$		
\$		

ACTUALS: (T= from telemetering; A= from Accounting's reports)

	MONTHLY	CUMULATIVE
A \$	225,459.00	\$ 225,459.00
A \$	240,201.00	\$ 465,660.00
A \$	163,406.00	\$ 629,066.00
A \$	180,140.00	\$ 809,206.00
A \$	193,652.00	\$ 1,002,858.00
A \$	235,882.00	\$ 1,238,740.00
T \$	239,493.90	\$ 1,478,233.90
		\$ 1,478,233.90
		\$ 1,478,233.90
		\$ 1,478,233.90
		\$ 1,478,233.90

YEAR-TO-DATE SUMMARY:

	through FEB	12
BUDGETED REVENUE:	\$	
ACTUAL REVENUE:	\$	1,620,016.34
OVER/(UNDER) BUDGET:	\$	

CURRENT YTD REVENUE =

PREPARED BY: DON CARTWRIGHT

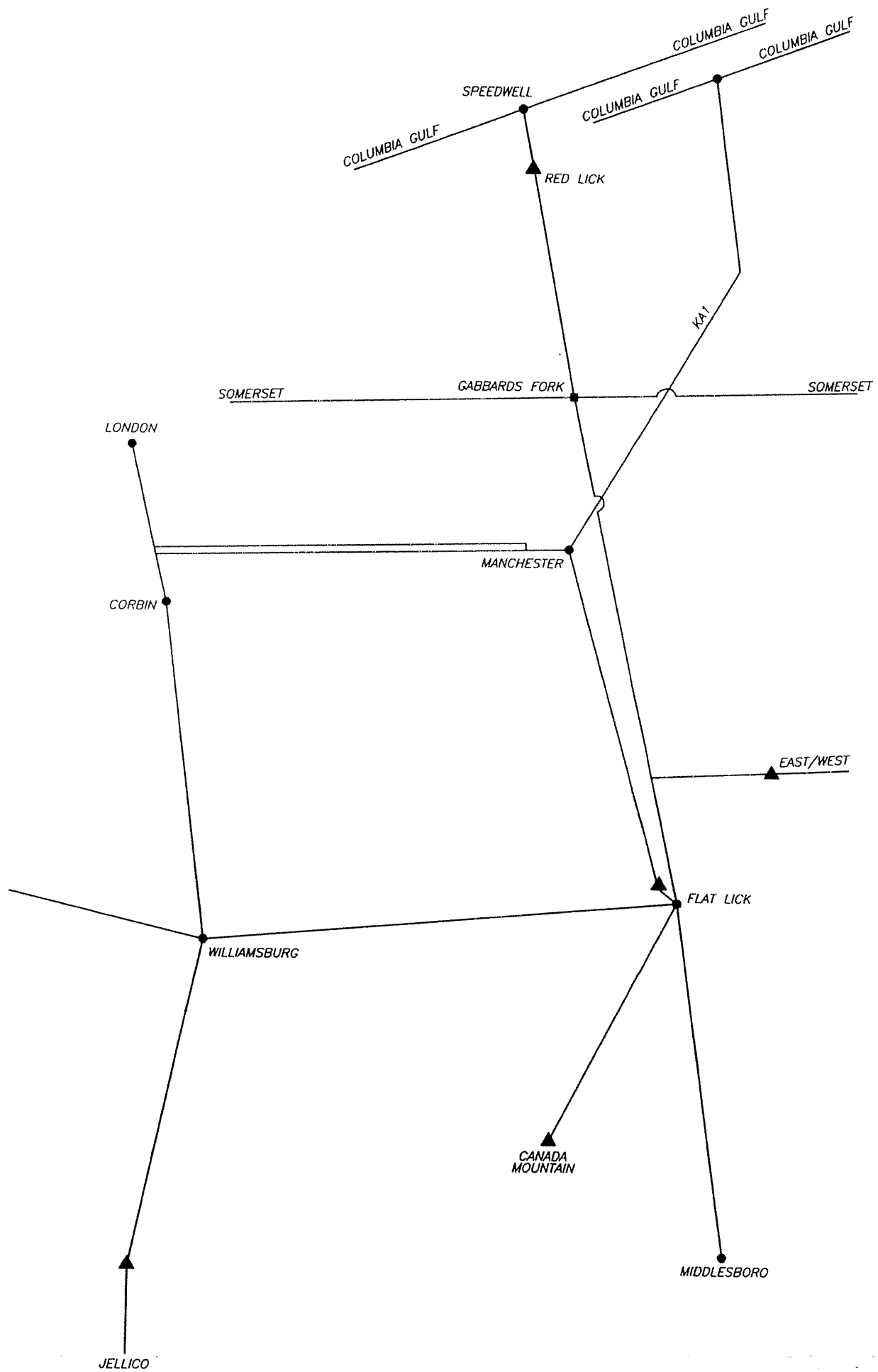
2/14/2007

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FILE: TRANSREV2006-07

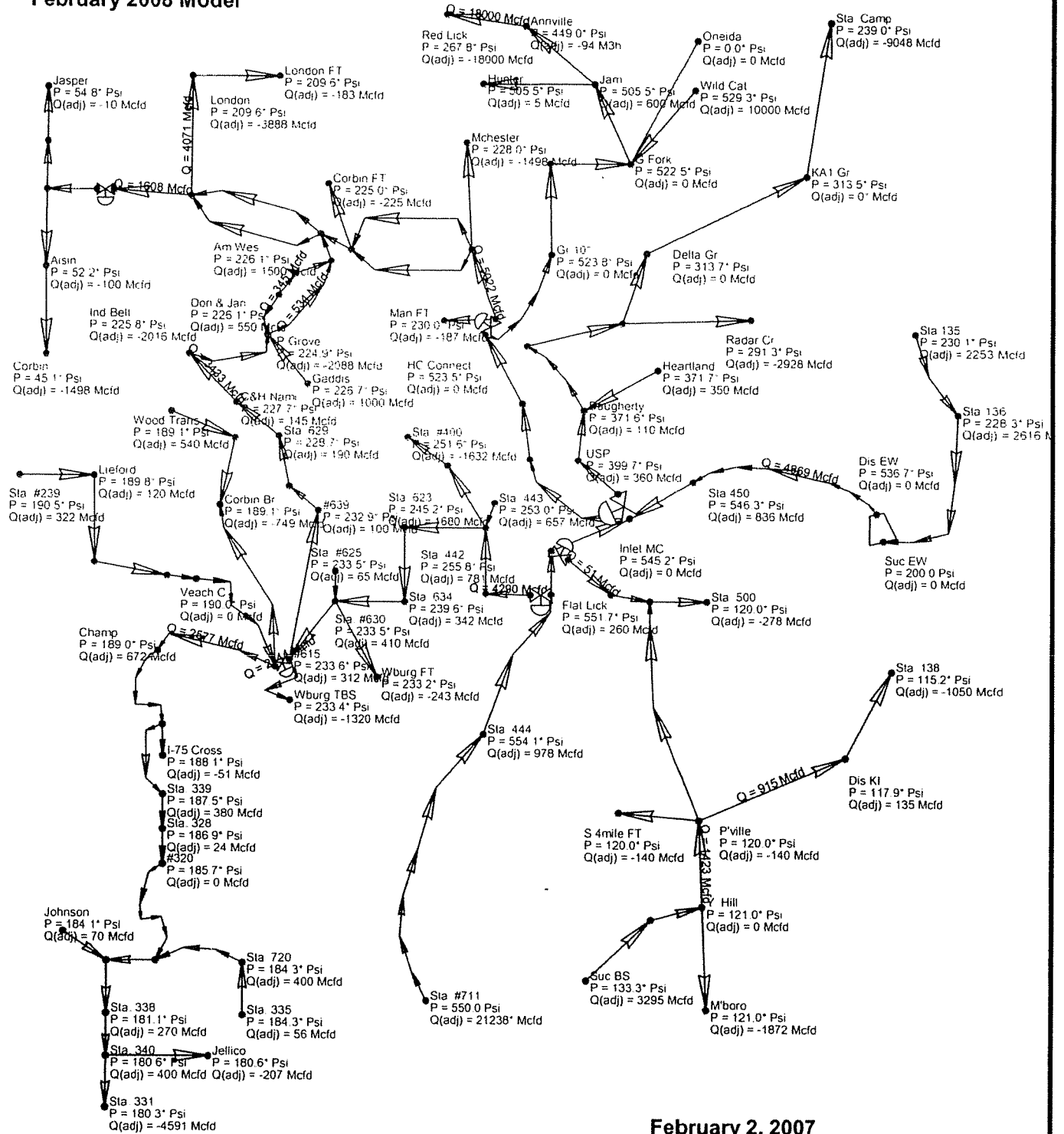
**TRANSPORTATION VOLUMES  
FOR THE MONTH OF  
February, 2007**

DAY OF MO.	KA1 ACTUAL DELIVERED DDth VOLUME	NRC / KA1 Physical Nom VOLUME	GTS CREDITED VOLUME From Storage	KA1 CREDITED Dth VOLUME DELIVERED	JELICO ACTUAL DELIVERED DDth VOLUME	TCO & GULF Pool to Pool & Displacement	SOMERSET CREDITED Dth VOLUME DELIVERED	#138 Daugherty Transportation	#894 Berea Displacement	#4207 ACTUAL DELIVERED DDth VOLUME	#4207 CREDITED Dth VOLUME DELIVERED	Total Off System Transportation Volumes
1	10,999	9,664	(947)	10,052	6,972	5,500	4,820	1,150	2,000	15,926	14,451	44,946
2	10,234	9,664	(182)	10,052	7,016	5,500	4,997	1,150	2,000	14,727	14,451	45,167
3	10,271	9,664	(219)	10,052	6,975	5,500	5,012	1,150	2,000	15,171	14,451	45,141
4	10,607	9,664	(555)	10,052	7,023	5,500	5,142	1,150	2,000	15,291	14,451	45,319
5	9,664	9,664	388	10,052	6,913	5,500	5,121	1,150	2,000	14,402	14,451	45,187
6	10,188	9,664	(136)	10,052	6,802	5,500	5,159	1,150	2,000	14,437	14,451	45,114
7	9,096	9,664	956	10,052	6,951	5,500	5,972	1,150	2,000	15,916	14,451	46,076
8	9,759	9,664	293	10,052	6,660	5,500	6,025	1,150	2,000	15,336	14,451	45,839
9	10,283	9,664	(231)	10,052	6,562	5,500	5,977	1,150	2,000	13,648	14,451	45,693
10	9,927	9,664	125	10,052	6,557	5,500	5,967	1,150	2,000	13,991	14,451	45,677
11	10,187	9,664	(135)	10,052	6,486	5,500	6,017	1,150	2,000	14,631	14,451	45,656
12	10,307	9,664	(255)	10,052	6,366	5,500	5,982	1,150	2,000	15,156	14,451	45,501
13	9,681	9,664	371	10,052	6,695	5,500	5,386	1,150	2,000	15,920	14,451	45,234
14	9,566	9,664	486	10,052	6,763	5,500	6,123	1,150	2,000	13,723	14,451	46,039
15	0	0	0	0	0	0	0	0	0	0	0	0
16	0	0	0	0	0	0	0	0	0	0	0	0
17	0	0	0	0	0	0	0	0	0	0	0	0
18	0	0	0	0	0	0	0	0	0	0	0	0
19	0	0	0	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0	0	0	0
21	0	0	0	0	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0	0	0	0	0	0	0
23	0	0	0	0	0	0	0	0	0	0	0	0
24	0	0	0	0	0	0	0	0	0	0	0	0
25	0	0	0	0	0	0	0	0	0	0	0	0
26	0	0	0	0	0	0	0	0	0	0	0	0
27	0	0	0	0	0	0	0	0	0	0	0	0
28	0	0	0	0	0	0	0	0	0	0	0	0
29	0	0	0	0	0	0	0	0	0	0	0	0
30	0	0	0	0	0	0	0	0	0	0	0	0
31	0	0	0	0	0	0	0	0	0	0	0	0
	140,769	135,296	(41)	140,728	94,742	77,000	77,701	16,106	28,000	208,274	202,314	636,591



# Average Winter Day 34 Degree Day


## February 2008 Model



February 2, 2007



**Delta Natural Gas Company, Inc.**

 LISTED

3617 Lexington Road  
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171

FAX: 859-744-3623

January 30, 2006

Donald R. Crowe  
8112 Dozier Place  
Brentwood, TN 37027

Dear Don:

Notice is hereby given that a meeting of the Board of Directors of Delta Natural Gas Company, Inc. will be held at the Offices of the Company, 3617 Lexington Road, Winchester, Kentucky, on Friday, February 10, 2006 at the hour of 10:00 a.m.

Matters to be considered and voted upon at the meeting are as follows:

1. Common Stock Dividend (quarterly) for period ended December 31, 2005 to be paid March 15, 2006.
2. Transact such other business as may properly come before said meeting.

Enclosed for your prior perusal is:

1. A copy of the minutes of the Directors meeting held November 17, 2005.
2. A copy of the Quarterly Summary Report.
3. A copy of the revised Strategic Plan.
4. A copy of the Risk Memo.

Lunch will be served in the downstairs meeting room after the meeting. We hope you will plan to stay.

Very truly yours,

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

/epb

enclosures

Delta Natural Gas Company, Inc.  
Board of Directors' Meeting - 2/10/06  
Quarterly Summary Report

	Periods ended December 31				
	6 months			12 months	
	<b>2005</b> <b>Actual</b>	2005 <u>Budget</u>	2004 <u>Actual</u>	<b>2005</b> <b>Actual</b>	2004 <u>Actual</u>
Retail Sales and Unbilled Volumes	<b><u>1,426</u></b>		<u>1,384</u>	<b><u>3,598</u></b>	<u>4,303</u>
Transportation Volumes					
- off system	<b><u>4,508</u></b>		<u>3,455</u>	<b><u>8,247</u></b>	<u>7,171</u>
- on system	<b><u>2,573</u></b>		<u>2,510</u>	<b><u>5,336</u></b>	<u>5,048</u>
Total Transportation	<b><u>7,081</u></b>		<u>5,965</u>	<b><u>13,583</u></b>	<u>12,219</u>
Total Throughput (million cubic feet)	<b><u>8,507</u></b>		<u>7,349</u>	<b><u>17,181</u></b>	<u>16,522</u>
Actual Lexington Calendar Degree Days as % of 30 Year Average	<b>100.8</b>		88.6	<b>96.5</b>	93.7
Net Income (\$000)	<b>2,319</b>		1,668	<b>5,649</b>	5,961
Net Income Per Common Share (\$)	<b>.72</b>		.52	<b>1.75</b>	1.86

The attached detailed financial data is provided for further information and review. For the six months ended 12/31/05, the rate increase received in October, 2004 is reflected. Weather adjusted rates reduced revenues by \$98,000 for the six months ended December 31, 2005. Unbilled revenues, net of income taxes, were \$336,000 less in the six months ended 2005 as compared to 2004.

The 12 months ended 12/31/04 had \$1,764,000 of unbilled revenue, with a net income impact of \$.55 per share. The 12 months ended 12/31/05 reflects a full year of the rate increase received in October, 2004.

## DELTA NATURAL GAS COMPANY, INC.

## BALANCE SHEET

December 31, 2005

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
<b>GAS UTILITY PLANT, AT COST</b>	\$ 176,401,779	\$ 169,866,891
Less - Reserve for Depreciation	<u>58,481,386</u>	<u>55,228,133</u>
	\$ <u>117,920,393</u>	\$ <u>114,638,758</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 421,531	\$ 245,659
Receivables	17,361,522	11,463,887
Deferred Gas Cost	7,363,944	7,490,432
Gas in Storage, at Cost	12,277,340	11,021,554
Materials and Supplies, at Cost	479,579	434,228
Prepayments	<u>2,772,907</u>	<u>762,910</u>
	\$ <u>40,676,823</u>	\$ <u>31,418,670</u>
<b>OTHER ASSETS:</b>		
Cash Surrender Value of Life Insurance	\$ 387,193	\$ 376,930
Unamortized Expenses	3,712,703	3,948,887
Receivable/Investment in Subsidiaries	5,571,056	2,661,367
Other	<u>3,166,173</u>	<u>2,804,271</u>
	\$ <u>12,837,125</u>	\$ <u>9,791,455</u>
<b>TOTAL ASSETS</b>	\$ <u><u>171,434,341</u></u>	\$ <u><u>155,848,883</u></u>
<b>LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock	\$ 3,242,502	\$ 3,218,186
Paid-in Surplus	45,309,685	44,670,611
Capital Stock Expense	(2,599,226)	(2,597,999)
Accum Other Comprehensive Income	0	0
Retained Earnings	<u>5,571,314</u>	<u>3,765,184</u>
Total Common Equity	\$ 51,524,275	\$ 49,055,982
Long-term Debt	<u>52,191,000</u>	<u>52,823,000</u>
Total Capitalization	\$ <u>103,715,275</u>	\$ <u>101,878,982</u>
<b>CURRENT LIABILITIES:</b>		
Notes Payable	\$ 32,034,527	\$ 17,838,295
Current Portion of Long-Term Debt	1,650,000	1,650,000
Accounts Payable	7,480,766	10,698,428
Accrued Taxes	849,873	(48,872)
Refunds Due Customers	174	29,927
Customer Deposits	585,659	593,253
Accrued Interest	888,380	894,347
Current Deferred Income Taxes	999,700	0
Other	<u>987,485</u>	<u>897,742</u>
	\$ <u>45,476,564</u>	\$ <u>32,553,120</u>
<b>DEFERRED CREDITS AND OTHER:</b>		
Deferred Income Taxes	\$ 19,198,351	\$ 19,489,735
Deferred Investment Tax Credit	269,400	307,200
Regulatory Items	2,544,875	1,452,137
Advances for Construction and Other	229,876	167,709
Accum Provision for Pensions & Benefit	<u>0</u>	<u>0</u>
	\$ <u>22,242,502</u>	\$ <u>21,416,781</u>
<b>TOTAL LIABILITIES</b>	\$ <u><u>171,434,341</u></u>	\$ <u><u>155,848,883</u></u>

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

**December 31, 2005**

	6 MONTH TO DATE		12 MONTHS ENDED	
	2005	2004	2005	2004
<b>OPERATING REVENUES</b>	\$ 29,540,217	\$ 22,424,605	\$ 62,682,263	\$ 61,256,304
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 17,531,493	\$ 10,825,609	\$ 35,650,664	\$ 34,079,712
Operations	5,421,244	5,229,532	11,428,619	10,079,648
Maintenance	303,186	348,236	611,279	673,084
Depreciation	2,005,818	2,141,534	3,988,963	4,349,495
Property & Other Taxes	787,491	776,867	1,675,149	1,610,590
Income Taxes	427,600	321,800	1,806,800	2,300,900
Total	\$ 26,476,832	\$ 19,643,578	\$ 55,161,474	\$ 53,093,429
Operating Income	\$ 3,063,385	\$ 2,781,027	\$ 7,520,789	\$ 8,162,875
<b>OTHER INCOME/(EXPENSES),NET</b>	1,652,939	1,142,838	2,763,573	2,224,036
Gross Income	\$ 4,716,324	\$ 3,923,865	\$ 10,284,362	\$ 10,386,911
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 2,279,538	\$ 2,137,472	\$ 4,399,166	\$ 4,189,670
Amortization	118,091	118,091	236,184	236,183
Other	-	-	-	-
Total	\$ 2,397,629	\$ 2,255,563	\$ 4,635,350	\$ 4,425,853
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ 2,318,695	\$ 1,668,302	\$ 5,649,012	\$ 5,961,058
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ 0.72	\$ 0.52	\$ 1.75	\$ 1.86
<b>CUSTOMERS AT END OF PERIOD</b>			38,702	39,088



**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**December 31, 2005**

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over			This Year Over			This Year	Last Year
	(Under ) Budget	This Year	Last Year	(Under ) Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA		655	534		923	827	4,389	4,357
<b>MCFS:</b>								
DELTA NATURAL								
RESIDENTIAL		273,984	200,979		469,352	424,938	2,036,700	2,100,518
SMALL COMMERCIAL		83,079	51,608		145,287	116,765	604,106	630,092
COMMERCIAL - OTHER		111,494	70,392		244,028	215,682	805,548	829,882
INDUSTRIAL		20,530	13,967		47,893	42,966	158,867	158,273
TOTAL SOLD		489,087	336,946		906,560	800,352	3,605,221	3,718,765
OFF SYSTEM		830,602	684,120		4,507,996	3,454,615	8,246,962	7,171,033
ON SYSTEM		494,398	454,746		2,573,134	2,510,096	5,335,963	5,048,222
TOTAL TRANSPORTED		1,325,000	1,138,866		7,081,130	5,964,711	13,582,925	12,219,255
TOTAL DELTA NATURAL		1,814,087	1,475,812		7,987,690	6,765,063	17,188,146	15,938,020
RESOURCES ON SYS INCL		215,793	205,867		995,891	931,088	2,057,318	1,847,802
DELGASCO OFF SYS INCL		332,382	201,406		1,160,298	843,784	2,154,905	2,019,567
<b>REVENUES:</b>								
DELTA NATURAL								
RETAIL SALES		8,283,579	4,547,308		17,214,546	11,966,324	52,946,018	47,655,772
UNBILLED REVENUE		3,694,736	3,823,093		8,791,029	7,351,493	2,686,092	7,351,493
MISC OPERATING		22,761	17,090		96,530	71,951	235,519	199,634
OFF SYS TRANSPORT		240,750	198,939		1,296,599	1,012,650	2,382,931	2,103,020
ON SYS TRANSPORT		477,702	438,317		2,141,512	2,022,187	4,431,701	3,946,385
TOTAL DELTA NATURAL		12,719,528	9,024,747		29,540,216	22,424,605	62,682,261	61,256,303
RESOURCES ON SYS SALES		2,906,696	1,732,283		12,128,619	6,735,053	20,377,522	12,573,333
DELGASCO OFF SYS SALES		3,870,066	1,811,566		14,544,687	6,361,147	21,678,400	13,875,122
TOTAL CONSOLIDATED		19,496,290	12,568,596		56,213,522	35,520,805	104,738,183	87,704,759
<b>GAS COSTS:</b>								
DELTA NATURAL		6,030,076	2,593,021		11,048,102	6,333,108	33,029,800	29,587,211
DELTA NATURAL UNBILLED GAS COST		2,644,764	2,586,125		6,483,391	4,492,501	2,620,865	4,492,501
DELTA RESOURCES		2,399,954	1,465,882		11,203,693	5,917,507	18,484,625	11,230,581
DELGASCO		3,687,546	1,686,413		13,896,177	5,922,260	20,631,712	13,118,648
TOTAL CONSOLIDATED		14,762,340	8,331,441		42,631,363	22,665,376	74,767,002	58,428,941
<b>NET SALES:</b>								
DELTA NATURAL EXCLUDING UNBILLED		2,253,503	1,954,287		6,166,444	5,633,216	19,916,218	18,068,561
DELTA NATURAL UNBILLED		1,049,972	1,236,968		2,307,638	2,858,992	65,227	2,858,992
DELTA RESOURCES TOTAL		506,742	266,401		924,926	817,546	1,892,897	1,342,752
DELGASCO		182,520	125,153		648,510	438,887	1,046,688	756,474
TOTAL CONSOLIDATED		3,992,737	3,582,809		10,047,518	9,748,641	22,921,030	23,026,779
<b>PER MCF:</b>								
DELTA NATURAL								
TOTAL SALES		16.9368	13.4957		18.9889	14.9513	14.6859	12.8149
COST OF GAS		12.3293	7.6957		12.1868	7.9129	9.1617	7.9562
NET SALES		4.6076	5.8000		6.8020	7.0384	5.5243	4.8588
DELTA RESOURCES								
TOTAL SALES		13.4698	8.4146		12.1787	7.2335	9.9049	6.8045
COST OF GAS		11.1216	7.1205		11.2499	6.3555	8.9848	6.0778
NET SALES		2.3483	1.2940		0.9287	0.8781	0.9201	0.7267
DELGASCO								
TOTAL SALES		11.6434	8.9946		12.5353	7.5388	10.0600	6.8703
COST OF GAS		11.0943	8.3732		11.9764	7.0187	9.5743	6.4958
NET SALES		0.5491	0.6214		0.5589	0.5201	0.4857	0.3746
<b>DELTA NATURAL ONLY:</b>								
% Change to Customers Between Yrs:	Total Cost		25.5%			27.0%		14.6%
	Gas Cost		34.3%			28.6%		9.4%
	Net Sales		-8.8%			-1.6%		5.2%

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta Natural Gas Co

July 01, 2005 - December 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
	-----	-----	-----	-----	-----	-----	-----
01							
OPERATING REVENUES							
General Service Rate Billed							
Residential	6,972,312.09CR	4,996,799.95CR	14,781,380.63CR		11,265,945.26CR	32,214,691.55CR	22,340,517.47CR
Small Commercial	2,175,013.26CR	1,433,766.13CR	4,426,266.32CR		3,131,666.49CR	9,335,255.44CR	9,539,709.44CR
Other Commercial	2,454,150.06CR	1,506,022.76CR	5,831,574.97CR		4,041,221.43CR	11,634,099.94CR	11,060,875.75CR
Industrial	362,709.26CR	188,140.89CR	808,286.21CR		533,991.18CR	1,620,716.64CR	1,415,984.16CR
Unmetered Gas Light	890.28CR	1,209.13CR	4,410.62CR		7,312.96CR	5,673.09CR	14,009.55CR
Residential WNA	74,807.73	126,719.25CR	74,807.73		126,719.25CR	261,649.24CR	97,732.74CR
Small Non-Residential WNA	23,653.29	28,993.42CR	23,653.29		28,993.42CR	66,922.17CR	18,459.48CR
Weather Normalization Revenue	98,461.02	155,712.67CR	98,461.02		155,712.67CR	328,571.41CR	116,192.22CR
Total General Service Ra	11,866,613.93CR	8,281,651.53CR	25,753,457.73CR		19,135,849.99CR	55,139,008.07CR	54,487,288.59CR
Interruptible Rate Billed							
Commercial	8,828.96CR	7,674.15CR	13,970.58CR		10,180.63CR	28,943.87CR	32,453.04CR
Industrial	102,871.67CR	81,075.59CR	238,146.56CR		171,786.06CR	464,158.68CR	487,522.90CR
Total Interruptible Rate	111,700.63CR	88,749.74CR	252,117.14CR		181,966.69CR	493,102.55CR	519,975.94CR
Total Gas Revenue	11,978,314.56CR	8,370,401.27CR	26,005,574.87CR		19,317,816.68CR	55,632,110.62CR	55,007,264.53CR
Miscellaneous Operating Revenue	22,761.00CR	17,090.00CR	96,530.00CR		71,950.90CR	235,519.00CR	199,633.90CR
Off System Transportation Reven	240,750.12CR	198,938.74CR	1,296,598.68CR		1,012,650.08CR	2,382,930.68CR	2,103,020.14CR
On System Transportation Revenue	477,701.96CR	438,317.65CR	2,141,512.44CR		2,022,187.80CR	4,431,701.12CR	3,946,385.61CR
TOTAL OPERATING REVENUE	12,719,527.64CR	9,024,747.66CR	29,540,215.99CR		22,424,605.46CR	62,682,261.42CR	61,256,304.18CR
OPERATING EXPENSES							
Purchased Gas	8,674,839.70	5,179,144.94	17,531,492.79		10,825,609.11	35,650,663.87	34,079,712.09
Recovery of Canada Mountain	.00	.00	.00		.00	.00	.00
Purchased Gas, net	8,674,839.70	5,179,144.94	17,531,492.79		10,825,609.11	35,650,663.87	34,079,712.09
Operation Expense							
Labor	412,385.70	443,377.24	2,876,271.34		2,856,185.25	6,456,035.09	5,807,201.31
Transportation	46,457.16	57,318.77	307,828.44		370,641.57	625,836.94	813,063.04

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta

July 01, 2005 - December 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
General Operations	43,371.29	30,023.41	218,017.83		207,066.42	399,924.47	388,041.53
Customer Billing	23,711.54	23,640.51	112,816.82		126,291.15	231,133.00	230,519.43
Uncollectible Accounts	100,000.00	96,126.42	474,964.04		340,382.61	601,623.20	529,301.34
Administrative	51,213.51	46,827.55	278,020.09		221,103.85	552,024.93	466,037.93
-----	-----	-----	-----		-----	-----	-----
Outside Services	76,050.54	33,346.58	350,422.47		241,258.00	765,795.28	549,418.55
Insurance	46,303.93	60,497.29	354,195.15		354,911.24	754,608.17	652,785.25
Employee Benefits	247,512.95	306,720.19	1,141,761.48		1,199,113.89	2,418,521.55	2,141,355.32
General Administration	74,955.31	69,719.98	352,123.77		366,064.37	828,991.99	707,795.59
Expenses Transferred	187,875.01CR	192,272.45CR	1,222,474.58CR		1,210,684.30CR	2,508,523.16CR	2,480,463.35CR
Other	32,473.87	8,686.15	177,296.87		157,198.63	302,646.66	274,593.61
-----	-----	-----	-----		-----	-----	-----
Total Operation Expense	966,560.79	984,011.64	5,421,243.72		5,229,532.68	11,428,618.12	10,079,649.55
-----	-----	-----	-----		-----	-----	-----
Maintenance Expense							
Labor	5,438.07	3,978.47	42,683.86		72,256.24	91,188.39	146,455.62
Transportation	1,538.54	1,864.38	12,721.40		36,324.95	27,178.38	74,647.66
Mains	3,252.13	5,042.15	26,525.91		45,585.13	62,736.88	79,857.19
Meter & Regulators	359.34	647.60	23,698.28		13,633.15	62,427.99	35,643.10
Other	36,664.44	22,782.62	197,556.61		179,436.63	367,747.18	336,480.98
-----	-----	-----	-----		-----	-----	-----
Total Maintenance Expense	47,252.52	34,315.22	303,186.06		348,236.10	611,278.82	673,084.55
-----	-----	-----	-----		-----	-----	-----
Depreciation Expense	336,190.50	328,912.37	2,005,817.52		2,141,533.59	3,988,963.40	4,349,494.33
-----	-----	-----	-----		-----	-----	-----
Taxes Other Than Income Taxes							
Property Taxes	112,143.12	65,919.47	550,948.12		539,119.47	1,138,840.15	1,111,385.52
Payroll Taxes	39,562.50	37,673.47	236,542.44		237,747.67	536,307.83	499,203.36
-----	-----	-----	-----		-----	-----	-----
Total Other Taxes	151,705.62	103,592.94	787,490.56		776,867.14	1,675,147.98	1,610,588.88
-----	-----	-----	-----		-----	-----	-----
Income Taxes							
Current Federal	169,515.00	457,370.00CR	172,660.00CR		874,020.00CR	31,960.00	609,080.00CR
Current State	43,165.00CR	218,505.00CR	43,165.00CR		218,505.00CR	68,540.00	325,305.00
Deferred Federal & State	689,550.00	1,443,975.00	662,225.00		1,433,325.00	1,744,100.00	2,622,875.00
Investment Tax Credit-Net	3,133.33CR	3,166.67CR	18,800.02CR		18,999.98CR	37,800.04CR	38,199.98CR
-----	-----	-----	-----		-----	-----	-----
Total Income Taxes	812,766.67	764,933.33	427,599.98		321,800.02	1,806,799.96	2,300,900.02
-----	-----	-----	-----		-----	-----	-----
TOTAL OPERATING EXPENSES	10,989,315.80	7,394,910.44	26,476,830.63		19,643,578.64	55,161,472.15	53,093,429.42

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta

July 01, 2005 - December 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
OPERATING INCOME	1,730,211.84CR	1,629,837.22CR	3,063,385.36CR		2,781,026.82CR	7,520,789.27CR	8,162,874.76CR
NON REGULATED INCOME							
Net Income from Subsidiaries	556,625.00CR	477,736.00CR	1,623,921.00CR		1,116,668.00CR	2,705,981.00CR	2,159,190.00CR
Income Tax Non Regulated	2,500.00	2,800.00	17,700.00		15,900.00	37,400.00	34,400.00
Other Net Inc Before Inc Taxes	6,598.06CR	7,424.04CR	46,717.24CR		42,070.46CR	94,990.10CR	99,246.67CR
Net Non Regulated Income	560,723.06CR	482,360.04CR	1,652,938.24CR		1,142,838.46CR	2,763,571.10CR	2,224,036.67CR
Income Before Interest Charges	2,290,934.90CR	2,112,197.26CR	4,716,323.60CR		3,923,865.28CR	10,284,360.37CR	10,386,911.43CR
INTEREST CHARGES							
Interest On Long-Term Debt	313,800.00	317,400.00	1,891,330.50		1,907,547.73	3,793,475.43	3,822,051.33
Interest On Short-Term Debt	102,000.78	45,114.90	374,009.68		215,989.82	574,632.93	337,836.39
Other Interest	2,779.55	2,964.72	14,197.88		13,935.04	31,056.42	29,780.45
Amortization of Debt Expense	19,681.75	19,681.75	118,090.50		118,090.50	236,184.00	236,183.00
Total Interest Charges	438,262.08	385,161.37	2,397,628.56		2,255,563.09	4,635,348.78	4,425,851.17
NET INCOME	1,852,672.82CR	1,727,035.89CR	2,318,695.04CR		1,668,302.19CR	5,649,011.59CR	5,961,060.26CR

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta Resources

July 01, 2005 - December 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
02							
Revenues							
Other Revenue	8,642.11	1,953.38	15,404.08		16.60	1,688.10CR	3,359.82CR
Sales To Parent	.00	.00	.00		.00	.00	.00
Sales To Others	3,195,007.96CR	2,010,908.45CR	13,505,788.46CR		8,061,499.48CR	23,198,713.64CR	15,163,274.12CR
Total Revenues	3,186,365.85CR	2,008,955.07CR	13,490,384.38CR		8,061,482.88CR	23,200,401.74CR	15,166,633.94CR
Expenses							
Purchased Gas	2,399,954.00	1,465,881.99	11,203,692.61		5,917,506.58	18,484,624.75	11,230,580.70
Transportation Fee	288,311.51	278,625.76	1,377,169.62		1,326,446.04	2,821,192.24	2,589,940.33
Uncollectible Accounts	.00	.00	.00		.00	.00	.00
Outside Services	3,729.00	3,035.00	16,583.00		13,605.00	76,304.00	29,374.03
Taxes - Non Income	.00	.00	.00		.00	.00	.00
Income Taxes	181,100.00	95,800.00	327,100.00		294,500.00	711,500.00	510,000.00
Total Expenses	2,873,094.51	1,843,342.75	12,924,545.23		7,552,057.62	22,093,620.99	14,359,895.06
Net Income	313,271.34CR	165,612.32CR	565,839.15CR		509,425.26CR	1,106,780.75CR	806,738.88CR

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delgasco

July 01, 2005 - December 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
03							
<b>Revenues</b>							
Other Revenue	10,463.25	4,306.35	7,829.24		5,872.73CR	6,661.96	7,665.49CR
Sales To Affiliates	1,086,450.20CR	1,033,807.25CR	14,848,843.27CR		7,494,671.02CR	20,552,609.57CR	11,169,319.52CR
Sales To Others	3,970,392.40CR	1,874,716.86CR	14,905,269.82CR		6,635,260.21CR	22,352,221.71CR	14,521,486.36CR
<b>Total Revenues</b>	<b>5,046,379.35CR</b>	<b>2,904,217.76CR</b>	<b>29,746,283.85CR</b>		<b>14,135,803.96CR</b>	<b>42,898,169.32CR</b>	<b>25,698,471.37CR</b>
<b>Expenses</b>							
Purchased Gas	4,773,995.95	2,720,220.56	28,745,019.66		13,416,931.02	41,184,320.67	24,287,966.93
Miscellaneous Expenses	100,326.46	63,151.40	360,582.04		274,112.54	673,821.20	659,264.61
Outside Services	3,783.00	2,431.00	21,100.00		10,324.00	82,622.00	4,365.51
Taxes - Non Income	139.37CR	.00	6,816.63		3,028.34	8,021.63	3,058.34
Income Taxes	66,000.00	46,400.00	240,400.00		169,200.00	370,900.00	289,400.00
<b>Total Expenses</b>	<b>4,943,966.04</b>	<b>2,832,202.96</b>	<b>29,373,918.33</b>		<b>13,873,595.90</b>	<b>42,319,685.50</b>	<b>25,244,055.39</b>
<b>Net Income</b>	<b>102,413.31CR</b>	<b>72,014.80CR</b>	<b>372,365.52CR</b>		<b>262,208.06CR</b>	<b>578,483.82CR</b>	<b>454,415.98CR</b>

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Enpro

July 01, 2005 - December 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
05							
<b>Revenues</b>							
Gas Production	296,548.20CR	533,395.59CR	1,364,096.36CR		658,743.62CR	2,147,104.33CR	1,915,072.54CR
Oil Production	4,525.14CR	1,091.39CR	7,526.48CR		31,488.08CR	7,526.48CR	51,092.95CR
Royalty	13,468.96CR	8,049.67CR	64,059.58CR		37,652.81CR	130,681.15CR	61,421.66CR
Other	.00	.00	.00		36,409.35CR	14.84	36,409.35CR
<b>Total Revenues</b>	<b>314,542.30CR</b>	<b>542,536.65CR</b>	<b>1,435,682.42CR</b>		<b>764,293.86CR</b>	<b>2,285,297.12CR</b>	<b>2,063,996.50CR</b>
<b>Expenses</b>							
Depletion, Depreciation, & Ac	9,986.18	10,097.80	59,922.08		64,701.48	120,047.36	126,651.30
Well Opr & Mnt	1,925.25	935.61	13,507.16		9,712.58	24,412.99	20,947.18
Purchased Gas	55,962.63	102,036.63	229,690.63		2,887.71	314,524.62	233,535.78
Royalty & W.I.	.00	18,289.50	.00		95,973.24	84,611.74	172,120.49
Outside Services	1,727.00	1,821.00	14,802.91		15,012.71	73,076.91	23,759.23
Interest Expense	3,400.00CR	600.00	14,700.00CR		3,253.99CR	23,045.00CR	5,270.99CR
Taxes - Non Income	19,600.13	19,145.88	19,842.31		19,323.59	21,352.20	23,716.33
Income Taxes	87,800.00	149,500.00	426,900.00		214,900.00	649,600.00	570,500.00
<b>Total Expenses</b>	<b>173,601.19</b>	<b>302,426.42</b>	<b>749,965.09</b>		<b>419,257.32</b>	<b>1,264,580.82</b>	<b>1,165,959.32</b>
<b>Operating Income</b>	<b>140,941.11CR</b>	<b>240,110.23CR</b>	<b>685,717.33CR</b>		<b>345,036.54CR</b>	<b>1,020,716.30CR</b>	<b>898,037.18CR</b>
Net Income from Subs	.00	.00	.00		.00	.00	.00
<b>Net Income</b>	<b>140,941.11CR</b>	<b>240,110.23CR</b>	<b>685,717.33CR</b>		<b>345,036.54CR</b>	<b>1,020,716.30CR</b>	<b>898,037.18CR</b>

KESTES

GBVCRC/GBVCRP.

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 12/31/2005

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

- 1117 CUSH GAS
- 1325 LAND&RGHTS
- 1327 STRUCTURES
- 1331 WELL EQUIP
- 1332 GATH LINES
- 1333 COMP EQUIP
- 1334 REG STAT
- 135001 STORAGE LD
- 135002 STOR ROW
- 1351 STRUCTURES
- 1352 STOR WELLS
- 135201 STORAGE RT
- 135202 STOR RESEV
- 135203 MONR NAT G
- 1353 STORAGE LN
- 1354 COMPR EQUIP
- 1355 REG EQUIP
- 1356 PURIFICATN
- 1357 OTHER EQUIP
- 136501 LAND RGHTS
- 136502 TRAN ROW
- 1366 TRAN STRUC
- 1367 TRAN MAINS
- 1368 COMP STAT
- 1369 REG EQUIP
- 1371 OTHR EQUIP
- 1381 METERS



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 12/31/2005

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

1383 REGULATORS

1385 IND METERS

1395 LAB EQUIP

139901 MAPPING

5117 CUSHN GAS

532503 MIN RIGHTS

532521 LEASEH-GAS

532522 PROD L OIL

532523 INT INVESM

533101 GAS WELL E

533102 OIL W EQUIP

535006 GAS RGT ST

Total ALH ALH

KESTES

GBVCRC/GBVCRPh

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 12/31/2005

CAPITAL EXPENDITURES

All Agents

GRJ GLENN R JENNINGS

139909 CONTINGENC

Total GRJ GRJ

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KESTES

Page 4

GBVCRC/GBVCRPW

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 12/31/2005

CAPITAL EXPENDITURES

All Agents

JFH JOHN F HALL

139902 COMP SOFTW

139903 COMP HWARE

Total JFH JFH

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 12/31/2005

CAPITAL EXPENDITURES

All Agents

JLC JOHNNY L CAUDILL

- 1121 NON U PROP
- 1374 LAND & ROW
- 1375 DIS STRUCT
- 1376 DIST MAINS
- 1378 REG STATNS
- 1379 CG REG STA
- 1380 DIST SERV
- 1382 MET&REG IN
- 1389 LAND&RGHTS
- 1390 STRUCTURES
- 1391 FURN&EQUIP
- 1392 TRANSP EQP
- 1393 STORES EQP
- 1394 TOOLS&EQUIP
- 139401 CNG EQUIPM
- 1396 PO EQUIPMT
- 1397 COMM EQUIP
- 1398 MISC EQUIP
- 139931 OFFC EQUIP

Total JLC JLC

Grand Total

	Minimum	Midpoint	Maximum
COB/President & CEO	\$232,600	\$290,800	\$348,900
VP-Oper & Eng	\$141,300	\$176,600	\$211,900
VP-Finance, Sec/Treas	\$137,000	\$171,300	\$205,500
VP-Adm & Cust.Serv	\$129,200	\$161,500	\$193,800
VP-Controller	\$111,100	\$138,900	\$166,600

OFFICER SALARY RECOMMENDATIONS  
TO BE EFFECTIVE 7/1/2006

<u>Name</u>	<u>Position</u>	<u>Current Annual Salary</u>	<u>7/1/2006 Position Salary Range</u>			<u>Proposed to be effective 7/1/2006</u>			
			<u>Minimum</u>	<u>Mid Point</u>	<u>Maximum</u>	<u>Annual Salary</u>	<u>Annual Increase</u>	<u>% Increase</u>	<u>Compa-Ratio</u>
John Brown	VP - Controller								
Johnny Caudill	VP - Adm. & Cust. Service								
John Hall	VP - Finance, Secretary & Treasurer								
Alan Heath	VP - Operations & Engineering								
Glenn Jennings	Chairman, President & CEO								
Total for all									

Notes:

Mid-points of all employee pay grades and officer salary ranges were increased this year by 2.5 %; the updated pay grades and salary ranges are att  
Pay adjustments are proposed to be budgeted for the above increases plus an approximate 3.5% overall increase on a total company basis employees except officers. These amounts are to be used for all pay adjustments, including merit increases, promotions and adjustments of job p:

DELTA NATURAL GAS COMPANY

STRATEGIC PLAN

FEBRUARY 10, 2006

Delta's Mission Statement

Delta will continue to be a premier provider of natural gas services while having a positive impact on its customers, employees and shareholders.

Delta pursues this mission by utilizing the following strategies:

- Continue to maintain strong ethical relationships with customers, employees, shareholders, suppliers, regulatory and governmental entities and other stakeholders
- Maintain reasonable long-term earnings, cash flow and stock value
- Ensure system and supply integrity
- Pursue growth that provides a positive economic impact on stakeholders
- Promote and improve the competitive advantage of the Company's products and services
- Conduct all business efforts, operations and financial reporting in an ethical and appropriately controlled manner and in compliance with applicable statutory and regulatory requirements

Time Focus

S - Shorter time frame (Current emphasis with 1 to 3 year focus)

L - Longer time frame (Current emphasis with focus beyond 3 years)

DELTA NATURAL GAS COMPANY, INC.  
STRATEGIC PLAN  
FEBRUARY 10, 2006

ACTION PLANS

- Continue to maintain strong relationships with customers, employees, shareholders, suppliers, regulatory and governmental entities and other stakeholders

	<u>Primary Responsibility</u>	<u>Time Focus</u>
▪ Strive for clear, effective, appropriate communications with all affected groups	All Officers	S
▪ Continue good interdepartmental communications and cooperation; continue appropriate meetings of employees and involve directors, officers and supervisors as appropriate	All Officers	L
▪ Communicate to employees during 2006 the costs to Delta and value to employees of employee benefits; provide competitive benefits where possible while sharing costs with employees where necessary, such as medical coverage	Juanita Hensley / Connie King	S
▪ Promote employee involvement with community and public relations	Bob Hazelrigg/ Johnny Caudill	S
▪ Provide appropriate employee training, considering regulatory requirements, to maintain a qualified work force	Jim Potter/ Juanita Hensley/ Connie King	S
▪ Continue appropriate safety training and incentives that emphasize safety to employees and customers, and continue to promote a safe environment at all company facilities	Jim Potter	S



	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Promote public safety by various methods, including public awareness by information to and/or meeting with customers, communities and others to review natural gas safety issues and Delta's safety efforts</li> </ul>	Johnny Caudill/ Jim Potter/ Alan Heath/ Mary Virginia Rupard/ Emily Bennett/ Connie King	S
<ul style="list-style-type: none"> <li>▪ Appropriately respond to security threats; respond to requests/ requirements from appropriate federal and state agencies as necessary</li> </ul>	Alan Heath/ Johnny Caudill/ Jim Potter	S
<ul style="list-style-type: none"> <li>▪ Monitor and update Delta's internet home-page to ensure its accuracy and usefulness</li> </ul>	David Turpin/ Emily Bennett	S
<ul style="list-style-type: none"> <li>▪ Promote continued utilization and increased use of computer hardware and software and other technology, and continue to upgrade and automate systems and methods as appropriate</li> </ul>	All Officers	S
<ul style="list-style-type: none"> <li>▪ Periodically survey all employees to help provide a means for employee input and to strengthen employee satisfaction</li> </ul>	Glenn Jennings/ Johnny Caudill/ Juanita Hensley/ Connie King	S
<ul style="list-style-type: none"> <li>▪ Periodically survey shareholders for input to management and the Board of Directors</li> </ul>	John Hall/ Emily Bennett	L
<ul style="list-style-type: none"> <li>▪ Complete customer satisfaction survey in 2006</li> </ul>	Bob Hazelrigg	S
<ul style="list-style-type: none"> <li>▪ Promote positive ethical relationships with governmental officials, regulatory agencies and local communities</li> </ul>	All Officers/ Bob Hazelrigg	L
<ul style="list-style-type: none"> <li>▪ Pursue clear, informative communications with customers</li> </ul>	Johnny Caudill/ Bob Hazelrigg	S
<ul style="list-style-type: none"> <li>▪ Develop addition to Delta's internet website to provide employee access information</li> </ul>	David Turpin	S
<ul style="list-style-type: none"> <li>▪ Evaluate the feasibility of on-line bill payment</li> </ul>	John Brown/ Connie King	S
<ul style="list-style-type: none"> <li>▪ Develop addition to Delta's internet website to provide customer safety information</li> </ul>	David Turpin/ Jim Potter	S

<ul style="list-style-type: none"> <li>▪ <b>Maintain reasonable long-term earnings, cash flow and stock value</b></li> </ul>
--

	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Maintain fair, just and reasonable rates               <ul style="list-style-type: none"> <li>▪ Balance industrial economic development and residential/commercial rate concerns to keep rates to all groups competitively priced</li> <li>▪ Consider costs of service in developing rates and charges</li> </ul> </li> </ul>	Glenn Jennings/ John Hall	L
<ul style="list-style-type: none"> <li>▪ Maintain a reasonable return on equity and book value per share of Delta's Common Stock</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Maintain dividends at a payout range of 70% to 90% of annual earnings</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Strive for the internal generation of Delta's cash flow needs</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Strive for retained earnings at the end of each fiscal year to be at least equal to one year's dividends</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Expand number of market makers and analysts involved with Delta's stock</li> </ul>	Glenn Jennings/ John Hall/ Emily Bennett	L
<ul style="list-style-type: none"> <li>▪ Participate in meetings with analysts, brokers, market makers, investors and investor clubs/organizations as appropriate</li> </ul>	Glenn Jennings/ John Hall/ Emily Bennett	S
<ul style="list-style-type: none"> <li>▪ Maintain sufficient bank credit lines at competitive interest rates to meet Delta's needs</li> </ul>	Glenn Jennings/ John Hall	S
<ul style="list-style-type: none"> <li>▪ Provide for issuances of equity and long-term debt to maintain Delta's capital structure at reasonable levels</li> </ul>	Glenn Jennings/ John Hall	L

<ul style="list-style-type: none"> <li>▪ <b>Ensure system and supply integrity</b></li> </ul>
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	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Maintain maximum capability of the Canada Mountain storage field</li> </ul>	Alan Heath/ Don Cartwright/ Glenn Jennings	S
<ul style="list-style-type: none"> <li>▪ Upgrade, rebuild and expand the existing pipeline system as necessary to maintain system integrity, deliverability and dependability</li> </ul>	Alan Heath	L
<ul style="list-style-type: none"> <li>▪ Connect Delta's systems to additional supply sources, and encourage and assist producers to maintain and increase deliveries to Delta</li> </ul>	Alan Heath/ Glenn Jennings/ Don Cartwright	S
<ul style="list-style-type: none"> <li>▪ Maintain flexible, reliable, secure, economic gas supplies; place emphasis on price stability and utilize appropriate hedging techniques</li> </ul>	Alan Heath/ Brian Ramsey	L
<ul style="list-style-type: none"> <li>▪ Ensure long-term planning for adequate gas supplies to meet current and expected customer requirements</li> </ul>	Alan Heath/ Brian Ramsey	L
<ul style="list-style-type: none"> <li>▪ Respond appropriately to federal and state agencies as required relating to pipeline integrity issues</li> </ul>	Alan Heath/ Jonathan Morphew	S

▪ Pursue growth that provides a positive economic impact on stakeholders

	<u>Primary Responsibility</u>	<u>Time Focus</u>
▪ Continue feasible expansions of Delta's distribution system with extensions and conversions (including new market areas)	Johnny Caudill	S
▪ Pursue economic development and the addition of larger volume customers in Delta's service area	Bob Hazelrigg	S
▪ Maintain and increase the utilization of base, incremental load and off-peak natural gas uses	Johnny Caudill/ Jeff Steele	S
▪ Pursue acquisitions of natural gas distribution, transmission, production and gathering assets	All Officers	L
▪ Consider acquisitions of systems providing other utility services when appropriate	Glenn Jennings	S
▪ Pursue increasing system throughput utilizing storage, pipeline, transportation and off-system sales opportunities	Alan Heath	S
▪ Continue programs to add new customers that are located on Delta's existing gas mains	Johnny Caudill/ Jeff Steele	S
▪ Consider operating facilities for utilities, producers and others and expanding services to other customers where feasible	Johnny Caudill/ Alan Heath	S

<ul style="list-style-type: none"> <li>▪ Promote and improve the competitive advantage of the Company's products and services</li> </ul>
--

	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Provide market responsive rates and services to enhance Delta's ability to compete; pursue rates that will be competitive with other energy sources (especially electric) in Delta's service area</li> </ul>	All Officers	S
<ul style="list-style-type: none"> <li>▪ Develop and utilize marketing strategies and plans to provide for Delta to effectively compete for existing and new markets</li> </ul>	Johnny Caudill/ Bob Hazelrigg/ Jeff Steele	S
<ul style="list-style-type: none"> <li>▪ Promote customer retention through appropriate means such as emphasis on the quality of products and services</li> </ul>	Johnny Caudill/ Jeff Steele	S
<ul style="list-style-type: none"> <li>▪ Maintain and pursue the improvement of efficiencies in all aspects of Delta's operations and reduce or contain costs where feasible to maintain competitiveness</li> </ul>	All Officers	S
<ul style="list-style-type: none"> <li>▪ Utilize performance indicators for internal trend analyses and external comparisons to provide information to assist in improving the Company's efficiency and productivity</li> </ul>	All Officers	S

<ul style="list-style-type: none"> <li>Conduct all business efforts, operations and financial reporting in an ethical and appropriately controlled manner and in compliance with applicable statutory and regulatory requirements</li> </ul>
--

	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>Continue to comply with the Sarbanes-Oxley Act of 2002 as well as related regulations from Federal agencies and NASDAQ</li> </ul>	Glenn Jennings/ John Hall/ John Brown	S
<ul style="list-style-type: none"> <li>Ensure compliance with Delta's Code of Conduct and Ethics as well as the written charters for the Board of Directors' committees</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>Continue to evaluate the corporate governance area and make necessary changes to ensure compliance with regulatory changes</li> </ul>	Glenn Jennings/ John Hall/ John Brown	S
<ul style="list-style-type: none"> <li>Maintain the internal audit/control function to meet the requirements of Sarbanes-Oxley and to provide adequately for Delta's needs</li> </ul>	Glenn Jennings/ John Hall/ John Brown/ Matt Wesolosky	S
<ul style="list-style-type: none"> <li>Maintain the internal control documentation, testing and certification required under Sarbanes-Oxley and ensure an adequate on-going method for quarterly and annual reviews/updates</li> </ul>	Glenn Jennings/ John Hall/ John Brown/ Matt Wesolosky	S
<ul style="list-style-type: none"> <li>Maintain an effective system of internal control for the Company</li> </ul>	Glenn Jennings/ John Hall/ John Brown/ Matt Wesolosky	S

**Delta Natural Gas Company, Inc.  
Review/Documentation of Risk  
Board of Directors' Meeting  
February 10, 2006**

**Summary of Risk Areas**

- (1) Cash Flow
- (2) Insurance
- (3) Regulatory/Legislative
- (4) Weather Impact
- (5) Computer Systems
- (6) Operations
- (7) Accounting/Financial Reporting
- (8) Taxes
- (9) Earnings Less Than Projected
- (10) Subsidiaries
- (11) Human Resources
- (12) Business Strategy
- (13) Change In Control
- (14) Stock Price Volatility
- (15) Economy/Inflation
- (16) Litigation
- (17) Competition

**(1) Risk Area:** Cash flow

**Risks:** Credit line could be insufficient

Cash flow fluctuations

**Management Responsibility:** Glenn Jennings, John Hall

**Controls:** Budgets prepared annually

Five-year cash flow projections annually

Monthly cash flow projections

Ability to seek rate relief

Management maintains good banking relationships

\$40 million line of credit with BB&T at 100 points over LIBOR

Approaching cash self-sufficiency



**(2) Risk Area:** Insurance

**Risks:** Insurance coverage may be inadequate

Insurance provider could fail

Insurance cost increases could hurt earnings

**Management Responsibility:** John Hall, Connie King

**Controls:** Broker/consultant works with Connie King

Bids obtained

Schedule of coverage and costs included each year with performance indicators

**(3) Risk Area:** Regulatory/Legislative

**Risks:** Regulatory lag

Recovery of all costs

GCR disallowance

Rate case risk for rate of return, rate design

Negative legislation

Negative regulations

Deterioration of the regulatory climate

**Management Responsibility:** Glenn Jennings, John Hall,  
Connie King, Bob Hazelrigg,

**Controls:** Management involvement with Commission and  
Staff and with rate cases

Commissioners are appointed by Governor, confirmed  
by Senate

Use of outside counsel and consultants

Management involvement in industry and with  
other regulated Kentucky companies

Monitoring legislative and regulatory activity

Input into legislative and regulatory activity

Last rate case in 2004 with 10.5% ROE

Weather normalization and gas cost recovery tariffs

**(4) Risk Area:** Weather impact

**Risks:** WNA not 100% of year, and adjusts only for residential and small non-residential customers

Negative rate impact of WNA

Not easy for customers to follow

Changes with each billing cycle

**Management Responsibility:** Glenn Jennings, John Hall,  
Connie King, John Brown

**Controls:** Rates adjust November to March usage

Management monitoring/involvement/review

**(5) Risk Area:** Computer systems

**Risks:** Interruption of use

Loss of information

Inappropriate access/use

Delayed billing/cash

**Management Responsibility:** John Brown

**Controls:** Back-up arrangements for AS-400

Restricted access

Passwords

File back up

**(6) Risk Area:** Operations

**Risks:** Facility failure

Explosion

Earthquake

Sabotage/terrorism

Storage gas failure/loss

Deliverability from suppliers

Month end balancing, balancing agreements on pipelines

**Management Responsibility:** Johnny Caudill, Alan Heath,  
John Hall, John Brown

**Controls:** Emergency practice covers much of this

Storage volume planned/controlled

Restricted physical access

Written Company practices, related training/emphasis

Insurance coverage for explosions, storage gas

Contracts with reliable suppliers

Sales/transportation budgeted by customer/class

Purchases are planned-volume and price

**(7) Risk Area:** Accounting/Financial reporting

**Risks:** Fraud

Financial statement misstatements

Incomplete disclosures

Lack of compliance with laws/regulations/generally accepted accounting procedures

Unrecorded liabilities

No limits on approvals

Judgmental areas such as accruals for bad debts, employee medical plan and taxes

**Management Responsibility:** Glenn Jennings, John Hall,  
John Brown, Alan Heath,  
Johnny Caudill

**Controls:** Internal audits/Manager of Internal Control

Trained, experienced, dedicated staff

External audits

Quarterly evaluation/review of internal control

Code of conduct/ethics

Limits on purchases- purchase orders required

Management review of contracts

Detailed budgets developed

Management review of monthly financial statements and budget reports

**(8) Risk Area:** Taxes

**Risks:** Open years for review by agencies

Penalties/fines

Adequacy of accruals on books

**Management Responsibility:** John Brown

**Controls:** Income tax returns reviewed by Deloitte.

Experienced staff

**(9) Risk Area:** Earnings less than projected

**Risks:** Revenue declines

Higher rates from rate cases and/or increased gas costs

Reduced consumption per degree day

Loss of customers/threat of bypass

Unexpected expense increases

Increased bad debts from higher rates

Negative effect of financial markets on pension expense

Short-term interest rates could increase

**Management Responsibility:** Glenn Jennings, John Hall,  
John Brown, Alan Heath,  
Brian Ramsey

**Controls:** Management bias to avoid rate cases

Costs can be recovered in rate cases

Last rate case in 2004- used 12/31/03 test year

Subsidiary earnings help to postpone rate increases

Turn-off and collection procedures

Efforts working with larger volume customers

Ability to enter special contracts



**(10) Risk Area:** Subsidiaries

**Risks:** Loss of customers/revenues/profits

Budgets include some subsidiary profits

Mis-matching purchase/sales volumes

Exposure to market price movement

Unapproved transactions

Unregulated

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Brian Ramsey, Steve York  
John Brown

**Controls:** Experienced, dedicated, focused staff

Match up of purchases/sales

Efforts to expand sales/transportation

Close contact with customers

Involvement of Glenn Jennings, Alan Heath in review of  
contracts/negotiations

Monthly monitoring of results by management

Information on internal EBB for management review

Regular gas supply/transportation meetings with senior  
management involvement

**(11) Risk Area:** Human Resources

**Risks:** Retention

Succession

Overtime

Benefit cost increases-health care, pension

Staffing levels

Health care self-insurance

Unionization

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown, Juanita Hensley

**Controls:** Evaluation process

Compensation system/process

Bonuses

Succession considered by management-depth maintained  
where possible

Individual/aggregate stop-loss coverage for health care

All vacancies closely evaluated/considered

Employee benefits committee (Jennings, Hall, Hensley,  
Caudill)

Overtime reporting/analysis monthly

**(12) Risk Area:** Business strategy

**Risks:** Lack of or inappropriate Company direction/focus

Improper diversification

Poor investments

Inadequate long-term planning

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Diverse, independent, involved Board of Directors

Experienced, competent management

Annual strategic plan

Annual performance indicators

Quarterly Board of Directors' meetings

Active Board Committees

Annual budget approved by Board of Directors  
prior to start of each fiscal year

Five-year earnings/cash flow/financing needs forecast  
updated annually with budget

Management and Board of Directors review/monitor  
actual results versus budget

**(13) Risk Area:** Change in control

**Risks:** Unfriendly or friendly change in control of Company stock at inappropriate price

Increased institutional ownership

**Management Responsibility:** Glenn Jennings, John Hall

**Controls:** Management contracts

Provisions in articles, by-laws, statutes

Company restrictions on large block sales in public offerings

Company preference for broad retail stock ownership

Staggered Board terms

Use of outside counsel, investment bankers, consultants

**(14) Risk Area:** Stock price volatility

**Risks:** Stock price drop

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Continuous effort to maintain good, consistent earnings

Strategic planning effort

Annual budget efforts

Maintain good relationships with brokers, analysts,  
investment bankers

Shareholder relations efforts

History of maintaining/improving cash dividend

**(15) Risk Area:** Economy/inflation

**Risks:** Economic downturn/lack of growth

Increased inflation

Higher interest rates

Higher unemployment

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Ability to seek rate increases

Presence of strategic plan and budget each year

Ability to adjust spending

Credit line availability

Strong balance sheet

**(16) Risk Area: Litigation**

**Risks:** Lawsuits against Company

Economic problem not insured or insurable

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Maintenance of insurance coverage

Employee training efforts

Use of experienced outside legal counsel

Efforts by employees to do the right thing, treat everyone fairly

Treat all employees fairly, with respect

Active Board of Directors' committees with written charters

Company Code of Conduct/Ethics applicable to all employees and the Board of Directors

**(17) Risk Area:** Competition

**Risks:** Higher rates make Company less competitive

Low electric rates

Service quality decline

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown, Jeff Steele

**Controls:** Efforts to keep rates as low as possible

Monitor/compare with others' rates

Emphasize the quality of Company products/services

Cannot always be the lowest cost, but always  
strive to be the best

Stay close to the customer/local presence

Customer feedback

District office concept- district call centers/service



## 2005 Shareholder Survey Summary

(mailed with 9/15/05 dividend checks)

1. Overall, how would you rate Delta as an investment opportunity?
 

Excellent - 56	Good - 61	Poor - 1
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2. What is the primary reason you hold your Delta stock?
 

Capital appreciation - 28	Dividend income - 101	Other - 9
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3. How would you rate Delta's stock transfer agent, in each of the following areas:
  - Prompt response to shareholder request –
 

Excellent - 43	Good - 41	Poor - 4
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  - Quality and accuracy of response –
 

Excellent - 43	Good - 45	Poor - 4
----------------	-----------	----------
  
  - Adequacy of information provided –
 

Excellent - 45	Good - 44	Poor - 3
----------------	-----------	----------
  
4. Overall, how would you rate the usefulness of Delta's annual report in helping you to understand the company?
 

Excellent - 41	Good - 64	Poor - 1
----------------	-----------	----------
  
5. Would you like to receive information concerning Delta's Dividend Reinvestment and Stock Purchase Plan?
 

Yes – 36 sets mailed
  
6. Please provide any comments, suggestions or concerns.
 

Been pleased with investment, satisfied	7
Raise dividends, dividends too low	3
Mail dividends payments on time	2
Concerned about effects of hurricanes	1

Total shareholder survey cards received – 118

**Minutes of Regular Annual Meeting of Board of Directors  
of Delta Natural Gas Company, Inc. Held at the Offices  
of the Company in Winchester, Kentucky on November 17, 2005**

The regular annual meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the principal office of the Company at 3617 Lexington Road, Winchester, Kentucky on November 17, 2005 beginning at 11:30 a.m., E.S.T., immediately following the annual stockholders' meeting, pursuant to notice hereto attached as Exhibit I.

The following directors were present: Donald R. Crowe, Lanny D. Greer, Billy Joe Hall, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet, Arthur E. Walker, Jr. and Michael R. Whitley. Jane Hylton Green was absent.

The meeting was called to order, then upon motion duly made, seconded and carried unanimously, it was

RESOLVED, that Harrison D. Peet be elected temporary chairman and John F. Hall be elected temporary secretary.

The chairman announced a quorum and the meeting proceeded.

The first order of business was the approval of the minutes of the regular quarterly meeting held August 16, 2005. Copies of said minutes had been circulated to all directors prior to the meeting. Upon motion duly made, seconded and carried unanimously, it was

RESOLVED, that the minutes of the regular quarterly meeting held August 16, 2005 as circulated, be approved and that reading of said minutes be waived.

The Chairman proceeded to new business.

The recommendations of a chairman and officers for the ensuing year as proposed by the Corporate Governance and Compensation Committee at a meeting held on August 12, 2005 were presented by its chairman, Lewis N. Melton. Following discussion, on motion duly made, seconded and carried unanimously it was

**RESOLVED**, that the following officers and chairman of the board be elected to serve as officers of Delta Natural Gas Company, Inc. beginning November 17, 2005 for the ensuing year or until their successors are elected and qualified.

Glenn R. Jennings	Chairman of the Board, President and Chief Executive Officer
John B. Brown	Vice President – Controller and Assistant Secretary
Johnny L. Caudill	Vice President – Administration and Customer Service and Assistant Treasurer
John F. Hall	Vice President – Finance, Secretary and Treasurer
Alan L. Heath	Vice President – Operations and Engineering

**FURTHER RESOLVED**, that Harrison D. Peet be named Emeritus Chairman of the Board beginning November 17, 2005 for the ensuing year and that effective December 1, 2005 his compensation of

**FURTHER RESOLVED**, that effective December 1, 2005 Glenn R. Jennings' annual salary be increased to

Mr. Jennings reviewed with the Board the many contributions of Mr. Peet to Delta. After discussion, upon motion duly made, seconded and carried unanimously, it was

RESOLVED, that Delta's Board of Directors recognizes and commends Harrison D. Peet, Founder and Emeritus Chairman of the Board of Delta Natural Gas Company, Inc., for his exemplary service as Chairman of the Board from the Company's founding on October 10, 1949 through November 17, 2005.

RESOLVED, that Delta's Board of Directors recognizes and commends Harrison D. Peet, Founder and Emeritus Chairman of the Board of Delta Natural Gas Company, Inc., for his exemplary service as Chairman of the Board from the Company's founding on October 10, 1949 through November 17, 2005.

RESOLVED FURTHER, that Delta's Board of Directors expresses its appreciation to Mr. Peet, that, as Delta's Founder, Chairman and President, he led Delta in its formative stages and through periods of intense internal expansion as well as significant growth through acquisitions.

RESOLVED FURTHER, that Delta's Board of Directors acknowledges that Mr. Peet displayed the wisdom and integrity to effectively direct Delta in all its endeavors and to provide for the Company's long-term success and prosperity.

RESOLVED FURTHER, that Delta's Board of Directors expresses its appreciation for Mr. Peet's leadership, foresight, judgment and significant contributions in every area of the Company and sincerely thanks him for his guidance of the Board and the Company.

RESOLVED FURTHER, that Delta's Board of Directors looks forward to Mr. Peet's continued contributions to Delta as a Board member, and recognizes that the knowledge and experience he provides as Emeritus Chairman of the Board are of significant value to Delta and to the Board of Directors.

A Financial Report for the period ended September 30, 2005 had been prepared and mailed to all directors prior to the meeting. Mr. Jennings reviewed data from the Report at the meeting and a copy of the Report is attached, marked Exhibit II.

The declaration of a dividend on common stock was discussed; upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that a dividend on common stock of \$.30 per share for the period ended September 30, 2005 be paid to common stockholders of record as of the close of business on December 1, 2005; said dividend to be paid December 15, 2005.

Michael J. Kistner, Chairman of the Audit Committee, reviewed with the Board the committee's meeting held on November 7, 2005.

Mr. Jennings reviewed with the Board the Committee assignments. After discussion, upon motion duly made, seconded and carried unanimously, it was

RESOLVED that the Board committees, members and chairmen, be ratified and approved as listed below:

Audit Committee

Michael Kistner – Chairman  
Donald Crowe  
Lanny D. Greer  
Billy Joe Hall  
Michael Whitley

Corporate Governance and Compensation Committee

Nick Melton – Chairman  
Jane Green  
Michael Kistner  
Arthur Walker  
Michael Whitley

Executive Committee

Glenn Jennings – Chairman  
Billy Joe Hall  
Nick Melton  
Harrison Peet  
Arthur Walker

Mr. Jennings explained to the Board the proposal to amend Delta's existing Dividend Reinvestment and Stock Purchase Plan ("DRIP"). The Board had been sent a draft of the revised Plan with the Notice. Mr. Jennings explained that the Agency Agreement with Computershare LLC was a change from the previous Plan that used Fifth Third Bank. The Board also had previously been sent with the Notice a draft of the registration statement that will be filed with the Securities and Exchange Commission ("SEC") in connection with the amended Plan.

Mr. Jennings explained to the Board the success of Delta's existing DRIP and the need to continue the Plan. The purpose for registering additional shares is because Delta has sold nearly all of its last registered shares, which were registered five years ago. Mr. Jennings explained that the Plan as amended included the option of letting the Agent sell participant's shares held in the Plan.

Mr. Jennings reviewed with the Board the latest 10-K and 10-Q filed with the SEC and explained the registration statement the Board had received with the Notice of the meeting. Mr. Jennings explained the basic content of the registration statement and the technique by which Delta's latest 10-K and 10-Q are incorporated into the registration statement. Mr. Jennings explained that Directors are liable for any material misstatements in the registration statement or the documents incorporated by reference.

Mr. Jennings explained Directors' due diligence defenses to any such liability claims and emphasized that Directors should review the registration statement and the incorporated documents carefully.

After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the amended and restated Dividend Reinvestment Plan (DRIP) attached hereto (the DRIP or the Plan) is hereby approved for the Company, and the Board of Directors affirms and ratifies all prior actions of the Company's officers with regard thereto and specifically authorizes such further actions by the officers of the Company as are reasonable for the formation, operation and administration of the DRIP, including but not limited to:

- (1) Seeking and obtaining all regulatory approval necessary for the formation operation and administration of the DRIP, including but not limited to preparing, executing and filing all necessary applications, documents, etc., with the Kentucky Public Service Commission.
- (2) Preparing, executing and approving the terms of all contracts, documents and arrangements necessary for the formation, operation and administration of the DRIP, including but not limited to the contract with an agent responsible for investing participants' funds and keeping continuous records of participants' accounts.
- (3) Retaining such professionals, including attorneys, accountants, brokers, bankers, trust officers, etc., as are necessary to the formation, operation and administration of the DRIP; and
- (4) Changing the terms of the DRIP, provided that such changes shall not deviate materially from the terms described by the Plan.

**RESOLVED**, that the Board of Directors of the Company affirms and ratifies the authority of the officers of the Company to prepare a registration statement (the "Registration Statement") for the proposed public sale of 200,000 shares of the Company's common stock, \$1.00 par value in connection with the Plan.

**RESOLVED FURTHER**, that the officers of the Company are authorized to cause the Registration Statement in substantially the form previously submitted to the Directors to be filed with the Securities and Exchange Commission (the "SEC"), provided, however, that the officers are authorized to make such changes in the registration statement as they reasonably consider necessary.

**RESOLVED FURTHER**, that Glenn R. Jennings or John F. Hall is authorized to sign said Registration Statement on behalf of the Company.

**RESOLVED FURTHER**, that the officers of the Company are authorized to prepare on behalf of the Company such further amendments to the Registration Statement as they shall deem desirable, to produce all other necessary signatures thereto and to file such amendments with the SEC.

**RESOLVED FURTHER**, that Glenn R. Jennings or John F. Hall is authorized to sign on behalf of the Company any such further amendments to the Registration Statement as they shall deem desirable.

**RESOLVED FURTHER**, that Glenn R. Jennings is designated as agent for service with respect to said Registration Statement, with all the powers provided in the Rules and Regulations of the SEC with respect to an agent for service.

**RESOLVED FURTHER**, that said officers are hereby authorized to perform on behalf of the Company any and all acts as they may deem necessary or advisable in order to comply with the applicable securities laws of any states, including all provisions respecting the registration of securities and respecting the necessary qualification of persons as brokers, dealers, agents, etc. under such laws, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and the execution by such officers of such papers and documents or the doing by them of any action in connection with the foregoing matters shall conclusively establish their authority therefore from the Company and the approval and ratification by the Company of the papers and documents so executed and the action so taken.

**RESOLVED FURTHER**, that Glenn R. Jennings or John F. Hall is authorized to take any and all steps necessary to secure the effectiveness of the Company's Registration Statement, including, but not limited to, the



filing of a request for acceleration of the Registration Statement, and is authorized to take any and all actions necessary to complete the offer and sale of the common stock.

**RESOLVED FURTHER**, that the proper officers of the Company are authorized to cause to be issued and delivered in accordance with the terms of the foregoing resolutions certificates representing the common stock.

**RESOLVED FURTHER**, that the officers of the Company are authorized to take all such further actions as the officers shall deem advisable to carry out the purposes of the foregoing resolutions.

**RESOLVED FURTHER**, that the Dividend Reinvestment Plan Committee (Committee) is delegated the authority to administer the Plan on behalf of the Company, and the Committee shall consist of the Company's Chief Executive Officer and its Chief Financial Officer, it being the intention of the Board that the Company's future Chief Executive Officers and Chief Financial Officers automatically become members of the Committee without further action by the Board.

Mr. Jennings updated the Board on the status of a potential refinancing of Delta's 7.15% Debentures due 2018.

Mr. Jennings discussed with the Board the possibility of

Mr. Jennings reviewed with the Board the renewal and modification of Delta's line of credit with the Branch Banking and Trust Company. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the Modification Agreement, a copy of which is attached as Exhibit III, between Branch Banking and Trust Company (the "Bank") and Delta Natural Gas Company, Inc. (the "Company"), whereby the Bank and the Company have agreed (with the modifications set forth in the said Modification Agreement) to (i) extension of the payment of a promissory note made by the Company to the order of the Bank in the face principal amount of \$40,000,000 dated as of October 31, 2002 and (ii) continuation of the terms of an accompanying Loan Agreement of same

date, be and such Modification Agreement (including its execution by Glenn R. Jennings on or about August 12, 2005) is hereby approved, ratified and confirmed.

Mr. Jennings updated the Board on possible

Mr. Jennings reviewed with the Board data provided by Edward Jones attached as Exhibit IV.

Mr. Jennings reviewed with the Board the decline in the average residential customer usage attached as Exhibit V.

Mr. Jennings reviewed with the Board the leadership group of Delta and discussed succession planning for members of that group.

Mr. Jennings reminded the Board of the December 8, 2005 employee meeting to be held at the Corbin Center in Corbin, Kentucky.

Mr. Jennings also reminded the Board of the Strategic Planning meeting to be held at the Corbin office on January 4, 2006.

The updated Directors and Officers list (Exhibit VI) was revised, effective November 17, 2005 and distributed to the Board and Officers.

The next Board meeting was announced for February 10, 2006 at 10:00 a.m. at Delta's Winchester office.

An executive session was held without Mr. Jennings and Mr. Hall. There were no items requiring action from that session.

There being no further business to come before the meeting, the meeting was adjourned.

Glenn R. Jennings  
Chairman

Attest:

John F. Hall  
Secretary



**Delta Natural Gas Company, Inc.**

3617 Lexington Road  
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171

FAX: 859-744-3623

November 3, 2005

John F. Hall  
81 Mockingbird Valley Road  
Winchester, KY 40391

Dear John:

Notice is hereby given that the annual meeting of the Board of Directors of Delta Natural Gas Company, Inc. will be held at the offices of the Company, 3617 Lexington Road, Winchester, Kentucky, on Thursday, November 17, 2005. This meeting will be held immediately following the Annual Meeting of the Shareholders which will be held at 10:00 a.m., E.S.T., on the same day.

Matters to be considered and voted upon are as follows:

1. Election of officers for the ensuing year.
2. Common Stock Dividend (quarterly) for the period ended September 30, 2005, record date of December 1, 2005, to be paid December 15, 2005.
3. Renewal of Dividend Reinvestment and Stock Purchase Plan.
4. Transact such other business as may properly come before said meeting

In order to expedite action, we are enclosing: 1) A copy of the minutes of the regular quarterly director's meeting held August 16, 2005, 2) A copy of the minutes of the Annual Meeting of Shareholders held November 18, 2004, 3) A copy of the Financial Reports for the period ending September 30, 2005, and 4) Draft Registration Statement and Dividend Reinvestment Plan.

Lunch will be served downstairs after the meeting.

Sincerely,

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

/epb  
enclosures

Delta Natural Gas Company, Inc.  
Board of Directors' Meeting - 11/17/2005  
President's Report

	Periods ended September 30,				
	3 months			12 months	
	<u>2005</u> <u>Actual</u>	2005 <u>Budget</u>	2004 <u>Actual</u>	<u>2005</u> <u>Actual</u>	2004 <u>Actual</u>
Retail Sales Volumes	<u>200</u>		<u>230</u>	<u>3,469</u>	<u>3,911</u>
Transportation Volumes					
- off system	<u>2,075</u>		1,541	<u>7,728</u>	6,993
- on system	<u>1,179</u>		<u>1,169</u>	<u>5,282</u>	<u>5,044</u>
Total Transportation	<u>3,254</u>		<u>2,710</u>	<u>13,010</u>	<u>12,037</u>
Total Throughput (million cubic feet)	<u>3,454</u>		<u>2,940</u>	<u>16,479</u>	<u>15,948</u>
Actual Lexington Billed Degree Days as % of 30 Year Average	<u>0</u>		23.2	<u>91.6</u>	96.4
Net Income (Loss) (\$000)	<u>(574)</u>		(1,121)	<u>5,545</u>	3,581
Net Income (Loss) Per Common Share (\$)	<u>(.18)</u>		(.35)	<u>1.72</u>	1.12

The attached detailed financial data is provided for further information and review. In summary, for the past twelve months, weather was warmer than the previous year, but the impact from the last rate case, increased subsidiary earnings and weather adjusted rates helped to offset some of the impact. Also, unbilled revenues are recorded in 2005. Increased transportation revenues helped 2005 earnings, but increased payroll, employee benefit and insurance costs reduced earnings.

The normal loss for the three months ended September 30 was

## DELTA NATURAL GAS COMPANY, INC.

## BALANCE SHEET

September 30, 2005

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
<b>GAS UTILITY PLANT, AT COST</b>	\$ 174,547,934	\$ 168,413,637
Less - Reserve for Depreciation	<u>57,504,219</u>	<u>55,125,407</u>
	\$ <u>117,043,715</u>	\$ <u>113,288,230</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 172,112	\$ 170,201
Receivables	4,984,590	2,371,971
Deferred Gas Cost	4,292,143	1,998,880
Gas in Storage, at Cost	12,626,859	13,490,045
Materials and Supplies, at Cost	683,273	373,306
Prepayments	<u>1,546,024</u>	<u>895,334</u>
	\$ <u>24,305,001</u>	\$ <u>19,299,737</u>
<b>OTHER ASSETS:</b>		
Cash Surrender Value of Life Insurance	\$ 387,193	\$ 376,930
Unamortized Expenses	3,771,749	4,007,933
Receivable/Investment in Subsidiaries	3,451,295	961,849
Other	<u>3,309,184</u>	<u>2,871,895</u>
	\$ <u>10,919,421</u>	\$ <u>8,218,607</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>152,268,137</u></b>	<b>\$ <u>140,806,574</u></b>
<b>LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock	\$ 3,237,149	\$ 3,212,125
Paid-in Surplus	45,171,632	44,513,069
Capital Stock Expense	(2,597,999)	(2,597,999)
Accum Other Comprehensive Income	0	0
Retained Earnings	<u>3,649,653</u>	<u>1,924,223</u>
Total Common Equity	\$ 49,460,435	\$ 47,051,418
Long-term Debt	<u>52,635,000</u>	<u>53,003,000</u>
Total Capitalization	\$ <u>102,095,435</u>	\$ <u>100,054,418</u>
<b>CURRENT LIABILITIES:</b>		
Notes Payable	\$ 15,508,746	\$ 14,701,251
Current Portion of Long-Term Debt	1,650,000	1,650,000
Accounts Payable	6,985,789	2,771,619
Accrued Taxes	426,052	(295,560)
Refunds Due Customers	245	130
Customer Deposits	456,665	449,481
Accrued Interest	1,532,717	1,503,049
Current Deferred Income Taxes	999,700	0
Other	<u>1,079,372</u>	<u>935,251</u>
	\$ <u>28,639,286</u>	\$ <u>21,715,221</u>
<b>DEFERRED CREDITS AND OTHER:</b>		
Deferred Income Taxes	\$ 18,503,900	\$ 17,971,811
Deferred Investment Tax Credit	278,800	316,700
Regulatory Items	2,582,238	641,625
Advances for Construction and Other	168,478	106,799
Accum Provision for Pensions & Benefit	<u>0</u>	<u>0</u>
	\$ <u>21,533,416</u>	\$ <u>19,036,935</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>152,268,137</u></b>	<b>\$ <u>140,806,574</u></b>

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

September 30, 2005

	3 MONTH TO DATE		12 MONTHS ENDED	
	2005	2004	2005	2004
<b>OPERATING REVENUES</b>	\$ 6,064,197	\$ 5,159,332	\$ 56,471,516	\$ 55,303,335
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 2,384,034	\$ 1,888,708	\$ 29,440,106	\$ 30,947,609
Operations	2,494,076	2,580,095	11,150,888	10,075,366
Maintenance	163,259	198,188	621,400	662,933
Depreciation	998,823	1,113,216	4,010,286	4,383,633
Property & Other Taxes	383,257	408,366	1,639,416	1,606,424
Income Taxes	(570,200)	(804,900)	1,935,700	1,230,900
Total	\$ 5,853,249	\$ 5,383,673	\$ 48,797,796	\$ 48,906,865
Operating Income	\$ 210,948	\$ (224,341)	7,673,720	6,396,470
<b>OTHER INCOME/(EXPENSES),NET</b>	351,572	204,524	2,400,520	1,591,200
Gross Income	\$ 562,520	\$ (19,817)	10,074,240	7,987,670
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 1,077,944	\$ 1,041,887	\$ 4,293,157	\$ 4,170,454
Amortization	59,045	59,045	236,184	236,183
Other	-	-	-	-
Total	\$ 1,136,989	\$ 1,100,932	4,529,341	4,406,637
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ (574,469)	\$ (1,120,749)	5,544,899	3,581,033
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ (0.18)	\$ (0.35)	1.72	1.12
<b>CUSTOMERS AT END OF PERIOD</b>			36,677	37,333

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**September 30, 2005**

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over			This Year Over			This Year	Last Year
	(Under ) Budget	This Year	Last Year	(Under ) Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA			11			13	4,280	4,500
<b>MCF'S:</b>								
DELTA NATURAL								
RESIDENTIAL		29,693	37,145		86,376	99,919	1,978,743	2,206,057
SMALL COMMERCIAL		10,476	12,357		30,120	33,673	572,032	670,363
COMMERCIAL - OTHER		25,803	29,679		69,555	79,857	766,900	870,208
INDUSTRIAL		5,431	6,122		14,362	16,832	151,470	164,837
TOTAL SOLD		71,403	85,303		200,413	230,281	3,469,145	3,911,465
OFF SYSTEM		752,218	482,775		2,074,941	1,540,361	7,728,161	6,992,573
ON SYSTEM		400,681	388,445		1,178,616	1,169,207	5,282,334	5,043,595
TOTAL TRANSPORTED		1,152,899	871,220		3,253,557	2,709,568	13,010,495	12,036,168
TOTAL DELTA NATURAL		1,224,302	956,523		3,453,970	2,939,849	16,479,640	15,947,633
RESOURCES ON SYS INCL		157,748	129,354		429,149	395,408	2,026,256	1,860,850
DELGASCO OFF SYS INCL		180,962	106,665		404,789	315,501	1,927,679	1,909,300
<b>REVENUES:</b>								
DELTA NATURAL								
RETAIL SALES		1,599,032	1,376,311		4,497,150	3,806,308	48,388,638	49,222,043
UNBILLED REVENUE		(51,099)	-		30,659	-	1,277,215	-
MISC OPERATING		10,279	7,775		39,242	24,650	225,532	200,368
OFF SYS TRANSPORT		214,891	142,659		593,782	454,243	2,238,521	2,051,759
ON SYS TRANSPORT		313,354	299,216		903,365	874,131	4,341,610	3,829,166
TOTAL DELTA NATURAL		2,086,457	1,825,961		6,064,198	5,159,332	56,471,516	55,303,335
RESOURCES ON SYS SALES		1,861,113	784,309		4,124,153	2,557,878	16,550,231	11,703,390
DELGASCO OFF SYS SALES		2,154,023	598,279		4,003,136	2,059,463	15,438,533	11,750,216
TOTAL CONSOLIDATED		6,101,593	3,208,549		14,191,487	9,776,673	88,460,280	78,756,942
<b>GAS COSTS:</b>								
DELTA NATURAL		873,023	716,041		2,348,404	1,888,708	28,774,502	30,947,609
DELTA NATURAL UNBILLED GAS COST		(57,914)	-		35,630	-	665,605	-
DELTA RESOURCES		1,778,443	700,514		3,881,990	2,359,806	14,720,623	10,566,030
DELGASCO		2,120,789	603,646		3,910,101	1,997,900	14,569,996	11,321,516
TOTAL CONSOLIDATED		4,714,341	2,020,201		10,176,125	6,246,414	58,730,726	52,835,155
<b>NET SALES:</b>								
DELTA NATURAL EXCLUDING UNBILLED		726,009	660,270		2,148,746	1,917,600	19,614,136	18,274,434
DELTA NATURAL UNBILLED		6,815	-		(4,971)	-	611,610	-
DELTA RESOURCES TOTAL		82,670	83,795		242,163	198,072	1,829,608	1,137,360
DELGASCO		33,234	(5,367)		93,035	61,563	868,537	428,701
TOTAL CONSOLIDATED		848,728	738,698		2,478,973	2,177,235	22,923,891	19,840,494
<b>PER MCF:</b>								
DELTA NATURAL								
TOTAL SALES		22.3945	16.1344		22.4394	16.5290	13.9483	12.5840
COST OF GAS		12.2267	8.3941		11.7178	8.2018	8.2944	7.9120
NET SALES		10.1678	7.7403		10.7216	8.3272	5.6539	4.6720
DELTA RESOURCES								
TOTAL SALES		11.7980	6.0633		9.6101	6.4690	8.1679	6.2893
COST OF GAS		11.2739	5.4155		9.0458	5.9680	7.2649	5.6781
NET SALES		0.5241	0.6478		0.5643	0.5009	0.9030	0.6112
DELGASCO								
TOTAL SALES		11.9032	5.6090		9.8894	6.5276	8.0089	6.1542
COST OF GAS		11.7195	5.6593		9.6596	6.3325	7.5583	5.9297
NET SALES		0.1837	(0.0503)		0.2298	0.1951	0.4506	0.2245
<b>DELTA NATURAL ONLY:</b>								
% Change to Customers Between Yrs	Total Cost	38.8%			35.8%		10.8%	
	Gas Cost	23.8%			21.3%		3.0%	
	Net Sales	15.0%			14.5%		7.8%	



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
 Income Statement - Delta Natural Gas Co  
 July 01, 2005 - September 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>01</b>							
<b>OPERATING REVENUES</b>							
<b>General Service Rate Billed</b>							
Residential	784,261.56CR	705,485.80CR	2,309,335.36CR		1,958,563.41CR	29,050,028.13CR	28,666,427.29CR
Small Commercial	257,274.23CR	220,481.89CR	731,643.71CR		614,959.83CR	8,157,339.49CR	8,626,289.45CR
Other Commercial	421,110.52CR	378,921.79CR	1,260,352.04CR		1,037,272.26CR	10,066,826.18CR	10,102,544.36CR
Industrial	59,133.05CR	49,340.40CR	170,434.68CR		139,669.20CR	1,377,187.09CR	1,265,400.63CR
Unmetered Gas Light	884.88CR	1,243.55CR	1,745.18CR		3,640.08CR	6,680.53CR	13,854.06CR
Residential WNA	.00	.00	.00		.00	463,176.22CR	42,004.80CR
Small Non-Residential WNA	.00	.00	.00		.00	119,568.88CR	10,338.11CR
Weather Normalization Revenu	.00	.00	.00		.00	582,745.10CR	52,342.91CR
<b>Total General Service Ra</b>	<b>1,522,664.24CR</b>	<b>1,355,473.43CR</b>	<b>4,473,510.97CR</b>		<b>3,754,104.78CR</b>	<b>49,240,806.52CR</b>	<b>48,726,858.70CR</b>
<b>Interruptible Rate Billed</b>							
Commercial	.00	.00	.00		.00	25,153.92CR	28,409.80CR
Industrial	25,268.49CR	20,836.88CR	54,297.98CR		52,202.94CR	399,893.22CR	466,773.76CR
<b>Total Interruptible Rate</b>	<b>25,268.49CR</b>	<b>20,836.88CR</b>	<b>54,297.98CR</b>		<b>52,202.94CR</b>	<b>425,047.14CR</b>	<b>495,183.56CR</b>
<b>Total Gas Revenue</b>	<b>1,547,932.73CR</b>	<b>1,376,310.31CR</b>	<b>4,527,808.95CR</b>		<b>3,806,307.72CR</b>	<b>49,665,853.66CR</b>	<b>49,222,042.26CR</b>
Miscellaneous Operating Revenue	10,279.00CR	7,775.00CR	39,242.00CR		24,650.00CR	225,531.90CR	200,368.00CR
Off System Transportation Reven	214,890.52CR	142,658.36CR	593,781.50CR		454,242.62CR	2,238,520.96CR	2,051,758.54CR
On System Transportation Revenu	313,353.26CR	299,216.20CR	903,364.90CR		874,131.16CR	4,341,610.22CR	3,829,165.62CR
<b>TOTAL OPERATING REVENUE</b>	<b>2,086,455.51CR</b>	<b>1,825,959.87CR</b>	<b>6,064,197.35CR</b>		<b>5,159,331.50CR</b>	<b>56,471,516.74CR</b>	<b>55,303,334.42CR</b>
<b>OPERATING EXPENSES</b>							
<b>Purchased Gas</b>	<b>815,109.07</b>	<b>716,041.91</b>	<b>2,384,033.99</b>		<b>1,888,708.34</b>	<b>29,440,105.84</b>	<b>30,947,609.25</b>
Recovery of Canada Mountain	.00	.00	.00		.00	.00	.00
<b>Purchased Gas, net</b>	<b>815,109.07</b>	<b>716,041.91</b>	<b>2,384,033.99</b>		<b>1,888,708.34</b>	<b>29,440,105.84</b>	<b>30,947,609.25</b>
<b>Operation Expense</b>							
Labor	499,158.88	466,353.83	1,470,853.92		1,434,219.02	6,472,583.90	5,758,686.73
Transportation	53,347.36	63,225.20	161,878.84		190,825.35	659,703.56	791,346.22

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta

July 01, 2005 - September 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
General Operations	32,444.88	44,074.03	99,429.86		117,467.01	370,935.91	377,601.56
Customer Billing	23,810.17	14,469.38	61,717.52		65,658.63	240,666.22	231,162.01
Uncollectible Accounts	42,500.00	80,315.73	127,500.00		164,215.73	430,326.04	469,675.53
Administrative	39,446.65	20,369.98	135,802.41		84,786.71	546,124.39	456,959.10
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Outside Services	64,639.38	41,442.95	141,443.65		123,359.63	674,714.83	723,428.27
Insurance	76,239.60	48,491.28	184,921.86		172,226.92	768,019.20	608,408.43
Employee Benefits	192,330.36	256,230.81	526,973.64		586,728.13	2,416,119.47	2,102,163.38
General Administration	61,480.88	90,420.53	138,973.56		174,639.25	807,266.90	705,029.97
Expenses Transferred	211,575.54CR	206,634.35CR	630,314.35CR		610,756.90CR	2,516,290.33CR	2,434,513.26CR
Other:	23,985.17	37,225.93	74,895.58		76,725.30	280,718.70	285,418.69
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Total Operation Expense	897,807.79	955,985.30	2,494,076.49		2,580,094.78	11,150,888.79	10,075,366.63
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Maintenance Expense							
Labor	7,565.67	8,640.84	22,084.94		52,317.02	91,528.69	145,196.70
Transportation	2,599.28	4,611.35	6,971.62		27,033.48	30,720.07	73,850.86
Mains	5,434.28	6,242.91	12,386.30		29,871.45	64,310.95	76,709.17
Meter & Regulators	2,461.88	1,762.81	15,586.08		5,416.57	62,532.37	39,765.11
Other	33,822.11	25,841.54	106,230.47		83,549.54	372,308.13	327,411.04
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Total Maintenance Expense	51,883.22	47,099.45	163,259.41		198,188.06	621,400.21	662,932.88
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Depreciation Expense	333,779.37	371,323.17	998,823.25		1,113,216.44	4,010,286.28	4,383,632.59
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Taxes Other Than Income Taxes							
Property Taxes	87,725.00	94,656.00	263,175.00		283,928.00	1,106,258.50	1,106,430.05
Payroll Taxes	39,307.99	38,427.27	120,081.50		124,438.02	533,156.54	499,993.71
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Total Other Taxes	127,032.99	133,083.27	383,256.50		408,366.02	1,639,415.04	1,606,423.76
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Income Taxes							
Current Federal	184,325.00CR	286,575.00CR	543,275.00CR		789,000.00CR	423,675.00CR	894,975.00CR
Current State	.00	.00	.00		.00	106,800.00CR	296,700.00
Deferred Federal & State	13,275.00CR	2,125.00CR	17,525.00CR		6,400.00CR	2,504,075.00	1,867,475.00
Investment Tax Credit-Net	3,133.33CR	3,166.67CR	9,400.03CR		9,499.97CR	37,900.06CR	38,299.97CR
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Total Income Taxes	200,733.33CR	291,866.67CR	570,200.03CR		804,899.97CR	1,935,699.94	1,230,900.03
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TOTAL OPERATING EXPENSES	2,024,879.11	1,931,666.43	5,853,249.61		5,383,673.67	48,797,796.10	48,906,865.14

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta

July 01, 2005 - September 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
OPERATING INCOME	61,576.40CR	105,706.56	210,947.74CR		224,342.17	7,673,720.64CR	6,396,469.28CR
NON REGULATED INCOME							
Net Income from Subsidiaries	127,422.00CR	48,295.00CR	338,721.00CR		192,249.00CR	2,345,200.00CR	1,529,273.00CR
Income Tax Non Regulated	1,900.00	2,000.00	7,900.00		7,500.00	36,000.00	32,600.00
Other Net Inc Before Inc Taxes	4,917.79CR	5,200.61CR	20,750.91CR		19,775.03CR	91,319.20CR	94,527.18CR
Net Non Regulated Income	130,439.79CR	51,495.61CR	351,571.91CR		204,524.03CR	2,400,519.20CR	1,591,200.18CR
Income Before Interest Charges	192,016.19CR	54,210.95	562,519.65CR		19,818.14	10,074,239.84CR	7,987,669.46CR
INTEREST CHARGES							
Interest On Long-Term Debt	316,230.50	318,447.73	949,430.50		955,347.73	3,803,775.43	3,830,044.36
Interest On Short-Term Debt	49,307.53	34,575.07	121,706.44		79,829.35	458,490.16	310,635.61
Other Interest	2,308.29	2,538.98	6,806.81		6,709.37	30,891.02	29,772.03
Amortization of Debt Expense	19,681.75	19,681.75	59,045.25		59,045.25	236,184.00	236,183.50
Total Interest Charges	387,528.07	375,243.53	1,136,989.00		1,100,931.70	4,529,340.61	4,406,635.50
NET INCOME	195,511.88	429,454.48	574,469.35		1,120,749.84	5,544,899.23CR	3,581,033.96CR

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta Resources

July 01, 2005 - September 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>02</b>							
<b>Revenues</b>							
Other Revenue	3,361.42	1,741.13CR	3,375.21CR		4,306.18CR	16,144.61CR	2,690.48CR
Sales To Parent	.00	.00	.00		.00	.00	.00
Sales To Others	2,076,335.58CR	986,253.76CR	4,727,293.99CR		3,145,761.81CR	19,335,956.84CR	14,297,665.93CR
<b>Total Revenues</b>	<b>2,072,974.16CR</b>	<b>987,994.89CR</b>	<b>4,730,669.20CR</b>		<b>3,150,067.99CR</b>	<b>19,352,101.45CR</b>	<b>14,300,356.41CR</b>
<b>Expenses</b>							
Purchased Gas	1,778,443.00	700,514.35	3,881,989.62		2,359,806.36	14,720,621.98	10,566,030.19
Transportation Fee	215,222.57	201,945.06	603,141.50		587,883.81	2,785,726.35	2,594,276.01
Uncollectible Accounts	.00	.00	.00		.00	.00	.00
Outside Services	3,023.00	1,927.00	7,540.00		4,927.00	75,939.00	23,996.03
Taxes - Non Income	.00	.00	.00		.00	.00	.00
Income Taxes	28,000.00	30,600.00	87,200.00		72,300.00	693,800.00	436,400.00
<b>Total Expenses</b>	<b>2,024,688.57</b>	<b>934,986.41</b>	<b>4,579,871.12</b>		<b>3,024,917.17</b>	<b>18,276,087.33</b>	<b>13,620,702.23</b>
<b>Net Income</b>	<b>48,285.59CR</b>	<b>53,008.48CR</b>	<b>150,798.08CR</b>		<b>125,150.82CR</b>	<b>1,076,014.12CR</b>	<b>679,654.18CR</b>

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delgasco

July 01, 2005 - September 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
03							
Revenues							
Other Revenue	1,748.93CR	1,401.60CR	5,371.68CR		3,399.98CR	9,011.71CR	10,392.74CR
Sales To Affiliates	2,364,223.00CR	1,809,434.35CR	8,840,644.08CR		3,468,726.36CR	18,570,355.04CR	10,132,965.19CR
Sales To Others	2,210,224.84CR	633,388.54CR	4,132,071.71CR		2,162,996.78CR	16,051,287.03CR	12,363,498.25CR
Total Revenues	4,576,196.77CR	2,444,224.49CR	12,978,087.47CR		5,635,123.12CR	34,630,653.78CR	22,506,856.18CR
Expenses							
Purchased Gas	4,485,013.17	2,413,079.91	12,750,745.28		5,466,625.94	33,140,351.37	21,454,479.70
Miscellaneous Expenses	56,201.86	35,109.36	128,936.34		103,533.82	612,754.22	626,183.25
Outside Services	3,200.00	1,500.00	11,937.00		4,500.00	79,283.00	14,743.00
Taxes - Non Income	.00	.00	.00		.00	4,233.34	30.00
Income Taxes	12,500.00	2,100.00CR	34,000.00		23,800.00	309,900.00	159,200.00
Total Expenses	4,556,915.03	2,447,589.27	12,925,618.62		5,598,459.76	34,146,521.93	22,254,635.95
Net Income	19,281.74CR	3,364.78	52,468.85CR		36,663.36CR	484,131.85CR	252,220.23CR

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Enpro

July 01, 2005 - September 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
05							
<b>Revenues</b>							
Gas Production	118,216.32CR	.00	275,863.38CR		42,270.67CR	1,675,344.30CR	1,298,599.59CR
Oil Production	.00	.00	3,001.34CR		19,193.21CR	15,296.21CR	48,090.27CR
Royalty	9,413.83CR	588.19CR	29,851.54CR		15,766.59CR	118,359.33CR	62,372.86CR
Other	.00	.00	.00		.00	36,394.51CR	.00
<b>Total Revenues</b>	<b>127,630.15CR</b>	<b>588.19CR</b>	<b>308,716.26CR</b>		<b>77,230.47CR</b>	<b>1,845,394.35CR</b>	<b>1,409,062.72CR</b>
<b>Expenses</b>							
Depletion, Depreciation, & Ac	9,986.18	11,189.47	29,958.54		33,568.41	121,216.89	129,311.64
Well Opr & Mnt	2,072.53	1,659.01	6,992.46		6,728.98	20,881.89	21,714.25
Purchased Gas	8,767.99CR	24,266.89CR	13,828.42CR		65,255.33CR	139,148.61	87,590.79
Royalty & W.I.	27,595.52	13,077.16	61,805.83		45,212.07	197,178.74	158,397.81
Outside Services	1,790.00	1,833.00	9,533.91		9,597.71	73,222.91	21,644.23
Interest Expense	2,100.00CR	753.99CR	5,400.00CR		2,053.99CR	14,945.00CR	4,270.99CR
Taxes - Non Income	.00	.00	.00		.00	20,833.48	14,177.64
Income Taxes	37,200.00	800.00CR	84,200.00		19,000.00	502,800.00	383,100.00
<b>Total Expenses</b>	<b>67,776.24</b>	<b>1,937.76</b>	<b>173,262.32</b>		<b>46,797.85</b>	<b>1,060,337.52</b>	<b>811,665.37</b>
<b>Operating Income</b>	<b>59,853.91CR</b>	<b>1,349.57</b>	<b>135,453.94CR</b>		<b>30,432.62CR</b>	<b>785,056.83CR</b>	<b>597,397.35CR</b>
Net Income from Subs	.00	.00	.00		.00	.00	.00
<b>Net Income</b>	<b>59,853.91CR</b>	<b>1,349.57</b>	<b>135,453.94CR</b>		<b>30,432.62CR</b>	<b>785,056.83CR</b>	<b>597,397.35CR</b>

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 9/30/2005

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

- 1117 CUSH GAS
- 1325 LAND&RGHTS
- 1327 STRUCTURES
- 1331 WELL EQUIP
- 1332 GATH LINES
- 1333 COMP EQUIP
- 1334 REG STAT
- 135001 STORAGE LD
- 135002 .STOR ROW
- 1351 STRUCTURES
- 1352 STOR WELLS
- 135201 STORAGE RT
- 135202 STOR RESEV
- 135203 NONR NAT G
- 1353 STORAGE LN
- 1354 COMPR EQUIP
- 1355 REG EQUIP
- 1356 PURIFICATN
- 1357 OTHER EQUIP
- 136501 LAND RGHTS
- 136502 TRAN ROW
- 1366 TRAN STRUC
- 1367 TRAN MAINS
- 1368 COMP STAT
- 1369 REG EQUIP
- 1371 OTHR EQUIP
- 1381 METERS

10/24/05 3.33

KESTES

Page 2

GBVCRC/GBVCRPW

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 9/30/2005

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

1383 REGULATORS  
1385 IND METERS  
1395 LAB EQUIP  
139901 MAPPING  
5117 CUSHN GAS  
532503 MIN RIGHTS  
532521 LEASEH-GAS  
532522 PROD L OIL  
532523 INT INVESM  
533101 GAS WELL E  
533102 OIL W EQUIP  
535006 GAS RGT ST

Total ALH ALH



10/24/05 3:33

KESTES

Page 3

GBVCRC/GBVCRPH

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 9/30/2005

CAPITAL EXPENDITURES

All Agents

GRJ GLENN R JENNINGS

139909 CONTINGENC

Total GRJ GRJ

10/24/05 3:33

KESTES

Page 4

GBVCRC/GBVCRPW

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 9/30/2005

CAPITAL EXPENDITURES

All Agents

JFH JOHN F HALL

139902 COMP SOFTW

139903 COMP HWARE

Total JFH JFH

10/24/05 3:33

KESTES

Page 5

GBVCRC/GBVCRPH

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 9/30/2005

CAPITAL EXPENDITURES

All Agents

JLC JOHNNY L CAUDILL

1121 NON U PROP  
1374 LAND & ROW  
1375 DIS STRUCT  
1376 DIST MAINS  
1378 REG STAINS  
1379 CG REG STA  
1380 DIST SERV  
1382 MET&REG IN  
1389 LAND&RGHTS  
1390 STRUCTURES  
1391 PURN&EQUIP  
1392 TRANSP EQP  
1393 STORES EQP  
1394 TOOLS&EQUIP  
139401 CNG EQUIPM  
1396 PO EQUIPMT  
1397 COMM EQUIP  
1398 MISC EQUIP

Total JLC JLC

Grand Total

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*Blum*

EXHIBIT III

By DELTA NATURAL GAS COMPANY, INC.

Address 3617 LEXINGTON RD.  
WINCHESTER, KY 40391-0000

**BB&T**

9580219605  
Customer Number  
00003  
Note Number

MODIFICATION AGREEMENT

\$ 40,000,000.00  
Original Amount of Note

10/31/2002  
Original Date

\$ 40,000,000.00  
Modification Amount

8/12/2005  
Modification Date

This Modification Agreement (hereinafter "Agreement") is made and entered into this 12<sup>th</sup> day of August, 2005, by and between DELTA NATURAL GAS COMPANY, INC., maker(s), co-maker(s), endorser(s), or other obligor(s) on the Promissory Note (as defined below), hereinafter also referred to as "Borrower"; and Branch Banking and Trust Company, a North Carolina banking corporation, hereinafter referred to as "Bank".

Witnesseth: Whereas, Borrower has executed and delivered to Bank the following documents (collectively, the "Loan Documents"):

- (a) a Promissory Note payable to Bank, which Promissory Note includes the original Promissory Note and Addendum dated as of October 31, 2002, in the face principal amount of \$40,000,000.00 and all renewals, extensions and modifications thereof, collectively "Promissory Note", said Promissory Note being more particularly identified by description of the original note above;
- (b) a Loan Agreement dated October 31, 2002 (hereinafter "Loan Agreement"); and

Borrower and Bank agree that said Loan Documents be modified only to the limited extent as is hereinafter set forth; that all other terms, conditions, and covenants of the Loan Documents remain in full force and effect, and that all other obligations and covenants of Borrower, except as herein modified, shall remain in full force and effect, and binding between Borrower and Bank;

NOW THEREFORE, in mutual consideration of the premises, the sum of Ten Dollars (\$10) and other good and valuable consideration, each to the other parties paid, the parties hereto agree that

1. The Promissory Note is amended as hereinafter described:

**INTEREST RATE, PRINCIPAL AND INTEREST PAYMENT TERM MODIFICATIONS (To the extent no change is made, existing terms continue. Modifications not completed are deleted)**

a. Principal and interest are payable as follows:

- Principal (plus any accrued interest not otherwise scheduled herein) is due in full at maturity on 10/31/2007.
- Accrued interest is payable Monthly continuing on November 30, 2005 and on the same day of each calendar period thereafter, with one final payment of all remaining interest due on October 31, 2007.

b. The eighth grammatical paragraph on page 1 of the Promissory Note is hereby amended and restated so as to read in its entirety as follows: "This note ("Note") is given by the Borrower in connection with a Loan Agreement between the Borrower and the Bank dated October 31, 2002 (as amended by that certain Modification Agreement between the Bank and the Borrower dated October 31, 2003; and that certain Modification Agreement dated October 31, 2004) all as executed by the Borrower."

2. The Loan Agreement is amended as hereinafter described:

- a. In the paragraph on page 1 of the Loan Agreement, titled "Line of Credit", the date "October 31, 2003" is hereby deleted and the date "October 31, 2007" is inserted in lieu thereof.
- b. In Section 7.14 "Fees", "three tenths of one percent (0.30%)" is hereby deleted and "one eighth of one percent (0.125%)" is inserted in lieu thereof.

If the Promissory Note and Loan Agreement being modified by this Agreement shall be the joint and several obligation of Borrower and Bank, it is understood that this Agreement is a modification only and does not extinguish the obligations described herein. It is understood that any other Loan Documents or Agreements executed by Borrower and Bank shall remain in full force and effect. The Borrower and Bank hereby affirm any and all obligations to the Bank under the Promissory Note. Bank expressly agrees that this Agreement shall not be deemed to constitute an admission that the Promissory Note is in default.

Borrower agrees that the charges rather than the money but are hereby deemed to be collateral from any and relative priority exercising any right hereon one occasion be deemed regardless of the time, order or date of creation of the collateral.

for damages or other claims arising out of or in connection with the creation of the collateral.

ensions or postponements of the time of payment or any other indulgences, to any substitutions, exchanges or releases of collateral if at any time  
ure is available to the Bank collateral for the Promissory Note, as amended, and to the additions or releases of any other parties or persons primarily  
or secondarily liable. Whenever possible the provisions of this Agreement shall be interpreted in such manner as to be effective and valid under  
applicable law, but if any provision of this Agreement is prohibited by or invalid under such law, such provisions shall be ineffective to the extent of any  
such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All rights and obligations  
arising hereunder shall be governed by and construed in accordance with the laws of the same state which governs the interpretation and enforcement  
of the Promissory Note.

From and after any event of default under this Agreement, the Promissory Note, or any related deed of trust, security agreement or loan agreement,  
interest shall accrue on the sum of the principal balance and accrued interest then outstanding at the variable rate equal to the Bank's Prime Rate plus  
5% per annum ("Default Rate"), provided that such rate shall not exceed at any time the highest rate of interest permitted by the laws of the  
Commonwealth of Kentucky; and further that such rate shall apply after judgement. In the event of any default, the then remaining unpaid principal  
amount and accrued but unpaid interest then outstanding shall bear interest at the Default Rate until such principal and interest have been paid in full.  
Bank shall not be obligated to accept any check, money order, or other payment instrument marked "payment in full" on any disputed amount due  
hereunder, and Bank expressly reserves the right to reject all such payment instruments. Borrower agrees that tender of its check or other payment  
instrument so marked will not satisfy or discharge its obligation under this Note, disputed or otherwise, even if such check or payment instrument is  
inadvertently processed by Bank unless in fact such payment is in fact sufficient to pay the amount due hereunder.

DELTA NATURAL GAS COMPANY, INC.

By Glenn R. Jennings  
Glenn R. Jennings, President

BRANCH BANKING AND TRUST COMPANY

By W. Harvey Coggin  
W. Harvey Coggin, Senior Vice President

**COPY**

Borrower: Delta Natural Gas Company, Inc.

Account Number: 9580219605

Note Number: 00003

Address: 3617 Lexington Road, Winchester, Kentucky 40391-0000

Date: October 31, 2002

**BB&T**  
Winchester, Kentucky  
**Promissory Note**

THE UNDERSIGNED REPRESENTS THAT THE LOAN EVIDENCED HEREBY IS BEING OBTAINED FOR BUSINESS/COMMERCIAL OR AGRICULTURAL PURPOSES. For value received, the undersigned, jointly and severally, if more than one, promises to pay to **BRANCH BANKING AND TRUST COMPANY**, a North Carolina banking corporation (the "Bank"), or order, at any of Bank's offices in the above referenced city (or such other place or places that may be hereafter designated by Bank), the sum of FORTY MILLION DOLLARS AND 00/100 Dollars (\$40,000,000.00), or such lesser portion thereof as may have from time to time been disbursed to or for the benefit of the undersigned and remaining unpaid, in immediately available coin or currency of the United States of America. The principal of this Note may be prepaid at any time in whole or in part without premium or penalty.

Interest shall accrue from the date hereof on the unpaid principal balance from time to time at the Adjusted LIBOR Rate as defined in the attached Addendum to Promissory Note.

Principal (plus any accrued interest not otherwise scheduled herein) is due in full at maturity on 10/31/2003.

Accrued interest is payable monthly commencing on 11/30/2002 and continuing on the same day of each calendar period thereafter, with one final payment of all remaining interest due on 10/31/2003.

Prior to an event of default, Borrower may borrow, repay, and reborrow hereunder pursuant to the terms of the Loan Agreement, hereinafter defined.

The undersigned shall pay to Bank a late fee in the amount of five percent (5%) of any installment past due for ten (10) or more days. When any installment payment is past due for ten (10) or more days, subsequent payments shall first be applied to the past due balance. In addition, the undersigned shall pay to Bank a returned payment fee if the undersigned or any other obligor hereon makes any payment at any time by check or other instrument, or by any electronic means, which is returned to Bank because of nonpayment due to nonsufficient funds.

All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days. In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased, or additional supplemental interest payments required on the same periodic basis as specified above (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such of unpaid interest from previous periods in effect for so long as the interest or downward to reflect change in amount shall not be reduced to lower the fixed payment.

This note ("NOTE") dated October 31, 2002

Borrower and its officers, directors, representatives, agents, servants, employees, independent contractors, and assigns, jointly and severally, shall be deemed to have authorized the undersigned to execute and deliver this Note and to incur all obligations hereunder.

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by the Bank is not given when demanded; or in the event one or more of the undersigned or any Obligor shall die, terminate its existence, allow the appointment of a receiver for any part of its property, make an assignment for the benefit of creditors, or where a proceeding under bankruptcy or insolvency laws is initiated by or against any of the undersigned or any Obligor; or in the event the Bank should otherwise, in good faith, deem itself, its security interest, or any collateral unsafe or insecure; or should the Bank in good faith believe that the prospect of payment or other performance is impaired; or if there is an attachment, execution, or other judicial seizure of all or any portion of the Borrower's or any Obligor's assets, including an action or proceeding to seize any funds on deposit with the Bank, and such seizure is not discharged within 20 days; or if final judgment for the payment of money shall be rendered against the Borrower or any Obligor in excess of \$100,000 which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon is effectively stayed; or the termination of any guaranty agreement given in connection with this Note, then any one of the same shall be a material default hereunder and this Note and other debts due the Bank by any one or more of undersigned shall immediately become due and payable without notice, at the option of the Bank. From and after any event of default hereunder, interest shall accrue on the sum of the principal balance and accrued interest then outstanding at the variable rate equal to the Bank's Prime Rate plus 5% per annum ("Default Rate"), provided that such rate shall not exceed at any time the highest rate of interest permitted by the laws of the Commonwealth of Kentucky; and further provided that such rate shall apply after judgement. In the event of any default, the then remaining unpaid principal amount and accrued but unpaid interest then outstanding shall bear interest at the Default Rate called for hereunder until such principal and interest have been paid in full. In addition, upon default, the Bank may pursue its full legal remedies at law or equity, and the balance due hereunder may be charged against any obligation of the Bank to any party including any Obligor. **Bank shall not be obligated to accept any check, money order, or other payment instrument marked "payment in full" on any disputed amount due hereunder, and Bank expressly reserves the right to reject all such payment instruments. Borrower agrees that tender of its check or other payment instrument so marked will not satisfy or discharge its obligation under this Note, disputed or otherwise, even if such check or payment instrument is inadvertently processed by Bank unless in fact such payment is in fact sufficient to pay the amount due hereunder.**

The term "Prime Rate," if used herein, means the rate of interest per annum announced by the Bank from time to time and adopted as its Prime Rate. The Prime Rate is one of several rate indexes employed by the Bank when extending credit. Any change in the interest rate resulting from a change in the Bank's Prime Rate shall become effective as of the opening of business on the effective date of the change. If this Note is placed with an attorney for collection, the undersigned agrees to pay, in addition to principal and interest, all costs of collection, including but not limited to reasonable attorneys' fees. All obligations of the undersigned and of any Obligor shall bind his heirs, executors, administrators, successors, and/or assigns. Use of the masculine pronoun herein shall include the feminine and the neuter, and also the plural. If more than one party shall execute this Note, the term "undersigned" as used herein shall mean all the parties signing this Note and each of them, and all such parties shall be jointly and severally obligated hereunder. Wherever possible, each provision of this Note shall be interpreted in such a manner to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. All of the undersigned hereby waive all exemptions and homestead laws. The proceeds of the loan evidenced by this Note may be paid to any one or more of the undersigned.

From time to time the maturity date of this Note may be extended, or this Note may be renewed in whole or in part, or a new note of different form may be substituted for this Note, or the rate of interest may be modified, or changes may be made in consideration of loan extensions, and the holder hereof, from time to time may waive or surrender, either in whole or in part any rights, guaranties, secured interest, or liens, given for the benefit of the holder in connection with the payment and the securing the payment of this Note; but no such occurrence shall in any manner affect, limit, modify, or otherwise impair any rights, guaranties or security of the holder not specifically waived, released, or surrendered in writing, nor shall the undersigned makers, or any guarantor, endorser, or any person who is or might be liable hereon, either primarily or contingently, be released from such event. The holder hereof, from time to time, shall have the unlimited right to release any person who might be liable hereon, and such release shall not affect or discharge the liability of any other person who is or might be liable hereon. No waivers and modifications shall be valid unless in conflict between the terms of this Note, the laws of Kentucky without re

IN WITNESS WHEREOF

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**COPY**

**BB&T**

**ADDENDUM TO PROMISSORY NOTE**

THIS ADDENDUM is hereby made a part of the Promissory Note dated October 31, 2002 from Delta Natural Gas Company, Inc. ("Borrower") payable to the order of Branch Banking and Trust Company ("Bank") in the principal amount of \$ 40,000,000.00 (including all renewals, extensions, modifications and substitutions therefor, the "Note").

**I. DEFINITIONS**

1.1 **Adjusted LIBOR Rate** means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/100th of 1.0%) by adding (i) 30-day LIBOR plus (ii) one percent (1.000 %) per annum, which shall be adjusted monthly on the first day of each month for each LIBOR Interest Period. If the first day of any month falls on date when the Bank is closed, the Adjusted LIBOR Rate shall be determined as of the last preceding business day. The Adjusted LIBOR Rate shall be adjusted for any change in the LIBOR Reserve Percentage so that Bank shall receive the same yield.

1.2 **LIBOR** means the average rate (rounded upward, if necessary, to the next higher 1 /100th of 1.0%) quote in the Wall Street Journal (Credit Markets Section) or on Bloomberg Screen MMR2 on the determination date for deposits in U.S. Dollars offered in the London interbank market to five major European Banks, or if the above method for determining LIBOR shall not be available, a rate determined by a substitute method of determination agreed on by Company and Bank; provided, if such agreement is not reached within a reasonable period of time (in Bank's judgement), a rate reasonably determined by Bank in its sole discretion as a rate being paid, as of the determination date, by first class banking organizations (as determined by Bank) in the London interbank market for U.S. Dollar deposits.

1.3 **LIBOR Advance** means any loan made by Bank to Borrower evidenced by this Note upon which the Adjusted LIBOR Rate of interest shall apply.

1.4 **LIBOR Interest Period** means a period of one calendar month as may be elected by the Borrower applicable to any LIBOR Advance which shall begin on first day of any month notwithstanding the maturity date of this Note; provided, however, that a LIBOR Interest Period may be less than one calendar month in and only in the calendar month in which the Note originates or matures.

1.5 **LIBOR Reserve Percentage** means the maximum aggregate rate at which reserves (including, without limitation, any marginal supplemental or emergency reserves) are required to be maintained under Regulation D by member banks of the Federal Reserve System with respect to dollar funding in the London interbank market. Without limiting the effect of the foregoing, the LIBOR Reserve Percentage shall reflect any other reserves required to be maintained by such member banks by reason of any applicable regulatory change against (i) any category of liability which includes deposits by reference to which the Adjusted LIBOR Rate is to be determined or (ii) any category of extensions of credit or other assets related to LIBOR.

1.6 **Standard Advance** means any loan made by Bank to Borrower evidenced by this Note upon which the Standard Rate shall apply.

1.7 **Standard Rate** means a rate of interest per annum equal to the Bank's Standard Rate plus 1.0% shall be effective on the

**II. LOAN**

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## LOAN AGREEMENT

Delta Natural Gas Company, Inc.

Account Number 9580219605

This Loan Agreement (the "Agreement") is made this 31st day of October, 2002 by and between BRANCH BANKING AND TRUST COMPANY, a North Carolina banking corporation ("Bank"), and:

Delta Natural Gas Company, Inc., a Kentucky corporation ("Borrower"), having its chief executive office at Winchester, Kentucky.

The Borrower has applied to Bank for and the Bank has agreed to make, subject to the terms of this Agreement, the following loan(s) (hereinafter referred to, singularly or collectively, if more than one, as "Loan"):

**Line of Credit** ("Line of Credit" or "Line") in the maximum principal amount not to exceed \$40,000,000 at any one time outstanding for the purpose of Working Capital which shall be evidenced by the Borrower's Promissory Note dated on or after the date hereof which shall mature October 31, 2003, when the entire unpaid principal balance then outstanding plus accrued interest thereon shall be paid in full. Prior to maturity or the occurrence of any Event of Default hereunder and subject to any Borrowing Base limitations, as applicable, the Borrower may borrow, repay, and reborrow under the Line of Credit through maturity. The Line of Credit shall bear interest at the rate set forth in any such Note evidencing all or any portion of the Line of Credit, the terms of which are incorporated herein by reference.

### Section 1 Conditions Precedent

The Bank shall not be obligated to make any disbursement of Loan proceeds until all of the following conditions have been satisfied by proper evidence, execution, and/or delivery to the Bank of the following items in addition to this Agreement, all in form and substance satisfactory to the Bank and the Bank's counsel in their sole discretion:

**Note(s):** The Note(s) evidencing the Loans(s) duly executed by the Borrower.

**Corporate Resolution:** A Corporate Resolution duly adopted by the Board of Directors of the Borrower authorizing the execution, delivery, and performance of the Loan Documents on or in a form provided by or acceptable to Bank.

**Articles of Incorporation:** A copy of the Articles of Incorporation and all other charter documents of the Borrower, all filed with and certified by the Secretary of State of the State of the Borrower's incorporation.

**By-Laws:** A copy of the By-Laws of the Borrower, certified by the Secretary of the Borrower as to their completeness and accuracy.

**Certificate of Incumbency:** A certificate of the Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the Loan Documents.

**Certificate of Existence:** A certification of the Secretary of State (or other government authority) of the State of the Borrower's Incorporation or Organization as to the existence or good standing of the Borrower and its charter documents on file.

**Opinion of Counsel:** An opinion of counsel for the Borrower satisfactory to the Bank and the Bank's counsel.

**Additional Documents:** Receipt by the Bank of other approvals, opinions, or documents as the Bank may reasonably request.

### Section 2 Representations and Warranties

The Borrower represents and warrants to Bank that:

2.01. **Financial Statements.** The balance sheet of the Borrower and its subsidiaries, if any, and the related Statements of Income and Retained Earnings of the Borrower and its subsidiaries, the accompanying footnotes together with the accountant's opinion thereon, and all other financial information previously furnished to the Bank, are in all material respects true and correct and fairly reflect the financial condition of the Borrower and its subsidiaries as of the dates thereof, including all contingent liabilities of every type required under Generally Accepted Accounting Principles (GAAP) to be included thereunder, and the financial condition of the Borrower and its subsidiaries as stated therein has not changed materially and adversely since th

2.02. **Name, Capacity and Standing.** Th

Borrower warrants and represents that organization; that it and/or its subs<sup>2</sup> business shall require such qualif

2.03. **No Violation of Other**

violate any material provisio<sup>2</sup> partnership, limited part<sup>2</sup> upon the Borrower, or

2.04. **Authority.** making, validit

2.05. **Asset** financial

all oth<sup>2</sup> 2.06. **Execution** may be limit<sup>2</sup> 2.12. **Commer**

# BB&T

## LOAN AGREEMENT

### Section 3 Affirmative Covenants

The Borrower covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations owed under the Loan Documents, Borrower shall:

- 3.01. **Maintain Existence and Current Legal Form of Business.** (a) Maintain its existence and good standing in the state of its incorporation or organization, (b) maintain its current legal form of business indicated above, and, (c), as applicable, qualify and remain qualified as a foreign corporation, general partnership, limited partnership, limited liability partnership or limited liability company in each jurisdiction in which such qualification is required.
- 3.02. **Maintain Records.** Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrower.
- 3.03. **Maintain Properties.** Maintain, keep, and preserve all of its properties (tangible and intangible) including the collateral necessary or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.
- 3.04. **Conduct of Business.** Continue to engage in a business of the same general type as now conducted.
- 3.05. **Maintain Insurance.** Maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business, and business interruption insurance if required by Bank, which insurance may provide for reasonable deductible(s).
- 3.06. **Comply With Laws.** Comply in all material respects with all applicable laws, rules, regulations, and orders including, without limitation, paying before the delinquency of all taxes, assessments, and governmental charges imposed upon it or upon its property, and all environmental laws.
- 3.07. **Right of Inspection.** Permit the officers and authorized agents of the Bank, at any reasonable time or times in the Bank's sole discretion, to examine and make copies of the records and books of account of, to visit the properties of the Borrower, and to discuss such matters with any officers, directors, managers, members or partners, limited or general of the Borrower, and the Borrower's independent accountant as the Bank deems necessary and proper.
- 3.08. **Reporting Requirements.** Furnish to the Bank:
  - Quarterly Financial Statements:** As soon as available and not more than forty five (45) days after the end of each quarter, balance sheets, statements of income, cash flow, and retained earnings for the period ended and a statement of changes in the financial position, all in reasonable detail, and all prepared in accordance with GAAP consistently applied and certified as true and correct by an officer of the Borrower, as appropriate.
  - Annual Financial Statements:** As soon as available and not more than one hundred twenty (120) days after the end of each fiscal year, balance sheets, statements of income, and retained earnings for the period ended and a statement of changes in the financial position, all in reasonable detail, and all prepared in accordance with GAAP consistently applied. The financial statements must be of the following quality or better: Audited.
  - Notice of Litigation:** Promptly after the receipt by the Borrower of notice or complaint of any action, suit, and proceeding before any court or administrative agency of any type which, if determined adversely, could have a material adverse effect on the financial condition, properties, or operations of the Borrower.
  - Notice of Default:** Promptly upon discovery or knowledge thereof, notice of the existence of any event of default under this Agreement or any other Loan Documents.
  - Other Information:** Such other information as the Bank may from time to time reasonably request.
- 3.09. **Deposit Accounts.** Maintain substantially all of its demand deposit/operating accounts with the Bank.
- 3.10. **Senior Management:** No change in senior management shall occur that is unacceptable to the Bank.

### Section 4 Events of Default

The following shall be "Events of Default" by Borrower:

- 4.01. The failure to make prompt payment of any installment of principal or interest on any of the Note(s) in accordance with the terms and conditions of the Note(s).
- 4.02. Should any representation or warranty
- 4.03. Should any report, certificate, financial statement, or other document provided by the Borrower to the Bank under this Agreement prove to be false or misleading.
- 4.04. Should the Borrower default on the performance of any obligation under this Agreement after notice from Bank to Borrower.
- 4.05. Should the Borrower's default under this Agreement remains uncured for a period of 30 days.
- 4.06. Should a court of competent jurisdiction enter a judgment or order against the Borrower, voluntarily or involuntarily, including any judgment or order under Code, any provisions of the Kentucky Uniform Commercial Code, or any other applicable law, for the benefit of the Bank or any other creditor of the Borrower, including any judgment or order for the enforcement of a security interest in any of the Bank's collateral.
- 4.07. Should any of the Bank's collateral be sold, transferred, or otherwise disposed of by the Borrower or any of its affiliates, including any of its subsidiaries, without the prior written consent of the Bank.

# BB&T

## LOAN AGREEMENT

### Section 6 Negative Covenants.

The Borrower covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations owed under the Loan Documents, Borrower shall not:

- 6.01 **Disposition of Assets.** Sell, assign, lease, convey or transfer or otherwise dispose of a material portion of its assets other than in the ordinary course of its business.
- 6.02 **Consolidations and Mergers.** Merge, consolidate with or into any other entity or otherwise dispose of substantially all of its assets.
- 6.03 **Issuance of Stock.** Issue any of its stock to the public or in an exempt transaction whereby such issuances in the aggregate exceed thirty-five percent (35%) of the Borrower's currently authorized and outstanding shares of common stock.
- 6.04 **Accumulation of Stock.** Have any person or entity or a group of affiliated persons or entities, hold more than twenty percent (20%) of the then outstanding shares of Borrower common stock

### Section 7 Miscellaneous Provisions

#### 7.01. Definitions.

"**Default Rate**" shall mean a rate of interest equal to Bank's Prime Rate plus five percent (5%) per annum (not to exceed the legal maximum rate) from and after the date of an Event of Default hereunder which shall apply, in the Bank's sole discretion, to all sums owing, including principal and interest, on such date.

"**Loan Documents**" shall mean this Agreement including any schedule attached hereto, the Note(s), and all other documents, certificates, and instruments executed in connection therewith, and all renewals, extensions, modifications, substitutions, and replacements thereto and therefore.

"**Person**" shall mean an individual, partnership, corporation, trust, unincorporated organization, limited liability company, limited liability partnership, association, joint venture, or a government agency or political subdivision thereof.

"**GAAP**" shall mean generally accepted accounting principles as established by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants, as amended and supplemented from time to time.

"**Prime Rate**" shall mean the rate of interest per annum announced by the Bank from time to time and adopted as its Prime Rate, which is one of several rate indexes employed by the Bank when extending credit, and may not necessarily be the Bank's lowest lending rate.

"**Committed Line Amount**" shall mean the amount of Forty Million Dollars (\$40,000,000) or in the event the Borrower exercises its option to reduce the amount of the line under Section 7.16 hereof, it shall be the amount of Forty Million Dollars (\$40,000,000) less the reduction amount.

"**Term**" shall mean a period of time commencing on the execution of this Agreement and continuing through October 31, 2003 unless earlier terminated or extended in accordance with the terms and conditions hereof.

7.02. **Non-impairment.** If any one or more provisions contained in the Loan Documents shall be held invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained therein shall not in any way be affected or impaired thereby and shall otherwise remain in full force and effect.

7.03. **Applicable Law.** The Loan Documents shall be construed in accordance with and governed by the laws of the Commonwealth of Kentucky without reference to its principles of conflicts of law or choice of law.

7.04. **Waiver.** Neither the failure or any delay on the part of the Bank in exercising any right, power or privilege granted in the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power, or privilege which may be provided by law.

7.05. **Modification.** No modification, amendment, or waiver of any provision of any of the Loan Documents shall be effective unless in writing and signed by the Borrower and Bank.

7.06. **Stamps and Fees.** The Borrower shall pay all federal or state stamps, taxes, or other fees or charges, if any are payable or are determined to be payable by reason of the execution, delivery, or issuance of the Loan Documents or any security granted to the Bank; and the Borrower agrees to indemnify and hold harmless the Bank and all related costs of credit.

7.07. **Attorneys' Fees.** In the event the Bank

an attorney to assist in the enforcement

Loan Documents, to modify the Loan

proceeding (including a proceeding

Bank and all related costs of credit

and costs whether or not any

7.08. **Right of Offset.** A

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## LOAN AGREEMENT

7.16. **Option to Reduce Amount Available.** At the Borrower's option, the Borrower has a one-time option to reduce the amount of the "Line" offered hereunder at any time during the Term. Written notice of such exercise, including the amount of such reduction, shall be delivered by the Borrower to the Bank. Notwithstanding the provisions afforded under the paragraph **Advances and Repayment** above, the Committed Line Amount will be reduced by the amount of the reduction, thereby amending the Committed Line Amount available to the Borrower for the remaining Term. At no time shall the Committed Line Amount fall below \$30 million. Exercising this Option will reduce the unused availability fee on that portion of the Line no longer available to the Borrower, effective with the date the Borrower's written notice, if any, is received by the Bank.

7.17. **Indemnification by Borrower.** Except for claims, damages, liabilities and expenses arising from Bank's gross negligence or misconduct, Borrower agrees to indemnify and hold harmless Bank from and against any and all claims, damages, liabilities and expenses which may be incurred by or asserted against Bank in connection with any proceeding arising out of this commitment or Borrower's use of the proceeds of the Line.

7.18. **Entire Agreement.** The Loan Documents embody the entire agreement between Borrower and Bank with respect to the Loans, and there are no oral or parol agreements existing between Bank and Borrower with respect to the Loans which are not expressly set forth in the Loan Documents.

IN WITNESS WHEREOF, the Bank and Borrower have caused this Agreement to be duly executed under seal all as of the date first above written.

**Borrower:**

**DELTA NATURAL GAS COMPANY, INC.**

Name of Corporation

Attest: John J. Hill  
Title: Chief Financial Officer

By: Glenn R. Jennings  
Title: Glenn R. Jennings  
President CEO

**BRANCH BANKING AND TRUST COMPANY**

Attest: [Signature]  
Title: vice president - BB&T

By: William W. James  
Title: William W. James  
City Executive and Senior Vice President

Common Stock Information Sorted by P/E

DIVERSIFIED															
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK				
1	SOUTHWESTERN ENERGY CORP.	SWN	12/31	73.400	83.600	20.205	41,499	83,350	6.64	NMF	0.0	1105			
2	QUESTAR CORPORATION	STR	12/31	88.120	89.600	45.000	13,621	85,039	17.42		1.0	506			
3	SOUTHERN UNION COMPANY	SUG	12/31	25.770	26.290	19.924	25,435	7,146	15.37		0.0	168			
4	ENERGEN CORPORATION	EGN	12/31	43.260	44.310	25.435	13,158	111,367	17.42		0.0	372			
5	EQUITABLE RESOURCES, INC.	EQT	12/31	39.060	41.180	26.680	7,146	73,284	11.62		0.9	705			
6	KINDER MORGAN, INC.	KMI	12/31	96.160	99.970	62.040	12,127	121,437	5.54		2.2	426			
7	CHESAPEAKE UTILITIES CORP.	CPK	12/31	35.162	35.750	23.600	242	5,835	22.55		3.1	246			
8	SOUTHWEST GAS CORPORATION	SWX	12/31	27.390	28.070	23.450	2,276	38,318	14.28		3.0	139			
9	NATIONAL FUEL GAS COMPANY	NFG	09/30	34.200	36.000	26.198	10,734	84,145	19.72		3.4	216			
10	MDU RESOURCES GROUP, INC.	MDU	12/31	35.650	37.130	25.200	7,471	119,741	15.80		2.1	243			
11	NICOR, INC.	GAS	12/31	42.030	42.970	35.500	9,103	44,148	14.70		4.4	235			
12	UGI CORPORATION	UGI	09/30	28.150	29.980	18.450	7,154	104,512	17.89		2.4	143			
13	KEYSPAN CORPORATION	KSE	12/31	36.780	41.530	35.350	15,305	174,281	8.50		4.9	331			
14	ONEOK, INC.	OKE	12/31	34.020	35.850	25.660	11,601	100,932	14.86		3.3	229			
15	CORNING NATURAL GAS CORP.	CNIG	09/30	15.450	16.500	9.510	1	507	11.17		0.0	138			
									MAXIMUM	27.9	4.9	1105			
									MINIMUM	7.1	0.0	138			
									MEDIAN	18.5	2.4	243			
									MEAN	18.4	2.3	347			

COMBINATION															
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK				
1	PUGET ENERGY, INC.	PSD	12/31	23.480	24.810	20.730	5,907	100,291	16.58	29.7	4.3	142			
2	WISCONSIN ENERGY CORP.	WEC	12/31	39.920	40.830	31.500	6,625	116,982	22.05	27.9	2.2	181			
3	MGE ENERGY, INC.	MGEE	12/31	36.510	38.750	30.500	926	20,454	16.59	25.4	3.8	220			
4	ALLIANT ENERGY CORPORATION	LNT	12/31	29.130	30.580	25.400	7,457	116,469	20.87	23.3	3.6	140			
5	AVISTA CORPORATION	AVA	12/31	19.400	20.200	16.310	3,814	48,533	15.77	22.6	2.8	123			
6	PNM RESOURCES, INC.	PNM	12/31	28.670	30.450	22.570	6,367	68,741	18.75	22.4	2.8	153			
7	DTE ENERGY CORPORATION	DTE	12/31	45.860	48.310	41.440	15,206	147,512	31.26	21.9	4.5	147			
8	PUBLIC SERVICE ENT. GROUP INC.	PEG	12/31	64.360	68.470	40.530	21,928	239,024	23.33	21.2	3.5	276			
9	SCANA	SCG	12/31	42.240	43.650	36.390	6,914	114,043	22.45	19.8	3.7	188			
10	FLORIDA PUBLIC UTILITIES	FPU	12/31	15.880	16.840	11.233	98	5,945	7.63	19.5	2.6	208			
11	CH ENERGY GROUP	CHG	12/31	47.480	50.230	42.070	657	15,762	31.95	18.4	4.5	149			
12	VECTREN CORPORATION	VVC	12/31	28.350	29.460	24.790	3,031	76,095	14.80	17.9	4.2	192			
13	PG&E CORPORATION	PGC	12/31	39.250	40.100	30.430	37,994	373,055	21.71	17.3	3.1	181			
14	NSTAR	NST	12/31	28.920	31.460	24.085	3,979	106,808	13.62	17.1	4.0	212			
15	AMEREN CORPORATION	AEE	12/31	53.490	56.770	46.010	17,445	203,767	30.74	16.9	4.7	174			
16	CENTERPOINT ENERGY, INC.	CNP	12/31	14.870	15.140	10.310	48,153	309,550	3.82	16.7	1.9	390			
17	NISOURCE INC.	NI	12/31	24.250	25.500	20.760	18,314	272,490	17.98	16.5	3.8	135			
18	XCEL ENERGY INC.	EAS	12/31	19.610	20.190	16.500	26,337	402,748	13.04	16.1	4.4	150			
19	ENERGY EAST CORPORATION	WPS	12/31	25.190	30.070	24.750	10,868	147,512	18.82	15.0	4.4	134			
20	WPS RESOURCES CORP.	SRE	12/31	57.800	60.000	46.000	2,365	37,963	30.32	11.9	3.9	191			
21	SEMPRA ENERGY	CMS	12/31	47.060	47.860	31.000	8.800	256,143	22.06	11.9	2.5	213			
22	CMS ENERGY CORPORATION	CMS	12/31	16.450	16.800	8.800	30,941	219,270	11.56	11.0	0.0	142			
23	NORTHWESTERN CORPORATION	NWEC	12/31	30.190	32.530	24.800	2,591	35,623	19.78	1.9	3.3	153			
24	AQUILA, INC.	ILA	12/31	3.960	4.240	2.900	36,140	373,270	4.56	NMF	0.0	87			
25	TECO ENERGY, INC.	TE	12/31	18.020	19.300	13.560	15,033	207,858	7.31	NMF	4.2	247			
									MAXIMUM	29.7	4.7	390			
									MINIMUM	1.9	0.0	87			
									MEDIAN	17.9	3.7	174			
									MEAN	18.4	3.3	181			

EXHIBIT IV

## Common Stock Information Sorted by P/E

	<b>DISTRIBUTION</b>	<b>STOCK SYMBOL</b>	<b>FISCAL YEAR</b>	<b>MO. END PRICE*</b>	<b>52 WEEK HIGH</b>	<b>52 WEEK LOW</b>	<b>MO. VOL SHARES (000)</b>	<b>O/S SHARES (000)</b>	<b>BOOK VALUE</b>	<b>P/E</b>	<b>YIELD</b>	<b>MARKET TO BOOK</b>
1	CASCADE NATURAL GAS CORP.	CGC	09/30	21.770	22.800	18.050	753	11,387	10.99	23.9	4.4	198
2	ENERGY WEST	EWST	06/30	11.510	13.890	5.410	876	2,913	5.90	21.7	0.0	195
3	PEOPLES ENERGY CORPORATION	PGL	09/30	39.380	45.520	38.100	6,495	38,140	23.09	21.3	5.5	171
4	PIEDMONT NATURAL GAS CO., INC.	PNY	10/31	25.170	25.800	21.760	4,171	76,596	11.81	20.5	3.7	213
5	RGC RESOURCES, INC.	RGCO	09/30	26.460	29.550	23.600	7	2,088	18.83	17.6	4.5	141
6	LACLEDE GROUP (THE)	LG	09/30	32.490	34.310	26.900	1,594	21,144	18.20	17.4	4.2	179
7	DELTA NATURAL GAS COMPANY INC.	DGAS	06/30	26.640	30,000	23.201	51	3,233	15.73	17.2	4.5	173
8	NORTHWEST NATURAL GAS COMPANY	NWN	12/31	37.220	39.630	30.770	1,996	27,576	21.46	17.2	3.5	173
9	SOUTH JERSEY INDUSTRIES, INC.	SJI	12/31	29.140	32.380	23.110	1,112	28,256	13.13	16.6	2.9	222
10	NEW JERSEY RESOURCES CORP.	NJR	09/30	45.980	49.340	40.540	2,106	27,493	18.85	16.2	3.0	244
11	WGL HOLDINGS, INC.	WGL	09/30	32.130	34.790	27.710	3,269	48,696	18.94	16.1	4.1	170
12	ENERGYSOUTH, INC.	ENSI	09/30	27.590	29.910	24.650	225	7,860	13.02	16.1	3.1	212
13	AGL RESOURCES, INC.	ATG	12/31	37.110	39.320	30.110	4,278	77,381	18.85	15.3	3.3	197
14	ATMOS ENERGY CORPORATION	ATC	09/30	28.250	29.970	24.600	5,859	80,354	20.14	15.2	4.4	140
15	SEMCO ENERGY, INC.	SEN	09/30	6.590	7.050	4.500	3,933	28,688	5.76	NMF	0.0	114
									<i>MAXIMUM</i>	23.9	5.5	244
									<i>MINIMUM</i>	15.2	0.0	114
									<i>MEDIAN</i>	17.2	3.7	179
									<i>MEAN</i>	18.0	3.4	183

\*Closing price on the last trading day of September, 2005

Financial Information Sorted by 12 Month Change in EPS

DIVERSIFIED		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	SOUTHWESTERN ENERGY CORP.	06/30/05	828,108	0	59	1.64	63.5	0.00	0.0	27.1	NMF	0.0	
2	UGI CORPORATION	06/30/05	2,604,600	289,700	38	1.88	53.1	0.68	8.0	20.3		0.0	9.21
3	NICOR, INC.	06/30/05	1,286,800	0	61	2.57	52.1	1.86	0.0	14.7	72	10.4	2.71
4	KINDER MORGAN, INC.	06/30/05	6,803,119	163,400	41	4.58	38.4	3.00	33.3	20.2	66	13.3	4.13
5	QUESTAR CORPORATION	06/30/05	2,414,451	37,000	61	3.16	26.9	0.90	4.7	19.0	28	5.2	5.67
6	ONEOK, INC.	06/30/05	3,916,700	118,039	38	2.44	25.1	1.12	12.0	17.0	46	7.5	6.23
7	ENERGEN CORPORATION	06/30/05	1,544,531	10,000	55	1.94	22.4	0.40	3.9	17.7	21	3.4	4.79
8	MDU RESOURCES GROUP, INC.	06/30/05	2,894,108	26,866	61	2.04	20.7	0.76	5.6	14.4	37	5.2	5.73
9	CHESAPEAKE UTILITIES CORP.	06/30/05	146,314	4,909	57	1.77	13.5	1.14	1.8	12.5	64	8.0	5.69
10	SOUTHWEST GAS CORPORATION	06/30/05	2,028,811	31,246	37	1.47	1.4	0.82	0.0	6.6	56	4.2	3.79
11	EQUITABLE RESOURCES, INC.	06/30/05	1,290,898	157,108	52	1.81	(19.6)	0.84	10.5	27.8	47	15.2	1.96
12	SOUTHERN UNION COMPANY	06/30/05	4,110,400	152,898	41	1.11	(20.8)	0.00	0.0	10.4	NMF	0.0	9.50
13	KEYSPAN CORPORATION	06/30/05	8,411,600	285,500	53	2.47	(29.4)	1.82	2.2	7.9	74	7.1	2.39
14	NATIONAL FUEL GAS COMPANY	06/30/05	2,476,294	22,100	54	1.87	(29.4)	1.16	3.6	11.6	62	7.3	2.79
15	CORNING NATURAL GAS CORP.	06/30/05	15,409	3,649	37	2.18	NMF	0.00	0.0	26.6	NMF	0.0	3.85
			<i>MAXIMUM</i>	289,700	61		63.5						1.20
			<i>MINIMUM</i>	0	37		(29.4)	33.3	27.8	74	15.2	9.50	
			<i>MEDIAN</i>	31,246	53		21.6	0.0	6.6	21	0.0	1.20	
			<i>MEAN</i>	86,828	50		15.5	3.6	17.0	51	7.1	4.13	
								5.7	16.9	51	6.3	4.64	

COMBINATION		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	TECO ENERGY, INC.	06/30/05	5,321,800	75,500	29	(1.47)	NMF	0.76	0.0	(21.0)	NMF	10.4	0.82
2	FLORIDA PUBLIC UTILITIES	06/30/05	98,558	2,306	46	0.81	121.5	0.41	3.3	11.0	51	5.4	2.01
3	WPS RESOURCES CORP.	06/30/05	2,071,700	263,600	56	4.86	42.1	2.26	1.8	16.7	47	7.5	3.49
4	ENERGY EAST CORPORATION	06/30/05	6,614,164	134,530	42	1.68	15.9	1.10	5.8	8.9	65	5.8	2.30
5	SEMPRA ENERGY	06/30/05	10,195,000	652,000	55	3.97	8.5	1.16	16.0	18.8	29	5.3	3.95
6	VECTREN CORPORATION	06/30/05	2,153,400	291,500	52	1.58	8.2	1.18	3.5	10.8	75	8.0	2.61
7	PNM RESOURCES, INC.	06/30/05	3,460,419	20,700	37	1.28	7.3	0.80	25.0	6.6	63	4.3	2.87
8	AMEREN CORPORATION	06/30/05	11,423,000	511,000	55	3.17	1.0	2.54	0.0	10.8	80	8.3	3.88
9	AVISTA CORPORATION	06/30/05	1,781,273	187,803	43	0.86	(1.1)	0.54	3.8	5.5	63	3.4	1.53
10	NSTAR	06/30/05	4,001,017	457,285	36	1.70	(4.2)	1.16	4.5	12.7	68	8.5	2.96
11	NISOURCE INC.	06/30/05	9,783,900	1,260,100	50	1.47	(7.5)	0.92	0.0	9.2	63	5.1	2.65
12	PUBLIC SERVICE ENT. GROUP INC.	06/30/05	17,479,000	1,929,000	32	3.04	(7.9)	2.24	1.8	9.8	74	9.6	2.12
13	CH ENERGY GROUP	06/30/05	844,477	13,000	60	2.58	(9.2)	2.16	0.0	8.2	84	6.8	4.19
14	XCEL ENERGY INC.	06/30/05	11,734,164	635,532	45	1.22	(12.9)	0.86	3.6	7.0	70	6.6	2.51
15	WISCONSIN ENERGY CORP.	06/30/05	5,601,900	597,200	46	1.43	(14.4)	0.88	4.8	13.2	62	4.0	2.74
16	SCANA	06/30/05	5,746,000	500,000	45	2.13	(17.1)	1.56	6.8	9.7	73	6.9	2.95
17	MGE ENERGY, INC.	06/30/05	541,699	40,100	63	1.44	(23.8)	1.38	1.0	9.0	96	8.3	5.42
18	CENTERPOINT ENERGY, INC.	06/30/05	8,232,036	1,797,435	14	0.89	(25.8)	0.54	3.8	(60.0)	63	3.4	1.11
19	PUGET ENERGY, INC.	06/30/05	3,981,157	236,623	42	0.79	(29.5)	1.00	0.0	4.8	127	6.0	2.21
20	ALLIANT ENERGY CORPORATION	06/30/05	4,853,100	387,800	50	1.25	(31.7)	1.05	5.0	2.8	84	5.0	2.61
21	DTE ENERGY COMPANY	06/30/05	12,553,000	1,379,000	43	2.09	(44.9)	2.06	0.0	6.5	99	6.6	1.22
22	AQUILA, INC.	06/30/05	3,432,000	21,900	32	(0.69)	NMF	0.00	0.0	(19.3)	NMF	0.0	NMF
23	PG&E CORPORATION	06/30/05	17,408,000	724,000	46	2.27	(76.4)	1.20	NMF	20.1	53	5.5	2.79
24	NORTHWESTERN CORPORATION	06/30/05	1,440,088	66,600	49	1.58	NMF	1.00	NMF	(0.7)	63	5.1	1.38
25	CMS ENERGY CORPORATION	06/30/05	11,082,000	755,000	23	1.49	NMF	0.00	0.0	13.3	NMF	0.0	1.01
			<i>MAXIMUM</i>	1,929,000	63		121.5						
			<i>MINIMUM</i>	2,306	14		(76.4)	25.0	20.1	127	10.4	5.42	
			<i>MEDIAN</i>	387,800	45		(7.9)	0.0	(60.0)	29	0.0	0.82	
			<i>MEAN</i>	517,581	44		(4.9)	3.3	9.0	67	5.8	2.61	
								3.9	4.6	70	5.8	2.56	

## Financial Information Sorted by 12 Month Change in EPS

<b>DISTRIBUTION</b>		<b>12 MOS ENDING</b>	<b>TOTAL CAP (000)</b>	<b>S-T DEBT (000)</b>	<b>PCT EQUITY</b>	<b>EPS</b>	<b>PCT CHG</b>	<b>DIV RATE</b>	<b>PCT CHG</b>	<b>ROE</b>	<b>DIVIDEND PAYOUT</b>	<b>BOOK YIELD</b>	<b>INTEREST COVERAGE</b>
1	DELTA NATURAL GAS COMPANY INC.	06/30/05	103,507	7,609	49	1.55	29.2	1.20	1.7	10.0	77	7.6	2.80
2	RGC RESOURCES, INC.	06/30/05	55,324	12,596	71	1.50	25.0	1.18	0.0	33.0	79	6.3	2.76
3	SOUTH JERSEY INDUSTRIES, INC.	06/30/05	687,055	55,873	54	1.76	23.1	0.85	4.9	13.7	48	6.5	4.63
4	NORTHWEST NATURAL GAS COMPANY	06/30/05	1,113,335	27,241	53	2.17	19.2	1.30	0.0	10.3	60	6.1	3.08
5	AGL RESOURCES, INC.	06/30/05	3,110,000	172,000	47	2.42	7.6	1.24	6.9	14.4	51	6.6	4.70
6	ATMOS ENERGY CORPORATION	06/30/05	3,799,649	3,242	43	1.86	7.5	1.24	1.6	11.5	67	6.2	2.96
7	NEW JERSEY RESOURCES CORP.	06/30/05	836,227	196,939	62	2.84	6.0	1.36	4.6	15.7	48	7.2	4.70
8	ENERGYSOUTH, INC.	06/30/05	185,774	5,160	55	1.71	1.8	0.86	7.5	13.6	50	6.6	7.26
9	WGL HOLDINGS, INC.	06/30/05	1,474,316	76,787	63	1.99	(0.5)	1.33	2.3	10.8	67	7.0	5.66
10	LACLEDE GROUP (THE)	06/30/05	725,565	87,515	53	1.87	(5.1)	1.38	1.5	10.5	74	7.6	2.80
11	PIEDMONT NATURAL GAS CO., INC.	07/31/05	1,530,309	119,000	59	1.23	(15.5)	0.92	7.0	10.5	75	7.8	3.78
12	CASCADE NATURAL GAS CORP.	06/30/05	284,039	22,000	44	0.91	(24.2)	0.96	0.0	8.3	105	8.7	2.65
13	PEOPLES ENERGY CORPORATION	06/30/05	1,776,832	15,200	50	1.85	(26.3)	2.18	0.9	7.9	118	9.4	3.28
14	SEMCO ENERGY, INC	06/30/05	704,530	15,092	23	(0.18)	NMF	0.00	0.0	(5.6)	NMF	0.0	1.29
15	ENERGY WEST	06/30/05	35,864	4,913	48	0.53	NMF	0.00	0.0	9.0	NMF	0.0	1.63
			<b>MAXIMUM</b>	196,939	71		29.2		7.5	33.0	118	9.4	7.26
			<b>MINIMUM</b>	3,242	23		(26.3)		0.0	(5.6)	48	0.0	1.29
			<b>MEDIAN</b>	22,000	53		6.0		1.6	10.5	67	6.6	3.08
			<b>MEAN</b>	54,744	52		3.7		2.6	11.6	71	6.2	3.53



Weather normalized average residential customer usage

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Stats per Annual Report:										
Residential sales	2,018,000	2,202,000	2,416,000	2,133,000	2,614,000	2,266,000	2,233,000	2,377,000	2,464,000	2,741,000
Average Residential customers	<u>33,284</u>	<u>33,570</u>	<u>33,757</u>	<u>33,624</u>	<u>33,691</u>	<u>33,251</u>	<u>32,239</u>	<u>31,596</u>	<u>31,380</u>	<u>29,840</u>
Average Annual Consumption Per Average Residential Customer	61	66	72	63	78	68	69	75	79	92
Est. of base load (0.031 mcf per day)	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Weather sensitive consumption	49	54	60	52	66	57	58	64	67	81
Percent of 30 year average weather	<u>91.8%</u>	<u>96.3%</u>	<u>105.8%</u>	<u>89.1%</u>	<u>106.8%</u>	<u>89.6%</u>	<u>89.4%</u>	<u>93.9%</u>	<u>103.9%</u>	<u>112.7%</u>
Weather normalized	54	56	57	59	62	63	65	68	65	71
Add back base load	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
	<u>65</u>	<u>68</u>	<u>68</u>	<u>70</u>	<u>73</u>	<u>75</u>	<u>76</u>	<u>79</u>	<u>76</u>	<u>83</u>



## DELTA NATURAL GAS COMPANY, INC. DIRECTORS

NAME	TERM EXPIRES	HOME ADDRESS	SPOUSE	TELEPHONE	E-MAIL
Crowe, Donald R.	2007				
Green, Jane H.	2006				
Greer, Lanny D.	2007				
Hall, Billy Joe	2007				
Jennings, Glenn R.	2008				
Kistner, Michael J.	2006				
Melton, Lewis N.	2008				
Peet, Harrison D.	2006				
Walker, Arthur E. Jr.	2008				
Whitley, Michael R.	2006				

### Executive Committee

Glenn R. Jennings - Chairman  
 Billy Joe Hall  
 Lewis N. Melton  
 Harrison D. Peet  
 Arthur E. Walker, Jr.

### Audit Committee

Michael J. Kistner - Chairman  
 Donald R. Crowe  
 Lanny D. Greer  
 Billy Joe Hall  
 Michael R. Whitley

### Corporate Governance and Compensation Committee

Lewis N. Melton - Chairman  
 Jane H. Green  
 Michael J. Kistner  
 Arthur E. Walker, Jr.  
 Michael R. Whitley

Updated November 17, 2005

(See reverse side for Officers)

**Minutes of Regular Quarterly Meeting of  
Board of Directors of  
Delta Natural Gas Company, Inc.  
Held in Winchester, Kentucky on August 16, 2005**

The regular quarterly meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the offices of the Company at 3617 Lexington Road, Winchester, Kentucky on August 16, 2005, beginning at the hour of 9:00 a.m., E.D.T., pursuant to notice hereto attached as Exhibit I.

The following directors were present: Donald R. Crowe, Jane Hylton Green, Lanny D. Greer, Billy Joe Hall, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet, Arthur E. Walker, Jr. and Michael R. Whitley. John F. Hall, Delta's Vice President - Finance, Secretary and Treasurer was present in his capacity as Secretary of Delta and recorded the minutes of the meeting.

Harrison D. Peet, Chairman of the Board, called the meeting to order, announced a quorum and the meeting proceeded.

The Chairman stated that the first order of business was the approval of the minutes of the regular quarterly meeting of May 17, 2005; copies of said minutes had been circulated to all directors prior to the meeting. Following discussion, on motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the minutes of the regular quarterly meeting held May 17, 2005 as circulated, be approved and that reading of said minutes be waived.

There being no old business, Mr. Peet then proceeded to new business. First, Glenn R. Jennings, President and Chief Executive Officer, commented on the drafts of Delta's 2005 Annual Report, Form 10-K and Proxy materials that were distributed to each Director at the meeting. Any suggestions on those documents were requested to be provided to either Mr. Jennings or John F. Hall.

Mr. Jennings reviewed the financial results for the twelve months ended June 30, 2005; a copy of his report had been mailed to each Director prior to the meeting and is attached as Exhibit II.

The Chairman then asked the Board to consider the declaration of a dividend on common stock for the quarter ended June 30, 2005. After discussion, upon motion duly made, seconded, and carried unanimously, it was

**RESOLVED**, that a dividend on common stock of \$.30 per share be paid to stockholders of record as of the close of business on September 1, 2005, for the quarter ended June 30, 2005; said dividend to be paid September 15, 2005.

Michael J. Kistner, the Chairman of the Audit Committee, updated the Board on a meeting of the Committee held August 12, 2005 with the Company's outside auditor, Deloitte & Touche LLP, and the Company's internal auditor to review the results of the June 30, 2005 audit. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the audited financial statements be included in Delta's Form 10-K report to be filed with the Securities and Exchange Commission for the fiscal year ending June 30, 2005.

Lewis N. Melton, the Chairman of the Nominating and Compensation Committee, updated the Board on a meeting of the Committee held August 12, 2005.

After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the Nominating and Compensation Committee be renamed the Corporate Governance and Compensation Committee and the attached Charter be adopted and approved for that Committee.

**FURTHER RESOLVED**, that Delta's management is authorized to pay cash bonuses on or about August 31, 2005 to all employees on the payroll as of July 1, 2005, who are still employees when the payments are distributed, but excluding temporary summer employees, as follows:

<u>Performance Tier</u>	<u>Position</u>	<u>Cash Bonus % of 7/1/05 Base Pay</u>
Tier 1	All employees	4 %
Tier 2	All Leadership	Tier 1 + 4% = total of 8%
Tier 3	All 5 Officers	Tier 2 + 8% = total of 16%
Tier 4	President & CEO	Tier 3 + 16% = total of 32%

Management is to use its discretion to pay less than the percentages authorized, including no bonus at all, to any employees whose performance does not warrant such bonus participation. In addition to the above percentages, additional amounts authorized to be paid are to

**FURTHER RESOLVED**, that management is authorized to pay

**FURTHER RESOLVED**, that effective September 1, 2005, John B. Brown's job title be changed to Vice president – Controller and his annual salary be

Mr. Jennings presented matters pertaining to the 2005 Annual Meeting and after discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the close of business on October 5, 2005 shall be the record date for the determination of shareholders entitled to vote at Delta's Annual Shareholders' Meeting to be held on November 17, 2005.

**FURTHER RESOLVED**, that the officers of Delta are directed to take such action as is necessary for the solicitation of proxies and that Delta shall pay all reasonable expenses associated with the solicitation.

Mr. Jennings reviewed with the Board the renewal and modification of Delta's line of credit with the Branch Banking and Trust Company.

Mr. John F. Hall, Delta's Vice President – Finance, Secretary and Treasurer updated the Board on the status of a potential refinancing of Delta's 7.15% Debentures due 2018.

Mr. Jennings discussed with the Board Delta's Dividend Reinvestment and Stock Purchase Plan. After discussion, upon motion duly made, seconded and carried unanimously, it was:

**RESOLVED**, that the Company's officers are authorized to take all reasonable actions for the formation, operation and administration of a dividend reinvestment plan (DRIP). This new DRIP will replace the

Company's present DRIP, which will shortly exhaust its supply of registered securities. This authorization includes but is not limited to an authorization for the Company's officers to:

- (1) Seek and obtain all regulatory approval necessary for the formation, operation and administration of the DRIP, including but not limited to preparing, executing and filing all necessary applications, documents, etc. with the Kentucky Public Service Commission.
- (2) Prepare, execute and approve the terms of all contracts, documents and arrangements necessary for the formation, operation and administration of the DRIP, including but not limited to the contract with an agent responsible for investing participants' funds and keeping continuous records of participants' accounts; and
- (3) Retaining such professionals, including attorneys, accountants, brokers, trust officers, etc. as are necessary to the formation and administration of the DRIP.

Mr. Jennings discussed with the Board an amendment to Delta's Defined Benefit Pension Plan that would reduce the \$5,000 involuntary cashout threshold to \$1,000 on or after March 28, 2005. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the Company hereby amend its Plan as evidenced by the instrument of writing attached hereto as Exhibit II, entitled Mandatory Distribution Amendment, such amendment to be effective as of March 28, 2005.

Mr. Jennings reviewed with the Board the results of a 2005 employee survey, attached hereto as Exhibit III.

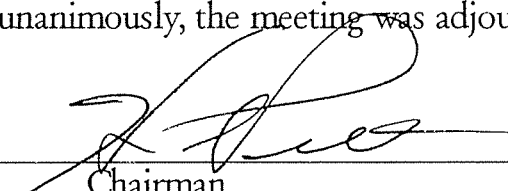
Mr. Jennings reviewed with the Board some comparative data on gas companies provided by Edward Jones, attached hereto as Exhibit IV.

Mr. Jennings reviewed with the Board a five year earnings, cash flow and financing projection, attached hereto as Exhibit V.

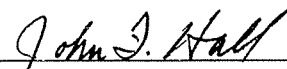
Mr. Jennings discussed with the Board several possible

The Board adjourned into Executive Session with only the Independent Directors. There was nothing from that Executive Session that required further action.

There being no further business to come before the meeting, upon motion duly made, seconded and carried unanimously, the meeting was adjourned.

  
\_\_\_\_\_  
Chairman

Attest:

  
\_\_\_\_\_  
Secretary





**Delta Natural Gas Company, Inc.**



3617 Lexington Road  
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171  
FAX: 859-744-3623

August 1, 2005

Billy Joe Hall  
P. O. Box 367  
Mt. Sterling, KY 40353

Dear Billy Joe:

Notice is hereby given that a meeting of the Board of Directors of Delta Natural Gas Company, Inc. will be held at the Offices of the Company, 3617 Lexington Road, Winchester, Kentucky, on Tuesday, August 16, 2005 at the hour of 9:00 a.m. E.D.T.

Matters to be considered and voted upon at the meeting are as follows:

1. Common Stock Dividend (quarterly) for period ended June 30, 2005 to be paid September 15, 2005.
2. Transact such other business as may properly come before said meeting.

A copy of the President's Report and the minutes of the Directors meeting held on May 17, 2005 are enclosed for your prior perusal.

Lunch will be served in the downstairs meeting room after the meeting.

Sincerely,

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

/epb

enclosures



**DELTA NATURAL GAS COMPANY, INC.**  
**BOARD OF DIRECTORS' MEETING - 8/16/05**  
**PRESIDENT'S REPORT**

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	12 months ended June 30,		
	2005	2005	2004
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Retail Sales Volumes (million cubic feet)	<u>3,499</u>		<u>3,895</u>
Transportation Volumes (million cubic feet)			
- off system	<u>7,194</u>		<u>7,190</u>
- on system	<u>5,273</u>		<u>5,166</u>
Total Transportation	<u>12,467</u>		<u>12,356</u>
Total Throughput (million cubic feet)	<u>15,966</u>		<u>16,251</u>
Actual Lexington Billed Degree Days as % of 30 Year Average	91.8		96.3
Net Income (\$000)	5,020		3,838
Net Income Per Common Share (\$)	1.56		1.20

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The attached detailed financial data is provided for further information and review. In summary, June 30, 2005 net income was

Also, reduced sales from the warmer weather were not completely offset by the weather normalization mechanism.

Capital expenditures were

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

June 30, 2005

ASSETS	2005	2004
GAS UTILITY PLANT, AT COST	\$ 121,356,726	\$ 167,765,835
Less - Reserve for Depreciation	<u>5,664,570</u>	<u>54,412,853</u>
	\$ <u>115,692,156</u>	\$ <u>113,352,982</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 127,530	\$ 168,838
Receivables	4,505,866	2,586,588
Deferred Gas Cost	3,276,843	1,523,632
Gas in Storage, at Cost	9,193,809	7,749,234
Materials and Supplies, at Cost	957,786	352,762
Prepayments	<u>899,606</u>	<u>626,180</u>
	\$ <u>18,961,440</u>	\$ <u>13,007,234</u>
<b>OTHER ASSETS:</b>		
Cash Surrender Value of Life Insurance	\$ 387,193	\$ 376,930
Unamortized Expenses	3,830,794	4,066,978
Receivable/Investment in Subsidiaries	(125,028)	1,335,349
Other	<u>3,511,340</u>	<u>2,931,790</u>
	\$ <u>7,604,299</u>	\$ <u>8,711,047</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>142,257,895</u></b>	<b>\$ <u>135,071,263</u></b>
<b>LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock	\$ 3,229,988	\$ 3,200,715
Paid-in Surplus	44,973,352	44,236,128
Capital Stock Expense	(2,598,000)	(2,598,000)
Accum Other Comprehensive Income	0	0
Retained Earnings	<u>5,215,219</u>	<u>3,991,317</u>
Total Common Equity	\$ 50,820,559	\$ 48,830,160
Long-term Debt	<u>52,707,000</u>	<u>53,049,000</u>
Total Capitalization	\$ <u>103,527,559</u>	\$ <u>101,879,160</u>
<b>CURRENT LIABILITIES:</b>		
Notes Payable	\$ 5,959,122	\$ 4,738,179
Current Portion of Long-Term Debt	1,650,000	1,650,000
Accounts Payable	6,330,400	4,924,806
Accrued Taxes	2,391,682	380,707
Refunds Due Customers	265	130
Customer Deposits	472,247	433,809
Accrued Interest	899,964	901,370
Other	<u>1,056,127</u>	<u>1,112,506</u>
	\$ <u>18,759,807</u>	\$ <u>14,141,507</u>
<b>DEFERRED CREDITS AND OTHER:</b>		
Deferred Income Taxes	\$ 18,043,635	\$ 17,971,811
Deferred Investment Tax Credit	288,200	326,200
Regulatory Items	1,472,462	648,025
Advances for Construction and Other	166,232	104,560
Accum Provision for Pensions & Benefit	0	0
	\$ <u>19,970,529</u>	\$ <u>19,050,596</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>142,257,895</u></b>	<b>\$ <u>135,071,263</u></b>

**DELTA NATURAL GAS COMPANY, INC.**  
STATEMENT OF INCOME

June 30, 2005

	12 MONTHS TO DATE		12 MONTHS ENDED	
	2005	2004	2005	2004
<b>OPERATING REVENUES</b>	\$ 55,566,651	\$ 55,350,346	\$ 55,566,651	\$ 55,350,346
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 28,944,780	\$ 30,947,084	\$ 28,944,780	\$ 30,947,084
Operations	11,236,907	9,819,974	11,236,907	9,819,974
Maintenance	656,329	609,379	656,329	609,379
Depreciation	4,124,679	4,302,615	4,124,679	4,302,615
Property & Other Taxes	1,664,525	1,576,340	1,664,525	1,576,340
Income Taxes	1,732,300	1,402,300	1,732,300	1,402,300
Total	\$ 48,359,520	\$ 48,657,692	\$ 48,359,520	\$ 48,657,692
Operating Income	\$ 7,207,131	\$ 6,692,654	\$ 7,207,131	\$ 6,692,654
<b>OTHER INCOME/(EXPENSES), NET</b>	2,305,878	1,554,792	2,305,878	1,554,792
Gross Income	\$ 9,513,009	\$ 8,247,446	\$ 9,513,009	\$ 8,247,446
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 3,809,693	\$ 3,835,798	\$ 3,809,693	\$ 4,407,478
Amortization	683,591	573,589	683,591	1,909
Other	-	-	-	-
Total	\$ 4,493,284	\$ 4,409,387	\$ 4,493,284	\$ 4,409,387
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ 5,019,725	\$ 3,838,059	\$ 5,019,725	\$ 3,838,059
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ 1.56	\$ 1.20	\$ 1.56	\$ 1.20
<b>CUSTOMERS AT END OF PERIOD</b>			38,093	38,218

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**June 30, 2005**

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over			This Year Over			This Year	Last Year
	(Under ) Budget	This Year	Last Year	(Under ) Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA		53	6		4,293	4,493	4,293	4,493
<b>MCF'S:</b>								
DELTA NATURAL								
RESIDENTIAL		43,878	35,727		1,992,286	2,201,546	1,992,286	2,201,546
SMALL COMMERCIAL		12,215	10,958		575,585	668,914	575,585	668,914
COMMERCIAL - OTHER		25,390	24,836		777,202	860,795	777,202	860,795
INDUSTRIAL		5,034	9,612		153,940	163,896	153,940	163,896
TOTAL SOLD		86,517	81,133		3,499,013	3,895,151	3,499,013	3,895,151
OFF SYSTEM		580,990	544,577		7,193,581	7,189,860	7,193,581	7,189,860
ON SYSTEM		415,948	391,464		5,272,925	5,165,660	5,272,925	5,165,660
TOTAL TRANSPORTED		996,938	936,041		12,466,506	12,355,520	12,466,506	12,355,520
TOTAL DELTA NATURAL		1,083,455	1,017,174		15,965,519	16,250,671	15,965,519	16,250,671
RESOURCES ON SYS INCL		154,524	129,088		1,992,515	1,873,248	1,992,515	1,873,248
DELGASCO OFF SYS INCL		129,979	142,852		1,838,391	2,044,479	1,838,391	2,044,479
<b>REVENUES:</b>								
DELTA NATURAL								
RETAIL SALES		1,741,680	1,291,077		47,697,796	49,187,311	47,697,796	49,187,311
UNBILLED REVENUE		(331,042)	-		1,246,556	-	1,246,556	-
MISC OPERATING		23,972	26,019		210,940	205,063	210,940	205,063
OFF SYS TRANSPORT		169,089	161,078		2,098,982	2,104,165	2,098,982	2,104,165
ON SYS TRANSPORT		318,946	277,010		4,312,376	3,853,808	4,312,376	3,853,808
TOTAL DELTA NATURAL		1,922,645	1,755,184		55,566,650	55,350,347	55,566,650	55,350,347
RESOURCES ON SYS SALES		1,133,954	883,949		14,983,956	11,557,810	14,983,956	11,557,810
DELGASCO OFF SYS SALES		891,111	1,027,361		13,494,860	12,194,623	13,494,860	12,194,623
TOTAL CONSOLIDATED		3,947,710	3,666,494		84,045,466	79,102,780	84,045,466	79,102,780
<b>GAS COSTS:</b>								
DELTA NATURAL		931,676	636,853		28,314,806	30,947,083	28,314,806	30,947,083
DELTA NATURAL UNBILLED GAS COST		(221,261)	-		629,975	-	629,975	-
DELTA RESOURCES		1,029,675	770,138		13,198,439	10,441,604	13,198,439	10,441,604
DELGASCO		878,749	891,249		12,657,795	11,770,029	12,657,795	11,770,029
TOTAL CONSOLIDATED		2,618,839	2,298,240		54,801,015	53,158,717	54,801,015	53,158,716
<b>NET SALES:</b>								
DELTA NATURAL EXCLUDING UNBILLED		810,004	654,224		19,382,990	18,240,228	19,382,990	18,240,228
DELTA NATURAL UNBILLED		(109,781)	-		616,581	-	616,581	-
DELTA RESOURCES TOTAL		104,279	113,811		1,785,517	1,116,206	1,785,517	1,116,206
DELGASCO		12,362	136,112		837,065	424,594	837,065	424,594
TOTAL CONSOLIDATED		816,864	904,147		22,622,153	19,781,028	22,622,153	19,781,028
<b>PER MCF:</b>								
DELTA NATURAL								
TOTAL SALES		20.1311	15.9131		13.6318	12.6278	13.6318	12.6278
COST OF GAS		10.7687	7.8495		8.0922	7.9450	8.0922	7.9450
NET SALES		9.3624	8.0636		5.5396	4.6828	5.5396	4.6828
DELTA RESOURCES								
TOTAL SALES		7.3384	6.8476		7.5201	6.1699	7.5201	6.1699
COST OF GAS		6.6635	5.9660		6.6240	5.5741	6.6240	5.5741
NET SALES		0.6748	0.8817		0.8961	0.5959	0.8961	0.5959
DELGASCO								
TOTAL SALES		6.8558	7.1918		7.3406	5.9647	7.3406	5.9647
COST OF GAS		6.7607	6.2390		6.8853	5.7570	6.8853	5.7570
NET SALES		0.0951	0.9528		0.4553	0.2077	0.4553	0.2077
<b>DELTA NATURAL ONLY:</b>								
% Change to Customers Between Yrs	Total Cost	26.5%		8.0%	8.0%			
	Gas Cost	18.3%		1.2%	1.2%			
	Net Sales	8.2%		6.8%	6.8%			

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
 Income Statement - Delta Natural Gas Co  
 July 01, 2004 - June 30, 2005

	Current Month Amount	Last Year Curt Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
01						
<b>OPERATING REVENUES</b>						
<b>General Service Rate Billed</b>						
Residential	756,655.07CR	674,745.46CR	28,699,256.18CR	28,681,266.13CR	28,699,256.18CR	28,681,266.13CR
Small Commercial	228,050.97CR	200,569.91CR	8,040,655.61CR	8,627,077.64CR	8,040,655.61CR	8,627,077.64CR
Other Commercial	374,672.87CR	321,964.41CR	9,843,746.40CR	10,052,930.95CR	9,843,746.40CR	10,052,930.95CR
Industrial	39,792.89CR	75,154.08CR	1,346,421.61CR	1,257,804.68CR	1,346,421.61CR	1,257,804.68CR
Unmetered Gas Light	.00	1,084.14CR	8,575.43CR	13,838.74CR	8,575.43CR	13,838.74CR
Residential WNA	.00	.00	463,176.22CR	42,004.80CR	463,176.22CR	42,004.80CR
Small Non-Residential WNA	.00	.00	119,568.88CR	10,338.11CR	119,568.88CR	10,338.11CR
Weather Normalization Revenue	.00	.00	582,745.10CR	52,342.91CR	582,745.10CR	52,342.91CR
<b>Total General Service Ra</b>	<b>1,399,171.80CR</b>	<b>1,273,518.00CR</b>	<b>48,521,400.33CR</b>	<b>48,685,261.05CR</b>	<b>48,521,400.33CR</b>	<b>48,685,261.05CR</b>
<b>Interruptible Rate Billed</b>						
Commercial	116.54	481.51CR	25,153.92CR	28,409.80CR	25,153.92CR	28,409.80CR
Industrial	11,583.56CR	17,077.63CR	397,798.18CR	473,639.92CR	397,798.18CR	473,639.92CR
<b>Total Interruptible Rate</b>	<b>11,467.02CR</b>	<b>17,559.14CR</b>	<b>422,952.10CR</b>	<b>502,049.72CR</b>	<b>422,952.10CR</b>	<b>502,049.72CR</b>
<b>Total Gas Revenue</b>	<b>1,410,638.82CR</b>	<b>1,291,077.14CR</b>	<b>48,944,352.43CR</b>	<b>49,187,310.77CR</b>	<b>48,944,352.43CR</b>	<b>49,187,310.77CR</b>
Miscellaneous Operating Revenue	23,972.00CR	26,019.00CR	210,939.90CR	205,063.00CR	210,939.90CR	205,063.00CR
Off System Transportation Reven	169,089.18CR	161,077.54CR	2,098,982.08CR	2,104,164.66CR	2,098,982.08CR	2,104,164.66CR
On System Transportation Revenue	318,946.33CR	277,010.07CR	4,312,376.48CR	3,853,807.78CR	4,312,376.48CR	3,853,807.78CR
<b>TOTAL OPERATING REVENUE</b>	<b>1,922,646.33CR</b>	<b>1,755,183.75CR</b>	<b>55,566,650.89CR</b>	<b>55,350,346.21CR</b>	<b>55,566,650.89CR</b>	<b>55,350,346.21CR</b>
<b>OPERATING EXPENSES</b>						
Purchased Gas	710,414.63	636,853.48	28,944,780.19	30,947,083.58	28,944,780.19	30,947,083.58
Recovery of Canada Mountain	.00	.00	.00	.00	.00	.00
Purchased Gas, net	710,414.63	636,853.48	28,944,780.19	30,947,083.58	28,944,780.19	30,947,083.58
Operation Expense						
Labor	1,093,472.70	495,722.14	6,435,949.00	5,687,122.86	6,435,949.00	5,687,122.86
Transportation	69,606.50	134,205.29	688,650.07	767,054.83	688,650.07	767,054.83

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
Income Statement - Delta  
July 01, 2004 - June 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
General Operations	36,452.29	35,037.71	388,973.06	371,933.60	388,973.06	371,933.60
Customer Billing	23,665.45	746.65	244,607.33	209,504.78	244,607.33	209,504.78
Uncollectible Accounts	128,140.84CR	49,225.34CR	467,041.77	391,359.80	467,041.77	391,359.80
Administrative	47,353.09	55,826.89	495,108.69	488,328.14	495,108.69	488,328.14
Outside Services	71,475.76	9,971.94CR	656,630.81	737,814.27	656,630.81	737,814.27
Insurance	61,042.05	25,041.49	755,324.26	586,807.01	755,324.26	586,807.01
Employee Benefits	242,017.13	169,575.72	2,475,873.96	2,065,007.71	2,475,873.96	2,065,007.71
General Administration	168,250.99	61,268.51	842,932.59	666,719.39	842,932.59	666,719.39
Expenses Transferred	268,470.55CR	400,151.77CR	2,496,732.88CR	2,433,909.83CR	2,496,732.88CR	2,433,909.83CR
Other	38,265.11	37,786.23	282,548.42	282,232.40	282,548.42	282,232.40
Total Operation Expense	1,454,989.68	545,861.58	11,236,907.08	9,819,974.96	11,236,907.08	9,819,974.96
Maintenance Expense						
Labor	8,077.70	12,531.99	121,760.77	123,772.71	121,760.77	123,772.71
Transportation	3,700.56	10,441.16	50,781.93	58,336.53	50,781.93	58,336.53
Mains	12,364.85	4,411.57	81,796.10	71,711.96	81,796.10	71,711.96
Meter & Regulators	15,451.36	7,118.79	52,362.86	42,658.79	52,362.86	42,658.79
Other	27,238.98	21,722.77	349,627.20	312,899.13	349,627.20	312,899.13
Total Maintenance Expens	66,833.45	56,226.28	656,328.86	609,379.12	656,328.86	609,379.12
Depreciation Expense	331,451.32	370,328.66	4,124,679.47	4,302,614.62	4,124,679.47	4,302,614.62
Taxes Other Than Income Taxes						
Property Taxes	80,148.17	94,786.00	1,127,011.50	1,072,798.05	1,127,011.50	1,072,798.05
Payroll Taxes	72,324.00	39,279.83	537,513.06	503,541.81	537,513.06	503,541.81
Total Other Taxes	152,472.17	134,065.83	1,664,524.56	1,576,339.86	1,664,524.56	1,576,339.86
Income Taxes						
Current Federal	816,720.00	1,875,985.00CR	1,795,825.00	723,500.00CR	1,795,825.00	723,500.00CR
Current State	218,505.00	543,810.00	.00	296,700.00	.00	296,700.00
Deferred Federal & State	1,448,225.00CR	1,200,175.00	25,525.00CR	1,867,500.00	25,525.00CR	1,867,500.00
Investment Tax Credit-Net	3,166.67CR	3,200.00CR	38,000.00CR	38,400.00CR	38,000.00CR	38,400.00CR
Total Income Taxes	416,166.67CR	135,200.00CR	1,732,300.00	1,402,300.00	1,732,300.00	1,402,300.00
TOTAL OPERATING EXPENSES	2,199,994.58	1,608,135.83	48,359,520.16	48,657,692.14	48,359,520.16	48,657,692.14

DELTA NATURAL GAS CO., L.P. SUBSIDIARIES  
 Income Statement - Delta  
 July 01, 2004 - June 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
OPERATING INCOME	377,348.25	147,047.92CR	7,207,130.73CR	6,692,654.07CR	7,207,130.73CR	6,692,654.07CR
NON REGULATED INCOME						
Net Income from Subsidiaries	61,392.00CR	172,086.00CR	2,249,734.00CR	1,494,260.00CR	2,249,734.00CR	1,494,260.00CR
Income Tax Non Regulated	4,200.00	3,700.00	34,200.00	31,500.00	34,200.00	31,500.00
Other Net Inc Before Inc Taxes	10,735.45CR	18,035.05CR	90,343.32CR	92,032.26CR	90,343.32CR	92,032.26CR
Net Non Regulated Income	67,927.45CR	186,421.05CR	2,305,877.32CR	1,554,792.26CR	2,305,877.32CR	1,554,792.26CR
Income Before Interest Charges	309,420.80	333,468.97CR	9,513,008.05CR	8,247,446.33CR	9,513,008.05CR	8,247,446.33CR
INTEREST CHARGES						
Interest On Long-Term Debt	316,800.00	318,700.00	3,809,692.66	3,835,796.63	3,809,692.66	3,835,796.63
Interest On Short-Term Debt	36,015.20	13,867.45	416,613.07	307,325.87	416,613.07	307,325.87
Other Interest	2,633.97	2,496.53	30,793.58	29,474.70	30,793.58	29,474.70
Amortization of Debt Expense	19,681.75	19,683.75	236,184.00	236,789.45	236,184.00	236,789.45
Total Interest Charges	375,130.92	354,747.73	4,493,283.31	4,409,386.65	4,493,283.31	4,409,386.65
NET INCOME	684,551.72	21,278.76	5,019,724.74CR	3,838,059.68CR	5,019,724.74CR	3,838,059.68CR



DELTA NATURAL GAS CO., INC. / SUBSIDIARIES  
 Income Statement - Delta Resources  
 July 01, 2004 - June 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>Revenues</b>						
Other Revenue	4,916.50CR	1,550.87CR	17,075.58CR	397.71CR	17,075.58CR	397.71CR
Sales To Parent	.00	.00	.00	.00	.00	.00
Sales To Others	1,348,245.29CR	1,047,084.54CR	17,754,424.66CR	14,146,597.70CR	17,754,424.66CR	14,146,597.70CR
<b>Total Revenues</b>	<b>1,353,161.79CR</b>	<b>1,048,635.41CR</b>	<b>17,771,500.24CR</b>	<b>14,146,995.41CR</b>	<b>17,771,500.24CR</b>	<b>14,146,995.41CR</b>
<b>Expenses</b>						
Purchased Gas	1,029,675.00	770,137.83	13,198,438.72	10,441,603.82	13,198,438.72	10,441,603.83
Transportation Fee	214,291.68	163,135.76	2,770,468.66	2,588,787.54	2,770,468.66	2,588,787.54
Uncollectible Accounts	.00	.00	.00	.00	.00	.00
Outside Services	49,500.00	1,097.03	73,326.00	22,369.03	73,326.00	22,369.03
Taxes - Non Income	.00	.00	.00	.00	.00	.00
Income Taxes	22,700.00	69,400.00	634,400.00	428,400.00	634,400.00	428,400.00
<b>Total Expenses</b>	<b>1,316,166.68</b>	<b>1,003,770.62</b>	<b>16,676,633.38</b>	<b>13,481,160.40</b>	<b>16,676,633.38</b>	<b>13,481,160.40</b>
<b>Net Income</b>	<b>36,995.11CR</b>	<b>44,864.79CR</b>	<b>1,094,866.86CR</b>	<b>665,835.01CR</b>	<b>1,094,866.86CR</b>	<b>665,835.01CR</b>

DELTA NATURAL GAS CO., INC. / SUBSIDIARIES  
 Income Statement - Delgasco  
 July 01, 2004 - June 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>Revenues</b>						
Other Revenue	1,800.00CR	418.32CR	7,040.01CR	15,492.76CR	7,040.01CR	15,492.76CR
Sales To Affiliates	1,029,675.00CR	834,282.83CR	13,198,437.32CR	10,441,603.83CR	13,198,437.32CR	10,441,603.83CR
Sales To Others	933,567.51CR	1,074,386.80CR	14,082,212.10CR	12,852,981.51CR	14,082,212.10CR	12,852,981.51CR
<b>Total Revenues</b>	<b>1,965,042.51CR</b>	<b>1,899,087.85CR</b>	<b>27,287,689.43CR</b>	<b>23,310,078.10CR</b>	<b>27,287,689.43CR</b>	<b>23,310,078.10CR</b>
<b>Expenses</b>						
Purchased Gas	1,908,423.87	1,715,532.73	25,856,232.03	22,211,632.42	25,856,232.03	22,211,632.42
Miscellaneous Expenses	42,456.18	59,927.43	587,351.70	671,259.97	587,351.70	671,259.97
Outside Services	49,500.00	11,831.49CR	71,846.00	13,543.00	71,846.00	13,543.00
Taxes - Non Income	.00	30.00	3,028.34	30.00	3,028.34	30.00
Income Taxes	13,100.00CR	50,700.00	302,500.00	159,900.00	302,500.00	159,900.00
<b>Total Expenses</b>	<b>1,987,280.05</b>	<b>1,814,358.67</b>	<b>26,820,958.07</b>	<b>23,056,365.39</b>	<b>26,820,958.07</b>	<b>23,056,365.39</b>
<b>Net Income</b>	<b>22,237.54</b>	<b>84,729.18CR</b>	<b>466,731.36CR</b>	<b>253,712.71CR</b>	<b>466,731.36CR</b>	<b>253,712.71CR</b>

DELTA NATURAL GAS CO., INC J SUBSIDIARIES  
 Income Statement - Enpro  
 July 01, 2004 - June 30, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
05							
<b>Revenues</b>							
Gas Production	137,053.86CR	108,285.98CR	1,441,751.59CR		1,266,813.24CR	1,441,751.59CR	1,266,813.24CR
Oil Production	.00	843.27CR	31,488.08CR		33,713.03CR	31,488.08CR	33,713.03CR
Royalty	26,359.77CR	2,419.64CR	104,274.38CR		57,121.54CR	104,274.38CR	57,121.54CR
Other	14.84	.00	36,394.51CR		.00	36,394.51CR	.00
<b>Total Revenues</b>	<b>163,398.79CR</b>	<b>111,548.89CR</b>	<b>1,613,908.56CR</b>		<b>1,357,647.81CR</b>	<b>1,613,908.56CR</b>	<b>1,357,647.81CR</b>
<b>Expenses</b>							
Depletion, Depreciation, & Ac	10,020.88	5,637.47	124,826.76		129,536.64	124,826.76	129,536.64
Well Opr & Mnt	1,996.25	2,312.28	20,618.41		20,547.47	20,618.41	20,547.47
Purchased Gas	15,327.77	7,024.68	87,721.70		80,767.86	87,721.70	80,767.86
Royalty & W.I.	12,069.17	16,388.91	180,584.98		153,161.59	180,584.98	153,161.59
Outside Services	49,551.00	945.48CR	73,286.71		19,860.55	73,286.71	19,860.55
Interest Expense	2,400.00CR	1,100.00CR	11,598.99CR		4,117.00CR	11,598.99CR	4,117.00CR
Taxes - Non Income	.00	2,050.00	20,833.48		14,177.64	20,833.48	14,177.64
Income Taxes	30,200.00	37,700.00	429,500.00		369,000.00	429,500.00	369,000.00
<b>Total Expenses</b>	<b>116,765.07</b>	<b>69,057.86</b>	<b>925,773.05</b>		<b>782,934.75</b>	<b>925,773.05</b>	<b>782,934.75</b>
<b>Operating Income</b>	<b>46,633.72CR</b>	<b>42,491.03CR</b>	<b>688,135.51CR</b>		<b>574,713.06CR</b>	<b>688,135.51CR</b>	<b>574,713.06CR</b>
Net Income from Subs	.00	.00	.00		.00	.00	.00
<b>Net Income</b>	<b>46,633.72CR</b>	<b>42,491.03CR</b>	<b>688,135.51CR</b>		<b>574,713.06CR</b>	<b>688,135.51CR</b>	<b>574,713.06CR</b>

DELTA NATURAL GAS CO., INC.      IDIARIES

BUDGET REPORT BY AGEN.

For Period 7/01/2004 - 6/30/2005

APITAL EXPENDITURES

11 Agents

LH ALAN L HEATH

- 1117 CUSH GAS
- 1325 LANDRIGHTS
- 1327 STRUCTURES
- 1331 WELL EQUIP
- 1332 GATH LINES
- 1333 COMP EQUIP
- 1334 REG STAT
- 135001 STORAGE LD
- 135002 STOR ROM
- 1351 STRUCTURES
- 1352 STOR WELLS
- 135201 STORAGE RT
- 135202 STOR RESEV
- 135203 MONR NAT G
- 1353 STORAGE LN
- 1354 COMPR EQUIP
- 1355 REG EQUIP
- 1356 PURIFICATN
- 1357 OTHER EQUIP
- 136501 LAND RIGHTS
- 136502 TRAN ROM
- 1366 TRAN STRUC
- 1367 TRAN MAINS
- 1368 COMP STAT
- 1369 REG EQUIP
- 1371 OTHR EQUIP
- 1381 METERS

DELTA NATURAL GAS CO., INC. IDIARIES

BUDGET REPORT BY AGENY

For Period 7/01/2004 - 6/30/2005

PITAL EXPENDITURES

1 Agente

H ALAN L HEATH

- 383 REGULATORS
- 385 IND METERS
- 395 LAB EQUIP
- 39901 MAPPING
- 117 CUSRM GAS
- 32503 MIN RIGHTS
- 32521 LEASEH-GAS
- 32522 PROD L OIL
- 32523 INT INVESH
- 33101 GAS WELL E
- 33103 OIL N EQUIP
- 35006 GAS RGT ST

tal ALH ALH

DELTA NATURAL GAS CO., INC. - DIARIES

BUDGET REPORT BY AGEN.

For Period 7/01/2004 - 6/30/2005

CAPITAL EXPENDITURES

1 Agency

J GLEN R JENNINGS

19909 CONTINGENC

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total GRJ GRJ

KESTES

DELTA NATURAL GAS CO., INC.  
SUBSIDIARIES  
BUDGET REPORT BY AGEN.  
For Period 7/01/2004 - 6/30/2005

CAPITAL EXPENDITURES

11 Agents

PH JOHN P HALL

139902 COMP SOFTW  
139903 COMP HWARE

total JFH JFH

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
BUDGET REPORT BY AGENCY  
For Period 7/01/2004 - 6/30/2005

FIXAL EXPENDITURES

1 Agency

C JOHNNY L CAUDILL

- 121 MORE U PROP
- 374 LEASD & ROW
- 375 DMS STRUCT
- 376 DIST MAINS
- 378 REG STATION
- 379 GAS REG STA
- 380 DIST SERV
- 382 METERING IN
- 389 LEASDRIGHTS
- 390 STRUCTURES
- 391 PUMPEQUIP
- 392 TRANSPI EQP
- 393 STORAGE EQP
- 394 TOOLSEQUIP
- 39401 GNG EQUIPM
- 396 PIP EQUIPMT
- 397 COMP EQUIP
- 398 WELDC EQUIP

cal JIBC JLC

and Total



## 2005 Employee Survey Summary

		<u>Yes</u>	<u>No</u>
<b>1</b>	Does Delta provide high quality service to its customers?	66	0
<b>2</b>	Are rules and policies implemented and enforced fairly at Delta?	62	0
<b>3</b>	Does Delta have an effective system in handling employee concerns?	57	6
<b>4</b>	Do people you work with cooperate and work well together?	66	1
<b>5</b>	Is communication within Delta effective?	57	3
<b>6</b>	Overall do you consider Delta a good place to work?	67	0
<b>7</b>	Was the evaluation of your job performance fair?	66	0
<b>8</b>	Is Management supportive of all employees?	59	3
<b>9</b>	Is the training you receive adequate to perform your job?	67	0
<b>10</b>	Is Safety and Security a high priority at Delta?	67	0

Common Stock Information Sorted by P/E

DIVERSIFIED															
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK				
1	SOUTHWESTERN ENERGY CORP.	12/31	46.980	53.430	14.603	28,880	72,917	6.07	30.2	0.0	774				
2	QUESTAR CORPORATION	12/31	65.900	69.920	38.400	8,453	84,827	16.60	22.3	1.4	397				
3	ENERGEN CORPORATION	12/31	35.050	36.640	22.930	14,448	73,274	11.07	20.3	2.3	317				
4	SOUTHERN UNION COMPANY	12/31	24.550	26.750	18.000	12,440	105,592	16.17	20.0	0.0	155				
5	SOUTHWEST GAS CORPORATION	12/31	25.510	26.350	22.700	3,567	37,617	19.90	19.6	0.0	128				
6	KINDER MORGAN, INC.	12/31	83.200	84.950	58.060	9,802	121,929	22.15	18.8	3.4	376				
7	NICOR, INC.	12/31	41.170	41.870	32.370	5,665	44,136	22.15	18.8	3.4	376				
8	CHESAPEAKE UTILITIES CORP.	12/31	30.580	30.950	22.100	202	17.59	14.37	17.6	3.7	234				
9	MDU RESOURCES GROUP, INC.	12/31	28.170	29.340	23.750	9,138	118,417	14.02	15.1	2.6	201				
10	NATIONAL FUEL GAS COMPANY	09/30	28.910	29.750	25.050	6,266	15.93	15.93	14.8	4.0	181				
11	EQUITABLE RESOURCES, INC.	12/31	69.000	69.650	49.890	7,329	60,912	12.30	14.6	2.5	553				
12	UGI CORPORATION	09/30	27.900	28.750	15.230	15,724	103,720	9.84	14.3	2.4	284				
13	ONEOK, INC.	12/31	32.650	33.350	20.610	9,900	101,984	15.38	13.8	3.4	212				
14	KEYSPAN CORPORATION	12/31	40.700	41.530	35.190	11,815	161,614	25.17	12.8	4.5	162				
15	CORNING NATURAL GAS CORP.	09/30	15.250	17.000	9.500	8	507	25.17	8.5	0.0	138				
										MAXIMUM	30.2	4.5	774		
										MINIMUM	8.5	0.0	128		
										MEDIAN	17.6	2.6	213		
										MEAN	17.4	2.5	288		

COMBINATION															
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK				
1	PUGET ENERGY, INC.	12/31	23.380	24.810	20.730	6,309	100,051	16.80	39.0	4.3	139				
2	WISCONSIN ENERGY CORP.	12/31	39.000	39.360	31.120	12,987	116,986	21.77	34.8	2.3	179				
3	AVISTA CORPORATION	12/31	18.590	18.850	16.310	4,037	48,503	15.60	26.9	2.9	119				
4	MGE ENERGY, INC.	12/31	36.380	38.280	30.500	878	20,454	16.68	25.4	3.8	218				
5	DTE ENERGY CORPORATION	12/31	46.770	48.310	39.310	12,553	147,289	31.74	22.1	4.4	147				
6	VECTREN CORPORATION	12/31	28.730	29.200	24.080	3,223	76,083	14.94	20.0	4.1	192				
7	PUBLIC SERVICE ENT. GROUP INC.	12/31	60.820	61.690	38.100	25,134	238,725	24.03	19.5	3.7	253				
8	CH ENERGY GROUP	12/31	48.630	49.420	42.070	950	15,762	32.07	19.3	4.4	152				
9	AMEREN CORPORATION	12/31	55.300	55.860	42.410	15,670	195,908	29.82	19.1	4.6	185				
10	SCANA	12/31	42.710	43.310	35.660	7,879	113,505	22.39	18.7	3.7	191				
11	PNM RESOURCES, INC.	12/31	28.810	30.380	20.090	15,230	64,393	18.66	18.7	2.6	154				
12	NSTAR	12/31	30.630	31.460	23.005	6,904	106,693	13.68	17.7	3.8	225				
13	ALLIANT ENERGY CORPORATION	12/31	28.150	28.800	24.340	5,958	116,219	21.89	17.4	3.7	129				
14	FLORIDA PUBLIC UTILITIES	12/31	19.010	20.240	15.900	49	3,963	11.39	16.7	3.3	167				
15	XCEL ENERGY INC.	12/31	19.520	19.690	16.320	29,608	402,259	13.11	15.9	4.4	149				
16	NISOURCE INC.	12/31	24.730	25.000	20.500	19,329	271,847	18.20	15.8	3.7	136				
17	ENERGY EAST CORPORATION	12/31	28.980	30.070	23.480	12,358	147,289	19.23	15.7	3.8	151				
18	PG&E CORPORATION	12/31	37.540	38.190	27.500	38,665	370,088	21.22	15.3	3.2	177				
19	CENTERPOINT ENERGY, INC.	12/31	13.210	13.510	9.780	38,074	309,040	3.67	13.3	2.1	360				
20	WPS RESOURCES CORP.	12/31	56.250	57.590	44.850	2,369	37,820	30.04	12.5	3.9	187				
21	SEMPRA ENERGY	12/31	41.310	42.540	31.000	26,146	239,266	21.47	10.3	2.8	192				
22	CMS ENERGY CORPORATION	12/31	15.060	15.310	8.590	65,130	218,781	11.46	10.2	0.0	131				
23	NORTHWESTERN CORPORATION	12/31	31.520	32.150	24.800	8,646	35,612	20.17	2.0	2.8	156				
24	AQUILA, INC.	12/31	3.610	4.240	2.249	47,489	241,851	4.68	NMF	0.0	77				
25	TECO ENERGY, INC.	12/31	18.910	19.260	11.970	23,971	206,979	7.06	NMF	4.0	288				
										MAXIMUM	39.0	4.6	360		
										MINIMUM	2.0	0.0	77		
										MEDIAN	17.7	3.7	167		
										MEAN	18.5	3.3	177		

## Common Stock Information Sorted by P/E

	DISTRIBUTION	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	ENERGY WEST	EWST	06/30	9.050	12.970	5.410	1,056	2,625	5.80	30.2	0.0	156
2	PEOPLES ENERGY CORPORATION	PGL	09/30	43.460	45.380	38.500	5,001	38,018	23.12	23.9	5.0	188
3	CASCADE NATURAL GAS CORP.	CGC	09/30	20.500	21.800	18.050	747	11,360	11.30	21.6	4.7	181
4	PIEDMONT NATURAL GAS CO., INC.	PNY	10/31	24.020	24.990	20.150	8,389	76,706	12.12	20.3	3.8	198
5	RGC RESOURCES, INC.	RGCO	09/30	26.250	35.750	23.060	28	2,080	18.99	20.0	4.5	138
6	SOUTH JERSEY INDUSTRIES, INC.	SJI	12/31	30.560	32.010	21.475	1,360	27,953	13.16	18.7	5.6	232
7	NORTHWEST NATURAL GAS COMPANY	NWN	12/31	38.240	38.860	28.840	3,729	27,551	21.76	18.2	3.4	176
8	LACLEDE GROUP (THE)	LG	09/30	31.760	32.800	26.310	1,091	21,113	18.15	17.9	4.3	175
9	NEW JERSEY RESOURCES CORP.	NJR	09/30	48.250	49.000	39.540	1,887	27,435	18.84	17.0	2.8	256
10	ENERGYSOUTH, INC.	ENSI	09/30	27.710	29.840	24.650	384	7,852	13.03	16.4	3.1	213
11	WGL HOLDINGS, INC.	WGL	09/30	33.640	34.350	26.910	3,550	48,693	19.42	16.2	4.0	173
12	AGL RESOURCES, INC.	ATG	12/31	38.650	39.320	28.600	9,094	77,110	18.75	15.8	3.2	206
13	ATMOS ENERGY CORPORATION	ATO	09/30	28.800	29.180	24.400	9,287	79,939	20.44	15.2	4.3	141
14	DELTA NATURAL GAS COMPANY INC.	DGAS	06/30	25.860	29.000	22.020	69	3,224	16.13	14.1	4.6	160
15	SEMCO ENERGY, INC.	SEN	09/30	5.990	6.240	4.500	1,192	28,464	5.89	NMF	0.0	102

MAXIMUM  
MINIMUM  
MEDIAN  
MEAN

## Common Stock Information Sorted by Yield

DIVERSIFIED											
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	NICOR, INC.	12/31	41.170	41.870	32.370	5,865	44,136	17.59	18.2	4.5	234
2	KEYSPAN CORPORATION	12/31	40.700	41.530	35.190	11,815	161,614	25.17	12.8	4.5	162
3	NATIONAL FUEL GAS COMPANY	09/30	28.910	29.750	25.050	6,266	83,553	15.93	14.8	4.0	181
4	CHESAPEAKE UTILITIES CORP.	12/31	30.580	30.950	22.100	202	5,800	14.37	17.6	3.7	213
5	ONEOK, INC.	12/31	32.650	33.350	20.610	9,900	101,984	15.38	13.8	3.4	212
6	KINDER MORGAN, INC.	12/31	83.200	84.950	58.060	9,802	121,929	22.15	18.8	3.4	376
7	SOUTHWEST GAS CORPORATION	12/31	25.510	26.350	22.700	3,567	19.90	19.90	19.6	3.2	128
8	MDU RESOURCES GROUP, INC.	12/31	28.170	29.340	23.750	9,138	118,417	14.02	15.1	2.6	201
9	EQUITABLE RESOURCES, INC.	12/31	68.000	69.650	49.890	7,329	60,912	12.30	14.6	2.5	553
10	UGI CORPORATION	09/30	27.900	28.750	15.230	15,724	103,720	9.84	14.3	2.4	284
11	ENERGEN CORPORATION	12/31	35.050	36.640	22.930	14,448	73,274	11.07	20.3	2.3	317
12	QUESTAR CORPORATION	12/31	65.900	69.920	38.400	8,453	84,827	16.60	22.3	0.0	397
13	SOUTHWESTERN ENERGY CORP.	12/31	46.980	53.430	14.603	28,880	72,917	6.07	30.2	0.0	774
14	SOUTHERN UNION COMPANY	12/31	24.550	26.750	18.000	12,440	105,592	16.17	20.0	0.0	155
15	CORNING NATURAL GAS CORP.	09/30	15.250	17.000	9.500	8	507	11.06	8.5	0.0	138
								MAXIMUM	30.2	4.5	774
								MINIMUM	0.0	0.0	128
								MEDIAN	17.6	2.6	213
								MEAN	17.4	2.5	288

COMBINATION											
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	AMEREN CORPORATION	12/31	55.300	55.860	42.410	15,670	195,908	29.82	19.1	4.6	185
2	CH ENERGY GROUP	12/31	48.630	49.420	42.070	950	15,762	32.07	19.3	4.4	152
3	XCEL ENERGY INC.	12/31	19.520	19.690	16.320	29,608	402,259	13.11	15.9	4.4	149
4	DTE ENERGY CORPORATION	12/31	46.770	48.310	39.310	12,563	147,289	31.74	22.1	4.4	147
5	PUGET ENERGY, INC.	12/31	23.380	24.810	20.730	6,309	100,051	16.80	39.0	4.3	139
6	VECTREN CORPORATION	12/31	28.730	29.200	24.080	3,223	76,083	14.94	20.0	4.1	192
7	TECO ENERGY, INC.	12/31	18.910	19.260	11.970	23,971	206,979	7.06	NMF	4.0	268
8	WPS RESOURCES CORP.	12/31	56.250	57.590	44.850	2,369	37,820	30.04	12.5	3.9	187
9	ENERGY EAST CORPORATION	12/31	28.980	30.070	23.480	12,358	147,289	19.23	15.7	3.8	151
10	NSTAR	12/31	30.830	31.460	23.005	6,904	106,693	13.68	17.7	3.8	225
11	MGE ENERGY, INC.	12/31	36.380	38.280	30.500	878	20,454	16.68	25.4	3.6	218
12	ALLIANT ENERGY CORPORATION	12/31	28.150	28.800	24.340	5,958	116,219	21.89	17.4	3.7	129
13	NISOURCE INC.	12/31	24.730	25.000	19.329	19,329	18,200	15.80	15.8	3.7	136
14	PUBLIC SERVICE ENT. GROUP INC.	12/31	60.820	61.690	38.100	25,134	238,725	24.03	19.5	3.7	253
15	SCANA	12/31	42.710	43.310	35.660	7,879	113,505	22.39	18.7	3.7	191
16	FLORIDA PUBLIC UTILITIES	12/31	19.010	20.240	15.900	49	3,963	11.39	16.7	3.3	167
17	PG&E CORPORATION	12/31	37.540	38.190	27.500	38,665	370,088	21.22	15.3	3.2	177
18	AVISTA CORPORATION	12/31	18.590	18.850	16.310	4,037	48,503	15.60	26.9	2.9	119
19	SEMPRA ENERGY	12/31	41.310	42.540	31.000	26,146	239,266	21.47	10.3	2.8	192
20	NORTHWESTERN CORPORATION	12/31	31.520	32.150	24.800	8,646	35,612	20.17	2.0	2.8	156
21	PNM RESOURCES, INC.	12/31	28.810	30.380	20.090	15,230	64,393	18.66	18.7	2.6	154
22	WISCONSIN ENERGY CORP.	12/31	39.000	39.360	31.120	12,987	116,986	21.77	34.8	2.3	179
23	CENTERPOINT ENERGY, INC.	12/31	13.210	13.510	9.780	38,074	309,040	3.67	13.3	2.1	360
24	CMS ENERGY CORPORATION	12/31	15.060	15.310	8.560	65,130	128,781	11.46	10.2	0.0	131
25	AGUILA, INC.	12/31	3.610	4.240	2.249	47,489	241,851	4.68	NMF	0.0	77
								MAXIMUM	39.0	4.6	360
								MINIMUM	2.0	0.0	77
								MEDIAN	17.7	3.7	167
								MEAN	18.5	3.3	177

## Common Stock Information Sorted by Yield

DISTRIBUTION		STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	SOUTH JERSEY INDUSTRIES, INC.	SJI	12/31	30.560	32.010	21.475	1,360	27,953	13.16	18.7	5.6	232
2	PEOPLES ENERGY CORPORATION	PGL	09/30	43.460	45.380	38.500	5,001	38,018	23.12	23.9	5.0	188
3	CASCADE NATURAL GAS CORP.	CGC	09/30	20.500	21.800	18.050	747	11,360	11.30	21.6	4.7	181
4	DELTA NATURAL GAS COMPANY INC.	DGAS	06/30	25.860	29.000	22.020	69	3,224	16.13	14.1	4.6	160
5	FGC RESOURCES, INC.	RGCO	09/30	26.250	35.750	23.060	28	2,080	18.99	20.0	4.5	138
6	LACLEDE GROUP (THE)	LG	09/30	31.760	32.900	26.310	1,091	21,113	18.15	17.9	4.3	175
7	ATMOS ENERGY CORPORATION	ATO	09/30	28.800	29.180	24.400	9,287	79,939	20.44	15.2	4.3	141
8	WGL HOLDINGS, INC.	WGL	09/30	33.640	34.350	26.910	3,550	48,693	19.42	16.2	4.0	173
9	PIEDMONT NATURAL GAS CO., INC.	PNY	10/31	24.020	24.990	20.150	8,389	76,706	12.12	20.3	3.8	198
10	NORTHWEST NATURAL GAS COMPANY	NWN	12/31	38.240	38.860	23.840	3,729	27,551	21.76	18.2	3.4	176
11	AGL RESOURCES, INC.	ATG	12/31	38.650	39.320	28.600	9,094	77,110	18.76	15.8	3.2	206
12	ENERGYSOUTH, INC.	ENSI	09/30	27.710	29.840	24.650	384	7,852	13.03	16.4	3.1	213
13	NEW JERSEY RESOURCES CORP.	NJR	09/30	48.250	49.000	39.540	1,867	27,435	18.84	17.0	2.8	256
14	ENERGY WEST	EWST	06/30	9.050	12.970	5.410	1,056	2,625	5.80	30.2	0.0	156
15	SEMCO ENERGY, INC.	SEN	09/30	5.990	6.240	4.500	1,192	28,464	5.89	NMF	0.0	102
									MAXIMUM	30.2	5.6	256
									MINIMUM	14.1	0.0	102
									MEDIAN	18.1	4.0	176
									MEAN	19.0	3.6	180

## Common Stock Information Sorted by Market to Book Value

DIVERSIFIED														
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK			
1	SOUTHWESTERN ENERGY CORP.	12/31	46.980	53.430	14.603	28,880	72,917	6.07	30.2	0.0	774			
2	EQUITABLE RESOURCES, INC.	12/31	68.900	69.650	49.890	7,329	60,912	12.30	14.6	2.5	553			
3	QUESTAR CORPORATION	12/31	65.900	69.920	38.400	8,453	84,827	16.60	22.3	1.4	397			
4	KINDER MORGAN, INC.	12/31	83.200	84.950	56.060	9,802	121,929	22.15	18.8	3.4	376			
5	ENERGEN CORPORATION	12/31	35.050	36.640	22.930	14,448	73,274	11.07	20.3	2.3	317			
6	UGI CORPORATION	09/30	27.900	28.750	15.230	15,724	103,720	9.84	14.3	2.4	284			
7	NICOR, INC.	12/31	41.170	41.870	32.370	5,865	44,136	17.59	18.3	4.5	234			
8	CHESAPEAKE UTILITIES CORP.	12/31	30.580	30.950	22.100	5,800	14.37	14.37	17.6	3.7	213			
9	ONEOK, INC.	12/31	32.650	33.350	20.610	9,900	15.38	15.38	13.8	3.4	212			
10	MDU RESOURCES GROUP, INC.	12/31	28.170	29.340	23.750	9,138	118,417	14.02	15.1	2.6	201			
11	NATIONAL FUEL GAS COMPANY	09/30	28.910	29.750	25.050	6,266	89,553	15.93	14.8	4.0	181			
12	KEYSPAN CORPORATION	12/31	40.700	41.530	35.190	11,815	161,614	25.17	12.8	4.5	162			
13	SOUTHERN UNION COMPANY	12/31	24.550	26.750	18.000	12,440	105,592	16.17	20.0	0.0	155			
14	CORNING NATURAL GAS CORP.	09/30	15.250	17.000	9.500	8	507	11.06	8.5	0.0	138			
15	SOUTHWEST GAS CORPORATION	12/31	25.510	26.350	22.700	3,567	19.90	19.90	19.6	3.2	128			
								MAXIMUM	30.2	4.5	774			
								MINIMUM	8.5	0.0	128			
								MEDIAN	17.6	2.6	213			
								MEAN	17.4	2.5	288			

COMBINATION														
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK			
1	CENTERPOINT ENERGY, INC.	12/31	13.210	13.510	9.780	38,074	309,040	3.67	13.3	2.1	360			
2	TECO ENERGY, INC.	12/31	18.910	19.260	11.970	23,971	206,979	7.06	NMF	4.0	268			
3	PUBLIC SERVICE ENT. GROUP INC.	12/31	60.820	61.690	38.100	25,134	238,725	24.03	19.5	3.7	253			
4	NSTAR	12/31	30.830	31.460	23.005	6,904	106,693	13.68	17.7	3.8	225			
5	MGE ENERGY, INC.	12/31	36.380	38.280	30.500	878	20,454	16.68	25.4	3.8	218			
6	SEMPRA ENERGY	12/31	41.310	42.540	31.000	26,146	239,266	21.47	10.3	2.8	192			
7	VECTREN CORPORATION	12/31	28.730	29.200	24.080	3,223	76,083	14.94	20.0	4.1	192			
8	SCANA	12/31	42.710	43.310	35.660	7,879	113,505	22.39	18.7	3.7	191			
9	WPS RESOURCES CORP.	12/31	56.250	57.590	44.850	2,369	37,820	30.04	12.5	3.9	187			
10	AMEREN CORPORATION	12/31	55.300	55.860	42.410	15,670	195,908	29.82	19.1	4.6	185			
11	WISCONSIN ENERGY CORP.	12/31	39.000	39.360	31.120	12,987	116,986	21.77	34.8	2.3	179			
12	PG&E CORPORATION	12/31	37.540	38.190	27.500	38,665	370,088	21.22	15.3	3.2	177			
13	FLORIDA PUBLIC UTILITIES	12/31	19.010	20.240	15.900	49	3,963	11.39	16.7	3.3	167			
14	NORTHWESTERN CORPORATION	12/31	31.520	32.150	24.800	8,646	35,612	20.17	2.0	2.8	156			
15	PNM RESOURCES, INC.	12/31	28.810	30.380	20.090	15,230	64,393	18.66	18.7	2.6	154			
16	CH ENERGY GROUP	12/31	48.630	49.420	42.070	950	15,762	32.07	19.3	4.4	152			
17	ENERGY EAST CORPORATION	12/31	28.980	30.070	23.480	12,358	147,289	19.23	15.7	3.8	151			
18	XCEL ENERGY INC.	12/31	19.520	19.690	16.320	29,608	402,259	13.11	15.9	4.4	149			
19	DTE ENERGY CORPORATION	12/31	46.770	48.310	39.310	12,553	147,289	31.74	22.1	4.4	147			
20	PIGET ENERGY, INC.	12/31	23.380	24.810	20.730	6,309	100,051	16.80	39.0	4.3	139			
21	NISOURCE INC.	12/31	24.730	25.000	20.500	19,329	271,847	18.20	15.8	3.7	136			
22	CMS ENERGY CORPORATION	12/31	15.060	15.310	8.560	65,130	11.46	11.46	10.2	0.0	131			
23	ALLIANT ENERGY CORPORATION	12/31	28.150	28.800	24.340	5,958	116,219	24.340	17.4	3.7	129			
24	AVISTA CORPORATION	12/31	18.590	18.850	16.310	4,037	48,503	15.60	26.9	2.9	119			
25	AQUILA, INC.	12/31	3.810	4.240	2.249	47,489	241,851	4.68	NMF	0.0	77			
								MAXIMUM	39.0	4.6	360			
								MINIMUM	2.0	0.0	77			
								MEDIAN	17.7	3.7	167			
								MEAN	18.5	3.3	177			

## Common Stock Information Sorted by Market to Book Value

DISTRIBUTION		STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MC. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	NEW JERSEY RESOURCES CORP.	NJR	09/30	48.250	49,000	39,540	1,887	27,435	18.84	17.0	2.8	256
2	SOUTH JERSEY INDUSTRIES, INC.	SJI	12/31	30.560	32,010	21,475	1,360	27,953	13.16	18.7	5.6	232
3	ENERGYSOUTH, INC.	ENSI	09/30	27.710	29,840	24,650	384	7,852	13.03	16.4	3.1	213
4	AGL RESOURCES, INC.	ATG	12/31	38.650	39,320	28,600	9,094	77,110	18.76	15.8	3.2	206
5	PIEDMONT NATURAL GAS CO., INC.	PNY	10/31	24.020	24,990	20,150	8,389	76,706	12.12	20.3	3.8	198
6	PEOPLES ENERGY CORPORATION	PGL	09/30	43.460	45,980	38,500	5,001	38,018	23.12	23.9	5.0	188
7	CASCADE NATURAL GAS CORP.	CGC	09/30	20.500	21,800	18,050	747	11,360	11.30	21.6	4.7	181
8	NORTHWEST NATURAL GAS COMPANY	NWN	12/31	38.240	38,860	28,840	3,729	27,551	21.76	16.2	3.4	176
9	LACLEDE GROUP (THE)	LG	09/30	31.760	32,800	26,310	1,091	21,112	18.15	17.9	4.3	175
10	WGL HOLDINGS, INC.	WGL	09/30	33.640	34,350	26,910	3,550	48,693	19.42	16.2	4.0	173
11	DELTA NATURAL GAS COMPANY INC.	DGAS	06/30	25.860	29,000	22,020	69	3,224	16.13	14.1	4.6	160
12	ENERGY WEST	EWST	06/30	9.050	12,970	5,410	1,056	2,625	5.80	30.2	0.0	156
13	ATMOS ENERGY CORPORATION	ATO	09/30	28.800	29,180	24,400	9,287	79,939	20.44	15.2	4.3	141
14	RGCO RESOURCES, INC.	RGCO	09/30	26.250	35,750	23,060	28	2,080	18.99	20.0	4.5	138
15	SEMCO ENERGY, INC.	SEN	09/30	5.990	6,240	4,500	1,192	28,464	5.89	NMF	0.0	102
									MAXIMUM	30.2	5.6	256
									MINIMUM	14.1	0.0	102
									MEDIAN	18.1	4.0	176
									MEAN	19.0	3.6	180

## Financial Information Sorted by Common Equity Ratio

DIVERSIFIED		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	MDU RESOURCES GROUP, INC.	03/31/05	2,582,408	46,827	64	1.86	17.5	0.72	5.9	13.7	39	5.1	5.69
2	NICOR, INC.	03/31/05	1,273,400	34,600	61	2.25	25.7	1.86	0.0	13.0	83	10.6	4.13
3	QUESTAR CORPORATION	03/31/05	2,341,226	41,348	60	2.96	33.3	0.90	4.7	18.2	30	5.4	6.23
4	SOUTHWESTERN ENERGY CORP.	03/31/05	752,859	0	59	1.56	84.0	0.00	0.0	27.8	NMF	0.0	9.21
5	CHESAPEAKE UTILITIES CORP.	03/31/05	148,468	3,166	56	1.74	7.4	1.14	1.8	12.3	66	7.9	3.79
6	EQUITABLE RESOURCES, INC.	03/31/05	1,366,640	402,595	55	4.66	61.2	1.68	10.5	33.1	36	13.7	9.50
7	ENERGEN CORPORATION	03/31/05	1,491,688	10,000	54	1.73	5.8	0.80	3.9	16.4	46	7.2	5.73
8	NATIONAL FUEL GAS COMPANY	03/31/05	2,500,686	127,993	53	1.95	(14.5)	1.16	3.6	12.6	59	7.3	3.85
9	KEYSPAN CORPORATION	03/31/05	7,994,900	547,400	51	3.17	20.1	1.82	2.2	11.3	57	7.2	2.79
10	ONEOK, INC.	03/31/05	3,184,290	695,035	49	2.36	16.8	1.12	21.7	16.0	47	7.3	4.79
11	SOUTHERN UNION COMPANY	03/31/05	4,095,791	196,985	41	1.23	(31.6)	0.00	0.0	10.4	NMF	0.0	2.39
12	KINDER MORGAN, INC.	03/31/05	6,619,661	226,000	41	4.42	36.4	2.80	24.4	19.8	63	12.6	5.67
13	UGI CORPORATION	03/31/05	2,754,700	249,400	37	1.95	73.7	0.68	8.0	21.0	35	6.9	2.71
14	SOUTHWEST GAS CORPORATION	03/31/05	2,004,361	40,252	37	1.30	(17.2)	0.82	0.0	5.8	63	4.1	1.96
15	CORNING NATURAL GAS CORP.	03/31/05	15,365	3,949	36	1.79	NMF	0.00	0.0	22.0	NMF	0.0	1.20
			MAXIMUM	695,035	64		84.0		24.4	33.1	83	13.7	9.50
			MINIMUM	0	36		(31.6)		0.0	5.8	30	0.0	1.20
			MEDIAN	46,827	53		18.8		3.6	16.0	52	7.2	4.13
			MEAN	175,037	50		22.8		5.8	16.9	52	6.4	4.64
<b>COMBINATION</b>													
1	MGE ENERGY, INC.	03/31/05	543,494	28,750	63	1.43	(25.5)	1.37	1.0	9.1	96	8.2	5.42
2	CH ENERGY GROUP	03/31/05	846,433	10,000	60	2.52	(15.2)	2.16	0.0	7.9	86	6.7	4.19
3	WPS RESOURCES CORP.	03/31/05	2,051,800	222,300	55	4.50	32.0	2.22	1.8	15.0	49	7.4	3.49
4	SEMPRA ENERGY	03/31/05	9,442,000	734,000	54	4.02	9.8	1.16	16.0	20.0	29	5.4	3.95
5	AMEREN CORPORATION	03/31/05	11,049,000	772,000	53	2.89	(8.8)	2.54	0.0	10.0	88	8.5	3.88
6	VECTREN CORPORATION	03/31/05	2,150,800	283,600	53	1.44	(2.7)	1.18	3.5	9.7	82	7.9	2.61
7	ALLIANT ENERGY CORPORATION	03/31/05	5,033,900	217,700	50	1.62	(3.0)	1.05	5.0	4.6	65	4.8	2.61
8	NISOURCE INC.	03/31/05	9,834,400	1,299,600	50	1.57	(2.5)	0.92	0.0	9.1	59	5.1	2.65
9	PNM RESOURCES, INC.	03/31/05	2,444,628	21,800	49	1.54	27.0	0.74	15.6	8.2	48	4.0	2.87
10	NORTHWESTERN CORPORATION	03/31/05	1,477,919	67,665	49	1.14	153.3	0.88	NMF	NMF	77	4.4	1.38
11	FLORIDA PUBLIC UTILITIES	03/31/05	98,244	1,553	46	1.14	107.3	0.62	3.3	10.3	54	5.4	2.01
12	PG&E CORPORATION	03/31/05	17,146,000	944,000	46	2.46	(74.2)	1.20	0.0	22.3	49	5.7	2.79
13	XCEL ENERGY INC.	03/31/05	11,851,832	424,567	44	1.23	(7.5)	0.86	3.6	7.0	70	6.6	2.51
14	SCANA	03/31/05	5,729,000	689,000	44	1.12	(15.6)	1.56	6.8	10.5	68	7.0	2.95
15	WISCONSIN ENERGY CORP.	03/31/05	5,806,200	254,900	44	1.12	(37.4)	0.88	4.8	12.3	79	4.0	2.74
16	AVISTA CORPORATION	03/31/05	1,772,896	161,760	43	0.69	(24.2)	0.54	3.8	4.4	78	3.5	1.53
17	ENERGY EAST CORPORATION	03/31/05	6,650,316	182,090	43	1.65	36.0	1.10	5.8	9.6	59	5.7	2.30
18	DTE ENERGY COMPANY	03/31/05	13,198,000	786,000	42	2.12	(37.1)	2.06	0.0	6.6	97	6.5	1.22
19	PUGET ENERGY, INC.	03/31/05	4,036,903	128,051	42	0.60	(58.3)	1.00	0.0	3.5	167	6.0	2.21
20	NSTAR	03/31/05	4,007,559	435,665	36	1.74	(2.5)	1.16	0.0	13.0	67	8.5	2.96
21	AQUILA, INC.	03/31/05	3,460,100	21,600	33	(0.97)	NMF	0.00	0.0	(19.8)	NMF	0.0	NMF
22	PUBLIC SERVICE ENT. GROUP INC.	03/31/05	18,543,000	896,000	31	3.12	(9.8)	2.24	1.8	13.3	72	2.12	2.12
23	TECO ENERGY, INC.	03/31/05	5,329,700	89,600	27	1.97	NMF	0.76	0.0	(33.6)	NMF	10.8	0.82
24	CMS ENERGY CORPORATION	03/31/05	10,670,000	487,000	21	(1.47)	NMF	0.00	0.0	13.8	NMF	0.0	1.01
25	CENTERPOINT ENERGY, INC.	03/31/05	6,778,322	1,834,124	13	0.99	(33.1)	0.54	3.8	(61.5)	78	3.5	1.11
			MAXIMUM	1,834,124	63		153.3		16.0	22.3	167	10.8	5.42
			MINIMUM	1,553	13		(74.2)		0.0	(61.5)	29	0.0	0.82
			MEDIAN	254,900	44		(8.2)		1.8	9.3	71	5.7	2.61
			MEAN	439,821	44		0.4		3.2	4.4	73	5.8	2.56



## Financial Information Sorted by Common Equity Ratio

	12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT. CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
<b>DISTRIBUTION</b>												
1	03/31/05	55,493	13,891	71	1.31	10.1	1.18	0.0	30.7	90	6.2	2.76
2	03/31/05	1,497,355	173,526	63	2.08	2.5	1.33	2.3	11.0	64	6.8	5.66
3	03/31/05	835,675	100,643	62	2.83	1.8	1.36	4.6	15.5	48	7.2	8.26
4	04/30/05	1,590,983	0	58	1.19	(16.3)	0.92	7.0	9.9	78	7.6	3.78
5	03/31/05	1,083,256	25,500	55	2.10	4.0	1.30	0.0	9.2	62	6.0	3.08
6	03/31/05	188,527	5,089	54	1.69	2.9	0.86	7.5	13.6	51	6.6	3.66
7	03/31/05	691,307	34,748	53	1.64	19.8	1.70	4.9	12.8	104	12.9	4.63
8	03/31/05	763,966	86,325	50	1.77	(6.3)	1.38	1.5	10.5	78	7.6	2.80
9	03/31/05	104,724	8,948	50	1.84	82.2	1.18	0.0	11.9	64	7.3	2.40
10	03/31/05	1,773,419	0	49	1.82	(29.5)	2.18	0.9	7.7	120	9.4	3.28
11	03/31/05	3,094,000	38,000	47	2.45	10.9	1.24	6.9	14.3	51	6.6	4.70
12	03/31/05	287,256	18,500	45	0.95	(12.0)	0.96	0.0	8.5	101	8.5	2.65
13	03/31/05	34,567	6,470	44	0.30	NMF	0.00	0.0	5.1	NMF	0.0	0.48
14	03/31/05	3,887,087	5,887	42	1.89	15.2	1.24	1.6	11.4	66	6.1	2.96
15	03/31/05	706,489	25,401	24	(0.20)	NMF	0.00	(100.0)	(7.6)	NMF	0.0	1.29
		MAXIMUM	173,526	71		82.2		7.5	30.7	120	12.9	8.26
		MINIMUM	0	24		(29.5)		(100.0)	(7.6)	48	0.0	0.48
		MEDIAN	18,500	50		2.9		1.5	11.0	66	6.8	3.08
		MEAN	36,196	51		6.5		(4.2)	11.0	75	6.6	3.49

## Financial Information Sorted by 12 Month Change in Dividend Rate

	12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
<b>DIVERSIFIED</b>												
1	03/31/05	6,819,681	226,000	41	4.42	36.4	2.80	24.4	19.8	63	12.6	5.67
2	03/31/05	3,184,290	695,035	49	2.36	16.8	1.12	21.7	16.0	47	7.3	4.79
3	03/31/05	1,968,640	402,595	55	4.66	61.2	1.68	10.5	33.1	36	13.7	9.50
4	03/31/05	2,754,700	249,400	37	1.95	73.7	0.68	8.0	21.0	35	6.9	2.71
5	03/31/05	2,582,408	46,827	64	1.86	17.5	0.72	5.9	13.7	39	5.1	5.69
6	03/31/05	2,341,228	41,348	60	2.96	33.3	0.90	4.7	18.2	30	5.4	6.23
7	03/31/05	1,491,688	10,000	54	1.73	5.8	0.80	3.9	16.4	46	7.2	3.85
8	03/31/05	2,500,686	127,993	53	1.95	14.5	1.16	3.6	12.6	59	7.3	2.79
9	03/31/05	7,994,900	547,400	51	3.17	20.1	1.82	2.2	11.3	57	7.2	3.79
10	03/31/05	148,468	3,166	56	1.74	7.4	1.14	1.8	12.3	66	7.9	2.79
11	03/31/05	752,859	0	59	1.56	84.0	0.00	0.0	27.8	NM/F	0.0	9.21
12	03/31/05	1,273,400	34,600	61	2.25	25.7	1.86	0.0	13.0	83	10.6	4.13
13	03/31/05	2,004,361	40,252	37	1.30	17.2	0.82	0.0	5.8	63	4.1	1.96
14	03/31/05	4,095,791	196,985	41	1.23	31.6	0.00	0.0	10.4	NM/F	0.0	2.39
15	03/31/05	15,365	3,949	36	1.79	NM/F	0.00	0.0	22.0	NM/F	0.0	1.20
		MAXIMUM	695,035	64		84.0		24.4	33.1	83	13.7	9.50
		MINIMUM	0	36		(31.6)		0.0	0.0	30	0.0	1.20
		MEDIAN	46,827	53		18.8		3.6	16.0	52	7.2	4.13
		MEAN	175,037	50		22.8		5.8	16.9	52	6.4	4.64
<b>COMBINATION</b>												
1	03/31/05	1,477,919	87,665	49	1.14	153.3	0.88	NM/F	NM/F	77	4.4	1.38
2	03/31/05	9,442,000	734,000	54	4.02	9.8	1.16	16.0	20.0	29	5.4	3.95
3	03/31/05	2,444,628	21,800	49	1.54	27.0	0.74	15.6	8.2	48	4.0	2.87
4	03/31/05	5,729,000	689,000	44	2.28	(15.6)	1.56	6.8	9.6	68	7.0	2.95
5	03/31/05	6,650,316	182,090	43	1.85	36.0	1.10	5.8	9.6	59	5.7	2.30
6	03/31/05	5,033,900	217,700	50	1.62	(3.0)	1.05	5.0	4.6	65	4.8	2.61
7	03/31/05	5,808,200	254,900	44	1.12	(37.4)	0.88	4.8	12.3	79	4.0	2.74
8	03/31/05	1,772,886	161,760	43	0.69	(24.2)	0.54	3.8	4.4	78	3.5	1.53
9	03/31/05	8,778,322	1,894,124	13	0.99	(33.1)	0.54	3.8	(61.5)	70	6.6	2.51
10	03/31/05	11,851,832	424,567	44	1.23	(7.5)	0.86	3.6	7.0	70	6.6	2.51
11	03/31/05	2,150,800	289,800	53	1.44	(2.7)	1.18	3.5	9.7	82	7.9	2.61
12	03/31/05	98,244	1,553	46	1.14	107.3	0.62	3.3	10.3	54	5.4	2.01
13	03/31/05	2,051,800	222,300	55	4.50	32.0	2.22	1.8	15.0	49	7.4	3.49
14	03/31/05	18,543,000	898,000	31	3.12	(9.8)	2.24	1.0	13.3	72	9.3	5.42
15	03/31/05	543,494	28,750	63	1.43	(25.5)	1.37	1.8	9.1	96	8.2	5.42
16	03/31/05	9,834,400	1,299,600	50	1.57	(2.5)	0.92	0.0	9.1	59	5.1	2.65
17	03/31/05	4,007,559	435,665	36	1.74	(2.5)	1.16	0.0	13.0	67	8.5	2.96
18	03/31/05	11,049,000	772,000	53	2.89	(8.8)	2.54	0.0	10.0	88	8.5	3.88
19	03/31/05	846,433	10,000	60	2.52	(15.2)	2.16	0.0	6.6	86	6.7	4.19
20	03/31/05	13,198,000	786,000	42	2.12	(37.1)	2.06	0.0	6.6	97	6.5	2.96
21	03/31/05	3,460,100	21,600	33	(0.97)	NM/F	0.00	0.0	(19.8)	NM/F	0.0	NM/F
22	03/31/05	4,036,903	128,051	42	0.60	(58.3)	1.00	0.0	3.5	167	6.0	2.21
23	03/31/05	17,146,000	944,000	46	2.46	(74.2)	1.20	0.0	22.3	49	5.7	2.79
24	03/31/05	10,670,000	487,000	21	1.47	NM/F	0.00	0.0	13.8	NM/F	0.0	1.01
25	03/31/05	5,329,700	89,600	27	(1.97)	NM/F	0.76	0.0	(33.6)	NM/F	10.8	0.82
		MAXIMUM	1,894,124	63		153.3		16.0	22.3	167	10.8	5.42
		MINIMUM	1,553	13		(74.2)		0.0	(61.5)	29	0.0	0.82
		MEDIAN	254,900	44		(8.2)		1.8	9.3	71	5.7	2.61
		MEAN	439,821	44		0.4		3.2	4.4	73	5.8	2.56

## Financial Information Sorted by 12 Month Change in Dividend Rate

DISTRIBUTION		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	EQUITY	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	ENERGYSOUTH, INC.	03/31/05	188,527	5,089	54	1.69	2.9	0.86	7.5	13.6	51	6.6	3.66	
2	PIEDMONT NATURAL GAS CO., INC.	04/30/05	1,590,983	0	58	1.19	(16.3)	0.92	7.0	9.9	78	7.6	3.78	
3	AGL RESOURCES, INC.	03/31/05	3,094,000	38,000	47	2.45	10.9	1.24	6.9	14.3	51	6.6	4.70	
4	SOUTH JERSEY INDUSTRIES, INC.	03/31/05	691,307	34,748	53	1.64	19.8	1.70	4.9	12.8	104	12.9	4.63	
5	NEW JERSEY RESOURCES CORP.	03/31/05	835,675	100,643	62	2.83	1.8	1.36	4.6	15.5	48	7.2	8.26	
6	WGL HOLDINGS, INC.	03/31/05	1,497,355	173,526	63	2.08	2.5	1.33	2.3	11.0	64	6.8	5.66	
7	ATMOS ENERGY CORPORATION	03/31/05	3,887,087	5,887	42	1.89	15.2	1.24	1.6	11.4	66	6.1	2.96	
8	LACLEDE GROUP (THE)	03/31/05	763,966	86,325	50	1.77	(6.3)	1.38	1.5	10.5	78	7.6	2.80	
9	PEOPLES ENERGY CORPORATION	03/31/05	1,773,449	0	49	1.82	(29.5)	2.18	0.9	7.7	120	9.4	3.28	
10	DELTA NATURAL GAS COMPANY INC.	03/31/05	104,724	8,948	50	1.84	82.2	1.18	0.0	11.9	64	7.3	2.40	
11	RGC RESOURCES, INC.	03/31/05	55,493	13,991	71	1.31	10.1	1.18	0.0	30.7	90	6.2	2.76	
12	NORTHWEST NATURAL GAS COMPANY	03/31/05	1,083,256	25,500	55	2.10	4.0	1.30	0.0	9.2	62	6.0	3.08	
13	CASCADE NATURAL GAS CORP.	03/31/05	287,256	16,500	45	0.95	(12.0)	0.96	0.0	8.5	101	8.5	2.65	
14	ENERGY WEST	03/31/05	34,567	6,478	44	0.30	NMF	0.00	0.0	5.1	NMF	0.0	0.48	
15	SEMCO ENERGY, INC	03/31/05	706,489	25,401	24	(0.20)	NMF	0.00	(100.0)	(7.6)	NMF	0.0	1.29	
	MAXIMUM		173,526	0	71		82.2		7.5	30.7	120	12.9	8.26	
	MINIMUM		0	0	24		(29.5)		(100.0)	(7.6)	48	0.0	0.48	
	MEDIAN		16,500	16,500	50		2.9		1.5	11.0	66	6.8	3.08	
	MEAN		36,196	36,196	51		6.5		(4.2)	11.0	75	6.6	3.49	

## Financial Information Sorted by ROE

<b>DIVERSIFIED</b>		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	EQUITABLE RESOURCES, INC.	03/31/05	1,366,640	402,595	55	4.66	61.2	1.68	10.5	33.1	36	13.7	9.50
2	SOUTHWESTERN ENERGY CORP.	03/31/05	752,859	0	59	1.56	84.0	0.00	0.0	27.8	NMF	0.0	9.21
3	CORNING NATURAL GAS CORP.	03/31/05	15,365	3,949	36	1.79	NMF	0.00	0.0	22.0	NMF	0.0	1.20
4	UGI CORPORATION	03/31/05	2,754,700	249,400	37	1.95	73.7	0.68	8.0	19.8	35	6.9	2.71
5	KINDER MORGAN, INC.	03/31/05	6,619,661	226,000	41	4.42	36.4	2.80	24.4	19.8	63	12.6	5.67
6	QUESTAR CORPORATION	03/31/05	2,341,226	41,348	60	2.96	33.3	0.90	4.7	18.2	30	5.4	6.23
7	ENERGEN CORPORATION	03/31/05	1,491,688	10,000	54	1.73	5.8	0.80	3.9	16.4	46	7.2	5.73
8	ONEOK, INC.	03/31/05	3,184,290	695,035	49	2.36	16.8	1.12	21.7	16.0	47	7.3	4.79
9	MDU RESOURCES GROUP, INC.	03/31/05	2,592,408	46,827	64	1.86	17.5	0.72	5.9	13.7	39	5.1	5.69
10	NICOR, INC.	03/31/05	1,273,400	34,600	61	2.25	25.7	1.86	0.0	13.0	83	10.6	4.13
11	NATIONAL FUEL GAS COMPANY	03/31/05	2,500,886	127,993	53	1.95	(14.5)	1.16	3.6	12.6	59	7.3	3.85
12	CHESAPEAKE UTILITIES CORP.	03/31/05	148,468	3,166	56	1.74	7.4	1.14	1.8	12.3	66	7.9	3.79
13	KEYSPAN CORPORATION	03/31/05	7,994,900	547,400	51	3.17	20.1	1.82	2.2	11.3	57	7.2	2.79
14	SOUTHERN UNION COMPANY	03/31/05	4,095,791	196,985	41	1.23	(31.6)	0.00	0.0	10.4	NMF	0.0	2.39
15	SOUTHWEST GAS CORPORATION	03/31/05	2,004,361	40,252	37	1.30	(17.2)	0.82	0.0	5.8	63	4.1	1.96
	MAXIMUM		695,035		64		84.0		24.4	33.1	83	13.7	9.50
	MINIMUM		0		36		(31.6)		C.J	5.8	30	0.0	1.20
	MEDIAN		46,827		53		18.8		3.6	16.0	52	7.2	4.13
	MEAN		175,037		50		22.8		5.8	16.9	52	6.4	4.64
<b>COMBINATION</b>		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	NORTHWESTERN CORPORATION	03/31/05	1,477,919	67,665	49	1.14	153.3	0.88	NMF	NMF	77	4.4	1.38
2	PG&E CORPORATION	03/31/05	17,146,000	944,000	46	2.46	(74.2)	1.20	0.0	22.3	49	5.7	2.79
3	SEMPRA ENERGY	03/31/05	9,442,000	734,000	54	4.02	9.8	1.16	16.0	20.0	29	5.4	3.95
4	WPS RESOURCES CORP.	03/31/05	2,051,800	222,300	55	4.50	32.0	2.22	1.8	15.0	49	7.4	3.49
5	CMS ENERGY CORPORATION	03/31/05	10,870,000	487,000	21	1.47	NMF	0.00	0.0	13.8	NMF	0.0	1.01
6	PUBLIC SERVICE ENT. GROUP INC.	03/31/05	18,543,000	896,000	31	3.12	(9.8)	2.24	1.8	13.3	72	9.3	2.12
7	NSTAR	03/31/05	4,007,559	485,665	36	1.74	(2.5)	1.16	0.0	13.0	67	8.5	2.96
8	WISCONSIN ENERGY CORP.	03/31/05	5,808,200	254,900	44	1.12	(37.4)	0.88	4.8	12.3	79	4.0	2.74
9	SCANA	03/31/05	5,729,000	699,000	44	2.28	(15.6)	1.56	6.8	10.5	68	7.0	2.95
10	FLORIDA PUBLIC UTILITIES	03/31/05	98,244	1,553	46	1.14	107.3	0.82	3.3	10.3	54	5.4	2.01
11	AMEREN CORPORATION	03/31/05	11,049,000	772,000	53	2.89	(8.8)	2.54	0.0	10.0	88	8.5	3.88
12	VECTREN CORPORATION	03/31/05	2,150,800	283,800	53	1.44	(2.7)	1.18	3.5	9.7	82	7.9	2.61
13	ENERGY EAST CORPORATION	03/31/05	6,650,316	182,090	43	1.85	36.0	1.10	5.8	9.6	59	5.7	2.30
14	MGE ENERGY, INC.	03/31/05	543,494	28,750	63	1.43	(25.5)	1.37	1.0	9.1	96	8.2	5.42
15	NISOURCE INC.	03/31/05	9,834,400	1,299,600	50	1.57	(2.5)	0.92	0.0	9.1	59	5.1	2.65
16	PNM RESOURCES, INC.	03/31/05	2,444,828	21,800	49	1.54	27.0	0.74	15.6	8.2	48	4.0	2.87
17	CH ENERGY GROUP	03/31/05	846,433	10,000	60	2.52	(15.2)	2.16	0.0	7.9	86	6.7	4.19
18	XCEL ENERGY INC.	03/31/05	11,851,832	424,567	44	1.23	(7.5)	0.86	3.6	7.0	70	6.6	2.51
19	DTE ENERGY COMPANY	03/31/05	13,198,000	786,000	42	2.12	(37.1)	2.06	0.0	6.6	97	6.5	1.22
20	ALLIANT ENERGY CORPORATION	03/31/05	5,033,900	217,700	50	1.62	(3.0)	1.05	5.0	4.6	65	4.8	2.61
21	AVISTA CORPORATION	03/31/05	1,772,886	161,760	43	0.69	(24.2)	0.54	3.8	4.4	78	3.5	1.53
22	PUGET ENERGY, INC.	03/31/05	4,036,903	128,051	42	0.60	(58.3)	1.00	0.0	3.5	167	6.0	2.21
23	AQUILA, INC.	03/31/05	3,460,100	21,600	33	(0.97)	NMF	0.00	0.0	(19.8)	NMF	0.0	NMF
24	TECO ENERGY, INC.	03/31/05	5,329,700	89,300	27	(1.97)	NMF	0.76	0.0	(33.6)	NMF	10.8	0.82
25	CENTERPOINT ENERGY, INC.	03/31/05	8,778,322	1,834,124	13	0.99	(33.1)	0.54	3.8	(61.5)	78	3.5	1.11
	MAXIMUM		1,834,124		63		153.3		16.0	22.3	167	10.8	5.42
	MINIMUM		1,553		13		(74.2)		0.0	(61.5)	29	0.0	0.82
	MEDIAN		254,900		44		(8.2)		1.8	9.3	71	5.7	2.61
	MEAN		439,821		44		0.4		3.2	4.4	73	5.8	2.56

## Financial Information Sorted by ROE

	DISTRIBUTION	12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	RGO RESOURCES, INC.	03/31/05	55,493	13,891	71	1.31	10.1	1.18	0.0	30.7	90	6.2	2.76
2	NEW JERSEY RESOURCES CORP.	03/31/05	835,675	100,643	62	2.93	1.8	1.36	4.6	15.5	48	7.2	8.26
3	AGL RESOURCES, INC.	03/31/05	3,094,000	38,000	47	2.45	10.9	1.24	6.9	14.3	51	6.6	4.70
4	ENERGYSOUTH, INC.	03/31/05	186,527	5,089	54	1.69	2.9	0.86	7.5	13.6	51	6.6	3.66
5	SOUTH JERSEY INDUSTRIES, INC.	03/31/05	691,307	34,748	53	1.64	19.8	1.70	4.9	12.8	104	12.9	4.63
6	DELTA NATURAL GAS COMPANY INC.	03/31/05	104,724	8,948	50	1.84	82.2	1.18	0.0	11.9	64	7.3	2.40
7	ATMOS ENERGY CORPORATION	03/31/05	3,887,087	5,887	42	1.89	15.2	1.24	1.6	11.4	66	6.1	2.96
8	WGL HOLDINGS, INC.	03/31/05	1,497,355	173,526	63	2.08	2.5	1.33	2.3	11.0	64	6.8	5.66
9	LACLEDE GROUP (THE)	03/31/05	763,966	86,325	50	1.77	(6.3)	1.38	1.5	10.5	78	7.6	2.80
10	PIEDMONT NATURAL GAS CO., INC.	04/30/05	1,590,983	0	58	1.19	(16.3)	0.92	7.0	9.9	78	7.6	3.78
11	NORTHWEST NATURAL GAS COMPANY	03/31/05	1,083,256	25,500	55	2.10	4.0	1.30	0.0	9.2	62	6.0	3.08
12	CASCADE NATURAL GAS CORP.	03/31/05	287,256	18,500	45	0.95	(12.0)	0.96	0.0	8.5	101	8.5	2.65
13	PEOPLES ENERGY CORPORATION	03/31/05	1,773,449	0	49	1.82	(29.5)	2.18	0.9	7.7	120	9.4	3.28
14	ENERGY WEST	03/31/05	34,567	6,478	44	0.30	NMF	0.00	0.0	5.1	NMF	0.0	0.48
15	SEMCO ENERGY, INC	03/31/05	706,489	25,401	24	(0.20)	NMF	0.00	(100.0)	(7.6)	NMF	0.0	1.29
	MAXIMUM		173,526	173,526	71		82.2		7.5	30.7	120	12.9	8.26
	MINIMUM		0	0	24		(29.5)		(100.0)	(7.6)	48	0.0	0.48
	MEDIAN		18,500	18,500	50		2.9		1.5	11.0	65	6.8	3.08
	MEAN		36,196	36,196	51		6.5		(4.2)	11.0	75	6.6	3.49

## Financial Information Sorted by Dividend Payout

	12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
<b>DIVERSIFIED</b>												
1	03/31/05	1,273,400	34,600	61	2.25	25.7	1.86	0.0	13.0	83	10.6	4.13
2	03/31/05	148,468	3,166	56	1.74	7.4	1.14	0.0	1.8	66	7.9	3.79
3	03/31/05	6,619,661	226,000	41	4.42	36.4	2.80	24.4	19.8	63	12.6	5.67
4	03/31/05	2,004,361	40,252	37	1.30	(17.2)	0.82	0.0	5.8	63	4.1	1.96
5	03/31/05	2,500,686	127,993	53	1.95	(14.5)	1.16	3.6	12.6	59	7.3	3.85
6	03/31/05	7,994,900	547,400	51	3.17	20.1	1.82	2.1	11.3	57	7.2	2.79
7	03/31/05	3,184,290	695,035	49	2.36	16.8	1.12	21.7	16.0	47	7.3	4.79
8	03/31/05	1,491,688	10,000	54	1.73	5.8	0.80	3.9	16.4	46	7.2	5.73
9	03/31/05	2,582,408	46,827	64	1.66	17.5	0.72	5.9	13.7	39	5.1	5.69
10	03/31/05	1,366,640	402,595	55	4.86	61.2	1.68	10.5	33.1	36	13.7	9.50
11	03/31/05	2,754,700	249,400	37	1.95	73.7	0.68	5.0	21.0	35	6.9	2.71
12	03/31/05	2,341,226	41,348	60	2.96	33.3	0.90	4.7	18.2	30	5.4	6.23
13	03/31/05	752,859	0	59	1.56	84.0	0.00	0.0	27.8	NMF	0.0	9.21
14	03/31/05	15,365	3,949	36	1.79	NMF	0.00	0.0	22.0	NMF	0.0	1.20
15	03/31/05	4,095,791	196,985	41	1.23	(31.6)	0.00	0.0	10.4	NMF	0.0	2.39
		MAXIMUM	695,035	64		84.0		24.4	33.1	83	13.7	9.50
		MINIMUM	0	36		(31.6)		0.0	5.8	30	0.0	5.8
		MEDIAN	46,827	53		18.8		3.6	16.0	52	7.2	4.13
		MEAN	175,037	50		22.8		5.8	16.9	52	6.4	4.64

	12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
<b>COMBINATION</b>												
1	03/31/05	4,036,903	128,051	42	0.80	(58.3)	1.00	0.0	3.5	167	6.0	2.21
2	03/31/05	13,198,000	786,000	42	2.12	(37.1)	2.06	0.0	6.6	97	6.5	1.22
3	03/31/05	543,494	28,750	63	1.43	(25.5)	1.37	1.0	9.1	96	8.2	5.42
4	03/31/05	11,049,000	772,000	53	2.89	(8.8)	2.54	0.0	10.0	88	8.5	3.88
5	03/31/05	846,433	10,000	60	2.52	(15.2)	2.16	0.0	7.9	86	6.7	4.19
6	03/31/05	2,150,800	283,800	53	1.44	(2.7)	1.18	3.5	9.7	82	7.9	2.61
7	03/31/05	5,808,200	254,900	44	1.12	(37.4)	0.88	4.8	12.3	79	4.0	2.74
8	03/31/05	1,772,896	161,760	43	0.69	(24.2)	0.54	3.8	4.4	78	3.5	1.53
9	03/31/05	8,778,322	1,834,124	13	0.99	(33.1)	0.54	3.8	(61.5)	78	3.5	1.11
10	03/31/05	1,477,919	67,665	49	1.14	153.3	0.88	NMF	NMF	77	4.4	1.38
11	03/31/05	18,543,000	898,000	31	3.12	(9.8)	2.24	1.8	13.3	72	9.3	2.12
12	03/31/05	11,851,832	424,567	44	1.23	(7.5)	0.86	3.6	7.0	70	6.6	2.51
13	03/31/05	5,729,000	889,000	44	2.28	(15.6)	1.56	6.8	10.5	68	7.0	2.95
14	03/31/05	4,007,559	435,665	36	1.74	(2.5)	1.16	0.0	13.0	67	8.5	2.96
15	03/31/05	5,033,900	217,700	50	1.62	(3.0)	1.05	5.0	9.6	65	4.8	2.61
16	03/31/05	6,650,316	182,090	43	1.85	36.0	1.10	5.8	9.6	59	5.7	2.30
17	03/31/05	9,834,400	1,299,600	50	1.57	(2.5)	0.92	0.0	9.1	59	5.1	2.65
18	03/31/05	98,244	1,553	46	1.14	107.3	0.62	3.3	10.3	54	5.4	2.01
19	03/31/05	2,051,800	222,300	55	4.50	32.0	2.22	1.8	15.0	49	7.4	3.49
20	03/31/05	17,146,000	944,000	46	2.46	(74.2)	1.20	0.0	22.3	49	5.7	2.79
21	03/31/05	2,444,628	21,800	49	1.54	27.0	0.74	15.6	8.2	48	4.0	2.87
22	03/31/05	9,442,000	734,000	54	4.02	9.8	1.16	16.0	20.0	29	5.4	3.95
23	03/31/05	10,670,000	487,000	21	1.47	NMF	0.00	0.0	13.8	NMF	0.0	1.01
24	03/31/05	3,460,100	21,600	33	(0.97)	NMF	0.00	0.0	(19.8)	NMF	0.0	NMF
25	03/31/05	5,329,700	89,600	27	(1.97)	NMF	0.76	0.0	(33.6)	NMF	10.8	0.82
		MAXIMUM	1,834,124	63		153.3		16.0	22.3	167	10.8	5.42
		MINIMUM	1,553	13		(74.2)		0.0	(61.5)	29	0.0	0.82
		MEDIAN	254,900	44		(8.2)		1.8	9.3	71	5.7	2.61
		MEAN	439,821	44		0.4		3.2	4.4	73	5.8	2.56

## Financial Information Sorted by Dividend Payout

		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
<b>DISTRIBUTION</b>													
1	PEOPLES ENERGY CORPORATION	03/31/05	1,773,449	0	49	1.82	(29.5)	2.18	0.9	7.7	120	9.4	3.28
2	SOUTH JERSEY INDUSTRIES, INC.	03/31/05	691,307	34,748	53	1.64	19.8	1.70	4.9	12.8	104	12.9	4.63
3	CASCADE NATURAL GAS CORP.	03/31/05	287,256	18,500	45	0.95	(12.0)	0.96	0.0	8.5	101	8.5	2.65
4	RGC RESOURCES, INC.	03/31/05	55,493	13,891	71	1.31	10.1	1.18	0.0	30.7	90	6.2	2.76
5	LACLEDE GROUP (THE)	03/31/05	763,966	86,325	50	1.77	(6.3)	1.38	1.5	10.5	78	7.6	2.80
6	PIEDMONT NATURAL GAS CO., INC.	04/30/05	1,590,983	0	58	1.19	(16.3)	0.92	7.0	9.9	78	7.6	3.78
7	ATMOS ENERGY CORPORATION	03/31/05	3,887,087	5,887	42	1.89	15.2	1.24	1.6	11.4	66	6.1	2.96
8	DELTA NATURAL GAS COMPANY INC.	03/31/05	104,724	8,948	50	1.84	82.2	1.18	0.0	11.9	64	7.3	2.40
9	WGL HOLDINGS, INC.	03/31/05	1,497,355	173,526	63	2.08	2.5	1.33	2.3	11.0	64	6.8	5.66
10	NORTHWEST NATURAL GAS COMPANY	03/31/05	1,083,256	25,500	55	2.10	4.0	1.30	0.0	9.2	62	6.0	3.08
11	ENERGYSOUTH, INC.	03/31/05	189,527	5,089	54	1.69	2.9	0.86	7.5	13.6	51	6.6	3.66
12	ACL RESOURCES, INC.	03/31/05	3,094,000	38,000	47	2.45	10.9	1.24	6.9	14.3	51	6.6	4.70
13	NEW JERSEY RESOURCES CORP.	03/31/05	835,675	100,643	62	2.83	1.8	1.36	4.6	15.5	48	7.2	8.26
14	ENERGY WEST	03/31/05	34,567	6,478	44	0.30	NMF	0.00	0.0	5.1	NMF	0.0	0.48
15	SEMCO ENERGY, INC	03/31/05	706,489	25,401	24	(0.20)	NMF	0.00	(100.0)	(7.6)	NMF	0.0	1.29
	MAXIMUM		173,526	173,526	71		82.2		7.5	30.7	120	12.9	8.26
	MINIMUM		0	0	24		(29.5)		(100.0)	(7.6)	48	0.0	0.48
	MEDIAN		18,500	18,500	50		2.9		1.5	11.0	66	6.8	3.08
	MEAN		36,196	36,196	51		6.5		(4.2)	11.0	75	6.6	3.49

DELTA NATURAL GAS CO INC  
 FIVE YEAR CASHFLOW / FINANCING PROJECTION  
 AUGUST 2, 2005

Fiscal year June 30	BUDGET 2006	PROJECTED 2007	PROJECTED 2008	PROJECTED 2009	PROJECTED 2010
<b>COMMON EQUITY</b>					
Beginning balance					
DRIP					
Projected earnings					
Less common dividends					
Ending balance					
<b>CASH FLOW</b>					
Earnings					
Add estimated					
Deferred taxes					
Other					
Depreciation					
Net cash from operations					
Less estimated					
Construction					
Dividends					
Long term repayment					
Net cash needs					
<b>NOTES PAYABLE</b>					
Beginning balance					
Net cash needs					
Ending balance					
<b>CAPITAL STRUCTURE</b>					
Common equity					
%					
Long term debt					
%					
Short term debt					
%					
Total	1				
<b>RETAINED EARNINGS</b>					
Beginning balance					
Ending balance					



\$ DRIP  
Shares  
Shares outstanding  
Price  
Book value

EPS

Return on average equity

DIVIDEND

PAYOUT

MARKET / BOOK

PE RATIO

---

ASSUMPTIONS

---

ROE-beginning balance  
Depreciation  
yearly dividend growth  
Deferred taxes-15 yrs

**Minutes of Regular Quarterly Meeting of  
Board of Directors of  
Delta Natural Gas Company, Inc.  
Held in Winchester, Kentucky on May 17, 2005**

The regular quarterly meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the principal office of the Company at 3617 Lexington Road, Winchester, Kentucky on May 17, 2005, beginning at the hour of 9:00 a.m., E.D.T., pursuant to the notice attached hereto.

The following directors were present: Donald R. Crowe, Billy Joe Hall, Lanny D. Greer, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet, Arthur E. Walker, Jr. and Michael R. Whitley. Jane H. Green was absent. John F. Hall, Delta's Vice President - Finance, Secretary and Treasurer was also present in his capacity as Secretary of Delta and recorded the minutes of the meeting.

Harrison D. Peet, Chairman of the Board, called the meeting to order, announced a quorum and the meeting proceeded.

The Chairman stated that the first order of business was the approval of the minutes of the regular quarterly meeting of February 17, 2005; copies of said minutes had been circulated to all directors prior to the meeting. Following discussion, on motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the minutes of the regular quarterly meeting held February 17, 2005 be approved and that reading of said minutes be waived.

There being no old business, Mr. Peet then proceeded to new business.

First, Mr. Peet spoke of the recent passing of John D. Harrison, an original Director of the Company founded in 1950, and recognized Mr. Harrison's significant contributions to Delta in its formative years.

Glenn R. Jennings, President and Chief Executive Officer, reviewed the financial results for the nine and twelve months ended March 31, 2005; a copy of his report had been mailed to each director prior to the meeting and is attached as Exhibit I.

The Chairman then asked the Board to consider the declaration of a dividend on common stock for the quarter ended March 31, 2005. After discussion, upon motion duly made, seconded, and carried, it was

**RESOLVED**, that a dividend on common stock of \$.295 per share be paid to stockholders of record as of the close of business on May 31, 2005, for the quarter ended March 31, 2005; said dividend to be paid June 15, 2005.

A report from the Audit Committee of the Board from a meeting held May 6, 2005 was given by Michael J. Kistner, Chairman of the Committee. Attached as Exhibit II are the minutes of that meeting.

A report from the Nominating and Compensation Committee was given by Lewis N. Melton, Chairman of the Committee, with respect to the Committee's meeting held on May 6, 2005. Attached as Exhibit III are the minutes of that meeting.

The next item of new business was a review and discussion of the Operating and Capital Budgets for fiscal year 2006 by Mr. Jennings, a copy of which had been sent to all Directors prior to the meeting. This included a review of five year earnings, cash flow and financing projections. After discussion, on motion duly made, seconded and approved, it was

**RESOLVED**, that the Operating and Capital Budgets for fiscal year 2006 be approved as submitted. A copy is attached as Exhibit IV.

Mr. Jennings reviewed with the Directors a five year earnings, cash flow and financing projection.

Next, Mr. Jennings reviewed his memo to Delta's officers concerning Delta's performance indicators for 2004 and prior periods. This memo had been mailed to the Directors prior to the meeting and a copy is attached as Exhibit V.

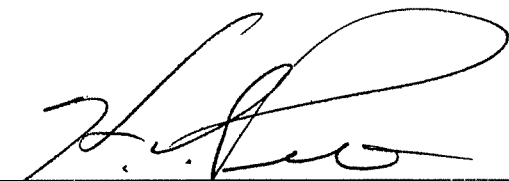
Mr. Jennings reviewed with the Directors an updated Board and Committee Functions list attached as Exhibit VI.

Mr. Jennings discussed with the Board the date of August 16, 2005 as the next Board meeting.

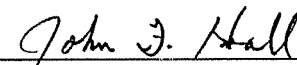
John B. Brown, Controller, David L. Turpin, Network Coordinator/Analyst and Connie S. Sadler, Coordinator – Computer Operations reviewed with the Board Delta's status of our Information Technology and Computer Systems. Attached as Exhibit VII is a copy of their presentation.

The Board adjourned into Executive Session with only the Independent Directors. There was nothing from that Executive Session that required further action.

There being no further business to come before the meeting, the Chairman adjourned the meeting.

  
\_\_\_\_\_  
H. D. Peet, Chairman

Attest:

  
\_\_\_\_\_  
Secretary

**DELTA NATURAL GAS COMPANY, INC.**  
**BOARD OF DIRECTORS' MEETING - 5/17/05**  
**PRESIDENT'S REPORT**

	Periods ended March 31				
	9 months			12 months	
	2004 <u>Actual</u>	2005 <u>Budget</u>	<b>2005</b> <u>Actual</u>	2004 <u>Actual</u>	<b>2005</b> <u>Actual</u>
Retail Sales Volumes (million cubic feet)	<u>3,201</u>		<u>2,755</u>	<u>3,797</u>	<u>3,450</u>
Transportation Volumes (million cubic feet)					
- off system	5,425		5,488	6,843	7,253
- on system	<u>3,980</u>		<u>4,006</u>	<u>5,207</u>	<u>5,191</u>
Total Transportation	<u>9,405</u>		<u>9,494</u>	<u>12,050</u>	<u>12,444</u>
Total Throughput (million cubic feet)	<u>12,606</u>		<u>12,249</u>	<u>15,847</u>	<u>15,894</u>
Actual Lexington Billed Degree Days as % of 30 Year Average	87		78	94	88
Net Income (\$000)	3,339		<b>5,394</b>	3,230	<b>5,893</b>
Net Income Per Common Share (\$)	1.05		<b>1.68</b>	1.05	<b>1.84</b>

The attached detailed financial data is provided for further information and review. Weather has been warmer than the previous year and much warmer than normal. Weather adjusted rates have provided \$657,000 of additional revenues this year, but this and a full quarter of the new rates from the rate case were not enough to offset the weather impact.

## DELTA NATURAL GAS COMPANY, INC.

## BALANCE SHEET

MARCH 31, 2005

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
GAS UTILITY PLANT, AT COST	\$ 170,902,985	\$ 166,955,764
Less - Reserve for Depreciation	<u>56,125,788</u>	<u>53,873,350</u>
	\$ <u>114,777,197</u>	\$ <u>113,082,414</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 322,073	\$ 281,252
Receivables	10,626,697	5,527,048
Deferred Gas Cost	5,075,104	3,349,505
Gas in Storage, at Cost	3,968,070	2,546,759
Materials and Supplies, at Cost	380,512	507,054
Prepayments	<u>2,203,217</u>	<u>731,750</u>
	\$ <u>22,575,673</u>	\$ <u>12,943,368</u>
<b>OTHER ASSETS:</b>		
Cash Surrender Value of Life Insurance	\$ 376,931	\$ 356,137
Unamortized Expenses	3,889,842	4,126,025
Receivable/Investment in Subsidiaries	423,889	943,925
Other	<u>3,673,077</u>	<u>204,030</u>
	\$ <u>8,363,739</u>	\$ <u>5,630,117</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>145,716,609</u></b>	<b>\$ <u>131,655,899</u></b>
<b>LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock	\$ 3,223,994	\$ 3,193,877
Paid-in Surplus	44,818,906	44,079,555
Capital Stock Expense	(2,597,999)	(2,597,999)
Accum Other Comprehensive Income	0	(2,050,636)
Retained Earnings	<u>6,541,228</u>	<u>4,435,632</u>
Total Common Equity	\$ 51,986,129	\$ 47,060,429
Long-term Debt	<u>52,738,000</u>	<u>53,133,000</u>
Total Capitalization	\$ <u>104,724,129</u>	\$ <u>100,193,429</u>
<b>CURRENT LIABILITIES:</b>		
Notes Payable	\$ 7,298,300	\$ 6,008,349
Current Portion of Long-Term Debt	1,650,000	1,650,000
Accounts Payable	5,691,099	2,170,260
Accrued Taxes	1,833,665	1,416,243
Refunds Due Customers	322	109
Customer Deposits	580,940	543,797
Accrued Interest	1,497,939	1,504,457
Other	<u>1,021,229</u>	<u>1,125,863</u>
	\$ <u>19,573,494</u>	\$ <u>14,419,078</u>
<b>DEFERRED CREDITS AND OTHER:</b>		
Deferred Income Taxes	\$ 19,489,735	\$ 15,628,366
Deferred Investment Tax Credit	297,700	335,800
Regulatory Items	1,464,661	459,700
Advances for Construction and Other	166,890	108,591
Accum Provision for Pensions & Benefit	<u>0</u>	<u>510,935</u>
	\$ <u>21,418,986</u>	\$ <u>17,043,392</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>145,716,609</u></b>	<b>\$ <u>131,655,899</u></b>

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

MARCH 31, 2005

	9 MONTHS TO DATE		12 MONTHS ENDED	
	2005	2004	2005	2004
<b>OPERATING REVENUES</b>	\$ 46,802,444	\$ 44,629,525	\$ 57,523,265	\$ 54,452,068
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 24,810,778	\$ 25,326,331	\$ 30,431,531	\$ 30,319,045
Operations	8,073,412	7,653,552	10,239,834	10,181,228
Maintenance	477,481	442,961	643,899	628,522
Depreciation	3,129,414	3,195,180	4,236,849	4,222,951
Property & Other Taxes	1,228,849	1,167,956	1,637,232	1,557,320
Income Taxes	2,179,200	1,337,500	2,244,000	1,188,100
Total	\$ 39,899,134	\$ 39,123,480	\$ 49,433,345	\$ 48,097,166
Operating Income	\$ 6,903,310	\$ 5,506,045	\$ 8,089,920	\$ 6,354,902
<b>OTHER INCOME/(EXPENSES),NET</b>	1,882,965	1,170,861	2,266,896	1,310,602
Gross Income	\$ 8,786,275	\$ 6,676,906	\$ 10,356,816	\$ 7,665,504
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 3,214,982	\$ 3,159,669	\$ 4,227,912	\$ 4,198,939
Amortization	177,136	177,742	236,183	236,272
Other	-	-	-	-
Total	\$ 3,392,118	\$ 3,337,411	\$ 4,464,095	\$ 4,435,211
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ 5,394,157	\$ 3,339,495	\$ 5,892,721	\$ 3,230,293
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ 1.68	\$ 1.05	\$ 1.84	\$ 1.05
<b>CUSTOMERS AT END OF PERIOD</b>			39,988	40,348

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**March 31, 2005**

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over	This Year	Last Year	This Year Over	This Year	Last Year	This Year	Last Year
	(Under ) Budget			(Under ) Budget				
DEGREE DAYS BILLED - LEXINGTON AREA		719	680		3,300	3,674	4,119	4,384
<b>MCF'S:</b>								
DELTA NATURAL								
RESIDENTIAL		335,249	329,416		1,564,528	1,813,863	1,952,211	2,150,964
SMALL COMMERCIAL		99,056	99,413		459,094	559,223	568,785	652,670
COMMERCIAL - OTHER		117,486	117,042		610,352	697,522	773,625	836,314
INDUSTRIAL		23,093	21,535		121,523	129,975	155,444	156,969
TOTAL SOLD		574,884	567,406		2,755,497	3,200,583	3,450,065	3,796,917
OFF SYSTEM		677,893	606,631		5,488,459	5,425,021	7,253,298	6,843,115
ON SYSTEM		498,390	407,261		4,005,535	3,980,464	5,190,731	5,206,509
TOTAL TRANSPORTED		1,176,283	1,013,892		9,493,994	9,405,485	12,444,029	12,049,624
TOTAL DELTA NATURAL		1,751,167	1,581,298		12,249,491	12,606,068	15,894,094	15,846,541
RESOURCES ON SYS INCL		195,792	153,636		1,529,647	1,461,880	1,941,015	1,834,154
DELGASCO OFF SYS INCL		178,688	165,665		1,486,723	1,550,887	1,980,315	1,978,894
<b>REVENUES:</b>								
DELTA NATURAL								
RETAIL SALES		7,309,234	7,101,142		36,774,595	39,945,547	46,016,359	48,435,033
UNBILLED REVENUE		(528,496)	-		4,974,388	-	4,974,388	-
MISC OPERATING		25,726	22,792		127,686	126,571	206,178	203,144
OFF SYS TRANSPORT		195,476	179,744		1,602,195	1,582,864	2,123,496	1,993,027
ON SYS TRANSPORT		426,697	327,598		3,323,579	2,974,544	4,202,842	3,820,861
TOTAL DELTA NATURAL		7,428,637	7,631,276		46,802,443	44,629,526	57,523,264	54,452,065
RESOURCES ON SYS SALES		1,505,860	953,281		11,361,905	8,873,636	14,046,079	10,960,400
DELGASCO OFF SYS SALES		1,208,757	951,469		10,712,597	8,979,445	13,927,775	11,558,932
TOTAL CONSOLIDATED		10,143,254	9,536,027		68,876,945	62,482,608	85,497,117	76,971,398
<b>GAS COSTS:</b>								
DELTA NATURAL		4,549,805	4,663,680		21,651,377	25,326,331	27,272,129	30,319,045
DELTA NATURAL UNBILLED GAS COST		(187,761)	-		3,159,401	-	3,159,401	-
DELTA RESOURCES		1,331,652	857,428		9,948,050	8,013,845	12,375,809	10,000,508
DELGASCO		1,115,465	928,576		9,968,043	8,727,365	13,010,707	11,300,789
TOTAL CONSOLIDATED		6,809,161	6,449,684		44,726,871	42,067,541	55,818,046	51,620,342
<b>NET SALES:</b>								
DELTA NATURAL EXCLUDING UNBILLED		2,759,429	2,437,461		15,123,218	14,619,215	18,744,230	18,115,988
DELTA NATURAL UNBILLED		(340,735)	-		1,814,987	-	1,814,987	-
DELTA RESOURCES TOTAL		174,208	95,854		1,413,855	859,792	1,670,270	959,892
DELGASCO		93,292	22,893		744,554	252,080	917,068	258,143
TOTAL CONSOLIDATED		2,686,194	2,556,208		19,096,614	15,731,087	23,146,555	19,334,024
<b>PER MCF:</b>								
DELTA NATURAL								
TOTAL SALES		12.7143	12.5151		13.3459	12.4807	13.3378	12.7564
COST OF GAS		7.9143	8.2193		7.8575	7.9130	7.9048	7.9852
NET SALES		4.8000	4.2958		5.4884	4.5677	5.4330	4.7712
DELTA RESOURCES								
TOTAL SALES		7.6911	6.2048		7.4278	6.0700	7.2365	5.9757
COST OF GAS		6.8014	5.5809		6.5035	5.4819	6.3759	5.4524
NET SALES		0.8898	0.6239		0.9243	0.5881	0.8605	0.5233
DELGASCO								
TOTAL SALES		6.7646	5.7433		7.2055	5.7899	7.0331	5.8411
COST OF GAS		6.2425	5.6051		6.7047	5.6273	6.5700	5.7107
NET SALES		0.5221	0.1382		0.5008	0.1625	0.4631	0.1304
<b>DELTA NATURAL ONLY:</b>								
% Change to Customers Between Yrs:	Total Cost	1.6%		6.9%		4.6%		
	Gas Cost	-2.4%		-0.4%		-0.6%		
	Net Sales	4.0%		7.4%		5.2%		



DELTA NATURAL GAS CO., D SUBSIDIARIES  
 Income Statement - Delta Natural Gas Co  
 July 01, 2004 - March 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>OPERATING REVENUES</b>						
General Service Rate Billed						
Residential	4,048,824.01CR	4,182,639.68CR	24,455,431.84CR	23,322,866.01CR	29,813,831.96CR	28,170,032.40CR
Small Commercial	1,133,462.47CR	1,256,708.55CR	6,926,557.73CR	7,108,665.47CR	8,444,969.90CR	8,448,234.90CR
Other Commercial	1,301,818.71CR	1,366,117.66CR	8,202,972.12CR	8,081,014.10CR	10,174,888.97CR	9,852,949.16CR
Industrial	193,234.83CR	175,957.75CR	1,128,507.28CR	983,073.60CR	1,403,238.36CR	1,224,415.36CR
Unmetered Gas Light	.00	1,172.46CR	8,575.43CR	10,515.97CR	11,898.20CR	14,106.61CR
Residential WNA	40,743.94CR	42,431.58CR	523,488.16CR	20,464.90CR	545,028.06CR	181,621.03CR
Small Non-Residential WNA	8,480.35CR	14,543.15CR	133,022.60CR	4,956.96CR	138,403.75CR	48,889.78CR
Weather Normalization Revenue	49,224.29CR	56,974.73CR	656,510.76CR	25,421.86CR	683,431.81CR	230,510.81CR
Total General Service Ra	6,726,564.31CR	7,039,570.63CR	41,378,555.16CR	39,531,557.01CR	50,532,259.20CR	47,940,249.24CR
Interruptible Rate Billed						
Commercial	3,458.63CR	6,567.74CR	22,618.38CR	22,196.48CR	28,831.70CR	27,248.56CR
Industrial	50,715.07CR	55,003.16CR	347,809.82CR	391,792.97CR	429,656.77CR	467,535.50CR
Total Interruptible Rate	54,173.70CR	61,570.90CR	370,428.20CR	413,989.45CR	458,488.47CR	494,784.06CR
Total Gas Revenue	6,780,738.01CR	7,101,141.53CR	41,748,983.36CR	39,945,546.46CR	50,990,747.67CR	48,435,033.30CR
Miscellaneous Operating Revenue	25,736.00CR	22,792.00CR	127,685.90CR	126,571.00CR	206,177.90CR	203,144.00CR
Off System Transportation Reven	195,476.32CR	179,743.98CR	1,602,195.66CR	1,582,863.88CR	2,123,496.44CR	1,993,026.62CR
On System Transportation Revenue	426,696.88CR	327,598.36CR	3,323,579.30CR	2,974,544.59CR	4,202,842.49CR	3,820,860.82CR
TOTAL OPERATING REVENUE	7,428,637.21CR	7,631,275.87CR	46,802,444.22CR	44,629,525.93CR	57,523,264.50CR	54,452,064.74CR
<b>OPERATING EXPENSES</b>						
Purchased Gas	4,362,043.42	4,663,680.14	24,810,777.50	25,326,330.84	30,431,530.24	30,319,044.44
Recovery of Canada Mountain	.00	.00	.00	.00	.00	.00
Purchased Gas, net	4,362,043.42	4,663,680.14	24,810,777.50	25,326,330.84	30,431,530.24	30,319,044.44
Operation Expense						
Labor	559,603.72	540,328.00	4,408,086.27	4,265,532.54	5,829,676.59	6,008,991.45
Transportation	51,170.00	64,970.95	524,407.07	524,065.15	767,396.75	693,812.66

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
Income Statement - Delta  
July 01, 2004 - March 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
General Operations	28,464.53	29,883.37	293,652.23		272,037.16	393,548.67	378,776.48
Customer Billing	13,948.07	33,765.93	181,563.77		171,112.61	219,955.94	231,845.76
Uncollectible Accounts	117,000.00	78,944.07	496,282.61		350,985.14	536,657.37	399,595.99
Administrative	40,619.65	38,858.44	355,468.86		360,776.33	483,020.67	465,109.26
Outside Services	72,078.91	48,435.09	468,741.06		653,046.22	553,509.11	833,424.07
Insurance	59,933.65	60,657.42	534,650.85		438,426.42	683,031.44	576,142.42
Employee Benefits	234,477.75	181,882.36	1,824,921.67		1,578,179.25	2,311,750.13	1,983,298.50
General Administration	49,227.94	96,693.46	590,683.06		504,419.48	752,982.97	724,580.17
Expenses Transferred	205,019.06CR	183,673.09CR	1,813,245.28CR		1,677,634.87CR	2,569,540.24CR	2,397,209.59CR
Other	25,822.08	24,935.58	208,200.13		212,586.26	277,846.27	282,859.84
Total Operation Expense	1,047,327.24	1,015,681.58	8,073,412.30		7,653,951.69	10,239,835.57	10,181,227.01
Maintenance Expense							
Labor	5,575.21	15,040.42	99,233.46		85,136.93	137,869.24	120,090.90
Transportation	1,645.18	6,946.89	43,330.44		36,036.66	65,630.31	48,219.79
Mains	6,800.97	9,286.98	63,083.25		55,955.02	78,840.19	78,695.50
Meter & Regulators	3,009.59	3,613.33	24,656.70		31,909.24	35,406.25	43,399.39
Other	19,821.12	15,985.72	247,177.82		233,923.59	326,153.36	338,116.68
Total Maintenance Expense	36,852.07	50,873.34	477,481.67		442,961.44	643,899.35	628,522.26
Depreciation Expense	329,954.98	367,150.86	3,129,414.27		3,195,179.99	4,236,848.90	4,222,951.67
Taxes Other Than Income Taxes							
Property Taxes	102,504.86	94,746.00	844,051.33		784,747.00	1,132,102.38	1,028,733.15
Payroll Taxes	45,453.90	45,619.04	384,797.64		383,208.95	505,130.50	528,586.32
Total Other Taxes	147,958.76	140,365.04	1,228,848.97		1,167,955.95	1,637,232.88	1,557,319.47
Income Taxes							
Current Federal	440,125.00	400,925.00	999,255.00		941,835.00	666,080.00CR	777,900.00CR
Current State	.00	.00	218,505.00CR		247,110.00CR	325,305.00	188,100.00CR
Deferred Federal & State	2,125.00CR	2,125.00CR	1,426,950.00		671,575.00	2,622,875.00	2,202,900.00
Investment Tax Credit-Net	3,166.67CR	3,200.00CR	28,499.99CR		28,800.00CR	38,099.99CR	48,800.00CR
Total Income Taxes	434,833.33	395,600.00	2,179,200.01		1,337,500.00	2,244,000.01	1,188,100.00
TOTAL OPERATING EXPENSES	6,358,969.80	6,633,350.96	39,899,134.72		39,123,479.91	49,433,346.95	48,097,164.85

DELTA NATURAL GAS CO., / SUBSIDIARIES  
 Income Statement - Delta  
 July 01, 2004 - March 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>OPERATING INCOME</b>	1,069,667.41CR	997,924.91CR	6,903,309.50CR		5,506,046.02CR	8,089,917.55CR	6,354,899.89CR
<b>NON REGULATED INCOME</b>							
Net Income from Subsidiaries	197,217.00CR	110,117.00CR	1,845,384.00CR		1,136,418.00CR	2,203,226.00CR	1,260,335.00CR
Income Tax Non Regulated	1,600.00	2,800.00	22,700.00		20,700.00	33,500.00	30,400.00
Other Net Inc Before Inc Taxes	4,384.80CR	7,322.38CR	60,281.48CR		55,142.79CR	97,170.95CR	80,667.83CR
Net Non Regulated Income	200,001.80CR	114,639.38CR	1,882,965.48CR		1,170,860.79CR	2,266,896.95CR	1,310,602.83CR
Income Before Interest Charges	1,269,669.21CR	1,112,564.29CR	8,786,274.98CR		6,676,906.81CR	10,356,814.50CR	7,665,502.72CR
<b>INTEREST CHARGES</b>							
Interest On Long-Term Debt	317,344.93	319,303.60	2,859,192.66		2,879,096.63	3,815,892.66	3,840,915.52
Interest On Short-Term Debt	32,346.44	18,776.56	333,175.11		261,138.12	379,362.86	331,252.34
Other Interest	2,837.69	454.20	22,613.58		19,434.35	32,653.93	26,771.61
Amortization of Debt Expense	19,681.75	19,681.75	177,135.75		177,742.20	236,183.00	236,272.20
Total Interest Charges	372,210.81	358,216.11	3,392,117.10		3,337,411.30	4,464,092.45	4,435,211.67
NET INCOME	897,458.40CR	754,348.18CR	5,394,157.88CR		3,339,495.51CR	5,892,722.05CR	3,230,291.05CR

DELTA NATURAL GAS CO., SUBSIDIARIES  
 Income Statement - Delta Resources  
 July 01, 2004 - March 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>Revenues</b>						
Other Revenue	2,666.80CR	543.56CR	3,842.65CR	3,876.79	8,117.15CR	761.85CR
Sales To Parent	.00	.00	.00	.00	.00	.00
Sales To Others	1,768,354.96CR	1,170,225.08CR	13,483,304.72CR	10,898,187.34CR	16,731,715.08CR	13,536,187.31CR
<b>Total Revenues</b>	<b>1,771,021.78CR</b>	<b>1,170,768.64CR</b>	<b>13,487,147.37CR</b>	<b>10,894,310.55CR</b>	<b>16,739,832.23CR</b>	<b>13,536,949.16CR</b>
<b>Expenses</b>						
Purchased Gas	1,331,652.95	857,427.82	9,948,050.41	8,013,845.18	12,375,809.06	10,000,508.34
Transportation Fee	262,495.24	216,943.59	2,121,399.96	2,024,551.17	2,685,636.33	2,575,787.30
Uncollectible Accounts	.00	.00	.00	.00	.00	.00
Outside Services	1,800.00	3,414.00	20,825.00	18,078.00	25,117.03	59,378.00
Taxes - Non Income	.00	.00	.00	.00	.00	.00
Income Taxes	64,100.00	34,100.00	511,700.00	306,900.00	633,200.00	352,700.00
<b>Total Expenses</b>	<b>1,660,048.19</b>	<b>1,111,885.41</b>	<b>12,601,976.37</b>	<b>10,363,374.35</b>	<b>15,719,762.42</b>	<b>12,988,373.64</b>
<b>Net Income</b>	<b>110,973.59CR</b>	<b>58,883.23CR</b>	<b>885,171.00CR</b>	<b>530,936.20CR</b>	<b>1,020,069.81CR</b>	<b>548,575.52CR</b>

DELTA NATURAL GAS CO., D SUBSIDIARIES  
 Income Statement - Delgasco  
 July 01, 2004 - March 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>Revenues</b>						
Other Revenue	98.84	1,500.00	1,007.18CR	13,010.50CR	3,489.44CR	13,710.50CR
Sales To Affiliates	656,440.70CR	519,717.33CR	10,050,267.06CR	8,140,861.75CR	12,351,009.14CR	10,127,524.91CR
Sales To Others	1,263,768.76CR	1,004,994.07CR	11,185,427.18CR	9,477,335.10CR	14,561,073.59CR	12,196,200.84CR
<b>Total Revenues</b>	<b>1,920,110.62CR</b>	<b>1,523,211.40CR</b>	<b>21,236,701.42CR</b>	<b>17,631,207.35CR</b>	<b>26,915,572.17CR</b>	<b>22,337,436.25CR</b>
<b>Expenses</b>						
Purchased Gas	1,771,905.39	1,448,292.79	20,018,309.62	16,868,225.89	25,361,716.15	21,428,314.63
Miscellaneous Expenses	55,012.10	53,524.64	472,830.02	497,889.60	646,200.39	637,268.58
Outside Services	2,478.00	1,100.00	18,862.00	23,174.49	9,230.51	53,474.49
Taxes - Non Income	.00	.00	3,028.34	.00	3,058.34	.00
Income Taxes	35,600.00	8,000.00	283,900.00	95,000.00	348,800.00	84,200.00
<b>Total Expenses</b>	<b>1,864,995.49</b>	<b>1,510,917.43</b>	<b>20,796,929.98</b>	<b>17,484,289.98</b>	<b>26,369,005.39</b>	<b>22,203,257.70</b>
<b>Net Income</b>	<b>55,115.13CR</b>	<b>12,293.97CR</b>	<b>439,771.44CR</b>	<b>146,917.37CR</b>	<b>546,566.78CR</b>	<b>134,178.55CR</b>

DELTA NATURAL GAS CO., INC. /D SUBSIDIARIES  
 Income Statement - Enpro  
 July 01, 2004 - March 31, 2005

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>Revenues</b>						
Gas Production	69,185.04CR	85,495.15CR	1,047,625.39CR	994,980.20CR	1,319,458.43CR	1,321,430.02CR
Oil Production	.00	4,085.46CR	31,488.08CR	26,933.44CR	38,267.67CR	38,003.42CR
Royalty	9,559.35CR	5,914.65CR	63,758.44CR	44,359.53CR	76,520.45CR	52,468.36CR
Other	.00	.00	36,409.35CR	.00	36,409.35CR	.00
<b>Total Revenues</b>	<b>78,744.39CR</b>	<b>95,495.26CR</b>	<b>1,179,281.26CR</b>	<b>1,066,273.17CR</b>	<b>1,470,655.90CR</b>	<b>1,411,901.80CR</b>
<b>Expenses</b>						
Depletion, Depreciation, & Ac	10,020.88	11,264.47	94,764.12	101,380.23	122,920.53	133,601.53
Well Opr & Mnt	3,130.66	2,684.16	14,823.98	15,118.06	20,053.39	30,644.84
Purchased Gas	1,105.83	6,639.67	54,615.21	61,283.44	74,099.63	84,668.58
Royalty & W.I.	13,957.77	11,165.44	135,698.54	115,110.06	173,750.07	151,493.71
Outside Services	1,602.00	1,100.00	20,021.71	18,606.03	21,276.23	56,906.03
Interest Expense	1,500.00CR	600.00CR	5,898.99CR	1,317.00CR	8,698.99CR	4,317.00CR
Taxes - Non Income	.00	.00	21,014.59	12,127.64	23,064.59	12,127.64
Income Taxes	19,300.00	24,300.00	324,000.00	285,400.00	407,600.00	369,200.00
<b>Total Expenses</b>	<b>47,617.14</b>	<b>56,553.74</b>	<b>658,839.16</b>	<b>607,708.46</b>	<b>834,065.45</b>	<b>834,325.33</b>
<b>Operating Income</b>	<b>31,127.25CR</b>	<b>38,941.52CR</b>	<b>520,442.10CR</b>	<b>458,564.71CR</b>	<b>636,590.45CR</b>	<b>577,576.47CR</b>
Net Income from Subs	.00	.00	.00	.00	.00	.00
<b>Net Income</b>	<b>31,127.25CR</b>	<b>38,941.52CR</b>	<b>520,442.10CR</b>	<b>458,564.71CR</b>	<b>636,590.45CR</b>	<b>577,576.47CR</b>

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2004 - 3/31/2005

CAPITAL EXPENDITURES  
All Agents

ALH ALAN L HEATH

- 1117 CUSH GAS
- 1125 LAND&RGHTS
- 1127 STRUCTURES
- 1131 WELL EQUIP
- 1132 GATH LINES
- 1133 COMP EQUIP
- 1134 REG STAT
- 115001 STORAGE LD
- 115002 STOR ROW
- 1151 STRUCTURES
- 1152 STOR WELLS
- 115301 STORAGE RT
- 115302 STOR RESRV
- 115303 NONR NAT G
- 1153 STORAGE LN
- 1154 COMPR EQUIP
- 1155 REG EQUIP
- 1156 PURIFICATN
- 1157 OTHER EQUIP
- 116501 LAND RGHTS
- 116502 TRAN ROW
- 1166 TRAN STRUC
- 1167 TRAN MAINS
- 1168 COMP STAT
- 1169 REG EQUIP
- 1170 OTHR EQUIP
- 1181 METERS

DELTA NATURAL GAS CO., INC. A... SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2004 - 3/31/2005

KESTES

CAPITAL EXPENDITURES  
All Agents

ALH ALAN L HEATH

- 1383 REGULATORS
- 1385 IND METERS
- 1395 LAB EQUIP
- 13901 MAPPING
- 5117 CUSHN GAS
- 532503 MIN RIGHTS
- 532521 LEASER-GAS
- 532522 PROD L OIL
- 532523 INT INVESH
- 533101 GAS WELL E
- 533102 OIL W EQUIP
- 535006 GAS RGT ST

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Total ALH ALH



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2004 - 3/31/2005

KESTES

CAPITAL EXPENDITURES  
All Agents

BRJ GLENN R. JENNINGS

139909 CONTINGENC

Total GRJ GRJ

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2004 - 3/31/2005

CAPITAL EXPENDITURES  
All Agents

JFH JOHN P HALL

139902 COMP SOFTW  
139903 COMP HWARE

Total JFH JFH

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2004 - 3/31/2005

CAPITAL EXPENDITURES  
All Agents

JLC JOHNNY L CAUDILL

- 1121 NON U PROP
- 1374 LAND & ROW
- 1375 DIS STRUCT
- 1376 DIST MAINS
- 1378 REG STAINS
- 1379 CG REG STA
- 1380 DIST SERV
- 1382 MET&REG IN
- 1389 LAND&RGHTS
- 1390 STRUCTURES
- 1391 FURN&EQUIP
- 1392 TRANSP EQP
- 1393 STORES EQP
- 1394 TOOLS&EQUIP
- 139401 CNG EQUIPM
- 1396 PO EQUIPMT
- 1397 COMM EQUIP
- 1398 MISC EQUIP

Total JLC JLC

Grand Total



**Delta Natural Gas Company, Inc.**

3617 Lexington Road  
Winchester, Kentucky 40391-9797



GLENN R. JENNINGS  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

PHONE: 859-744-6171 EXT 148  
FAX: 859-744-6552  
EMAIL: gjennings@deltagas.com

May 11, 2005

Michael J. Kistner  
Chairman of the Audit Committee  
151 Rosswoods Drive  
Pewee Valley, KY 40056

Dear Mike:

Enclosed for your records is a copy of the minutes of the Audit Committee meeting held on May 6, 2005.

Sincerely,

Glenn R. Jennings

cc: Don Crowe, Audit Committee  
Lanny Greer, Audit Committee  
Billy Joe Hall, Audit Committee  
Mike Whitley, Audit Committee  
H.D. Peet  
John Hall (original for minute books)  
John Brown  
Tom Kohnle  
Bob Bitter, Deloitte

MINUTES OF A  
MEETING OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF  
DELTA NATURAL GAS COMPANY, INC.  
HELD ON MAY 6, 2005

A meeting of the Audit Committee of the Board of Directors of Delta Natural Gas Company, Inc. was held at Delta's Winchester office on May 6, 2005 beginning at 9:00 a.m. The agenda of the meeting is attached as Exhibit A.

Audit Committee members present were Michael J. Kistner, Chairman, Donald R. Crowe, Billy Joe Hall and Michael R. Whitley. Others present from Delta were Harrison D Peet, Chairman of the Board; Glenn R. Jennings, President & CEO; John F. Hall, Vice President - Finance, Secretary and Treasurer; John B. Brown, Controller; and Thomas A. Kohnle, Internal Auditor. Also present were John Black and Bob Bitter with Deloitte & Touche LLP.

Mr. Black and Mr. Bitter discussed the status of Deloitte's review and testing of Delta's internal control processes under Sarbanes-Oxley Section 404. They also discussed Deloitte's planned audit of Delta for the year ending June 30, 2006. A copy of their materials is attached to these minutes as Exhibit B. After discussion, on motion duly made, seconded and carried unanimously, it was

RESOLVED, that Deloitte & Touche LLP is hereby accepted and approved as auditor of Delta's financial statements for the fiscal year ending June 30, 2006, including related quarterly reviews as required as well as audit work over the course of fiscal 2006 to be able to issue an internal control report under Section 404 of the Sarbanes-Oxley Act of 2002 for Delta's 2006 annual report and such other services as management may require, with total fees and expenses estimated

FURTHER RESOLVED, that Deloitte & Touche LLP, the Company's independent auditor, is authorized to provide additional consulting services for the Company concerning accounting matters and questions that may arise over the course of fiscal 2006 in an aggregate amount

It was acknowledged that Deloitte's planned audit for 2006 does not include the audits of Delta's pension and employee savings plans. There are potential changes to audit requirements and procedures for these plans and as such audits would not take place until after June 30, 2006, Deloitte will present its planned scope of work and related fees to an appropriate future meeting of the Committee for the Committee's consideration and approval prior to beginning such audits.

The Committee then adjourned into executive session with only the Deloitte representatives. After that session, the Committee then met only with Mr. Kohnle. There were no recommendations or concerns from either of those sessions.

Mr. Jennings reviewed with the Committee the draft of Delta's Form 10-Q for the quarterly period ending March 31, 2005 to be filed next week with the Securities and Exchange Commission.

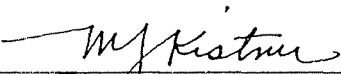
Mr. Brown reviewed internal control changes since Delta's prior Form 10-Q was filed in February, 2005. There were no concerns noted during this review. A copy of his report is attached as Exhibit C.

Mr. Brown discussed the status of Protiviti's consulting engagement for Delta in reviewing and testing certain internal controls as well as assisting in other areas of completing Delta's compliance with Section 404 of the Sarbanes-Oxley Act of 2002. A status report is attached as Exhibit D.

The next meeting of the Committee was set for Friday, August 12, 2005 at 9:00 a.m. It will be held at Delta's Winchester office.

The Committee then adjourned into executive session with only the Committee members. There were no recommendations or concerns from this session.

There being no further business, the meeting adjourned at 11:15 a.m.

  
\_\_\_\_\_  
Michael J. Kistner, Chairman

**Audit Committee Meeting**

**9:00 a.m. on May 6, 2005**

**Agenda**

1. Discuss status of Sarbanes-Oxley Section 404 internal control review, documentation and testing with Deloitte
2. Discuss audit plans and fees for fiscal 2006 audit with Deloitte.
3. Pre-approval of non-audit fees /services for fiscal 2006
4. Executive session with Deloitte as desired
5. Review March 31, 2005 10-Q draft - Glenn Jennings
6. Review internal controls and changes since February, 2005 10-Q filing for December 31 quarter – John Brown
7. Executive sessions with Tom Kohnle and/or the Committee as desired
8. Other business
9. Next meeting August 12, 2005 at 9:00 a.m.
10. Adjournment

**Deloitte.**

# Delta Natural Gas Company, Inc.

Audit Committee Meeting

May 6, 2005

Audit, Tax, Consulting, Financial Advisory.



## **Overview**

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- Sarbanes Oxley Section 404
  - Status
  - Findings to Date
  - Timeline for Completion
- Preliminary Estimate of Fees for 2006 Integrated Audit

## **Sarbanes Oxley Section 404**

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- Status
  - The following processes have been identified as significant through review of general ledger account balances:
    - Entity level
    - Regulated Revenue
    - Non Regulated Revenue
    - Gas Expenditures
    - Non Gas Expenditures
    - Gas Inventory
    - M&S Inventory
    - Payroll and Personnel
    - Treasury
    - Tax
    - Fixed Assets
    - Financial Closing and Reporting
    - General Computer Controls
  - Testing of design phase complete for all processes
  - Initial control testing and re-performance of management control testing planned to be completed this week

## **Sarbanes Oxley Section 404**

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- Findings to date
  - No significant deficiencies or material weaknesses identified in the design of controls to date
  - No significant deficiencies or material weaknesses identified in the testing of controls to date
- Timeline for completion
  - Management rollforward procedures to be completed in May-June
  - Deloitte re-performance and independent rollforward procedures to be completed July-August
  - Anticipate issuance of report in August - September

# Preliminary Estimate of Fees for 2006 Integrated Audit

	2005 Actual Billed through 4/30/2005	2005 Estimated	2006 Preliminary Estimate
Financial statement audit	\$8,960		
Out-of-pocket expenses	-		
Sarbanes attestation	\$65,000		
Out-of-pocket expenses	\$5,238		
Integrated Audit	N/A		
Out-of-pocket expense estimate	N/A		
<b>Total</b>	<b>\$79,198</b>		

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DELTA MEMO

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DATE: 2/04/05  
TO: GLENN R. JENNINGS, JOHN F. HALL  
FROM: JOHN B. BROWN   
RE: INTERNAL CONTROL AND FINANCIAL REPORTING UPDATE

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There have been no changes in our internal controls in the preceding quarter which would influence your previous evaluation of the design and effectiveness of our disclosure controls and procedures. The "Certification Sign-off – For the Quarter Ending March 31, 2005" is attached which evidences the completion of the quarterly certification checklists in the SarbOx Portal by the appropriate departments.

We have documented and evaluated in depth the Company's internal controls surrounding the twelve major processes identified. Process Owners reported any changes made to the documentation in their respective areas in a meeting held April 18, 2005 with the Process Owners, their managers and the officer group.

In the same meeting, the group discussed items and events that potentially should be considered in preparation of the Company's 10Q for March 31, 2005. These include:

- Asset retirement obligations—no new ARO's or transactions identified not already identified in the close. Impairment of long lived assets—no issues.
- Legal issues—nothing new. Suit with former employee will continue to be disclosed in Q.
- Commitments, contingencies, guarantees, unasserted claims and/or indemnifications—
  - We have entered into an agreement with Nami Resources Company to build 69,000 feet of 8 inch steel pipeline. We filed an 8-K disclosing the agreement on March 23, 2005. We concluded to revise the projected capital expenditure budget number disclosed in the 10-Q to reflect this project.
- Any known breakdown of internal controls—none identified.
- Any instance of fraud or other violation of the Company's Code of Conduct and Ethics policy—none identified.
- Subsequent events—none.
- Special Billings by Deloitte - \$4,420 during quarter. Special consultations relating to implementation of new billing and depreciation rates, the adoption of unbilled revenue accounting, sale of oil properties and setup of the supplemental retirement agreement.

**Delta Natural Gas Co., Inc.**  
**Certification Sign-off - For the Quarter Ending March 31, 2005**

The following is a list of questions that were asked of your employees to indicate whether or not any changes have occurred in your area over the current quarter. Sign to indicate that these questions have been appropriately considered and documented with respect to your areas of responsibility:

1. Are you aware of any breakdown of internal controls (including fraud) in your area or company wide?
2. Are you aware of any new regulations that have passed which affect your area? If so, comment what controls have been put in place to ensure compliance with the new regulations and how these controls have been documented.
3. Have you reviewed all the documentation with your team this quarter to ensure that it is current?
4. Have there been any changes to or addition of key processes within your area since the date of last reporting? If so, comment what controls have been put in place to control changed/new processes and how these controls have been documented.
5. Have any key processes in your area been outsourced since the date of last reporting? If so, comment what controls have been put in place to control outsourced transactions and how these controls have been documented.
6. Are the employees performing the manual controls the same as who performed them last quarter? If not, comment which controls were performed by a different person and the steps taken to ensure that the new person is effectively performing the controls.
7. Did you begin using any new/changed computer programs this quarter? If so, comment what controls have been put in place over the new system and how these controls have been documented. Also describe the testing process utilized to ensure that the data produced by the new system is accurate.
8. Have control statements been added, deleted or changed in the documentation? If so, have these changes been reflected in the listings of controls in the "Risk Assessment" area of the portal?
9. One of the biggest challenges in keeping an internal control structure current arises from the constantly changing nature of business. Any decision made to pursue a new opportunity, venture, employee benefit, customer incentive, etc. generally results in additional work, which in turn requires a new set of control activities. Have you gone through the process of identifying any such new work that has begun during this quarter and documented the new processes required in conjunction with question 4 above?

Juanita E. Hensley      4/28/05  
 Juanita E. Hensley      Date

Jouett Craycraft      4/29/05  
 Jouett Craycraft      Date

Connie King      4/28/05  
 Connie King      Date

George S. Billings      4/29/05  
 George S. Billings      Date

Glenn R. Jennings      5/4/05  
 Glenn R. Jennings      Date

John F. Hall      4/29/05  
 John F. Hall      Date

Alan L. Heath      4/29/05  
 Alan L. Heath      Date

Johnny Caudill      4/29/05  
 Johnny Caudill      Date

John B. Brown      4-28-05  
 John B. Brown      Date







**Delta Natural Gas Company, Inc.**

3617 Lexington Road  
Winchester, Kentucky 40391-9797



GLENN R. JENNINGS  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

PHONE: 859-744-6171 EXT 148  
FAX: 859-744-6552  
EMAIL: gjennings@deltagas.com

May 13, 2005

Lewis N. Melton  
211 Nottingham Drive  
Middlesboro, Ky 40965

Dear Nick:

Enclosed for your records is a copy of the minutes of the Nominating and Compensation Committee meeting held on May 6, 2005.

Sincerely,

Glenn R. Jennings

cc: Jane Green  
Mike Kistner  
Arthur Walker  
Mike Whitley  
H.D. Peet  
John Hall (original for minute books)

**MINUTES OF A MEETING OF THE NOMINATING  
AND COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF DELTA NATURAL GAS  
COMPANY, INC.  
HELD ON MAY 6, 2005**

A meeting of the Nominating and Compensation Committee was held at 12:30 p.m. at the Winchester office of the Company on May 6, 2005. In attendance were Lewis N. Melton, the Chairman of the Committee, and Committee members Michael J. Kistner and Michael R. Whitley. Committee member Arthur E. Walker, Jr. participated by telephone. Harrison D. Peet, Chairman of the Board of Directors and Glenn R. Jennings, President and CEO, were also in attendance.

The meeting was called to order by Mr. Melton. A copy of the agenda is attached to these minutes as Exhibit A.

Mr. Melton discussed the Committee's Charter, a copy of which is attached to these minutes as Exhibit B. After discussion, it was decided that Mr. Jennings would discuss possible Committee Charter revisions with Delta's legal counsel, Rutherford B Campbell, and report back to Mr. Melton. The Charter will then be further considered at the next meeting of this Committee.

Mr. Jennings updated the Committee on the status of the supplemental retirement plan approved by the Board of Directors at its November 18, 2004 meeting. The Supplement Retirement Benefit Agreement and the Trust Agreement have been finalized with Hand Benefits and Trust. This involved Delta's outside legal counsel and Juanita Hensley, Delta's Manager-Human Resources in revising and completing the agreements.

Mr. Jennings updated the Committee on the status of obtaining life insurance as approved by Delta's Board of Directors at its November 18, 2004 meeting. A policy has been issued to Delta for \$2 million of term life insurance on Mr. Jennings' life with Delta as beneficiary. The annual cost is \$7,380 and is fixed for 20 years. The policy is with John Hancock/Manufacturers Life.

A discussion was then held concerning the amounts of compensation provided to Delta's Board members. As directed by this Committee at its last meeting, Delta's staff performed a study of Directors' compensation for other utilities. After reviewing this, the Committee determined that Delta's Directors' compensation needed no adjustment at this time.

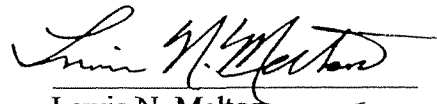
The Committee discussed the upcoming November, 2005 appointment of Officers as well as Chairman and Vice-Chairman of the Board. Mr. Peet informed the Committee

of his desire to step down as Chairman of Delta's Board of Directors no later than the November, 2005 Board meeting. The Committee agreed to take this up in Executive session.

The next Committee meeting is planned for August 12, 2005. The Committee is invited to join the Audit Committee for lunch at 11:30 a.m. as it did today and then meet after lunch is concluded.

The Committee adjourned into executive session with only the Committee members in attendance. There were no recommendations or concerns from that session that required action.

There being no further business to come before the meeting, it was adjourned at approximately 2:00 p.m.



Lewis N. Melton  
Chairman, Nominating and  
Compensation Committee

**Delta Natural Gas Company, Inc.**  
**Nominating and Compensation Committee**

**Agenda**

**Meeting at 12:30 p.m. on May 6, 2005**

1. Review Committee Charter
2. Supplemental retirement update
3. Life insurance update
4. Officers and Chairman for November meeting
5. Directors' compensation
6. Next meeting
7. Executive session
8. Other business

## DELTA NATURAL GAS COMPANY, INC.

NOMINATING AND COMPENSATION  
COMMITTEE CHARTER

Approved by the Board of Directors  
February 19, 2004

*Purpose*

The Nominating and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Delta Natural Gas Company, Inc. (the "Company") is responsible for identifying individuals qualified to become Board members and recommending to the Board the Director nominees for the next annual meeting of stockholders.

The Committee is also responsible for recommending to the Board the compensation for the Board of Directors and the Officers of the Company and reviewing the compensation structure for the Company, in accordance with guidelines established by the Committee from time to time.

*Membership*

The members of the Committee shall meet the independence requirements of the listing standards of any exchange or market where Delta's stock is traded, and any other applicable laws, rules and regulations governing independence. Members of the Committee and the Committee Chair shall be appointed by the Board.

*Duties and Responsibilities*

The Committee shall have the following duties and responsibilities:

- Review the appropriateness of the size of the Board relative to its various responsibilities. Review the overall composition of the Board, taking into consideration such factors as independence, business experience and specific areas of expertise of each Board member, and following such reviews, as appropriate, make recommendations to the Board.
- Recommend to the Board the slate of nominees for election to the Board at the Company's annual meeting of stockholders.
- As the need arises, recommend persons to fill vacancies that occur on the Board.
- Recommend to the Board those persons to be elected annually to each officer position, and as the need arises, recommend persons to fill vacancies that occur in officer positions.

In order to fulfill its responsibilities, the Committee members shall through their own business and personal contacts attempt to identify suitable candidates for nominations to the Board. The Committee will consider recommendations for new Board members suggested by current Board members, Company officers, employees and shareholders. In its discretion, the Committee may take all reasonable steps appropriate to identify suitable Board members and may engage professional search firms to assist in its effort.

To be considered by the Committee, shareholder recommendations for Board membership must be made in writing, addressed to the Company at its principal office. In addition, for any such proposal to be considered at the Company's annual meeting, the proposal must be received at the Company's principal office not less than 120 calendar days before the date of the Company's proxy statement released to shareholders in connection with the previous year's annual meeting. Shareholders are encouraged to include biographical information for each of their recommendations.

In considering candidates for the Board, including those recommended by shareholders, the Committee shall give due consideration to the intelligence, integrity, education and business experience of each candidate and the amount of time each candidate can reasonably be expected to devote to Board responsibilities. The Committee's recommendations to the Board shall be consistent with maintaining a high quality, diverse and actively engaged Board of Directors.

In addition, the Committee shall have the following responsibilities:

- Periodically review and recommend to the Board the compensation for directors for Board and committee service.
- Review the Committee's performance, periodically assess the adequacy of its charter and recommend changes to the Board as needed.
- Regularly report to the Board on the Committee's activities.
- Obtain advice and assistance, as needed, from internal or external legal, accounting, executive compensation consultants and other advisors.
- Annually review and, acting in executive session, agree upon and subsequently recommend to the Board the base salary and any other compensation for all officers.
- In consultation with and based upon the advice of outside counsel, monitor the disclosure regarding compensation matters in the Company's proxy statement.
- Annually review and recommend to the Board the overall percentage increase in compensation to be budgeted for employee pay increases.
- The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

- Review and recommend to the Board any proposed new or materially altered employee benefit plans.



## COMPANY CORRESPONDENCE

To: Mr. Peet and Officers

From: Glenn Jennings *GJ*

Subject: Fiscal 2006 Budgets

Date: April 26, 2005

Attached are Delta's proposed operating and capital budgets for the upcoming fiscal year of July 1, 2005 through June 30, 2006. Each operating budget account compares the budget for 2006 with the 2005 budget and the twelve months ended December 31, 2004 actual results. The capital budget comparison includes the proposed budget for fiscal 2006, and reflects fiscal year-to-date actual results through December 31, 2004. It also includes projections for fiscal 2007 through 2010.

Retail sales volumes are budgeted utilizing historical usage factors and are based upon normal (thirty year average) degree days. Adjustments are made for known changes in customers' requirements and to reflect expected customer growth. Revenues are budgeted based upon current rates. Gas cost, the largest operating cost, is developed using expected purchases based upon budgeted retail sales volumes. Those volumes are priced at the gas cost recovery rates currently in effect.

Comparative throughput volumes are as follows (in million cubic feet) for the twelve month periods:

	12/31/04	6/30/05	6/30/06
	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
Retail Sales Volumes	3,719		
On System Transportation	5,048		
Off System Transportation	<u>7,171</u>		
	<u>15,938</u>		
Billed degree days (% of 30 year average)	93.2%		



Transportation revenues are estimated based upon planned transportation of gas for others. Delta Resources and Delgasco revenues are estimated based upon existing customers and historical consumption, adjusted for known changes. Enpro production estimates, and related depletion and royalties, are based upon planned levels of production considering historical production levels and normal declines.

Payroll is based on existing employees at current salaries plus an estimate for overall raises to be given effective July 1. This also includes several part-time workers and an estimate for overtime.

This overall percentage includes amounts for promotions, merit increases, and increases to reflect pay grade changes and position upgrades. Salary adjustments for each employee consider all these factors, as well as job performance and performance toward individual goals and performance objectives.

Some other major budget components in the operating budget include employee benefits, which are based on the benefit plans in effect and the budgeted payroll. Maintenance is estimated based upon expected levels of maintenance and historical cost levels. Insurance is based upon coverage in effect and applicable premiums. Bad debt expense is estimated based on expected revenues and historical write-off results. Depreciation is based on plant in service and expected to be in service at the current effective depreciation rates for the various classes of property. Taxes other than income taxes, which are primarily property and payroll taxes, are based on the property and payroll budgeted and the related tax rates. Income taxes are based on the effective income tax rate and pre-tax budgeted net income. Long-term interest costs are based on existing long-term debt at embedded rates.

The capital budget for fiscal 2006 is

This budget package will be sent to the Board with the notice for the May 17, 2005 meeting. The budgets will be reviewed with the Board for their consideration and approval at that meeting.

**Fiscal 2006 Income Statement Budget Summary**  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption

*Delta Natural Gas Co., Inc.*

Bas12015b Summary of bas120 (Reporter)

Monday, April 18, 2005 5:41:20 PM

4/18/2005 17:41

**Delta Natural Gas Co., Inc.**

Bas120t5b of bas120 (Reporter)  
Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.		Layer 1 of 4	
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
GENERAL SERVICE RATE		-54,487,289	
RESIDENTIAL		-32,354,527	
1.480.010 - GS RATE SALES RESIDENTIAL		-27,831,555	
1.480.011 - UNBILLED REVENUE - RESIDENTIAL		-4,508,962	
1.480.050 - UNMETERED GAS LIGHT REVENUE		-14,010	
COMMERCIAL		-20,600,585	
1.480.020 - GS RATE SALES OTHER COMMERCIAL		-9,751,830	
1.480.021 - UNBILLED REVENUE - OTHER COMMERCIAL		-1,309,046	
1.480.040 - GS RATE SALES SMALL COMMERCIAL		-8,237,297	
1.480.041 - UNBILLED REVENUE - SMALL COMMERCIAL		-1,302,412	
INDUSTRIAL		-1,415,984	
1.480.030 - GS RATE SALES INDUSTRIAL		-1,228,899	
1.480.031 - UNBILLED REVENUE - INDUSTRIAL		-187,085	
WEATHER NORMALIZATION REVENUE		-116,192	
1.480.060 - WNA RESIDENTIAL		-97,733	
1.480.070 - WNA SMALL NON-RESIDENTIAL		-18,459	
INTERRUPTIBLE RATE		-519,976	
COMMERCIAL		-32,453	
1.481.020 - INTERRUPTIBLE RATE COMMERCIAL		-27,429	
1.481.021 - UNBILLED REVENUE INTERRUPTIBLE RATE C		-5,024	
INDUSTRIAL		-487,523	
1.481.030 - INTERRUPTIBLE RATE INDUSTRIAL		-448,559	
1.481.031 - UNBILLED REVENUE INTERRUPTIBLE RATE I		-38,964	
MISCELLANEOUS REVENUE		-199,634	
MISCELLANEOUS OPERATING REVENUE		-199,634	

**Delta Natural Gas Co., Inc.**

Bas12015b of bas120 (Reporter)  
Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.		Layer 1 of 4	
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
1.488.010 - COLLECTION REVENUE		-109,440	
1.488.020 - RECONNECT REVENUE		-80,232	
1.488.030 - METER TEST REVENUE		-32	
1.488.040 - BAD CHECK REVENUE		-9,930	
TRANSPORTATION REVENUE		-6,049,406	
OFF SYSTEM TRANSPORTATION REVENUE		-2,103,020	
1.489.020 - OFF SYSTEM TRANSP REVENUE		-1,456,657	
1.489.021 - OFF SYSTEM TRANSP REVENUE - DELGASCO		-646,363	
ON SYSTEM TRANSPORTATION REVENUE		-3,946,386	
1.489.040 - ON SYSTEM TRANSP REVENUE		-1,346,334	
1.489.041 - ON SYSTEM TRANSP DR		-2,600,052	
PURCHASED GAS		34,079,712	
PURCHASED GAS		34,079,712	
1.803.000 - PURCHASED GAS - OUTSIDE		29,587,211	
1.803.110 - UNBILLED PURCHASE GAS		4,492,501	
OPERATION EXPENSE		10,079,650	
LABOR		5,741,598	
1.753.010 - WELLS & GATHERING PAYROLL		16,373	
1.754.010 - COMPRESSOR STATION PAYROLL		49,037	
1.816.010 - CM WELLS EXPENSES - PAYROLL		45,846	
1.818.010 - CM COMPRESSOR STATION EXPENSES - PAYR		19,581	
1.900.010 - TRANS & DIST. PAYROLL		2,442,796	
1.903.010 - CASHERING PAYROLL		372,665	
1.920.010 - ADMINISTRATIVE PAYROLL		2,295,040	
1.926.010 - TIME OFF PAYROLL		500,261	

**Delta Natural Gas Co., Inc.**

Bas120f5b of bas120 (Reporter)  
 Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
 Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
 By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.

Layer 1 of 4

	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
TRANSPORTATION		813,063	
1.900.020 - OPR TRANSPORTATION EXPENSES		719,013	
1.920.020 - ADM TRANSPORTATION EXPENSES		94,050	
GENERAL OPERATIONS		388,042	
1.871.000 - TELEMETRY COSTS		46,198	
1.880.010 - OPERATIONS OFFICE TELEPHONE		102,589	
1.880.020 - OPERATIONS OFFICE UTILITIES		52,170	
1.880.030 - OPERATIONS OFFICE MISC.		90,768	
1.880.040 - FEES TRAINING SCHOOLS		36,458	
1.880.050 - UNIFORMS		32,015	
1.880.060 - WELDING SUPPLIES		11,103	
1.881.020 - RENT LAND & LAND RIGHTS		16,739	
CUSTOMER BILLING		230,519	
1.903.020 - CUSTOMER COLLECTIONS & RECORDS		230,519	
UNCOLLECTIBLE ACCOUNTS		529,301	
1.904.000 - UNCOLLECTIBLE ACCOUNTS		529,301	
ADMINISTRATIVE		466,038	
1.921.010 - ADM TELEPHONE		150,960	
1.921.030 - BOOKS & SUBSCRIPTIONS		24,431	
1.921.040 - COMPANY FORMS		24,481	
1.921.050 - SMALL SUPPLY ITEMS		54,827	
1.921.060 - MISCELLANEOUS OTHER ITEMS		58,507	
1.921.070 - EMPLOYEE MEMBERSHIPS		3,987	
1.921.080 - SAFETY LITERATURE & EDUCATION		15,767	
1.921.090 - ENGR & DRAFTING SUPPLIES		5,471	

**Delta Natural Gas Co., Inc.**

Bas12015b of bas120 (Reporter)  
 Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
 Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
 By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.				Layer 1 of 4
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount	
1.921.100 - ADM UTILITIES		41,128		
1.921.110 - INVENTORY - DIFFERENCE		905		
1.921.210 - TRAVEL ETC CO BUS PRES & CEO		9,296		
1.921.220 - TRAVEL ETC CO BUS OFFICERS		7,971		
1.921.230 - TRAVEL ETC CO BUS OPER & CONST		9,732		
1.921.240 - TRAVEL ETC CO BUS ADM&CUST SER		7,024		
1.921.260 - TRAVEL ETC CO BUS FINANCE		4,201		
1.921.290 - CO. BUS. MEALS & ENTERTAINMENT		33,316		
1.921.300 - COMPUTER EQUIPMENT OPERATIONS		14,033		
OUTSIDE SERVICES		549,419		
1.923.010 - OUTSIDE SERVICES LEGAL		39,135		
1.923.020 - OUTSIDE SERVICES ACCOUNTING		260,658		
1.923.030 - OUTSIDE SERVICES JANITORIAL		58,215		
1.923.040 - OUTSIDE SERVICES OTHER		68,325		
1.923.050 - OUTSIDE SERVICES COMPUTERS		123,086		
INSURANCE		652,785		
1.924.000 - INSURANCE		652,785		
EMPLOYEE BENEFITS		2,141,355		
1.926.020 - PENSION		652,264		
1.926.030 - EMPLOYEE 401K PLAN		211,950		
1.926.040 - MEDICAL COVERAGE		1,062,034		
1.926.050 - SALARY CONTINUATION COVERAGE		114,364		
1.926.060 - EMPLOYEE STOCK PLAN		27,813		
1.926.070 - EMPLOYEE EDUCATION		2,641		
1.926.080 - EMPLOYEE RECREATION & SOCIAL		10,289		

**Delta Natural Gas Co., Inc.**

Bas120t5b of bas120 (Reporter)  
Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.			Layer 1 of 4
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
1.926.100 - SUPPLEMENTAL RETIREMENT PLAN		60,000	
GENERAL ADMINISTRATION		707,796	
1.913.000 - ADVERTISING		1,990	
1.928.000 - REGULATORY COMMISSION EXPENSE		155,154	
1.930.010 - DIRECTOR FEES & EXPENSES		228,946	
1.930.020 - COMPANY MEMBERSHIPS		21,254	
1.930.030 - FEES CONVENTIONS & MEETINGS		9,810	
1.930.040 - MARKETING		6,666	
1.930.050 - COMPANY RELATIONS		12,601	
1.930.060 - TRUSTEE, REGISTRAR, AGENT FEES		75,597	
1.930.080 - STOCKHOLDER REPORTS		74,574	
1.930.090 - CUSTOMER & PUBLIC INFORMATION		28,873	
1.930.100 - PUBLIC & COMMUNITY RELATIONS		20,872	
1.930.110 - CONSERVATION PROGRAM		41,850	
1.930.120 - LOBBYING EXPENDITURES		29,271	
1.930.130 - MISC NON TAX DEDUCTIBLE		338	
EXPENSES TRANSFERRED		-2,480,463	
1.922.000 - EXP. TRANSFERRED - CAPITAL		-2,394,967	
1.922.100 - EXP. TRANSFERRED I/C		-85,496	
OTHER		340,197	
1.753.020 - WELLS & GATHERING MISC		411	
1.754.020 - COMPRESSOR STATION MISC.		52,670	
1.816.020 - CM WELLS EXPENSES - MISC		1,367	
1.818.020 - CM COMPRESSOR STATION EXPENSES - MISC		14,901	
1.821.000 - CM PURIFICATION OF NATURAL GAS		65,603	

**Delta Natural Gas Co., Inc.**

Bas12015b of bas120 (Reporter)  
Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.

Layer 1 of 4

	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
1.824.020 - CM OTHER UNDERGROUND STORAGE EXPEN:		1,366	
1.825.000 - CM STORAGE WELL ROYALTIES/RENTS		56,004	
1.856.000 - RIGHT OF WAY CLEARING		58,962	
1.900.030 - SMALL TOOLS & WORK EQUIPMENT		88,912	
MAINTENANCE EXPENSE		673,085	
LABOR		146,456	
1.764.010 - MNT WELLS & GATHERING PAYROLL		159	
1.765.010 - MNT COMPRESSOR STATION PAYROLL		6,789	
1.832.010 - CM MAINT OF RESERVOIRS AND WELLS - PAY		1,019	
1.834.010 - CM MAINT OF COMPRESSOR STAT EQUIP - PA		2,508	
1.835.010 - CM MAINT OF MEAS & REG STAT EQUIP - PAY		411	
1.887.010 - MNT TRANS & DIST MAINS PAYROLL		109,055	
1.893.010 - MNT OF METERS & REG PAYROLL		14,437	
1.894.010 - MNT OF OTHER EQUIPMENT PAYROLL		12,078	
TRANSPORTATION		74,648	
1.898.010 - MNT - TRANSP EQUIP EXPENSE-PAYROLL		44,275	
1.898.020 - MNT - POWER OPR EQUIP EXPENSE-PAYROLL		30,372	
MAINS		79,857	
1.887.020 - MNT TRANS & DIST MAINS OTHER		79,857	
METER & REGULATORS		35,643	
1.893.020 - MNT OF METERS & REG OTHER		35,643	
OTHER		336,481	
1.764.020 - MNT WELLS & GATHERING OTHER		1,293	
1.765.020 - MNT COMPRESSOR STATION OTHER		20,957	
1.831.020 - CM MAINTENANCE STRUCTURES & IMPROVE		3,555	



**Delta Natural Gas Co., Inc.**

Bas120t5b of bas120 (Reporter)  
Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.			
			Layer 1 of 4
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
1.832.020 - CM MAINTENANCE OF RESERVOIRS AND WEI		32,898	
1.833.020 - CM MAINTENANCE OF LINES - MISC		1,711	
1.834.020 - CM MAINTENANCE OF COMPRESSOR STAT EC		7,017	
1.835.020 - CM MAINTENANCE OF MEAS & REG STAT EQU		1,440	
1.837.020 - CM MAINTENANCE OF OTHER EQUIPMENT - M		615	
1.886.000 - MNT STRUCTURES TRANS & DIST.		4	
1.889.000 - MNT REG STATION TRANS & DIST.		6,730	
1.894.020 - MNT OF OTHER EQUIPMENT OTHER		94,280	
1.932.010 - MNT COMMUNICATION EQUIPMENT		30,745	
1.932.020 - MNT OFFICE EQUIPMENT		28,207	
1.932.030 - MNT GENERAL STRUCTURES		47,928	
1.932.050 - MAINTENANCE COMPUTER EQUIPMENT		59,100	
DEPRECIATION EXPENSE		4,349,494	
DEPRECIATION EXPENSE		4,349,494	
1.403.000 - DEPRECIATION EXPENSE		4,356,287	
1.403.100 - DEPRECIATION EXPENSE FOR ASSET RETIREM		743	
1.406.000 - AMORT OF GAS PLANT ACQ ADJ-TRANEX		-58,800	
1.406.010 - AMORT OF GAS PLANT ACQ ADJ-MT OLIVET		46,800	
1.411.100 - ACCRETION EXPENSE		4,464	
TAXES OTHER THAN INCOME TAXES		1,610,589	
PROPERTY TAXES		1,111,386	
1.408.010 - LICENSE & PRIVILEGE FEES		4,630	
1.408.020 - PROPERTY TAXES		1,106,755	
PAYROLL TAXES		499,203	
1.408.030 - PAYROLL TAXES		499,203	

**Delta Natural Gas Co., Inc.**

Bas12015b of bas120 (Reporter)  
 Monday, April 18, 2005 7:55:52 PM

**Fiscal 2006 Income Statement Budget Detail  
 Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
 By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.		Layer 1 of 4	
	2006 . Proposed Amount	Total Amount . 2004	
INCOME TAXES		2,300,900	
CURRENT FEDERAL		-609,080	
1.409.010 - CURRENT FED INC TAX		-609,081	
1.409.070 - ESTIMATED INTERIM INCOME TAXES		1	
CURRENT STATE		325,305	
1.409.020 - CURRENT STATE INC TAX		325,305	
DEFERRED FEDERAL & STATE		2,622,875	
1.410.000 - DEFERRED INCOME TAXES		2,648,400	
1.410.010 - AMORT OF REGULATORY LIABILITY		-25,525	
INVESTMENT TAX CREDIT-NET		-38,200	
1.420.000 - INVESTMENT TAX CREDIT NET		-38,200	
NON REGULATED INCOME		-2,224,037	
NET INCOME FROM SUBSIDIARIES		-2,159,190	
1.418.010 - NET EARNINGS OF SUBSIDIARY		-2,159,190	
INCOME TAXES NON REGULATED		34,400	
1.409.080 - INCOME TAXES NON-REGULATED		34,400	
OTHER NET INCOME BEFORE INCOME TAXES		-99,247	
1.415.010 - LABOR SERVICE REVENUE		-4,050	
1.415.020 - MERCHANDISING REVENUE		-19,717	
1.415.030 - SALES TAX COMMISSION		-9,711	
1.416.010 - LABOR SERVICE EXPENSE		885	
1.416.020 - MERCHANDISING EXPENSE		14,069	
1.419.000 - INTEREST & DIVIDEND INCOME		-21,020	
1.421.000 - MISC NON OPERATING INCOME		-47,483	
1.426.020 - LIFE INSURANCE CO. BENEFICIARY		-12,219	

**Delta Natural Gas Co., Inc.**

Bas120(5b of bas120 (Reporter)  
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**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELTA NATURAL GAS CO, INC.				Layer 1 of 4
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount	
INTEREST ON LONG TERM DEBT		3,822,051		
INTEREST ON LONG TERM DEBT		3,822,051		
1.427.000 - INTEREST ON LONG TERM DEBT		3,822,051		
OTHER INTEREST		367,617		
INTEREST ON SHORT TERM DEBT		337,836		
1.431.020 - INTEREST ON SHORT-TERM DEBT		335,536		
1.431.021 - SUBSIDIARY INTEREST		2,300		
OTHER INTEREST		29,780		
1.431.010 - INTEREST ON CUSTOMER DEPOSITS		29,780		
AMORTIZATION OF DEBT EXPENSE		236,183		
AMORTIZATION OF DEBT EXPENSE		236,183		
1.428.000 - AMORT OF DEBT EXPENSES		236,183		
Net Income		-5,961,060		

**Delta Natural Gas Co., Inc.**

Bas120t5b of bas120 (Reporter)  
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**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELTA RESOURCES, INC.		Layer 2 of 4	
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
SUBSIDIARY SALES		-15,163,274	
SALES TO OTHERS		-15,163,274	
2.496.000 - ON SYSTEM SALES		-15,194,724	
2.496.100 - FRANCHISE TAX - NET		31,450	
PURCHASED GAS		11,230,581	
PURCHASED GAS		11,230,581	
2.803.000 - GAS PURCHASED		11,230,581	
OPERATION EXPENSE		2,612,555	
TRANSPORTATION FEE		2,589,940	
2.804.000 - ON SYSTEM EXPENSE TRANSP FEE		2,589,940	
GENERAL OPERATIONS		-6,760	
2.415.030 - SALES TAX COMMISSION		-6,760	
OUTSIDE SERVICES		29,374	
2.923.000 - OUTSIDE SERVICES I/C		29,377	
2.923.100 - OUTSIDE SERVICES		-3	
INCOME TAXES		510,000	
CURRENT FEDERAL		424,600	
2.409.010 - CURRENT FED INC TAX		343,000	
2.409.070 - ESTIMATED INTERIM INCOME TAXES		81,600	
CURRENT STATE		85,400	
2.409.020 - CURRENT STATE INC TAX		85,400	
OTHER INTEREST		3,400	
INTEREST ON SHORT TERM DEBT		3,400	
2.419.000 - INTEREST AND DIVIDEND INCOME		3,400	
Net Income		-806,739	

**Delta Natural Gas Co., Inc.**

Bas120t5b of bas120 (Reporter)  
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**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

DELGASCO, INC.			Layer 3 of 4
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
SUBSIDIARY SALES		-25,690,806	
SALES TO SUBSIDIARY COMPANIES		-11,169,320	
3.489.000 - REVENUE FROM AFFILIATED CO'S		-11,169,320	
SALES TO OTHERS		-14,521,486	
3.496.000 - SALES TO OTHERS		-14,521,486	
PURCHASED GAS		24,287,967	
PURCHASED GAS		24,287,967	
3.803.000 - GAS PURCHASED		22,362,410	
3.803.100 - GAS PURCHASED - I/C		1,925,557	
OPERATION EXPENSE		663,630	
TRANSPORTATION FEE		646,363	
3.804.000 - EXPENSE-TRANSPORTATION FEES		646,363	
UNCOLLECTIBLE ACCOUNTS		12,901	
3.904.000 - UNCOLLECTIBLE ACCOUNTS		12,901	
OUTSIDE SERVICES		4,366	
3.923.000 - OUTSIDE SERVICES - INTERCOMPANY		4,366	
TAXES OTHER THAN INCOME TAXES		3,058	
PAYROLL TAXES		3,058	
3.408.000 - TAXES - NON INCOME		0	
3.408.100 - OTHER TAXES		3,058	
INCOME TAXES		289,400	
CURRENT FEDERAL		260,200	
3.409.010 - CURRENT FEDERAL INCOME TAX		130,700	
3.409.070 - ESTIMATED INTERIM INCOME TAXES		129,500	
CURRENT STATE		29,200	

**Delta Natural Gas Co., Inc.**

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**Fiscal 2006 Income Statement Budget Detail**  
**Compared with Calendar 2004 Actual and Fiscal 2005 Budget**  
**By Financial Statement Caption**

DELGASCO, INC. <span style="float: right;">Layer 3 of 4</span>			
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
3.409.020 - CURRENT STATE INCOME TAX		29,200	
OTHER INTEREST		-7,665	
INTEREST ON SHORT TERM DEBT		-7,665	
3.419.000 - INT. INCOME - SUBS		-400	
3.419.100 - INTEREST INCOME		-7,265	
Net Income		-454,416	

**Delta Natural Gas Co., Inc.**

Bas12015b of bas120 (Reporter)  
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**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

ENPRO, INC.		Layer 4 of 4	
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
SUBSIDIARY SALES		-2,027,587	
SALES TO SUBSIDIARY COMPANIES		-1,915,073	
5.489.000 - REVENUE FROM AFFILIATED CO'S		-1,915,073	
SALES TO OTHERS		-112,515	
5.496.000 - REVENUE FROM OIL		-51,093	
5.497.000 - REVENUE FROM ROYALTIES		-61,422	
PURCHASED GAS		233,536	
PURCHASED GAS		233,536	
5.803.000 - PURCHASED GAS		233,536	
OPERATION EXPENSE		214,755	
LABOR		16,045	
5.752.010 - GAS WELLS - PAYROLL		13,850	
5.952.010 - OIL WELLS - PAYROLL		2,195	
OUTSIDE SERVICES		23,759	
5.923.000 - OUTSIDE SERV. I/C		14,538	
5.923.100 - OUTSIDE SERVICES		9,057	
5.930.130 - MISC NON TAX DEDUCTIBLE		164	
INSURANCE		0	
5.924.000 - INSURANCE		0	
OTHER		174,951	
5.752.020 - GAS WELLS - OTHER		1,846	
5.805.000 - ROYALTIES		104,314	
5.806.000 - ACCRUED EXP WI TO OTHERS		67,807	
5.952.020 - OIL WELLS - OTHER		984	
MAINTENANCE EXPENSE		2,072	

**Delta Natural Gas Co., Inc.**

Bas120(5b of bas120 (Reporter)  
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**Fiscal 2006 Income Statement Budget Detail  
Compared with Calendar 2004 Actual and Fiscal 2005 Budget  
By Financial Statement Caption**

ENPRO, INC.		Layer 4 of 4	
	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
LABOR		893	
5.763.010 - MNT - GAS WELLS - PAYROLL		136	
5.963.010 - MNT - OIL WELLS - PAYROLL		757	
OTHER		1,179	
5.763.020 - MNT - GAS WELLS - OTHER		1,032	
5.963.020 - MNT - OIL WELLS - OTHER		147	
DEPRECIATION EXPENSE		126,651	
DEPRECIATION EXPENSE		126,651	
5.403.100 - DEPRECIATION EXPENSE FOR ASSET RETIREM		1,922	
5.404.000 - DEPLETION EXPENSE		117,210	
5.411.100 - ACCRETION EXPENSE		7,519	
TAXES OTHER THAN INCOME TAXES		23,716	
PROPERTY TAXES		21,666	
5.408.000 - PROPERTY TAXES		21,666	
PAYROLL TAXES		2,050	
5.408.100 - OTHER TAXES		2,050	
INCOME TAXES		570,500	
CURRENT FEDERAL		501,100	
5.409.010 - CURRENT FEDERAL INCOME TAX		299,600	
5.409.070 - ESTIMATED INTERIM INCOME TAXES		201,500	
CURRENT STATE		73,600	
5.409.020 - CURRENT STATE INCOME TAX		73,600	
DEFERRED FEDERAL & STATE		-4,200	
5.410.000 - DEFERRED INCOME TAXES		-4,200	
NON REGULATED INCOME		-36,409	



**Delta Natural Gas Co., Inc.**

Bas12015b of bas120 (Reporter)  
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**Fiscal 2006 Income Statement Budget Detail**  
**Compared with Calendar 2004 Actual and Fiscal 2005 Budget**  
**By Financial Statement Caption**

ENPRO, INC.

Layer 4 of 4

	2006 . Proposed Amount	Total Amount . 2004	2005 . Adopted Amount
OTHER NET INCOME BEFORE INCOME TAXES		-36,409	
5.421.000 - MISC NON OPERATING INCOME		-36,409	
OTHER INTEREST		-5,271	
INTEREST ON SHORT TERM DEBT		-5,271	
5.431.000 - INTEREST EXPENSE - SUBS		-5,300	
5.431.100 - INTEREST EXPENSE		29	
Net Income		-898,037	

**Delta Natural Gas Co., Inc.**

120cp02 of deltacap (Reporter)

Friday, April 15, 2005 1:04:46 PM

**Fiscal 2006 - 2010 Capital Budget  
Compared with 2005 Capital Budget and YTD Actual  
By Capital Budget Account**

	2006 Proposed	2005 Adopted	Fiscal 2005 Actual YTD Dec	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Agent			2,864,135				
ALH			690,059				
1325 GATHERING LAND & RIGHTS			0				
1327 GATHERING COMP STAT STRUCTURES			0				
1332 GATHERING LINES			0				
1333 GATH COMP STAT EQUIPMENT			0				
1334 GATH MEAS & REG STAT EQUIPMENT			10,406				
1351 STOR STRUCTURES & IMPROVEMENTS			539				
1353 STORAGE LINES			0				
136501 TRANSM LAND & LAND RIGHTS			0				
136502 TRANSM RIGHTS OF WAY			17,041				
1366 TRANSM STRUCTURES & IMPROVMENTS			0				
1367 TRANSMISSION MAINS			373,488				
1368 TRANSM COMPRESSOR STAT EQUIPMT			14,125				
1369 TRANSM MEASURING & REG EQUIPMT			134,527				
1371 TRANSMISSION OTHER EQUIPMENT			0				
1381 DISTRIBUTION METERS			54,427				
1383 DISTRIBUTION REGULATORS			45,297				

**Fiscal 2006 - 2010 Capital Budget**  
**Compared with 2005 Capital Budget and YTD Actual**  
**By Capital Budget Account**

	2006 Proposed	2005 Adopted	Fiscal 2005 Actual YTD Dec	2007 Projected	2008 Projected	2009 Projected	2010 Projected
1385 DIST INDUSTRIAL METER SETS			59,720				
1395 LABORATORY EQUIPMENT			0				
139901 MAPPING COST			0				
5117 ENPRO CUSHION GAS			-19,511				
GRJ			0				
139909 CONTINGENCY			0				
JFH			0				
139902 COMPUTER SOFTWARE			38,729				
139903 COMPUTER HARDWARE			27,509				
JLC			11,221				
1374 DISTRIBUTION LAND & ROW			2,135,346				
1375 DIST STRUCTURES & IMPROVEMENTS			1,090				
1376 DISTRIBUTION MAINS			1,850				
1378 DIST GENERAL REG STATIONS			1,027,796				
1379 DIST CITY GATE REG STATIONS			89,237				
1380 DISTRIBUTION SERVICES			63,439				
1382 DIST METER & REG INSTALLATION			401,927				
1390 GEN STRUCTURES & IMPROVEMENTS			69,803				
			22,810				

**Fiscal 2006 - 2010 Capital Budget**  
 Compared with 2005 Capital Budget and YTD Actual  
 By Capital Budget Account

	2006 Proposed	2005 Adopted	Fiscal 2005 Actual YTD Dec	2007 Projected	2008 Projected	2009 Projected	2010 Projected
1391 OFFICE FURNITURE & EQUIPMENT			14,810				
1392 TRANSPORTATION EQUIPMENT			257,946				
1393 STORES EQUIPMENT			0				
1394 TOOLS, SHOP & GARAGE EQUIPMENT			31,091				
1396 POWER OPERATED EQUIPMENT			153,524				
1397 COMMUNICATION EQUIPMENT			25				
1398 MISCELLANEOUS EQUIPMENT			0				



## COMPANY CORRESPONDENCE

TO: Officers

FROM: Glenn Jennings

SUBJECT: Performance Indicators

DATE: April 25, 2005

Delta's updated performance indicators are included on the attached report. In addition to the items in the report, the following information is also included as a part of the performance indicators.

Exhibit 1 - Insurance coverage and cost comparison. (Connie King)

Exhibit 2 - Average cost per foot for replacement and extensions, by size and type of pipe, for 2004, 2003 and 2002. (John Brown)

Exhibit 3 - Customer service cards results and complaints summary for 2004. (Emily Bennett, Connie King, Bob Hazelrigg)

Exhibit 4 - Summary of customer service interruptions for 2004, 2003 and 2002. (Johnny Caudill)

Exhibit 5 - Schedule for 2004, 2003 and 2002 comparing sales and transportation volumes to the budget and the previous year. (John Brown)

Exhibit 6 - Schedule of peak requirements for fiscal 2005, 2004 and 2003 compared to estimated requirements, and a comparison of annual retail requirements versus estimated requirements for fiscal 2004, 2003 and 2002. (Steve Billings)

Exhibit 7 - Certain gas industry data, as available from AGA, as compared with Delta.

## Delta Natural Gas Company, Inc. Performance Indicators

Data provided by	Year Ended December 31,		
Johnny Caudill	<u>2002</u>	<u>2003</u>	<u>2004</u>
(1) Customers Added:			
Conversion	112	92	61
New	764	672	598
Total	876	764	659
John Brown			
(2) Per new meter installed:			
Advertising costs	\$ 7.07	\$ 2.66	\$ 2.53
Marketing costs	\$ 10.32	\$ 18.43	\$ 8.48
Conservation/builder program cost	\$ 55.34	\$ 53.45	\$ 53.24
Average feet for main extension	163	228	121

## Delta Natural Gas Company, Inc. Performance Indicators

Connie King (3) Total customer bill for retail rates:  Delta Gas (11/1/04) Columbia Gas of Ky. (12/1/03) Western Kentucky Gas (11/1/03) Union Light (12/1/03) LG & E (11/1/03)	Residential <u>20 Mcf</u>  \$246.90 246.11 195.60 225.64 207.07	Small Non-Residential <u>40 Mcf</u>  \$479.63 499.06 396.20 438.63 411.64
--	--	--

Jonathan Morphew (4) Right of way cost:

	Year Ended December 31					
	2002		2003		2004	
	Footage	Cost Per Foot	Footage	Cost Per Foot	Footage	Cost Per Foot
Transmission footage designed	98,539	\$ .28	50,272	\$ .40	11,582	\$ 1.61
Transmission footage purchased	9,925	\$ 2.74	14,988	\$ 1.33	11,679	\$ 1.59
Distribution footage designed	96,648	\$ .01	110,407	\$ .01	104,929	\$ .03
Distribution footage purchased	0	\$ 0	0	\$ 0	0	\$ 0

## Delta Natural Gas Company, Inc. Performance Indicators

		January,		
		2003	2004	2005
Johnny Caudill	(5) Customers, per:			
	Customer Service Representative	1,012	1,007	1,000
	Customer Representative	2,791	2,779	2,759

		Year Ended December 31,		
		2002	2003	2004
Johnny Caudill	(6) Inventory turnover ratio:	2.04	2.09	1.40

4

		Year Ended December 31,		
		2002	2003	2004
Alan Heath	(7) Company Construction Crews:			
	Average hours per foot of pipe installed	.16	.14	.14



## Delta Natural Gas Company, Inc. Performance Indicators

Year Ended December 31,

Steve Billings (8) Average Gas Costs:

	<u>2002</u>	<u>% Change</u>	<u>2003</u>	<u>% Change</u>	<u>2004</u>	<u>% Change</u>
Delta Gas	\$4.5480	(23.7)	\$5.8421	28.5	\$6.8291	16.9
Columbia Gas of Ky.	5.6329	(46.2)	6.3723	13.1	8.9165	39.9
Western Ky. Gas	4.0511	(37.0)	6.4676	59.7	6.6899	3.4
Union Light	3.5210	(38.1)	6.3346	79.9	6.2669	(1.1)
L G & E	4.6085	(11.3)	6.2253	35.1	7.5055	20.6

Year Ended December 31,

Jim Potter (9) Safety:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Lost time injuries	1	3	3
Lost time days	1	9	11
Injuries per 10,000 hours worked	.032	.09	.087
Reportable vehicle accidents	6	8	0
Accidents per 10,000 miles driven	.031	.042	0

**Delta Natural Gas Company, Inc.**  
**Performance Indicators**

		12 months ended		
		<u>12/31/02</u>	<u>12/31/03</u>	<u>12/31/04</u>
John Brown/ Juanita Hensley	(10) Employee data:			
	% employee benefits to payroll			
	- Delta	46.9%	43.4%	48.2%
	- U.S. Chamber data	45.8%	46.7%	51.9%
	- Local	58.5%	54.2%	60.9%
	 Number of full-time employees	 153	 156	 155
	Turnover percentage	7.8%	3.2%	2.6%
	 Per employee data:			
	 Medical expense	 \$6,748	 \$7,175	 \$6,852
	 Pension expense	 \$4,022	 \$3,186	 \$4,208
	 Customers	 264	 258	 258
	Mcf of total throughput	85,660	109,900	114,050

**Delta Natural Gas Company, Inc.**  
**Performance Indicators**

		<u>Year Ended December 31,</u>		
		<u>2002</u>	<u>2003</u>	<u>2004</u>
John Brown	(11) Per Mcf of total throughput:			
	Total revenue	\$3.45	\$3.04	\$3.47
	Operating expenses	.71	.58	.57
	Maintenance expenses	.05	.03	.04
	Total payroll	.49	.40	.37
	Administrative and general expenses	.24	.19	.19
Johnny Caudill	(12) Company vehicle data:			
	Miles driven per customer	47.1	46.3	50.0
	Operations and maintenance expense per mile driven	\$.161	\$.178	\$.201
John Brown	(13) Percentage of gross plant additions to:			
	Gross plant at year end	5.65%	5.80%	3.37%
	Net plant at year end	8.22%	8.52%	4.99%
John Brown	(14) Footage of pipe installed:			
	Extensions %	170,725	245,711	183,590
	Replacements %	72.6%	76.8%	51.7%
		27.4%	23.2%	48.3%

**DELTA NATURAL GAS COMPANY INC**  
**EXPIRING (3/09/04 - 3/09/05)**  
**RENEWAL (3/09/05 - 3/09/06)**

	2004 - 2005 EXPIRING PREMIUM*	2005-2006 RENEWAL PREMIUM*	PERCENT INCREASE/ DECREASE	DOLLAR INCREASE/ DECREASE
GENERAL LIABILITY	\$ 107,087	\$ 95,102 <sup>(1)</sup>	-11.19%	\$ (11,985)
EXCESS LIABILITY	\$ 152,843	\$ 152,697 <sup>(2)</sup>	-0.10%	\$ (146)
EXCESS EBL & FIDUCIARY LIABILITY	\$ 17,004	\$ 19,839 <sup>(3)</sup>	16.67%	\$ 2,835
DIRECTORS & OFFICERS	\$ 231,020	\$ 267,090 <sup>(4)</sup>	15.61%	\$ 36,070
FIDUCIARY LIABILITY	\$ 4,198	\$ 3,045	-27.47%	\$ (1,153)
CRIME	\$ 3,100	\$ 3,147	1.52%	\$ 47
EMPLOYMENT PRACTICES LIABILITY	\$ 15,301	\$ 12,180	-20.40%	\$ (3,121)
AUTOMOBILE	\$ 82,015	\$ 82,433 <sup>(5)</sup>	0.51%	\$ 418
PROPERTY/GAS IN STORAGE	\$ 92,215	\$ 81,744 <sup>(6)</sup>	-11.35%	\$ (10,471)
ELECTRONIC DATA PROCESSING	\$ 4,944	\$ 5,553 <sup>(7)</sup>	12.32%	\$ 609
EQUIPMENT FLOATER	\$ 16,924	\$ 16,382 <sup>(8)</sup>	-3.20%	\$ (542)
BOILER & MACHINERY	\$ 5,550	\$ 5,550	0.00%	\$ -
OPERATORS EXTRA EXPENSE/CONTROL OF WELL	\$ 8,356	\$ 8,702	4.14%	\$ 346
WORKERS COMPENSATION	\$ 81,682	\$ 83,491 <sup>(9)</sup>	2.21%	\$ 1,809
	<b>\$ 822,239</b>	<b>\$ 836,955</b>	<b>1.79%</b>	<b>\$ 14,716</b>

\*Includes all credits, fees and taxes

- (1) General Liability projected payroll subject to audit - \$3,840,000 - rate \$24.649/\$1000; terrorism endorsement declined - 05/06 policy; Employee Benefit Liability included
- (2) Continuity credit increased from \$10,868 - 04/05 policy to \$13,926 - 05/06 policy; rated premium increased from \$137,339 - 04/05 policy to \$147,286 - 05/06 policy; terrorism endorsement declined for 05/06 policy
- (3) Minimum premium for \$15,000,000 coverage increased from \$15,000 - 04/05 policy to \$17,500 - 05/06 policy
- (4) Continuity credit increased from \$29,911 - 04/05 policy to \$30,521 - 05/06 policy; rated premium increased from \$229,657 - 04/05 policy to \$263,787 - 05/06 policy; terrorism endorsement declined 05/06 policy
- (5) Premium basis - composite rate; final premium will be based on average during year based on beginning of year count and end of year count; terrorism endorsement declined 05/06 policy
- (6) Scheduled values \$14,495,500 - 05/06 policy; Maximum Working Gas \$9,000,000 - 05/06 policy; property rate decreased from \$0.3114/\$100 - 04/05 policy to \$0.2678/\$100 - 05/06; underground gas rate decreased from \$0.4432/\$100 - 04/05 policy to \$0.3811/\$100 - 05/06 policy; terrorism charge decreased from \$6,272 - 04/05 policy to \$5,394
- (7) Scheduled values EDP Equipment increased from \$1,873,546 - 04/05 policy to \$1,898,546 (per schedule 11/29/04) - 05/06 policy; rate \$.250/\$100
- (8) Scheduled values \$2,743,650 - 05/06 policy; rate decreased from \$0.590/\$100 - 04/05 policy to \$0.550/\$100 - 05/06 policy  
 Note: Equipment & EDP hardware/software covered on a blanket limit of \$4,642,196 adjustments to policies will be made at year end with submission of schedules for equipment & EDP; if total schedules at year end varies by 10% or less no adjustment to premium will be made; if variance is 11% or more the rate will be \$0.55/\$100 for equipment and \$0.25/\$100 for EDP
- (9) Premium based on payroll subject to audit; rate for class code 8810 (clerical) remained at \$0.37/\$100 - 05/06 policy; rate for class code 7502 increased from \$2.14/\$100 - 04/05 policy to \$2.18/\$100 - 05/06 policy

Includes all credits, fees and taxes

**DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES**

	<i>COST COMPARISON EXPIRING VS RENEWAL</i>			
	<i>POLICY EFFECTIVE DATE</i>	<i>2005 - 2006 RENEWAL PREMIUM*</i>	<i>2004 - 2005 EXPIRING PREMIUM*</i>	<i>PERCENT INCREASE -DECREASE</i>
<b>GENERAL LIABILITY</b> - National Union Fire Insurance Company/AIG \$2,000,000 General Aggregate - \$1,000,000 Each Occurrence Deductible - None Premium Basis - Payroll (subject to audit) - Occurrence Form	3/9/05 - 3/9/06	\$ 95,102	\$ 107,087	-11.19% <sup>(1)</sup>
<b>AUTOMOBILE</b> - National Union Fire Insurance Company/AIG Bodily Injury and Property Damage Liability \$1,000,000 Comprehensive - Owned Vehicles - \$250 Deductible Collision - Self Insured Premium Basis - Composite Rate Per Class of Vehicle - Subject to Audit	3/9/05 - 3/9/06	\$ 82,433	\$ 82,015	0.51% <sup>(2)</sup>
<b>EXCESS LIABILITY</b> - AEGIS Limit of Liability \$35,000,000 (each occurrence) Underlying Limit \$2,000,000 General Liability - General Aggregate Claims Made - Retroactive Date 3/09/86	3/9/05 - 3/9/06	\$ 152,697	\$ 152,843	-0.10% <sup>(3)</sup>
<b>DIRECTORS &amp; OFFICERS</b> - AEGIS Limit of Liability \$20,000,000 Corporate Retention - \$250,000 Directors and Officers Individually - No Deductible Includes Corporate Defense Costs Coverage Claims Made - Retroactive Date 10/10/49	3/9/05 - 3/9/06	\$ 267,090	\$ 231,020	15.61% <sup>(4)</sup>
<b>EMPLOYMENT PRACTICES LIABILITY</b> - American International/AIG Limit of Liability \$1,000,000 Each Claim - \$1,000,000 Aggregate Deductible - \$50,000 Claims Made; Retroactive Date - Full Prior Acts Defense and claims expenses are included in the limit of liability	3/9/05 - 3/9/06	\$ 12,180	\$ 15,301	-20.40%
<b>EXCESS FIDUCIARY &amp; EMPLOYEE BENEFIT LIABILITY</b> - AEGIS Limit of Liability \$15,000,000 Underlying Limits \$1,000,000 Claims Made Retroactive Date - 3/09/86	3/9/05 - 3/9/06	\$ 19,839	\$ 17,004	16.67% <sup>(5)</sup>

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge and 3% Surplus Lines Tax  
INSCMP

**DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES**

	<i>COST COMPARISON EXPIRING VS RENEWAL</i>			
	<i>POLICY EFFECTIVE DATE</i>	<i>2005 - 2006 RENEWAL PREMIUM*</i>	<i>2004 - 2005 EXPIRING PREMIUM*</i>	<i>PERCENT INCREASE -DECREASE</i>
<b>FIDUCIARY LIABILITY</b> - American International/AIG Limit of Liability \$1,000,000 (each loss) Deductible - \$5,000 Claims Made Retroactive Date - Full Prior Acts	3/9/05 - 3/9/06	\$ 3,045	\$ 4,198	-27.47%
<b>CRIME</b> - American International/AIG Limit of Liability - \$500,000 Form A - Employee Dishonesty Theft, Form B - Forgery or Alterations, Form C - Theft, Destruction or Disappearance of Money and Securities Deductible - \$10,000	3/9/05 - 3/9/06	\$ 3,147	\$ 3,100	1.52%
<b>OPERATORS EXTRA EXPENSE</b> - St. Paul Surplus Lines Limit of Liability - \$3,000,000 Retention/Deductible - \$25,000 Operators Extra Expense \$10,000 Care, Custody & Control Premium Basis - Per Well Schedule (subject to annual audit & adjustment)	3/9/05 - 3/9/06	\$ 8,702	\$ 8,356	4.14%
<b>PROPERTY/GAS IN STORAGE</b> - American International/Starr Technical Limit of Liability Building/Personal Property - \$13,386,016 Premium Basis - Statement of Values Deductible - \$10,000 (earthquake \$25,000) Gas in Storage \$9,000,000 Deductible - \$25,000 (earthquake \$50,000)	3/9/05 - 3/9/06	\$ 81,744	\$ 92,215	-11.35% <sup>(6)</sup>
<b>ELECTRONIC DATA PROCESSING</b> - Fireman's Fund Coverage Limits - \$1,873,546 Deductible - \$2,500	3/9/05 - 3/9/06	\$5,553	\$ 4,944	12.32% <sup>(7)</sup>
<b>EQUIPMENT FLOATER</b> - Fireman's Fund Coverage Limits - \$2,629,600 Deductible - \$2,500; Miscellaneous Employee Tools \$250	3/9/05 - 3/9/06	\$ 16,382	\$ 16,924	-3.20% <sup>(8)</sup>
<b>BOILER &amp; MACHINERY</b> - Cincinnati Insurance Company Coverage - \$5,000,000/Accident including Business Interruption & Extra Expense Deductible - \$5,000 Property Damage 3-Year Policy from 3/09/03 - 3/09/06 with annual installments	3/9/05 - 3/9/06	\$ 5,550	\$ 5,550	0.00%

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge and 3% Surplus Lines Tax  
INSCMP

## DELTA NATURAL GAS RECORD OF INSURANCE COVERAGES

WORKERS COMPENSATION - Midwestern Insurance Alliance	COST COMPARISON EXPIRING VS RENEWAL			
	POLICY EFFECTIVE DATE	2005 - 2006 RENEWAL PREMIUM*	2004 - 2005 EXPIRING PREMIUM*	PERCENT INCREASE -DECREASE
Limit of Liability - \$1,000,000 Premium Basis - Payroll Subject to Audit	3/9/05 - 3/9/06	\$ 83,491	\$ 81,682	2.21% <sup>(9)</sup>
		\$ 836,955	\$ 822,239	1.79%

- (1) General Liability premium subject to audit; premium basis \$3,840,000 - rate \$24.649/\$1000; Employee Benefit Liability included; terrorism endorsement declined
- (2) Premium basis - composite rate; final premium based on average number of vehicles during the year based on beginning of year count and end of year count; terrorism endorsement declined
- (3) Continuity credit increased from \$10,868 - 04/05 to \$13,926 - 05/06 policy year; rated premium increased from \$137,399 - 04/05 policy to \$147,286 - 05/06 policy; terrorism endorsement declined
- (4) Continuity credit increased from \$29,911 - 04/05 to \$30,521 - 05/06 policy year; rated premium increased from \$229,657 - 04/05 policy to \$263,787 - 05/06 policy; terrorism endorsement declined; increase due to the overall climate within D&O claims
- (5) Minimum premium for \$15,000,000 coverage increased from \$15,000 - 04/05 policy to \$17,500 - 05/06 policy due to market conditions
- (6) Property rate decreased from \$0.3114/\$100 - 04/05 policy to \$0.2678/\$100 - 05/06 policy; underground gas rate decreased from \$0.4432/\$100 - 04/05 policy to \$0.3811/\$100 - 05/06 policy
- (7) Premium Based on Actual Scheduled Values - EDP Hardware & Software
- (8) Scheduled values \$2,743,650 - 04/05 insurance year; rate decreased from \$0.500 per \$100 - 04/05 policy to \$0.550 per \$100 - 05/06 policy
- Note: Equipment & EDP hardware/software covered on a blanket limit of \$4,642,196 adjustments to policy will be made at year end with submission of schedules for equipment & EDP; if total schedules at year end varies by 10% or less no adjustment to premium will be made; if variance is 11% or more adjustment will be made
- (9) Premium based on payroll subject to audit; rate for class code 8810 (clerical) remained at \$0.37/\$100 - 05/056policy; rate for class code 7502 increased from \$2.14/\$100 to \$2.18/\$100 - 05/06 policy

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge and 3% Surplus Lines Tax  
INSCMP

DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES

	POLICY EFFECTIVE DATE	PREMIUM
<b>FLOOD INSURANCE</b> - National Flood Insurance Program Limit of Liability - As Scheduled for Williamsburg & Barbourville Deductible - \$1,000 Building/Location - \$1,000 Contents/Location	05/29/04 - 5/29/05	\$ 1,943
<b>OIL WELL DRILLING BOND</b> - CNA Insurance Company Limit of Liability - \$10,000 Obligee - Commonwealth of Kentucky Three Year Pre-paid Premium	03/02/03 - 03/02/06	\$ 254
<b>PERMIT BOND</b> - CNA Insurance Company Limit of Liability - \$5,000 Street Restoration Obligee - City of Williamsburg, Kentucky Three Year Pre-paid Premium	03/07/03 - 03/07/06	\$ 254
<b>PERMIT BOND</b> - CNA Insurance Company Limit of Liability - \$10,000 Street Restoration Obligee - Whitley County, Kentucky	11/07/04 - 11/07/05	\$ 102
<b>PERMIT BOND</b> - CNA Insurance Company Limit of Liability - \$25,000 Street Restoration Obligee - Knox County, Kentucky Three Year Pre-paid Premium	11/13/04 - 11/13/07	\$ 571
<b>KENTUCKY HIGHWAY USE BOND</b> - CNA Insurance Company Limit of Liability - \$1,000 Obligee - Commonwealth of Kentucky	06/18/04 - 06/18/05	\$ 102
<b>OIL WELL DRILLING BOND</b> - CNA Insurance Company Limit of Liability - \$10,000 Obligee - Commonwealth of Kentucky Kettle Island	04/13/05 - 04/13/06	\$ 508
<b>PERMIT BOND</b> - CNA Insurance Company Limit of Liability - \$5,000 Street Restoration Obligee - City of Middlesboro, Kentucky	09/21/04 - 09/21/05	\$ 102

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge



DELTA NATURAL GAS  
RECORD OF INSURANCE COVERAGES

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PERMIT BOND - CNA Insurance Company  
Limit of Liability - \$10,000  
Street Restoration  
Obligee - Lexington/Fayette Urban County Government

<i>POLICY</i>	<i>EFFECTIVE</i>	<i>PREMIUM</i>
	<i>DATE</i>	
	04/01/05 - 04/01/06	\$ 102

\*Includes Fees, Credits and Workers Compensation Tax and Assessment as well as 1.5% Kentucky Surcharge

GATHERING, STORAGE, TRANSMISSION AND DISTRIBUTION MAINS

12 MONTHS ENDED 12/03 VS 12 MONTHS ENDED 12/02

REPLACEMENTS					EXTENSIONS				
BLANKET WORK ORDERS					BLANKET WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/03 CURRENT	12/02 PRIOR	12/03 CURRENT	12/02 PRIOR		12/03 CURRENT	12/02 PRIOR	12/03 CURRENT	12/02 PRIOR
UNDER 2" PLASTIC	966	2,421	-	-	UNDER 2" PLASTIC	5,998	4,138	-	-
2" PLASTIC	7,533	25,430	-	-	2" PLASTIC	22,195	14,375	-	-
3" PLASTIC	0	0	-	-	3" PLASTIC	0	0	-	-
4" PLASTIC	536	2,147	-	-	4" PLASTIC	0	492	-	-
5" PLASTIC	0	0	-	-	5" PLASTIC	0	0	-	-
1" STEEL	0	0	-	-	1" STEEL	111	274	-	-
2" STEEL	40	11	-	-	2" STEEL	0	0	-	-
3" STEEL	0	0	-	-	3" STEEL	0	0	-	-
4" STEEL	966	38	-	-	4" STEEL	0	0	-	-
5" STEEL	0	125	-	-	5" STEEL	0	0	-	-
TOTAL BWO'S	10,041	30,172	21.52	18.78	TOTAL BWO'S	28,304	19,279	12.22	11.88
SPECIFIC WORK ORDERS					SPECIFIC WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/03 CURRENT	12/02 PRIOR	12/03 CURRENT	12/02 PRIOR		12/03 CURRENT	12/02 PRIOR	12/03 CURRENT	12/02 PRIOR
UNDER 2" PLASTIC	1,388	239	11.32	15.22	UNDER 2" PLASTIC	1,161	380	12.25	7.90
2" PLASTIC	9,515	4,541	9.67	11.71	2" PLASTIC	49,905	14,261	6.14	7.49
3" PLASTIC	0	0	0.00	0.00	3" PLASTIC	0	0	0.00	0.00
4" PLASTIC	10,260	11,701	11.31	15.19	4" PLASTIC	11,953	12,841	10.95	10.40
5" PLASTIC	6,731	0	29.75	0.00	5" PLASTIC	0	0	0.00	0.00
UNDER 2" STEEL	21	0	43.91	0.00	UNDER 2" STEEL	0	0	0.00	0.00
2" STEEL	2,121	0	30.52	0.00	2" STEEL	683	0	11.05	0.00
3" STEEL	0	0	0.00	0.00	3" STEEL	0	0	0.00	0.00
4" STEEL	0	0	0.00	0.00	4" STEEL	8,462	0	30.52	0.00
5" STEEL	5,686	0	17.69	0.00	5" STEEL	0	0	0.00	0.00
3" STEEL	11,267	100	39.09	90.97	3" STEEL	198	0	39.07	0.00
					10" STEEL	88,015	77,211	42.58	42.27
TOTAL SWO'S	46,989	16,581	--	--	TOTAL SWO'S	160,377	104,693	--	--

**GATHERING, STORAGE, TRANSMISSION AND DISTRIBUTION MAINS  
12 MONTHS ENDED 12/04 VS 12 MONTHS ENDED 12/03**

REPLACEMENTS					EXTENSIONS				
BLANKET WORK ORDERS					BLANKET WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/04 CURRENT	12/03 PRIOR	12/04 CURRENT	12/03 PRIOR		12/04 CURRENT	12/03 PRIOR	12/04 CURRENT	12/03 PRIOR
UNDER 2" PLASTIC	873	966	-	-	UNDER 2" PLASTIC	6,463	5,998	-	-
2" PLASTIC	12,884	7,533	-	-	2" PLASTIC	17,482	22,195	-	-
3" PLASTIC	0	0	-	-	3" PLASTIC	0	0	-	-
4" PLASTIC	1,707	536	-	-	4" PLASTIC	396	0	-	-
5" PLASTIC	0	0	-	-	5" PLASTIC	0	0	-	-
1" STEEL	0	0	-	-	1" STEEL	250	111	-	-
2" STEEL	0	40	-	-	2" STEEL	0	0	-	-
3" STEEL	0	0	-	-	3" STEEL	0	0	-	-
4" STEEL	0	966	-	-	4" STEEL	0	0	-	-
5" STEEL	0	0	-	-	5" STEEL	0	0	-	-
<b>TOTAL BWO'S</b>	<b>15,464</b>	<b>10,041</b>	<b>25.30</b>	<b>21.52</b>	<b>TOTAL BWO'S</b>	<b>24,591</b>	<b>28,304</b>	<b>20.70</b>	<b>12.22</b>
SPECIFIC WORK ORDERS					SPECIFIC WORK ORDERS				
TYPE	FOOTAGE		COST PER FOOT		TYPE	FOOTAGE		COST PER FOOT	
	12/04 CURRENT	12/03 PRIOR	12/04 CURRENT	12/03 PRIOR		12/04 CURRENT	12/03 PRIOR	12/04 CURRENT	12/03 PRIOR
UNDER 2" PLASTIC	1,385	1,388	12.45	11.32	UNDER 2" PLASTIC	369	1,161	11.80	12.25
2" PLASTIC	15,642	9,515	9.55	9.67	2" PLASTIC	60,127	49,905	8.26	6.14
3" PLASTIC	0	0	0.00	0.00	3" PLASTIC	0	0	0.00	0.00
4" PLASTIC	12,804	10,260	11.24	11.31	4" PLASTIC	9,773	11,953	13.18	10.95
5" PLASTIC	0	6,731	0.00	29.75	5" PLASTIC	0	0	0.00	0.00
UNDER 2" STEEL	0	21	0.00	43.91	UNDER 2" STEEL	0	0	0.00	0.00
2" STEEL	0	2,121	0.00	30.52	2" STEEL	0	683	0.00	11.05
3" STEEL	0	0	0.00	0.00	3" STEEL	0	0	0.00	0.00
4" STEEL	61	0	22.60	0.00	4" STEEL	0	8,462	0.00	30.52
5" STEEL	514	5,686	92.45	17.69	5" STEEL	141	0	67.64	0.00
6" STEEL	42,719	11,267	41.43	39.09	6" STEEL	0	198	0.00	39.07
					10" STEEL	0	88,015	0.00	42.58
<b>TOTAL SWO'S</b>	<b>73,125</b>	<b>46,989</b>	<b>--</b>	<b>--</b>	<b>TOTAL SWO'S</b>	<b>70,410</b>	<b>160,377</b>	<b>--</b>	<b>--</b>

**DELTA NATURAL GAS COMPANY, INC.**  
**2004 CUSTOMER RESPONSES - CUSTOMER SERVICE CARDS**

**CUSTOMER RESPONSES RECEIVED:**

Owingsville District	100
Berea District	88
Nicholasville District	505
Middlesboro District	16
Corbin District	<u>88</u>
	797

**SERVICE REQUESTS:**

Turn on	494
Reconnect	89
Set meter/turn on	135
Meter rotation/inspection	34
Check leaks (gas odor)	18
Check furnace, light pilots, logs, read meter	21
Not indicated	<u>6</u>
	797

	<b>Yes</b>	<b>No</b>	<b>Not Indicated</b>
Timely response to request	781	1	15
Service satisfactory	782	0	15
Courteous/Professional Service Rendered	782	0	15

**COMMENTS:**

Good/Excellent service	24
Courteous/good employees	17
Comments concerning high prices/bills /deposits	12

DELTA NATURAL GAS COMPANY, INC.  
COMPLAINT SUMMARY

DISTRICT	2005	TOTAL NUMBER OF COMPLAINTS	COMPLAINTS (SEE LEGEND BELOW)					COMMENTS
			1	2 <sup>(1)</sup>	3 <sup>(2)</sup>	4 <sup>(3)</sup>	5 <sup>(4)</sup>	
OWINGSVILLE	January	1					1	
	February	0						
	March	0						
BEREA	January	0						
	February	0						
	March	0						
NICHOLASVILLE	January	0						
	February	0						
	March	3	3					Acc't 10003 - ERT programmed 2 ft instead of 1 ft - ERT reprogrammed - credit adjustment 54.9 Mcf; Acc't 103606 - ERT programmed 2 ft instead of 1 ft - ERT reprogrammed - credit adjustment 85.7 Mcf; Acc't 63625 service not disconnected when requested - credit adjustment of \$8.75
MIDDLESBORO	January	0						
	February	0						
	March	0						
CORBIN	January	1					1	
	February	0						
	March	2					2	
<b>TOTAL</b>		<b>7</b>						

- 1 - COMBL (Complaint Billing Adjustment)
- 2 - COMC (Complaint PSC)
- 3 - COMEA (Complaint Employee Attitude)
- 4 - COMOT (Complaint Other)
- 5 - COMSR (Complaint Service)

Distribution:            Glenn John   John   Johnny   Alan   Bob   Gerald   Mike  
                                  District Customer Service Supervisors - Arvil   Bill   Mark   Mike   Robert

QUARTER ENDING MARCH 31

DELTA NATURAL GAS COMPANY, INC.  
COMPLAINT SUMMARY

OWINGSVILLE

COMC

125058 Customer contacted PSC re high usage; Jeff Steele met with tenant and performed energy audit; house built in 1905 - little if any insulation; inside furnace is outside in a shed-like structure; styrofoam stapled to wood in order to provide some type of insulation to furnace; Jeff left 2-page document of energy saving tips and guidelines; also pointed out various things that could be done to conserve energy - including weather stripping, foam behind outlets, draft dodgers, etc; suggested they consider joining Delta's budget plan for the 2005-2006 budget year; PSC advised regarding outcome of energy audit

CORBIN

COMC

85070 Customer contacted PSC re disconnection of service for nonpayment; door knocker left 1/20/05 advising customer that if past due bill not paid by 1/21/05 service subject to be disconnected; customer informed PSC that he put check in the mail on 1/21/05 but service was disconnected on 1/25/05; check not received as of 1/26/05; gas bill, reconnect fee and collection charge paid in office 1/26/05 and service reconnected; check received in mail 1/27/05 - returned to customer

24241 Customer contacted PSC re sales tax being charged on school tax; sent memo to customer explaining that KRS 139 - Sales and Use Tax - indicates that school tax is a component of the cost of the product that we are delivering and therefore subject to sales tax; advised customer to contact Kentucky Revenue Cabinet, Sales & Use Tax Section for confirmation

128680 Customer contacted PSC due to service being disconnected on 3/04/05 for nonpayment; customer owed \$435.52 on 1/29/05 bill; customer advised PSC that he could pay \$115 if service reconnected; customer advised customer service representative that he could not pay any money until March 15 and then he could pay only \$75; PSC called customer and informed him that payment would have to be made prior to service being reconnected

**NOTE:** Although complaints/inquiries to the PSC come to Winchester they are reflected under appropriate district office

**DELTA NATURAL GAS COMPANY, INC.**  
**SUMMARY OF CUSTOMER SERVICE INTERRUPTIONS**  
2004

<b>TOTAL NUMBER OF INTERRUPTIONS FOR COMPANY</b>	<b>282</b>
<b>TOTAL CUSTOMERS INTERRUPTED FOR 2004</b>	<b>875</b>
<b>TOTAL CUSTOMER HOURS OF INTERRUPTION FOR 2004</b>	<b>695.25</b>
<b>AVERAGE INTERRUPTION TIME PER CUSTOMER INTERRUPTED</b>	<b>0.79</b> HOURS

DISTRIBUTION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	1			1	
FREEZE OFF	8			10	
OTHER	17			33	
<b>TOTAL FOR DISTRIBUTION</b>		<b>217</b>			<b>778</b>

TRANSMISSION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	0			0	
FREEZE OFF	2			4	
OTHER	4			4	
<b>TOTAL FOR TRANSMISSION</b>		<b>6</b>			<b>8</b>

GATHERING:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	1			1	
FREEZE OFF	56			86	
OTHER	1			1	
<b>TOTAL FOR GATHERING</b>		<b>59</b>			<b>89</b>

DELTA NATURAL GAS COMPANY, INC.  
SUMMARY OF CUSTOMER SERVICE INTERRUPTIONS  
2003

TOTAL NUMBER OF INTERRUPTIONS FOR COMPANY	317
TOTAL CUSTOMERS INTERRUPTED FOR 2003	716
TOTAL CUSTOMER HOURS OF INTERRUPTION FOR 2003	650:25
AVERAGE INTERRUPTION TIME PER CUSTOMER INTERRUPTED	0:91 HOURS

DISTRIBUTION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	208			471	
FREEZE OFF	6			11	
OTHER	1			9	
	8			56	
<b>TOTAL FOR DISTRIBUTION</b>		<b>223</b>			<b>547</b>

TRANSMISSION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	2			41	
FREEZE OFF	0			0	
OTHER	0			0	
	12			14	
<b>TOTAL FOR TRANSMISSION</b>		<b>14</b>			<b>55</b>

GATHERING:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	TOTAL		TOTAL	
EQUIPMENT FAILURE	2			8	
FREEZE OFF	0			0	
OTHER	70			96	
	8			10	
<b>TOTAL FOR GATHERING</b>		<b>80</b>			<b>114</b>



DELTA NATURAL GAS COMPANY, INC.  
SUMMARY OF CUSTOMER SERVICE INTERRUPTIONS  
2002

TOTAL NUMBER OF INTERRUPTIONS FOR COMPANY	270	
TOTAL CUSTOMERS INTERRUPTED FOR 2002	678	
TOTAL CUSTOMER HOURS OF INTERRUPTION FOR 2002	694.50	
AVERAGE INTERRUPTION TIME PER CUSTOMER INTERRUPTED	1.02	HOURS

DISTRIBUTION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	EQUIPMENT FAILURE	FREEZE OFF	OTHER	TOTAL
	194	1	0	10	531
					1
					0
					27
TOTAL FOR DISTRIBUTION			205		559

TRANSMISSION:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	EQUIPMENT FAILURE	FREEZE OFF	OTHER	TOTAL
	4	0	4	2	30
					0
					4
					3
TOTAL FOR TRANSMISSION			10		37

GATHERING:	NUMBER OF INTERRUPTIONS			CUSTOMER COUNT	
	LINE BREAK	EQUIPMENT FAILURE	FREEZE OFF	OTHER	TOTAL
	2	3	42	8	4
					3
					61
					14
TOTAL FOR GATHERING			55		82

DELTA NATURAL GAS CO., INC.  
COMPARISON OF MCF, REVENUE AND GAS COST  
December 31, 2004

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over			This Year Over			This Year	Last Year
	(Under ) Budget	This Year	Last Year	(Under ) Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA		534	557		827	963	4,357	4,601
MCF'S: DELTA NATURAL								
RESIDENTIAL		290,979	251,844		424,938	525,965	2,100,518	2,293,335
SMALL COMMERCIAL		51,606	75,610		116,766	155,588	630,092	697,274
COMMERCIAL - OTHER		70,392	91,624		215,682	246,595	829,882	860,512
INDUSTRIAL		13,967	16,358		42,966	48,589	158,273	176,072
TOTAL SOLD		336,946	435,436		800,352	976,738	3,718,765	4,027,193
OFF SYSTEM		684,120	553,482		3,454,615	3,473,442	7,171,033	6,212,794
ON SYSTEM		454,746	445,674		2,510,096	2,627,534	5,048,222	5,265,621
TOTAL TRANSPORTED		1,138,866	999,156		5,964,711	6,100,976	12,219,255	11,498,415
TOTAL DELTA NATURAL		1,475,812	1,434,592		6,765,063	7,077,714	15,938,020	15,525,608

December 31, 2003

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over			This Year Over			This Year	Last Year
	(Under ) Budget	This Year	Last Year	(Under ) Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA		557	773		963	1,276	4,601	4,583
MCF'S: DELTA NATURAL								
RESIDENTIAL		251,844	354,802		525,965	648,910	2,293,334	2,266,495
SMALL COMMERCIAL		75,610	105,444		155,588	193,466	697,274	667,590
COMMERCIAL - OTHER		91,624	117,737		246,595	278,166	860,512	833,292
INDUSTRIAL		16,358	24,150		48,589	53,206	176,072	147,535
TOTAL SOLD		435,436	602,133		976,737	1,173,748	4,027,192	3,914,912
OFF SYSTEM		553,482	438,448		3,473,442	2,656,556	6,212,794	4,912,354
ON SYSTEM		445,674	451,323		2,627,534	2,639,792	5,285,621	5,129,321
TOTAL TRANSPORTED		999,156	889,771		6,100,976	5,296,348	11,498,415	10,041,675
TOTAL DELTA NATURAL		1,434,592	1,491,904		7,077,713	6,470,096	15,525,607	13,956,587

DECEMBER 31, 2002

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over			This Year Over			This Year	Last Year
	(Under ) Budget	This Year	Last Year	(Under ) Budget	This Year	Last Year		
DEGREE DAYS BILLED - LEXINGTON AREA		773	379		1,276	830	4,583	4,616
MCF'S: DELTA NATURAL								
RESIDENTIAL		354,802	186,995		648,912	515,011	2,266,497	2,428,308
SMALL COMMERCIAL		105,444	48,696		193,466	135,342	667,590	686,682
COMMERCIAL - OTHER		117,737	67,656		278,166	227,481	833,292	870,366
INDUSTRIAL		24,150	11,676		53,206	45,445	147,535	217,495
TOTAL SOLD		602,133	315,023		1,173,750	923,279	3,914,914	4,202,851
OFF SYSTEM		399,337	331,767		2,253,506	1,781,495	4,061,692	3,433,770
ON SYSTEM		451,323	400,430		2,639,792	2,376,322	5,129,321	4,692,977
TOTAL TRANSPORTED		850,660	732,197		4,893,298	4,157,817	9,191,013	8,126,747
TOTAL DELTA NATURAL		1,452,793	1,047,220		6,067,048	5,081,096	13,105,927	12,329,598

DELTA NATURAL GAS COMPANY, INC.  
COMPARISON OF ESTIMATED PEAK DAY MCF REQUIREMENTS  
TO ACTUAL USAGE  
FOR THE FISCAL YEARS ENDING JUNE 30

	<u>2003</u>	<u>2004</u>	<u>2005</u>
ESTIMATED REQUIREMENTS			
REVISED REQUIREMENTS			
ACTUAL USAGE	71,142	61,526	60,128
% DIFFERENCE			

DELTA NATURAL GAS COMPANY, INC.  
 COMPARISON OF SYSTEM REQUIREMENTS FOR 2003-2004 (RETAIL SALES ONLY)  
 VOLUMES SHOWN IN MCF

AREA	JULY 2003	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY 2004	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
NORMAL REQUIREMENTS													
REVISED REQUIREMENTS													
ACTUAL REQUIREMENTS	69,234	78,086	66,646	98,970	228,363	435,436	846,852	809,591	567,406	456,304	157,131	81,133	3,895,152
% DIFFERENCE													

DELTA NATURAL GAS COMPANY, INC.  
 COMPARISON OF SYSTEM REQUIREMENTS FOR 2002-2003 (RETAIL SALES ONLY)  
 VOLUMES SHOWN IN MCF

AREA	JULY 2002	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY 2003	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
NORMAL REQUIREMENTS													
REVISED REQUIREMENTS													
ACTUAL REQUIREMENTS	1,247	1,303	1,165	1,555	5,706	8,781	9,976	13,377	7,337	3,468	2,208	1,738	67,861
% DIFFERENCE													

DELTA NATURAL GAS COMPANY, INC.  
 COMPARISON OF SYSTEM REQUIREMENTS FOR 2001-2002 (RETAIL SALES ONLY)  
 VOLUMES SHOWN IN MCF

AREA	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
NORMAL REQUIREMENTS													
REVISED REQUIREMENTS													
ACTUAL REQUIREMENTS	69,318	78,484	62,904	107,937	289,611	316,022	684,614	769,432	610,471	382,841	181,957	111,848	3,664,439
% DIFFERENCE													

## 2004 BEST PRACTICES BENCHMARKING

### Company Profile Computations

Description	Company Median	Delta
1. Distribution O & M cost per customer	\$53.93	\$91.19
2. Distribution O & M cost per mile of main	\$3,100.93	\$2,527
3. Distribution O & M cost per dollar of plant	\$0.04	\$0.04
4. Distribution O & M costs / MCF sales	\$0.44	\$0.88
5. Distribution O & M costs / MCF transported	\$0.73	\$0.67
6. Dist O & M costs / MCF sales + MCF transported	\$0.26	\$0.38
7. Dist O & M costs + capital/customers	\$130.29	\$205.37
8. Dist O & M costs + capital/miles of main	\$6,682.13	\$5,691
9 Revenue dollars per customer	\$1,214.27	\$1,336
10. Operating Income dollars per customer	\$87.34	\$172
11. Customers per mile of main	59.9	27.7
12. Admin & General expenses per customer	\$69.26	\$129.52
13. Sales & Marketing expenses per customer	\$1.63	\$0.06
14. Customers Accounts expenses per customer	\$37.09	\$32.53
15. Meter Reading expenses per customer	\$6.05	\$5.13
16. Call Center expenses per customer	\$15.75	\$15.13
17. Uncollectible Accounts exp per customer	\$9.51	\$12.27
18. O&M & Admin & Sales & Cust exp/customer	\$155.13	\$253.30
19. O&M & Admin & Sales & Cust exp/mile of main	\$9,213.13	\$7,019.36
20. O&M/Admin/Sales/Cust exp & Capital/customer	\$229.18	\$367.49
21. Distribution plant per mile of main	\$82,229.94	\$60,392
22. Capital Expenditures / dollars of depreciation	\$1.40	\$2.09
23. Capital Expenditures per customer	\$73.25	\$114.19
24. Customers per employee	645.4	249.9

**Appendix 10: Comparison Summary For:**

**DELTA NATURAL GAS CO**

<u>Metric</u>	<u>Value</u>	<u>Rank</u>
Appendix 10A: Total Customers	39,190	136
Appendix 10B: Total Deliveries (Mcf)	9,262,522	136
Appendix 10C: Residential Share of Total Deliveries	24.6%	191
Appendix 10D: Total Sales Deliveries (Mcf)	4,005,441	142
Appendix 10E: Transportation Share of Total Deliveries	56.8%	35
Appendix 10F: Residential Sales Revenue (\$/Mcf)	\$ 11.90	37
Appendix 10G: Commercial Sales Revenue (\$/Mcf)	\$ 11.23	16
Appendix 10H: Use Per Customer (Mcf/Yr)	236.3	57
Appendix 10I: Use Per Residential Customer (Mcf/Yr)	67.5	162
Appendix 10J: Use Per Commercial Customer (Mcf/Yr)	344.6	191
Appendix 10K: Total Miles of Main	1,455	118
Appendix 10L: Miles of Main - Cast Iron Share	0.0%	140
Appendix 10M: Miles of Main - Plastic Share	81.3%	15
Appendix 10N: Average Length of Service (Feet)	62	145
Appendix 10O: System Density (Customers Per Mile Of Main)	26.9	182
Appendix 10P: Unaccounted For Gas	0.86%	138

Sources: Energy Information Administration and Department of Transportation public records

*NOTE: Data and rankings are very dependent on numerous variables, such as weather, customer base, age of system, regulatory environment, access to supplies, accuracy of data filings, etc. Rank is simply based on a descending data sort and is not to be inferred as a value judgment.*

**ROUTINE QUARTERLY BOARD/COMMITTEE FUNCTIONS**

	<u>February</u>	<u>May</u>	<u>August</u>	<u>November</u>
<b><u>BOARD OF DIRECTORS</u></b>				
Review financial results and SEC filing	X	X	X	X
Performance Indicators review		X		
Risk review	X			
Review/approve updated Strategic Plan	X			
Budget approval		X		
Line of credit approval			X	
Dividend declaration	X	X	X	X
Committee reports	X	X	X	X
Annual meeting resolutions			X	
Appointment of Officers, Chairman				X
Executive session	X	X	X	X
<b><u>NOMINATING AND COMPENSATION COMMITTEE</u></b>				
Board compensation		X		
Officer pay ranges	X			
Officer compensation	X			
Payroll budget	X			
Board nominations for proxy		X		
Chairman and Officer nominations for November Board meeting			X	
Review charter			X	
Executive session	X	X	X	
<b><u>AUDIT COMMITTEE</u></b>				
Review SEC filing	X	X	X	X
Review internal controls	X	X	X	X
Meet with internal auditor	X	X	X	X
- review internal audit work and plans	X			
Preapproval of non-audit fees/services		X		
Meet with outside auditors				
- review current year audit plan	X			
- review results of current year audit			X	
- approve work and fees for next fiscal year		X		
Review related party transactions			X	
Review charter			X	
Executive session	X	X	X	X

Note: Executive Committee meets only as required

5/17/2005

**Minutes of Regular Quarterly Meeting of the Board of Directors  
of Delta Natural Gas Company, Inc.  
Held in Winchester, Kentucky on February 17, 2005**

A regular quarterly meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the principal office of the Company at 3617 Lexington Road, Winchester, Kentucky, on Thursday, February 17, 2005 beginning at 9:00 a.m. E.S.T., pursuant to notice attached hereto as Exhibit I.

The following directors were present: Donald R. Crowe, Billy Joe Hall, Jane Hylton Green, Lanny D. Greer, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet and Arthur E. Walker, Jr. Michael R. Whitley participated by telephone. John F. Hall, Corporate Secretary, was also present.

Harrison D. Peet, the Chairman, called the meeting to order, announced a quorum and the meeting proceeded.

The first order of business was the approval of the minutes of the meeting held on November 18, 2004. Copies of said minutes had been circulated to all directors prior to the meeting. Upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the minutes of the meeting held November 18, 2004, as circulated, be approved and that reading of said minutes be waived.

Mr. Peet proceeded to old business.

Glenn R. Jennings, Delta's President and Chief Executive Officer, reviewed with the Board

Mr. Peet then proceeded to new business.



Mr. Jennings reviewed the Company's financial results and highlighted information from the President's Report. The report had been prepared and mailed to all Directors prior to the meeting and is attached to these minutes as Exhibit II.

The declaration of a dividend on common stock was discussed. Upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that a dividend on common stock of \$.295 per share be paid to common shareholders of record as of the close of business on February 28, 2005, said dividend to be paid March 15, 2005.

Michael J. Kistner, Chairman of the Audit Committee, discussed with the Board a meeting held on February 7, 2005 by the Audit Committee. After discussion, upon motion duly made, seconded and carried, it was

**RESOLVED**, that Billy Joe Hall be commended for his exemplary service as Chair of Delta's Audit Committee during 2001 through 2004. During this time he successfully assisted Delta's navigation through turbulent times in the accounting profession, including changing auditors from Arthur Andersen to Deloitte, as well as making many changes in Delta's Audit Committee functions and responsibilities related to implementing the Sarbanes-Oxley Act of 2002. Delta's Board acknowledges his significant contributions and sincerely thanks him for his guidance and leadership in helping Delta during these times. His efforts are greatly appreciated.

Lewis N. Melton, Chairman of the Nominating and Compensation Committee, updated the Board on meetings held by that Committee on February 7, 2005. After discussion and upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the total payroll increase to be budgeted for fiscal 2006 be approximately 3.5% on an annual basis, to be effective July 1, 2005, excluding any adjustments to officers and that any officer adjustments be budgeted in addition to this.

**RESOLVED**, that salary ranges for Delta's officer positions be approved to be effective July 1, 2005 as follows:

	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>
President & CEO	\$227,000	\$283,700	\$340,500
VP – Operations & Engineering	137,800	172,300	206,700
VP – Finance, Secretary & Treasurer	133,700	167,100	200,500
VP – Administration & Customer Service	126,100	157,600	189,100
Controller	108,400	135,500	162,600

**RESOLVED**, that specific annual pay increases for each of the officers of Delta, as set forth on Exhibit III, are hereby approved to be effective July 1, 2005.

**RESOLVED**, that Glenn R. Jennings, Lewis N. Melton and Arthur E. Walker, Jr. be nominated to serve on Delta's Board for three year terms beginning November 17, 2005, which is the scheduled meeting date for Delta's 2005 Annual Meeting of Shareholders.

Mr. Jennings discussed with the Board risk areas and related controls for Delta. A copy of this is attached as Exhibit IV.

The Strategic Plan of the Company was revised and a copy was mailed to all Directors prior to the meeting. The revised Strategic Plan is attached hereto as Exhibit V. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the revised Strategic Plan of the Company dated February 17, 2005 is hereby approved and adopted.

John F. Hall, Vice President – Finance, Secretary and Treasurer, reviewed with the Board a potential refinancing of Delta's 7.15% Debentures due 2018.

Mr. Hall reviewed with the Board Delta's Dividend Reinvestment and Stock Purchase Plan.

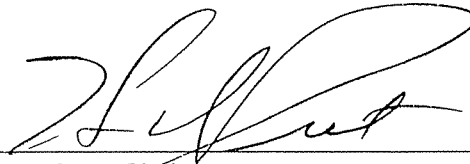
A date of May 17, 2005 was set for Delta's next Board meeting.

An updated Officers and Directors list was provided to the Board.

A schedule of Board and Committee functions was provided to the Board.

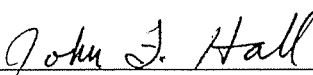
The Board adjourned into Executive Session with only the Independent Directors in attendance. There were no recommendations or concerns from that session that required action.

There being no further business to come before the meeting, the Chairman declared the meeting to be adjourned.



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H. D. Peet, Chairman



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Secretary

**RESOLUTIONS FROM THE NOMINATING  
AND COMPENSATION COMMITTEE  
TO THE FEBRUARY 17, 2005 BOARD MEETING**

RESOLVED, that the total payroll increase to be budgeted for fiscal 2006 be approximately 3.5 % on an annual basis, to be effective July 1, 2005, excluding any adjustments to officers and that any officer adjustments be budgeted in addition to this.

RESOLVED, that salary ranges for Delta's officer positions be approved to be effective July 1, 2005 as follows:

	Minimum	Midpoint	Maximum
President & CEO	\$227,000	\$283,700	\$340,500
VP- Oper & ENG	137,800	172,300	206,700
VP- Finance, Sec/Trea	133,700	167,100	200,500
VP-Adm & Cust Serv	126,100	157,600	189,100
Controller	108,400	135,500	162,600

RESOLVED, that the specific annual pay increases for each of the officers of Delta, as set forth on the attachment, are hereby approved to be effective July 1, 2005.

RESOLVED, that Glenn R. Jennings, Lewis N. Melton and Arthur E. Walker, Jr. be nominated to serve on Delta's Board for three year terms beginning November 17, 2005, which is the scheduled meeting date for Delta's 2005 Annual Meeting of Shareholders.

OFFICER SALARY RECOMMENDATIONS  
TO BE EFFECTIVE 7/1/2005

<u>Name</u>	<u>Position</u>	<u>Current Annual Salary</u>	<u>7/1/2005 Position Salary Range</u>			<u>Proposed to be effective 7/1/2005</u>			
			<u>Minimum</u>	<u>Mid Point</u>	<u>Maximum</u>	<u>Annual Salary</u>	<u>Annual Increase</u>	<u>% Increase</u>	<u>Compa-Ratio</u>
John Brown	Controller								
Johnny Caudill	VP – Adm. & Cust. Service								
John Hall	VP – Finance, Secretary & Treasurer								
Alan Heath	VP– Operations & Engineering								
Glenn Jennings	President & CEO								
Total for all		790,000				829,500	39,500	5.0	

Notes:

Mid-points of all employee pay grades and officer salary ranges were increased this year by 2.5 %; the updated pay grades and salary ranges are attached.

**Delta Natural Gas Company, Inc.  
Review/Documentation of Risk  
Board of Directors' Meeting  
February 17, 2005**

**Summary of Risk Areas**

- (1) Cash Flow
- (2) Insurance
- (3) Regulatory/Legislative
- (4) Weather Impact
- (5) Computer Systems
- (6) Operations
- (7) Accounting/Financial Reporting
- (8) Taxes
- (9) Earnings Less Than Projected
- (10) Subsidiaries
- (11) Human Resources
- (12) Business Strategy
- (13) Change In Control
- (14) Stock Price Volatility
- (15) Economy/Inflation
- (16) Litigation
- (17) Competition

**(1) Risk Area:** Cash flow

**Risks:** Credit line could be insufficient

Cash flow fluctuations

**Management Responsibility:** Glenn Jennings, John Hall

**Controls:** Budgets prepared annually

Five-year cash flow projections annually

Monthly cash flow projections

Ability to seek rate relief

Management maintains good banking relationships

\$40 million line of credit with BB&T at 100 points over LIBOR

Approaching cash self-sufficiency

**(2) Risk Area:** Insurance

**Risks:** Insurance coverage may be inadequate

Insurance provider could fail

Insurance cost increases could hurt earnings

**Management Responsibility:** John Hall, Connie King

**Controls:** Broker/consultant works with Connie King

Bids obtained

Schedule of coverage and costs included each year with performance indicators



**(3) Risk Area:** Regulatory/Legislative

**Risks:** Regulatory lag

Recovery of all costs

GCR disallowance

Rate case risk for rate of return, rate design

Negative legislation

Negative regulations

Deterioration of the regulatory climate

**Management Responsibility:** Glenn Jennings, John Hall,  
Connie King, Bob Hazelrigg,  
Steve Billings

**Controls:** Management involvement with Commission and  
Staff and with rate cases

Commissioners are appointed by Governor, confirmed  
by Senate

Use of outside counsel and consultants

Management involvement in industry and with  
other regulated Kentucky companies

Monitoring legislative and regulatory activity

Input into legislative and regulatory activity

Recently completed successful rate case, with 10.5%  
ROE

Weather normalization and gas cost recovery tariffs

**(4) Risk Area:** Weather impact

**Risks:** WNA not 100% of year, and adjusts only for residential and small non-residential customers

Negative rate impact of WNA

Not easy for customers to follow

Changes with each billing cycle

**Management Responsibility:** Glenn Jennings, John Hall,  
Connie King, John Brown

**Controls:** Rates adjust November to March usage

Management monitoring/involvement/review

**(5) Risk Area:** Computer systems

**Risks:** Interruption of use

Loss of information

Inappropriate access/use

Delayed billing/cash

**Management Responsibility:** John Brown

**Controls:** Back-up arrangements for AS-400

Restricted access

Passwords

File back up

**(6) Risk Area:** Operations

**Risks:** Facility failure

Explosion

Earthquake

Sabotage/terrorism

Storage gas failure/loss

Deliverability from suppliers

Month end balancing, balancing agreements on pipelines

**Management Responsibility:** Johnny Caudill, Alan Heath,  
John Hall, John Brown

**Controls:** Emergency practice covers much of this

Storage volume planned/controlled

Restricted physical access

Written Company practices, related training/emphasis

Insurance coverage for explosions, storage gas

Contracts with reliable suppliers

Sales/transportation budgeted by customer/class

Purchases are planned-volume and price

**(7) Risk Area:** Accounting/Financial reporting

**Risks:** Fraud

Financial statement misstatements

Incomplete disclosures

Lack of compliance with laws/regulations/generally accepted accounting procedures

Unrecorded liabilities

No limits on approvals

Judgmental areas such as accruals for bad debts, employee medical plan and taxes

**Management Responsibility:** Glenn Jennings, John Hall,  
John Brown, Alan Heath,  
Johnny Caudill

**Controls:** Internal audits

Trained, experienced, dedicated staff

External audits

Quarterly evaluation/review of internal control

Code of conduct/ethics

Limits on purchases- purchase orders required

Management review of contracts

Detailed budgets developed

Management review of monthly financial statements and budget reports

**(8) Risk Area:** Taxes

**Risks:** Open years for review by agencies

Penalties/fines

Adequacy of accruals on books

**Management Responsibility:** John Brown

**Controls:** Income tax returns reviewed by Deloitte.

Experienced staff

**(9) Risk Area:** Earnings less than projected

**Risks:** Revenue declines  
Higher rates from rate cases and/or increased gas costs  
Reduced consumption per degree day  
Loss of customers/threat of bypass  
Unexpected expense increases  
Increased bad debts from higher rates  
Negative effect of financial markets on pension expense  
Short-term interest rates could increase

**Management Responsibility:** Glenn Jennings, John Hall,  
John Brown

**Controls:** Management bias to avoid rate cases  
Costs can be recovered in rate cases  
Recently completed rate case- used 12/31/03 test year  
Subsidiary earnings help to postpone rate increases  
Turn-off and collection procedures  
Efforts working with larger volume customers  
Ability to enter special contracts

**(10) Risk Area:** Subsidiaries

**Risks:** Loss of customers/revenues/profits  
Budgets include some subsidiary profits  
Mis-matching purchase/sales volumes  
Exposure to market price movement

---

Unapproved transactions

Unregulated

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Steve Billings, Brian Ramsey,  
John Brown

**Controls:** Gas supply/transportation meetings  
Experienced, dedicated, focused staff  
Match up of purchases/sales  
Efforts to expand sales/transportation  
Close contact with customers  
Involvement of Glenn Jennings, Alan Heath in review of  
contracts/negotiations  
Monthly monitoring of results by management  
Information on internal EBB for management review  
Regular gas supply/transportation meetings with senior  
management involvement



**(11) Risk Area:** Human Resources

**Risks:** Retention  
Succession  
Overtime

---

Benefit cost increases-health care, pension

Staffing levels

Health care self-insurance

Unionization

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown, Juanita Hensley

**Controls:** Evaluation process

Compensation system/process

Bonuses

Succession considered by management-depth maintained  
where possible

Individual/aggregate stop-loss coverage for health care

All vacancies closely evaluated/considered

Employee benefits committee (Jennings, Hall, Hensley,  
Caudill)

Overtime reporting/analysis monthly

**(12) Risk Area:** Business strategy

**Risks:** Lack of or inappropriate Company direction/focus

Improper diversification

Poor investments

Inadequate long-term planning

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Diverse, independent, involved Board of Directors

Experienced, competent management

Annual strategic plan

Annual performance indicators

Quarterly Board of Directors' meetings

Active Board Committees

Annual budget approved by Board of Directors  
prior to start of each fiscal year

Five-year earnings/cash flow/financing needs forecast  
updated annually with budget

Management and Board of Directors review/monitor  
actual results versus budget

**(13) Risk Area:** Change in control

**Risks:** Unfriendly or friendly change in control of Company stock at inappropriate price

Increased institutional ownership

**Management Responsibility:** Glenn Jennings, John Hall

**Controls:** Management contracts

Provisions in articles, by-laws, statutes

Company restrictions on large block sales in public offerings

Company preference for broad retail stock Ownership

Staggered Board terms

Use of outside counsel, investment bankers, consultants

**(14) Risk Area:** Stock price volatility

**Risks:** Stock price drop

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Continuous effort to maintain good, consistent earnings

Strategic planning effort

Annual budget efforts

Maintain good relationships with brokers, analysts,  
investment bankers

Shareholder relations efforts

History of maintaining/improving cash dividend

**(15) Risk Area:** Economy/inflation

**Risks:** Economic downturn/lack of growth

Increased inflation

Higher interest rates

Higher unemployment

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Ability to seek rate increases

Presence of strategic plan and budget each year

Ability to adjust spending

Credit line availability

Strong balance sheet

**(16) Risk Area:** Litigation

**Risks:** Lawsuit against Company

Economic problem not insured or insurable

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Maintenance of insurance coverage

Employee training efforts

Use of experienced outside legal counsel

Efforts by employees to do the right thing, treat everyone fairly

Treat all employees fairly, with respect

Active Board of Directors' committees with written charters

Company Code of Conduct/Ethics applicable to all employees and the Board of Directors

**(17) Risk Area:** Competition

**Risks:** Higher rates make Company less competitive

Low electric rates

Service quality decline

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Efforts to keep rates as low as possible

Monitor/compare with others' rates

Emphasize the quality of Company products/services

Cannot always be the lowest cost, but always  
strive to be the best

Stay close to the customer/local presence

Customer feedback

District office concept- district call centers/service



Delta Natural Gas Company, Inc.

3617 Lexington Road  
Winchester, Kentucky 40391-9797



GLENN R. JENNINGS  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

PHONE: 859-744-6171 EXT 148  
FAX: 859-744-6552  
EMAIL: gjennings@deltagas.com

August 15, 2005

Lewis N. Melton  
211 Nottingham Drive  
Middlesboro, Ky 40965

Dear Nick:

Enclosed for your records is a copy of the minutes of the Nominating and Compensation Committee meeting held on August 12, 2005.

Sincerely,

Glenn R. Jennings

cc: Jane Green  
Mike Kistner  
Arthur Walker  
Mike Whitley  
H.D. Peet  
John Hall (original for minute books) ✓



**MINUTES OF A MEETING OF THE NOMINATING  
AND COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF DELTA NATURAL GAS  
COMPANY, INC.  
HELD ON AUGUST 12, 2005**

A meeting of the Nominating and Compensation Committee was held at 12:30 p.m. at the Winchester office of the Company on August 12, 2005. In attendance were Lewis N. Melton, the Chairman of the Committee, and Committee members Jane H. Green, Michael J. Kistner, Arthur E. Walker, Jr. and Michael R. Whitley. Harrison D. Peet, Chairman of the Board of Directors and Glenn R. Jennings, President & CEO, were also in attendance.

The meeting was called to order by Mr. Melton. A copy of the agenda is attached to these minutes as Exhibit A.

The Committee reviewed its current Charter and proposed changes and, after discussion, approved a revised charter, a copy of which is attached to these minutes as Exhibit B. The Committee approved the following resolution for consideration by the Board of Directors at their next meeting that is currently scheduled for August 16, 2005:

RESOLVED, that the Nominating and Compensation Committee be renamed the Corporate Governance and Compensation Committee and the Charter attached as Exhibit B be adopted and approved for that Committee.

Mr. Jennings discussed Delta's audited financial results and proposed bonuses for employees and directors, which amounts would be appropriately reflected in the June 30, 2005 financial statements of Delta. This discussion included a review of the data provided to the Committee as stated in Mr. Jennings' memo to Mr. Peet dated July 26, 2005, a copy of which is attached to these minutes as Exhibit C.

Following discussion, it was unanimously resolved that Mr. Melton, as Chairman of the Committee, be authorized to introduce the following recommended resolutions for consideration by the Board of Directors at their next meeting that is currently scheduled for August 16, 2005:

RESOLVED, that Delta's management is authorized to pay cash bonuses on or about August 31, 2005 to all employees on the payroll as of July 1, 2005, who are still employees when the payments are distributed, but excluding temporary summer employees, as follows:

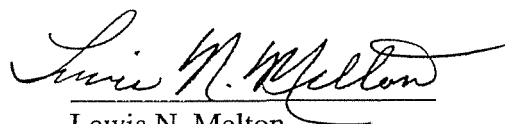
Glenn R. Jennings	Chairman of the Board, President and Chief Executive Officer
John B. Brown	Vice President-Controller and Assistant Secretary
Johnny L. Caudill	Vice President- Administration and Customer Service and Assistant Treasurer
John F. Hall	Vice President- Finance, Secretary and Treasurer
Alan L. Heath	Vice President- Operations and Engineering

The Committee then adjourned into executive session with only the Committee members present. After discussion, it was resolved to introduce the following recommended resolutions for consideration by the Board of Directors at their meeting planned for November 17, 2005:

RESOLVED, that Harrison D. Peet be named Vice Chairman of the Board of Directors and that effective December 1, 2005 his compensation

FURTHER RESOLVED, that effective December 1, 2005 Glenn R. Jennings' annual salary be

There being no further business to come before the meeting, it was adjourned at approximately 2:30 p.m.



Lewis N. Melton  
Chairman, Nominating and  
Compensation Committee

TIER 1 - All employees

## Delta Natural Gas Company, Inc.

TIER 2 - Total of 33 LEADERSHIP

### POSITION

### NAME

Construction Supervisor  
Construction Supervisor  
Construction Supervisor  
Construction Supervisor  
Construction Supervisor  
Construction Supervisor

Larry L. Barton  
Carl E. Cox  
Lonnie R. Eversole  
David M. Nash  
Jesse D. Stivers  
James N. Swartz

TIER 3 → Controller

Corrosion Control Supervisor  
Customer Development Supervisor  
Director - Measurement Services & Corrosion  
District Customer Service Supervisor  
District Customer Service Supervisor  
District Customer Service Supervisor  
District Customer Service Supervisor  
District Customer Service Supervisor  
Director - Corporate Services  
Director - Gas Control  
Director - Gas Supply / Transportation  
Director - Purchasing  
Director - Rates & Treasury  
Director - Safety & Training  
Division Manager - Customer Service  
Division Manager - Customer Service  
Manager - Construction  
Manager - Engineering  
Manager - External Affairs  
Manager - Gas Supply  
Manager - Human Resources  
Manager - Transmission

John B. Brown  
Gerald L. Powell  
Jeffrey C. Steele  
Bobby R. Coyle  
Robert W. Cobb  
Michael C. Downs  
Charles W. Gardner  
Mark A. Norvell  
Arvil Swafford  
Emily P. Bennett  
Donald C. Cartwright  
Brian S. Ramsey  
Hollie J. Craycraft  
Connie H. King  
James B. Potter  
Gerald D. Baker  
Michael B. Robinson  
Robert C. Miller  
Jonathan W. Morphew  
Robert C. Hazelrigg  
George S. Billings  
Juanita E. Hensley  
Clyde A. Russell

TIER 3 + 4 → President & Chief Executive Officer

TIER 3

{ Vice President - Adm. & Cust. Service  
Vice President - Finance, Sec. & Treas.  
Vice President - Operations & Engineering

Glenn R. Jennings  
Johnny L. Caudill  
John F. Hall  
Alan L. Heath

**Delta Natural Gas Company, Inc.**  
**Nominating and Compensation Committee**

**Agenda**

**Meeting at 12:30 p.m. on August 12, 2005**

1. Review Committee Charter
2. Consider Board evaluation process
3. Officers and Chairman for November meeting
4. Compensation considerations
5. Bonuses for fiscal 2005
6. Foundation considerations
7. Next meeting
8. Other business
9. Executive session

## DELTA NATURAL GAS COMPANY, INC.

CORPORATE GOVERNANCE AND  
COMPENSATION COMMITTEE  
CHARTER

Approved by the Board of Directors  
August 16, 2005

*Purpose*

The Corporate Governance and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Delta Natural Gas Company, Inc. (the "Company") is responsible for identifying individuals qualified to become Board members and recommending to the Board the Director nominees for the next annual meeting of stockholders.

The Committee is also responsible for recommending to the Board the compensation for the Board of Directors and the Officers of the Company and reviewing the compensation structure for the Company, in accordance with guidelines established by the Committee from time to time.

*Membership*

The members of the Committee shall meet the independence requirements of the listing standards of any exchange or market where Delta's stock is traded, and any other applicable laws, rules and regulations governing independence. Members of the Committee and the Committee Chair shall be appointed by the Board.

*Responsibilities*

The Committee shall have the following responsibilities:

- Review the appropriateness of the size of the Board relative to its various responsibilities. Review the overall composition of the Board, taking into consideration such factors as independence, business experience and specific areas of expertise of each Board member, and make recommendations to the Board.
- Recommend to the Board the slate of nominees for election to the Board at the Company's annual meeting of stockholders.
- Recommend to the Board persons to fill vacancies that occur on the Board as the need arises.

- Recommend to the Board those persons to be elected annually to each officer position.
- Recommend to the Board persons to fill vacancies that occur in officer positions as the need arises.

The Committee members, through their own business and personal contacts, shall identify suitable candidates for nominations to the Board. The Committee will consider recommendations for new Board members by current Board members, Company officers, employees and shareholders.

Shareholder recommendations for Board membership must be made in writing and addressed to the Company at its principal office. For the recommendation to be considered at the Company's annual meeting, it must be received at the Company's principal office not less than 120 calendar days before the date of the Company's proxy statement released to shareholders in connection with the previous year's annual meeting. Shareholders are encouraged to include biographical information for each of their recommendations.

In considering candidates for the Board, including those recommended by shareholders, the Committee shall give due consideration to the intelligence, integrity, education and business experience of each candidate and the amount of time each candidate can reasonably be expected to devote to Board responsibilities. The Committee's recommendations to the Board shall be consistent with maintaining a high quality, diverse and actively engaged Board of Directors.


In addition, the Committee shall have the following responsibilities:

- Conduct periodic performance evaluations of the CEO, each director and the Board as a whole.
- Periodically review and recommend to the Board the compensation for directors for Board and committee service.
- Review the Committee's performance, periodically assess the adequacy of its charter and recommend changes to the Board.
- Regularly report to the Board on the Committee's activities.
- Obtain advice and assistance, as needed, from internal or external legal, accounting, executive compensation consultants and other advisors.
- Annually review the base salary and any other compensation for all officers. Recommend to the Board the specific compensation for each officer.
- In consultation with and based upon the advice of outside counsel, monitor the disclosure regarding compensation matters in the Company's proxy statement.

- Annually review and recommend to the Board the overall percentage increase in compensation to be budgeted for employee pay increases.
- Review any proposed new or materially altered employee benefit plans and make recommendations to the Board regarding changes.
- Keep written minutes of its meetings. The minutes shall be maintained with the books and records of the Company.

DATE: July 26, 2005

TO: Mr. Peet

FROM: Glenn Jennings 

SUBJECT: Profit sharing bonuses

In my earlier memo to you dated July 5, 2005, I recommended bonus levels for this year similar to those the last time we did bonuses, which was 2 years ago. We have now determined our pre-audit results and they were better than we thought they would be. We are at \$1.70 prior to bonuses accrual and \$1.59 after the accrual from my July 5 memo. Based on these better results, I recommend that we increase the bonus accrual to a level that we did several years ago where we started with a base bonus level of 4% with increasing amounts for responsibility levels.

The bonus amounts are subject to review and approval by Delta's Nominating and Compensation Committee of the Board (scheduled to meet at 12:30 p.m. on August 12) as well as the full Board at its August 16, 2005 planned meeting. This increased accrual would contemplate no audit adjustments and if there are adjustments that reduce June 30 results, this bonus proposal will have to be reconsidered. The attached worksheet details this increased proposal and reflects the total percentage impact on employees and the board.

Bonus payments are still proposed to be made on or before August 31, 2005. Bonuses would be paid to all permanent employees on the payroll as of August 15, 2005, excluding any employees hired after July 1, 2005, any temporary summer workers and any employees whose performance in 2005 does not warrant bonus participation.

Without any accrual, earnings per share were \$1.70. The total amount of the accrual, net of tax, would be about \$435,000, or \$ 14 per share. As we did two years ago, the proposal for individual amounts this year includes percentage amounts that would be reflected as an expense to the regulated business as well as additional amounts that would be expensed to the unregulated business as follows:

All employees—

All leadership—

All officers—

CEO—

All board members -



	annual \$	Bonuses August 2005 32%	Subsid	%
Board				
Peet				
Jennings				
Crowe				
Greer				
Green				
Hall				
Kistner				
Melton				
Walker				
Whitley				
All empl- tier 1				
Powell				
Swartz				
Boggs				
Leaders-Tier 2				
Powell				
Swartz				
Officers-Tier 3				
Jennings-Tier 4				
Heath				
Hall				
Caudill				
Brown				
Billings				
Russell				
Cartwright				
Ramsey				
COMPANY TOTALS		527500	144000	671500 31297 FICA 702797 267063 Tax 435734 0.136167 EPS

	Psi	Dp	Mcf/d	Accum	Mcf/h
KA1 North	345	33	8952	1,914	373
KA1 South	345	0	0	0	0
Sta. #524	0	0	0	-	0
510 to 8"	355	0	0	-	0
511 to Clay C	302	0	0	0	0
12" at #711	492	12" at Flat Lick		477	
10" at Grbriar	375	8" at Flat Lick		136	
360 Comp.	127	0	0	0	0
Sta. #600	460	54	9024	268	376
444 Daugherty	482	46	962	927	40
Horse Cr. C.	372	3.4	2136	791	89
Middlesboro	121	67	1728	425	72

Barbourville #400	138	25	1464	389	61
Flat Lick #500	44	19	168	59	7
	250	27	1479	1482	61
	259	24	353	352	15
	185	6.3	199	277	8
W'burg #700	181	22	1176	307	49
	194	17	329	281	14
	156	31	408	212	17
	262	23	753	660	31
	273	19	686	629	29
London Trans.	157		3168	0	132
London Belt	85				
Bundy	288	167			
820 P. Grove	169	0	0	0	0
825 P. Grove	169	9	1656	461	69
Industrial Park N	176	38	5496	1287	229
Industrial Park S	161	0	0	0	0
Industrial Belt	175	31	1896	493	79
Corbin Belt	48	29			

	Psi	Dp	Mcf/d	Accum	mcf/h
Nicholasville #1	614	41	3360	860	140
Nicholasville #2	614	41	3360	862	140
Nich. Trans.	263	86	24	1,722	280
Berea #1	601	55	3840	894	160
Berea #2	601	0	0	0	0
Berea Trans.	365	357	70	894	160
Stanton	709	23	1680	642	70
Stanton Psig	177		Clay City Psig	84	
Speedwell Berea	770	89	9696	2,242	404
Speedwell Tranex	770	0	0	-	0
Tranex to Berea #894					0
Tranx psi at Spdwell	776				
Somerset-Clean Gas	492	33.4	2435	2692	101
Columbia Gulf #4207	791	39	10918	11571	455

Rader Creek	313	77.9	5269	5380	220
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East/West Compressor	470	16.9	3569	3583	149
	452	18	1852	1606	77
	207	48	2470	2477	103
Kettle Island	127	0	0	0	0
Storage PSI	151		Prod. PSI	157	
Yellow Hill	134	10	696	94	29
Canada Mt.	492	67	32,592	7,848	1358

Sample 2.48

2/22/2007 8:40

Stanton Temp	26
Nicholasville Temp	24
Corbin Temp	29
Middlesboro Temp	33

	256.27	16.9	5204	5472	217
--	--------	------	------	------	-----

1.184 Latest Btu

6,162 Dth to Freddy

	Minimum	Midpoint	Maximum
COB/President & CEO	\$238,500	\$298,100	\$357,700
VP-Oper & Eng	\$144,800	\$181,000	\$217,200
VP-Finance, Sec/Treas	\$140,500	\$175,600	\$210,700
VP-Adm & Cust.Serv	\$132,400	\$165,500	\$198,600
VP-Controller	\$113,900	\$142,400	\$170,800

2.5% increase  
December 12, 2006

OFFICER SALARY RECOMMENDATIONS  
TO BE EFFECTIVE 7/1/2007

<u>Name</u>	<u>Position</u>	<u>Current Annual Salary</u>	<u>7/1/2007 Position Salary Range</u>			<u>Proposed to be effective 7/1/2007</u>			
			<u>Minimum</u>	<u>Mid Point</u>	<u>Maximum</u>	<u>Annual Salary</u>	<u>Annual Increase</u>	<u>% Increase</u>	<u>Compa-Ratio</u>
John Brown	VP - Controller								
Johnny Caudill	VP - Adm. & Cust. Service								
John Hall	VP - Finance, Secretary & Treasurer								
Alan Heath	VP - Operations & Engineering								
Glenn Jennings	Chairman, President & CEO								
Total for all		929,000				961,600	32,600	3.5	

Notes:

Mid-points of all employee pay grades and officer salary ranges were increased this year by 2.5 %; the updated pay grades and salary ranges are attached.  
Pay adjustments are proposed to be budgeted.

**Delta Natural Gas Company, Inc.  
Review/Documentation of Risk  
Board of Directors' Meeting  
February 22, 2007**

**Summary of Risk Areas**

- (1) Cash Flow
- (2) Insurance
- (3) Regulatory/Legislative
- (4) Weather Impact
- (5) Computer Systems
- (6) Operations
- (7) Accounting/Financial Reporting
- (8) Taxes
- (9) Earnings Less Than Projected
- (10) Subsidiaries
- (11) Human Resources
- (12) Business Strategy
- (13) Change In Control
- (14) Stock Price Volatility
- (15) Economy/Inflation
- (16) Litigation
- (17) Competition

**(1) Risk Area:** Cash flow

**Risks:** Credit line could be insufficient

Cash flow fluctuations

**Management Responsibility:** Glenn Jennings, John Hall

**Controls:** Budgets prepared annually

Five-year cash flow projections annually

Monthly cash flow projections

Ability to seek rate relief

Management maintains good banking relationships

\$40 million line of credit with BB&T at 100 points over LIBOR

Approaching cash self-sufficiency

**(2) Risk Area:** Insurance

**Risks:** Insurance coverage may be inadequate

Insurance provider could fail

Insurance cost increases could hurt earnings

**Management Responsibility:** John Hall, Connie King

**Controls:** Broker/consultant works with Connie King

Bids obtained

Schedule of coverage and costs included each year with performance indicators

**(3) Risk Area:** Regulatory/Legislative

**Risks:** Regulatory lag

Recovery of all costs

GCR disallowance

Rate case risk for rate of return, rate design

Negative legislation

Negative regulations

Deterioration of the regulatory climate

**Management Responsibility:** Glenn Jennings, John Hall,  
Connie King, Bob Hazelrigg,

**Controls:** Management involvement with Commission and  
Staff and with rate cases

Commissioners are appointed by Governor, confirmed  
by Senate

Use of outside counsel and consultants

Management involvement in industry and with  
other regulated Kentucky companies

Monitoring legislative and regulatory activity

Input into legislative and regulatory activity

Last rate case in 2004 with 10.5% ROE

Weather normalization and gas cost recovery tariffs



**(4) Risk Area:** Weather impact

**Risks:** WNA not 100% of year, and adjusts only for residential and small non-residential customers

Negative rate impact of WNA

Not easy for customers to follow

Changes with each billing cycle

**Management Responsibility:** Glenn Jennings, John Hall,  
Connie King, John Brown

**Controls:** Rates adjust November to March usage

Management monitoring/involvement/review

**(5) Risk Area:** Computer systems

**Risks:** Interruption of use

Loss of information

Inappropriate access/use

Delayed billing/cash

**Management Responsibility:** John Brown

**Controls:** Back-up arrangements for AS-400

Restricted access

Passwords

File back up

**(6) Risk Area:** Operations

**Risks:** Facility failure

Explosion

Earthquake

Sabotage/terrorism

Storage gas failure/loss

Deliverability from suppliers

Month end balancing, balancing agreements on pipelines

**Management Responsibility:** Johnny Caudill, Alan Heath,  
John Hall, John Brown

**Controls:** Emergency practice covers much of this

Storage volume planned/controlled

Restricted physical access

Written Company practices, related training/emphasis

Insurance coverage for explosions, storage gas

Contracts with reliable suppliers

Sales/transportation budgeted by customer/class

Purchases are planned-volume and price

Agreements with other utilities for mutual aid in the  
event of catastrophe

**(7) Risk Area:** Accounting/Financial reporting

**Risks:** Fraud

Financial statement misstatements

Incomplete disclosures

Lack of compliance with laws/regulations/generally accepted accounting procedures

Unrecorded liabilities

No limits on approvals

Judgmental areas such as accruals for bad debts, employee medical plan and taxes

**Management Responsibility:** Glenn Jennings, John Hall,  
John Brown, Alan Heath,  
Johnny Caudill

**Controls:** Internal audits/Manager of Internal Control

Trained, experienced, dedicated staff

External audits

Quarterly evaluation/review of internal control

Code of conduct/ethics

Limits on purchases- purchase orders required

Management review of contracts

Detailed budgets developed

Management review of monthly financial statements and budget reports

**(8) Risk Area:** Taxes

**Risks:** Open years for review by agencies

Penalties/fines

Adequacy of accruals on books

**Management Responsibility:** John Brown

**Controls:** Income tax returns reviewed by Deloitte

Experienced staff

**(9) Risk Area:** Earnings less than projected

**Risks:** Revenue declines

Higher rates from rate cases and/or increased gas costs

Reduced consumption per degree day

Loss of customers/threat of bypass

Unexpected expense increases

Increased bad debts from higher rates

Negative effect of financial markets on pension expense

Short-term interest rates could increase

**Management Responsibility:** Glenn Jennings, John Hall,  
John Brown, Alan Heath,  
Brian Ramsey

**Controls:** Management bias to postpone rate increases

Costs can be recovered in rate cases

Last rate case in 2004- used 12/31/03 test year

Subsidiary earnings help to postpone rate increases

Turn-off and collection procedures

Efforts working with larger volume customers

Ability to enter special contracts

**(10) Risk Area:** Subsidiaries

**Risks:** Loss of customers/revenues/profits  
Budgets include some subsidiary profits  
Mis-matching purchase/sales volumes  
Exposure to market price movement  
Unapproved transactions  
Unregulated

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Brian Ramsey, Steve York,  
John Brown, Clyde Russell,  
Don Cartwright

**Controls:** Experienced, dedicated, focused staff  
Match up of purchases/sales  
Efforts to expand sales/transportation  
Close contact with customers  
Involvement of Glenn Jennings, Alan Heath in review of  
contracts/negotiations  
Monthly monitoring of results by management  
Information on internal EBB for management review  
Regular gas supply/transportation meetings with senior  
management involvement

**(11) Risk Area:** Human Resources

**Risks:** Retention

Succession

Overtime

Benefit cost increases-health care, pension

Staffing levels

Health care self-insurance

Unionization

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown, Connie King

**Controls:** Evaluation process

Compensation system/process

Bonuses

Succession considered by management-depth maintained  
where possible

Individual/aggregate stop-loss coverage for health care

All vacancies closely evaluated/considered

Employee benefits committee (Jennings, Hall, King,  
Caudill)

Overtime reporting/analysis monthly



**(12) Risk Area:** Business strategy

**Risks:** Lack of or inappropriate Company direction/focus

Improper diversification

Poor investments

Inadequate long-term planning

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Diverse, independent, involved Board of Directors

Experienced, competent management

Annual strategic plan

Annual performance indicators

Quarterly Board of Directors' meetings

Active Board Committees

Annual budget approved by Board of Directors  
prior to start of each fiscal year

Five-year earnings/cash flow/financing needs forecast  
updated annually with budget

Management and Board of Directors review/monitor  
actual results versus budget

**(13) Risk Area:** Change in control

**Risks:** Unfriendly or friendly change in control of Company stock at inappropriate price

Increased institutional ownership

**Management Responsibility:** Glenn Jennings, John Hall

**Controls:** Management contracts

Provisions in articles, by-laws, statutes

Company restrictions on large block sales in public offerings

Company preference for broad retail stock ownership

Staggered Board terms

Use of outside counsel, investment bankers, consultants

**(14) Risk Area:** Stock price volatility

**Risks:** Stock price drop

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Continuous effort to maintain good, consistent earnings

Strategic planning effort

Annual budget efforts

Maintain good relationships with brokers, analysts,  
investment bankers

Shareholder relations efforts

History of maintaining/improving cash dividend

**(15) Risk Area:** Economy/inflation

**Risks:** Economic downturn/lack of growth

Increased inflation

Higher interest rates

Higher unemployment

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Ability to seek rate increases

Presence of strategic plan and budget each year

Ability to adjust spending

Credit line availability

Strong balance sheet

**(16) Risk Area:** Litigation

**Risks:** Lawsuits against Company

Economic problem not insured or insurable

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown

**Controls:** Maintenance of insurance coverage

Employee training efforts

Use of experienced outside legal counsel

Efforts by employees to do the right thing, treat everyone fairly

Treat all employees fairly, with respect

Active Board of Directors' committees with written charters

Company Business Code of Conduct and Ethics applicable to all employees and the Board of Directors

**(17) Risk Area:** Competition

**Risks:** Higher rates make Company less competitive

Low electric rates

Service quality decline

**Management Responsibility:** Glenn Jennings, Alan Heath,  
Johnny Caudill, John Hall,  
John Brown, Jeff Steele

**Controls:** Efforts to keep rates as low as possible

Monitor/compare with others' rates

Emphasize the quality of Company products/services

May not always be the lowest cost, but always  
strive to be the best

Stay close to the customer/local presence

Customer feedback

District office concept- district call centers/service

## DELTA NATURAL GAS COMPANY, INC.

## STRATEGIC PLAN

FEBRUARY 22, 2007

**Mission Statement**

Delta will provide premier natural gas services while having a positive impact on customers, employees and shareholders.

Delta accomplishes this mission by utilizing the following strategies:

- Maintain strong ethical relationships with customers, employees, shareholders, suppliers, regulatory and governmental entities and other stakeholders
- Maintain reasonable long-term earnings, cash flow and stock value
- Ensure system and supply integrity
- Pursue growth that provides a positive economic impact on stakeholders
- Promote and improve the competitive advantage of the Company's products and services
- Conduct all business efforts, operations and financial reporting in an ethical and appropriately risk controlled manner and in compliance with applicable statutory and regulatory requirements

Time Focus

S - Shorter time frame (Current emphasis with 1 to 3 year focus)

L - Longer time frame (Current emphasis with focus beyond 3 years)

DELTA NATURAL GAS COMPANY, INC.  
STRATEGIC PLAN  
FEBRUARY 22, 2007

ACTION PLANS

- Continue to maintain strong relationships with customers, employees, shareholders, suppliers, regulatory and governmental entities and other stakeholders

	<u>Primary Responsibility</u>	<u>Time Focus</u>
▪ Strive for clear, effective, appropriate communications with all affected groups	All Officers	S
▪ Continue good interdepartmental communications and cooperation; continue appropriate meetings of employees and involve directors, officers and supervisors as appropriate	All Officers	L
▪ Communicate to employees during 2007 the costs to Delta and value to employees of employee benefits; provide competitive benefits where possible while sharing costs with employees where necessary, such as medical coverage	Connie King	S
▪ Promote employee involvement with community and public relations	Bob Hazelrigg/ Johnny Caudill	S
▪ Provide appropriate employee training, considering regulatory requirements, to maintain a qualified work force	Jim Potter/ Connie King	S
▪ Continue appropriate safety training and incentives that emphasize safety to employees and customers, and continue to promote a safe environment at all company facilities	Jim Potter	S
• Consider the impacts on continuing operations in all areas of the Company in the event of a catastrophe such as a pandemic occurrence	All Officers/ Connie King/ Jim Potter	S



	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Promote public safety by various methods, including public awareness by information to and/or meeting with customers, communities and others to review natural gas safety issues and Delta's safety efforts</li> </ul>	Johnny Caudill/ Jim Potter/ Alan Heath/ Mary Virginia Rupard/ Emily Bennett/ Connie King	S
<ul style="list-style-type: none"> <li>▪ Appropriately respond to security threats; respond to requests/ requirements from appropriate federal and state agencies as necessary</li> </ul>	Alan Heath/ Johnny Caudill/ Jim Potter	S
<ul style="list-style-type: none"> <li>▪ Monitor and update Delta's internet home-page to ensure its accuracy and usefulness</li> </ul>	David Turpin/ Emily Bennett	S
<ul style="list-style-type: none"> <li>▪ Promote continued utilization and increased use of computer hardware and software and other technology, and continue to upgrade and automate systems and methods as appropriate</li> </ul>	All Officers	S
<ul style="list-style-type: none"> <li>▪ Periodically survey all employees to help provide a means for employee input and to strengthen employee satisfaction</li> </ul>	Glenn Jennings/ Johnny Caudill/ Connie King	S
<ul style="list-style-type: none"> <li>▪ Periodically survey shareholders for input to management and the Board of Directors</li> </ul>	John Hall/ Emily Bennett	L
<ul style="list-style-type: none"> <li>▪ Periodically complete customer satisfaction surveys</li> </ul>	Bob Hazelrigg	S
<ul style="list-style-type: none"> <li>▪ Promote positive ethical relationships with governmental officials, regulatory agencies and local communities</li> </ul>	All Officers/ Bob Hazelrigg	L
<ul style="list-style-type: none"> <li>▪ Pursue clear, informative communications with customers</li> </ul>	Johnny Caudill/ Bob Hazelrigg	S
<ul style="list-style-type: none"> <li>▪ Consider providing current usage, transportation and supply production information to larger customers using email or the internet</li> </ul>	David Turpin/ Don Cartwright	S

<ul style="list-style-type: none"> <li>▪ <b>Maintain reasonable long-term earnings, cash flow and stock value</b></li> </ul>
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	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Maintain fair, just and reasonable rates               <ul style="list-style-type: none"> <li>▪ Balance industrial economic development and residential/commercial rate concerns to keep rates to all groups competitively priced</li> <li>▪ Consider costs of service in developing rates and charges</li> </ul> </li> </ul>	Glenn Jennings/ John Hall	L
<ul style="list-style-type: none"> <li>▪ Evaluate the need to file a rate case in 2007 and file if necessary, and consider rate stabilization, demand side management and other tariffs to better align Company and customer interests by reducing rate case costs and addressing the impacts of conservation and efficiency changes</li> </ul>	Glenn Jennings/ John Hall	S
<ul style="list-style-type: none"> <li>▪ Obtain rate stabilization through the state legislature to provide for less expensive rate adjustments</li> </ul>	Bob Hazelrigg	S
<ul style="list-style-type: none"> <li>▪ Maintain a reasonable return on equity and book value per share of Delta's Common Stock</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Maintain dividends at a payout range of 70% to 90% of annual earnings</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Strive for the internal generation of Delta's cash flow needs</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Strive for retained earnings at the end of each fiscal year to be at least equal to one year's dividends</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>▪ Continue efforts to maintain and expand number of market makers and analysts involved with Delta's stock</li> </ul>	Glenn Jennings/ John Hall/ Emily Bennett	L
<ul style="list-style-type: none"> <li>▪ Participate in meetings with analysts, brokers, market makers, investors and investor clubs/ organizations as appropriate</li> </ul>	Glenn Jennings/ John Hall/ Emily Bennett	S
<ul style="list-style-type: none"> <li>▪ Maintain sufficient bank credit lines at competitive interest rates to meet Delta's needs</li> </ul>	Glenn Jennings/ John Hall	S
<ul style="list-style-type: none"> <li>▪ Provide for issuances of equity and long-term debt to maintain Delta's capital structure at reasonable levels</li> </ul>	Glenn Jennings/ John Hall	L

▪ **Ensure system and supply integrity**

	<u>Primary Responsibility</u>	<u>Time Focus</u>
▪ Maintain maximum capability of the Canada Mountain storage field	Alan Heath/ Don Cartwright/ Glenn Jennings	S
▪ Upgrade, rebuild and expand the existing pipeline system as necessary to maintain system integrity, deliverability and dependability	Alan Heath/ Johnny Caudill	L
▪ Connect Delta's systems to additional supply sources, and encourage and assist producers to maintain and increase deliveries to Delta	Alan Heath/ Glenn Jennings/ Don Cartwright	S
▪ Maintain flexible, reliable, secure, economic gas supplies; place emphasis on price stability and utilize appropriate hedging techniques	Alan Heath/ Brian Ramsey	L
▪ Ensure long-term planning for adequate gas supplies to meet current and expected customer requirements	Alan Heath/ Brian Ramsey	L
▪ Respond appropriately to federal and state agencies as required relating to pipeline integrity issues	Alan Heath/ Jonathan Morphew/ Johnny Caudill	S

<ul style="list-style-type: none"> <li>▪ Pursue growth that provides a positive economic impact on stakeholders</li> </ul>
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	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Continue feasible expansions of Delta's distribution system with extensions and conversions (including new market areas)</li> </ul>	Johnny Caudill/ Jeff Steele	S
<ul style="list-style-type: none"> <li>▪ Pursue economic development and the addition of larger volume customers in Delta's service area</li> </ul>	Bob Hazelrigg	S
<ul style="list-style-type: none"> <li>▪ Maintain and increase the utilization of base, incremental load and off-peak natural gas uses</li> </ul>	Johnny Caudill/ Jeff Steele	S
<ul style="list-style-type: none"> <li>▪ Pursue acquisitions of natural gas distribution, transmission, production and gathering assets</li> </ul>	All Officers	L
<ul style="list-style-type: none"> <li>▪ Consider acquisitions of systems providing other utility services when appropriate</li> </ul>	Glenn Jennings	S
<ul style="list-style-type: none"> <li>▪ Pursue increasing system throughput utilizing storage, pipeline, transportation and off-system sales opportunities</li> </ul>	Alan Heath	S
<ul style="list-style-type: none"> <li>▪ Continue programs to add new customers that are located on Delta's existing gas mains</li> </ul>	Johnny Caudill/ Jeff Steele	S
<ul style="list-style-type: none"> <li>▪ Consider operating facilities for utilities, producers and others and expanding services to other customers where feasible</li> </ul>	Johnny Caudill/ Alan Heath	S
<ul style="list-style-type: none"> <li>▪ Develop demand side management programs to promote customer conservation and address efficiency changes</li> </ul>	Jonhhy Caudill/ Jeff Steele	S

<ul style="list-style-type: none"> <li>▪ Promote and improve the competitive advantage of the Company's products and services</li> </ul>
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	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>▪ Provide market responsive rates and services to enhance Delta's ability to compete; pursue rates that will be competitive with other energy sources (especially electric) in Delta's service area</li> </ul>	All Officers	S
<ul style="list-style-type: none"> <li>▪ Develop and utilize marketing strategies and plans to provide for Delta to effectively compete for existing and new markets</li> </ul>	Johnny Caudill/ Bob Hazelrigg/ Jeff Steele	S
<ul style="list-style-type: none"> <li>▪ Promote customer retention through appropriate means such as emphasis on the quality of products and services</li> </ul>	Johnny Caudill/ Jeff Steele	S
<ul style="list-style-type: none"> <li>▪ Maintain and pursue the improvement of efficiencies in all aspects of Delta's operations and reduce or contain costs where feasible to maintain competitiveness</li> </ul>	All Officers	S
<ul style="list-style-type: none"> <li>▪ Utilize performance indicators for internal trend analyses and external comparisons to provide information to assist in improving the Company's efficiency and productivity</li> </ul>	All Officers	S
<ul style="list-style-type: none"> <li>▪ After the Company obtains appropriate rate tariffs that better align the Company's and customers' interests, promote the use of efficient appliances and the best utilization of natural gas to provide for customer conservation and efficiency</li> </ul>	Jeff Steele	S

- |   |
|---|
| <ul style="list-style-type: none"> <li>Conduct all business efforts, operations and financial reporting in an ethical and appropriately risk controlled manner and in compliance with applicable statutory and regulatory requirements</li> </ul> |
|---|

	<u>Primary Responsibility</u>	<u>Time Focus</u>
<ul style="list-style-type: none"> <li>Continue to comply with the Sarbanes-Oxley Act of 2002 as well as related regulations from Federal agencies and NASDAQ</li> </ul>	Glenn Jennings/ John Hall/ John Brown	S
<ul style="list-style-type: none"> <li>Ensure compliance with Delta's Code of Conduct and Ethics as well as the written charters for the Board of Directors' committees</li> </ul>	Glenn Jennings	L
<ul style="list-style-type: none"> <li>Continue to evaluate the corporate governance area and make necessary changes to ensure compliance with regulatory changes</li> </ul>	Glenn Jennings/ John Hall/ John Brown	S
<ul style="list-style-type: none"> <li>Maintain an effective system of internal control and an internal audit/control function that meets the requirements of Sarbanes-Oxley and provides adequately for Delta's needs</li> </ul>	Glenn Jennings/ John Hall/ John Brown/ Matt Wesolosky	S
<ul style="list-style-type: none"> <li>Maintain the internal control documentation, testing and certification required under Sarbanes-Oxley and ensure an adequate on-going method for quarterly and annual reviews/updates</li> </ul>	Glenn Jennings/ John Hall/ John Brown/ Matt Wesolosky	S
<ul style="list-style-type: none"> <li>Update the risk assessment review annually and discuss with the Board of Directors</li> </ul>	Glenn Jennings	S
<ul style="list-style-type: none"> <li>Evaluate insurance coverages annually and maintain appropriate protection on Company assets/functions</li> </ul>	John Hall/ Connie king	S



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December 11, 2006

***Certified Return Receipt Requested***

Ms. Connie King  
Manager – Corporate & Employer Services  
Delta Natural Gas Company, Inc.  
3617 Lexington Road  
Winchester, KY 40391-9797

Re: Delta Natural Gas Company, Inc. Employee Savings Plan

Dear Ms. King:

Enclosed you will find in duplicate an amendment to the Delta Natural Gas Company, Inc. Employee Savings Plan (“Plan”) that is intended to comply with the final 401(k)/401(m) regulations. We have also enclosed a Summary of Material Modifications (“SMM”). The documents are provided for review by you and your legal counsel.

Generally, this amendment should be adopted before June 30, 2007 which is the last day of the plan year beginning in 2006.

Please review this Plan amendment and SMM. If these documents are acceptable, please execute the amendment and return an original copy to our office. The attached SMM should be distributed to all plan participants and beneficiaries as soon as possible, but no later than 210 days after the close of the 2006 Plan Year. The SMM must be included with each Summary Plan Description distributed in the future. Please retain this amendment and SMM with your other Plan records.

If you have any questions, please contact our office.

Sincerely,

Dean M. Doolittle

**SUMMARY OF MATERIAL MODIFICATIONS**  
for the  
Delta Natural Gas Company, Inc. Employee Savings Plan

January 1, 2006

(1) **General.** This is a Summary of Material Modifications regarding the Delta Natural Gas Company, Inc. Employee Savings Plan ("Plan"). This Summary of Material Modifications supplements the Summary Plan Description ("SPD") previously provided to you. You should retain this document with your copy of the SPD.

(2) **Summary Description of Modification.** Below is a summary of the modification made to our Plan.

1. Hardship Distributions

The IRS issued regulations regarding the events that can qualify for a hardship distribution from our Plan. The list of permissible events now includes the following (the last two are the new events under the regulations):

- Expenses for medical care (described in Section 213(d) of the Internal Revenue Code) previously incurred by you, your spouse or your dependent or necessary for you, your spouse or your dependent to obtain medical care;
- Costs directly related to the purchase of your principal residence (excluding mortgage payments);
- Tuition, related educational fees, and room and board expenses for the next twelve (12) months of post-secondary education for yourself, your spouse or dependent;
- Amounts necessary to prevent your eviction from your principal residence or foreclosure on the mortgage of your principal residence;
- Payments for burial or funeral expenses for your deceased parent, spouse, children or other dependents; or
- Expenses for the repair of damage to your principal residence that would qualify for the casualty deduction under the Internal Revenue Code.



**CERTIFICATE OF CORPORATE RESOLUTION**

The undersigned Secretary of Delta Natural Gas Company, Inc. (the Corporation) hereby certifies that the following resolutions were duly adopted by the board of directors of the Corporation on \_\_\_\_\_, \_\_\_\_\_, and that such resolutions have not been modified or rescinded as of the date hereof;

RESOLVED, that this Amendment to the Delta Natural Gas Company, Inc. Employee Savings Plan effective January 1, 2006, presented to this meeting is hereby approved and adopted and that the proper officers of the Corporation are hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Amendment.

RESOLVED, that the proper officers of the Corporation shall act as soon as possible to notify employees of the Corporation of the adoption of this Amendment to the Delta Natural Gas Company, Inc. Employee Savings Plan by delivering to each employee a copy of the summary description of the changes to the Plan in the form of the Summary of Material Modifications presented to this meeting, which form is hereby approved.

The undersigned further certifies that attached hereto as Exhibits A and B respectively, are true copies of this Amendment to the Delta Natural Gas Company, Inc. Employee Savings Plan and Summary of Material Modifications approved and adopted in the foregoing resolutions.

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_



**Delta Natural Gas Company, Inc. Employee Savings Plan  
FINAL 401(k)/401(m) REGULATIONS AMENDMENT**

**ARTICLE I  
PREAMBLE**

- 1.1 Adoption and effective date of amendment. This Amendment to the Plan is adopted to reflect certain provisions of the Final Regulations under Code Sections 401(k) and 401(m) that were published on December 29, 2004 (hereinafter referred to as the "Final 401(k) Regulations"). This Amendment is intended as good faith compliance with the requirements of these provisions. This Amendment shall be effective with respect to Plan Years beginning after December 31, 2005 unless the Employer otherwise elects in Section 2.1 below.
- 1.2 Supersession of inconsistent provisions. This Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.
- 1.3 Application of provisions. Certain provisions of this Amendment relate to elective deferrals of a 401(k) plan; if the Plan to which this Amendment relates is not a 401(k) plan, then those provisions of this Amendment do not apply. Certain provisions of this Amendment relate to matching contributions and /or after-tax employee contributions subject to Code Section 401(m); if the Plan to which this Amendment relates is not subject to Code Section 401(m), then those provisions of this Amendment do not apply.

**ARTICLE II  
EFFECTIVE DATE**

- 2.1 Effective Date. This Amendment is effective, and the Plan shall implement the provisions of the Final 401(k) Regulations, with respect to Plan Years beginning after December 31, 2005.

**ARTICLE III  
GENERAL RULES**

- 3.1 Deferral elections. A cash or deferred arrangement ("CODA") is an arrangement under which eligible Employees may make elective deferral elections. Such elections cannot relate to compensation that is currently available prior to the adoption or effective date of the CODA. In addition, except for occasional, bona fide administrative considerations, contributions made pursuant to such an election cannot precede the earlier of (1) the performance of services relating to the contribution and (2) when the compensation that is subject to the election would be currently available to the Employee in the absence of an election to defer.
- 3.2 Vesting provisions. Elective Contributions are always fully vested and nonforfeitable. The Plan shall disregard Elective Contributions in applying the vesting provisions of the Plan to other contributions or benefits under Code Section 411(a)(2). However, the Plan shall otherwise take a participant's Elective Contributions into account in determining the Participant's vested benefits under the Plan. Thus, for example, the Plan shall take Elective Contributions into account in determining whether a Participant has a nonforfeitable right to contributions under the Plan for purposes of forfeitures, and for applying provisions permitting the repayment of distributions to have forfeited amounts restored, and the provisions of Code Sections 410(a)(5)(D)(iii) and

411(a)(6)(D)(iii) permitting a plan to disregard certain service completed prior to breaks-in-service (sometimes referred to as "the rule of parity").

#### ARTICLE IV HARDSHIP DISTRIBUTIONS

- 4.1 Applicability. The provisions of this Article IV apply if the Plan provides for hardship distributions upon satisfaction of the deemed immediate and heavy financial need standards set forth in Regulation Section 1.401(k)-1(d)(2)(iv)(A) as in effect prior to the issuance of the Final 401(k) Regulations.
- 4.2 Hardship events. A distribution under the Plan is hereby deemed to be on account of an immediate and heavy financial need of an Employee if the distribution is for one of the following or any other item permitted under Regulation Section 1.401(k)-1(d)(3)(iii)(B):
- (a) Expenses for (or necessary to obtain) medical care that would be deductible under Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income);
  - (b) Costs directly related to the purchase of a principal residence for the Employee (excluding mortgage payments);
  - (c) Payment of tuition, related educational fees, and room and board expenses, for up to the next twelve (12) months of post-secondary education for the Employee, the Employee's spouse, children, or dependents (as defined in Code Section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B));
  - (d) Payments necessary to prevent the eviction of the Employee from the Employee's principal residence or foreclosure on the mortgage on that residence;
  - (e) Payments for burial or funeral expenses for the Employee's deceased parent, spouse, children or dependents (as defined in Code Section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code Section 152(d)(1)(B)); or
  - (f) Expenses for the repair of damage to the Employee's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).
- 4.3 Reduction of Code Section 402(g) limit following hardship distribution. If the Plan provides for hardship distributions upon satisfaction of the safe harbor standards set forth in Regulation Sections 1.401(k)-1(d)(3)(iii)(B) (deemed immediate and heavy financial need) and 1.401(k)-1(d)(3)(iv)(E) (deemed necessary to satisfy immediate need), then there shall be no reduction in the maximum amount of elective deferrals that a Participant may make pursuant to Code Section 402(g) solely because of a hardship distribution made by this Plan or any other plan of the Employer.

**ARTICLE V**  
**ACTUAL DEFERRAL PERCENTAGE (ADP) TEST**

5.1 Targeted contribution limit. Qualified Nonelective Contributions (as defined in Regulation Section 1.401(k)-6) cannot be taken into account in determining the Actual Deferral Ratio (ADR) for a Plan Year for a Non-Highly Compensated Employee (NHCE) to the extent such contributions exceed the product of that NHCE's Code Section 414(s) compensation and the greater of five percent (5%) or two (2) times the Plan's "representative contribution rate." Any Qualified Nonelective Contribution taken into account under an Actual Contribution Percentage (ACP) test under Regulation Section 1.401(m)-2(a)(6) (including the determination of the representative contribution rate for purposes of Regulation Section 1.401(m)-2(a)(6)(v)(B)), is not permitted to be taken into account for purposes of this Section (including the determination of the "representative contribution rate" under this Section). For purposes of this Section:

- (a) The Plan's "representative contribution rate" is the lowest "applicable contribution rate" of any eligible NHCE among a group of eligible NHCEs that consists of half of all eligible NHCEs for the Plan Year (or, if greater, the lowest "applicable contribution rate" of any eligible NHCE who is in the group of all eligible NHCEs for the Plan Year and who is employed by the Employer on the last day of the Plan Year), and
- (b) The "applicable contribution rate" for an eligible NHCE is the sum of the Qualified Matching Contributions (as defined in Regulation Section 1.401(k)-6) taken into account in determining the ADR for the eligible NHCE for the Plan Year and the Qualified Nonelective Contributions made for the eligible NHCE for the Plan Year, divided by the eligible NHCE's Code Section 414(s) compensation for the same period.

Notwithstanding the above, Qualified Nonelective Contributions that are made in connection with an Employer's obligation to pay prevailing wages under the Davis-Bacon Act (46 Stat. 1494), Public Law 71-798, Service Contract Act of 1965 (79 Stat. 1965), Public Law 89-286, or similar legislation can be taken into account for a Plan Year for an NHCE to the extent such contributions do not exceed 10 percent (10%) of that NHCE's Code Section 414(s) compensation.

Qualified Matching Contributions may only be used to calculate an ADR to the extent that such Qualified Matching Contributions are matching contributions that are not precluded from being taken into account under the ACP test for the Plan Year under the rules of Regulation Section 1.401(m)-2(a)(5)(ii) and as set forth in Section 7.1.

5.2 Limitation on QNECs and QMACs. Qualified Nonelective Contributions and Qualified Matching Contributions cannot be taken into account to determine an ADR to the extent such contributions are taken into account for purposes of satisfying any other ADP test, any ACP test, or the requirements of Regulation Section 1.401(k)-3, 1.401(m)-3, or 1.401(k)-4. Thus, for example, matching contributions that are made pursuant to Regulation Section 1.401(k)-3(c) cannot be taken into account under the ADP test. Similarly, if a plan switches from the current year testing method to the prior year testing method pursuant to Regulation Section 1.401(k)-2(c), Qualified Nonelective Contributions that are taken into account under the current year testing method for a year may not be taken into account under the prior year testing method for the next year.

5.3 ADR of HCE if multiple plans. The Actual Deferral Ratio (ADR) of any Participant who is a Highly Compensated Employee (HCE) for the Plan Year and who is eligible to have Elective Contributions (as defined in Regulation Section 1.401(k)-6) (and Qualified Nonelective Contributions and/or Qualified Matching Contributions, if treated as Elective Contributions for purposes of the ADP test) allocated to such Participant's accounts under two (2) or more cash or deferred arrangements described in Code Section 401(k), that are maintained by the same

Employer, shall be determined as if such Elective Contributions (and, if applicable, such Qualified Nonelective Contributions and/or Qualified Matching Contributions) were made under a single arrangement. If an HCE participates in two or more cash or deferred arrangements of the Employer that have different Plan Years, then all Elective Contributions made during the Plan Year being tested under all such cash or deferred arrangements shall be aggregated, without regard to the plan years of the other plans. However, for Plan Years beginning before the effective date of this Amendment, if the plans have different Plan Years, then all such cash or deferred arrangements ending with or within the same calendar year shall be treated as a single cash or deferred arrangement. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under the Regulations of Code Section 401(k).

- 5.4 Plans using different testing methods for the ADP and ACP test. Except as otherwise provided in this Section, the Plan may use the current year testing method or prior year testing method for the ADP test for a Plan Year without regard to whether the current year testing method or prior year testing method is used for the ACP test for that Plan Year. However, if different testing methods are used, then the Plan cannot use:
- (a) The recharacterization method of Regulation Section 1.401(k)-2(b)(3) to correct excess contributions for a Plan Year;
  - (b) The rules of Regulation Section 1.401(m)-2(a)(6)(ii) to take Elective Contributions into account under the ACP test (rather than the ADP test); or
  - (c) The rules of Regulation Section 1.401(k)-2(a)(6)(v) to take Qualified Matching Contributions into account under the ADP test (rather than the ACP test).

## ARTICLE VI ADJUSTMENT TO ADP TEST

- 6.1 Distribution of Income attributable to Excess Contributions. Distributions of Excess Contributions must be adjusted for income (gain or loss), including an adjustment for income for the period between the end of the Plan Year and the date of the distribution (the "gap period"). The Administrator has the discretion to determine and allocate income using any of the methods set forth below:
- (a) Reasonable method of allocating income. The Administrator may use any reasonable method for computing the income allocable to Excess Contributions, provided that the method does not violate Code Section 401(a)(4), is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participant's accounts. A Plan will not fail to use a reasonable method for computing the income allocable to Excess Contributions merely because the income allocable to Excess Contributions is determined on a date that is no more than seven (7) days before the distribution.
  - (b) Alternative method of allocating income. The Administrator may allocate income to Excess Contributions for the Plan Year by multiplying the income for the Plan Year allocable to the Elective Contributions and other amounts taken into account under the ADP test (including contributions made for the Plan Year), by a fraction, the numerator of which is the Excess Contributions for the Employee for the Plan Year, and the denominator of which is the sum of the:

- (1) Account balance attributable to Elective Contributions and other amounts taken into account under the ADP test as of the beginning of the Plan Year, and
  - (2) Any additional amount of such contributions made for the Plan Year.
- (c) Safe harbor method of allocating gap period income. The Administrator may use the safe harbor method in this paragraph to determine income on Excess Contributions for the gap period. Under this safe harbor method, income on Excess Contributions for the gap period is equal to ten percent (10%) of the income allocable to Excess Contributions for the Plan Year that would be determined under paragraph (b) above, multiplied by the number of calendar months that have elapsed since the end of the Plan Year. For purposes of calculating the number of calendar months that have elapsed under the safe harbor method, a corrective distribution that is made on or before the fifteenth (15th) day of a month is treated as made on the last day of the preceding month and a distribution made after the fifteenth day of a month is treated as made on the last day of the month.
- (d) Alternative method for allocating Plan Year and gap period income. The Administrator may determine the income for the aggregate of the Plan Year and the gap period, by applying the alternative method provided by paragraph (b) above to this aggregate period. This is accomplished by (1) substituting the income for the Plan Year and the gap period, for the income for the Plan Year, and (2) substituting the amounts taken into account under the ADP test for the Plan Year and the gap period, for the amounts taken into account under the ADP test for the Plan Year in determining the fraction that is multiplied by that income.
- 6.2 Corrective contributions. If a failed ADP test is to be corrected by making an Employer contribution, then the provisions of the Plan for the corrective contributions shall be applied by limiting the contribution made on behalf of any NHCE pursuant to such provisions to an amount that does not exceed the targeted contribution limits of Section 5.1 of this Amendment, or in the case of a corrective contribution that is a Qualified Matching Contribution, the targeted contribution limit of Section 7.1 of this Amendment.

## ARTICLE VII ACTUAL CONTRIBUTION PERCENTAGE (ACP) TEST

- 7.1 Targeted matching contribution limit. A matching contribution with respect to an Elective Contribution for a Plan Year is not taken into account under the Actual Contribution Percentage (ACP) test for an NHCE to the extent it exceeds the greatest of:
- (a) five percent (5%) of the NHCE's Code Section 414(s) compensation for the Plan Year;
  - (b) the NHCE's Elective Contributions for the Plan Year; and
  - (c) the product of two (2) times the Plan's "representative matching rate" and the NHCE's Elective Contributions for the Plan Year.

For purposes of this Section, the Plan's "representative matching rate" is the lowest "matching rate" for any eligible NHCE among a group of NHCEs that consists of half of all eligible NHCEs in the Plan for the Plan Year who make Elective Contributions for the Plan Year (or, if greater, the lowest "matching rate" for all eligible NHCEs in the Plan who are employed by the Employer on the last day of the Plan Year and who make Elective Contributions for the Plan Year).

For purposes of this Section, the "matching rate" for an Employee generally is the matching contributions made for such Employee divided by the Employee's Elective Contributions for the Plan Year. If the matching rate is not the same for all levels of Elective Contributions for an Employee, then the Employee's "matching rate" is determined assuming that an Employee's Elective Contributions are equal to six percent (6%) of Code Section 414(s) compensation.

If the Plan provides a match with respect to the sum of the Employee's after-tax Employee contributions and Elective Contributions, then for purposes of this Section, that sum is substituted for the amount of the Employee's Elective Contributions in subsections (b) & (c) above and in determining the "matching rate," and Employees who make either after-tax Employee contributions or Elective Contributions are taken into account in determining the Plan's "representative matching rate." Similarly, if the Plan provides a match with respect to the Employee's after-tax Employee contributions, but not Elective Contributions, then for purposes of this subsection, the Employee's after-tax Employee contributions are substituted for the amount of the Employee's Elective Contributions in subsections (b) & (c) above and in determining the "matching rate," and Employees who make after-tax Employee contributions are taken into account in determining the Plan's "representative matching rate."

7.2 Targeted QNEC limit. Qualified Nonelective Contributions (as defined in Regulation Section 1.401(k)-6) cannot be taken into account under the Actual Contribution Percentage (ACP) test for a Plan Year for an NHCE to the extent such contributions exceed the product of that NHCE's Code Section 414(s) compensation and the greater of five percent (5%) or two (2) times the Plan's "representative contribution rate." Any Qualified Nonelective Contribution taken into account under an Actual Deferral Percentage (ADP) test under Regulation Section 1.401(k)-2(a)(6) (including the determination of the "representative contribution rate" for purposes of Regulation Section 1.401(k)-2(a)(6)(iv)(B)) is not permitted to be taken into account for purposes of this Section (including the determination of the "representative contribution rate" for purposes of subsection (a) below). For purposes of this Section:

- (a) The Plan's "representative contribution rate" is the lowest "applicable contribution rate" of any eligible NHCE among a group of eligible NHCEs that consists of half of all eligible NHCEs for the Plan Year (or, if greater, the lowest "applicable contribution rate" of any eligible NHCE who is in the group of all eligible NHCEs for the Plan Year and who is employed by the Employer on the last day of the Plan Year), and
- (b) The "applicable contribution rate" for an eligible NHCE is the sum of the matching contributions (as defined in Regulation Section 1.401(m)-1(a)(2)) taken into account in determining the ACR for the eligible NHCE for the Plan Year and the Qualified Nonelective Contributions made for that NHCE for the Plan Year, divided by that NHCE's Code Section 414(s) compensation for the Plan Year.

Notwithstanding the above, Qualified Nonelective Contributions that are made in connection with an Employer's obligation to pay prevailing wages under the Davis-Bacon Act (46 Stat. 1494), Public Law 71-798, Service Contract Act of 1965 (79 Stat. 1965), Public Law 89-286, or similar legislation can be taken into account for a Plan Year for an NHCE to the extent such contributions do not exceed 10 percent (10%) of that NHCE's Code Section 414(s) compensation.

7.3 ACR of HCE if multiple plans. The Actual Contribution Ratio (ACR) for any Participant who is a Highly Compensated Employee (HCE) and who is eligible to have matching contributions or after-tax Employee contributions allocated to his or her account under two (2) or more plans described in Code Section 401(a), or arrangements described in Code Section 401(k) that are maintained by the same Employer, shall be determined as if the total of such contributions was

made under each plan and arrangement. If an HCE participates in two (2) or more such plans or arrangements that have different plan years, then all matching contributions and after-tax Employee contributions made during the Plan Year being tested under all such plans and arrangements shall be aggregated, without regard to the plan years of the other plans. For plan years beginning before the effective date of this Amendment, all such plans and arrangements ending with or within the same calendar year shall be treated as a single plan or arrangement. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under the Regulations of Code Section 401(m).

7.4 Plans using different testing methods for the ACP and ADP test. Except as otherwise provided in this Section, the Plan may use the current year testing method or prior year testing method for the ACP test for a Plan Year without regard to whether the current year testing method or prior year testing method is used for the ADP test for that Plan Year. However, if different testing methods are used, then the Plan cannot use:

- (a) The recharacterization method of Regulation Section 1.401(k)-2(b)(3) to correct excess contributions for a Plan Year;
- (b) The rules of Regulation Section 1.401(m)-2(a)(6)(ii) to take Elective Contributions into account under the ACP test (rather than the ADP test); or
- (c) The rules of Regulation Section 1.401(k)-2(a)(6) to take Qualified Matching Contributions into account under the ADP test (rather than the ACP test).

#### ARTICLE VIII ADJUSTMENT TO ACP TEST

8.1 Distribution of Income attributable to Excess Aggregate Contributions. Distributions of Excess Aggregate Contributions must be adjusted for income (gain or loss), including an adjustment for income for the period between the end of the Plan Year and the date of the distribution (the "gap period"). For the purpose of this Section, "income" shall be determined and allocated in accordance with the provisions of Section 6.1 of this Amendment, except that such Section shall be applied by substituting "Excess Contributions" with "Excess Aggregate Contributions" and by substituting amounts taken into account under the ACP test for amounts taken into account under the ADP test.

8.2 Corrective contributions. If a failed ACP test is to be corrected by making an Employer contribution, then the provisions of the Plan for the corrective contributions shall be applied by limiting the contribution made on behalf of any NHCE pursuant to such provisions to an amount that does not exceed the targeted contribution limits of Sections 7.1 and 7.2 of this Amendment.



This Amendment has been executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Name of Plan: Delta Natural Gas Company, Inc. Employee Savings Plan

Name of Employer: Delta Natural Gas Company, Inc.

By: \_\_\_\_\_  
EMPLOYER



**Minutes of a Special Meeting of the Board of Directors  
of Delta Natural Gas Company, Inc. Held at the Offices  
of the Company in Winchester, Kentucky on February 2, 2007**

A special meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the principal office of the Company at 3617 Lexington Road, Winchester, Kentucky on February 2, 2007 beginning at 12:15 p.m., E.S.T., pursuant to notice hereto attached as Exhibit I.

Directors participating in the meeting were Donald R. Crowe, Lanny D. Greer (by phone), Billy Joe Hall, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet, Director Emeritus, Arthur E. Walker, Jr. and Michael R. Whitley.

The meeting was called to order, the chairman announced a quorum and the meeting proceeded.

The first order of business was a discussion of John Hall's status. Mr. Hall is Delta's Vice President – Finance, Secretary and Treasurer. He has recently been diagnosed with lung cancer and is on sick leave. He is scheduled to begin radiation treatments next week and his return to work date is unknown at this time. He has been off work since latter December, 2006.

In Mr. Hall's absence, Glenn Jennings, Delta's Chairman of the Board, President and Chief Executive Officer, has been supervising those employees that report to Mr. Hall and has been reviewing and approving any items required under Mr. Hall's duties. After discussion, the Board approved such actions by Mr. Jennings and directed that

such actions should continue by Mr. Jennings until Mr. Hall resumes his duties or a replacement is named for him.

Next the Board discussed the need to appoint an Acting Chief Financial Officer in Mr. Hall's absence. After discussion it was:

RESOLVED, whereas John F. Hall, Delta's Vice President - Finance, Secretary and Treasurer is ill and is on sick leave with no known date to return to work, that John B. Brown, Delta's Vice President - Controller and Assistant Secretary, is appointed to the additional position of Acting Chief Financial Officer, to act on Delta's behalf in that position including signing Delta's filings with the Securities and Exchange Commission and other agencies as required, until Mr. Hall is able to resume his duties for Delta or a replacement is named for him.

Mr. Jennings reported that certain changes were necessary to the Administrative Committees for Delta's employee benefit plans. As a result of the illness and absence of John Hall, John Brown needs to be added to the Administrative Committees. After discussion, it was unanimously

RESOLVED, that effective February 2, 2007 the Administrative Committee of the Delta Natural Gas Company, Inc. Retirement Plan be as follows: Connie King, Chair and Secretary, John Brown, Johnny Caudill, John Hall and Glenn Jennings; and that any one member of the Committee be authorized to execute on behalf of the Committee; and

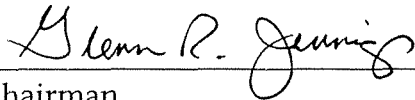
RESOLVED FURTHER, that effective February 2, 2007 the Administrative Committee of the Delta Natural Gas Company, Inc. Savings Plan be as follows: Connie King, Chair and Secretary, John Brown, Johnny Caudill, John Hall and Glenn Jennings; and that any one member of the Committee be authorized to execute on behalf of the Committee; and

RESOLVED FURTHER, that effective February 2, 2007 the Administrative Committee of the Delta Natural Gas Company, Inc. Health Benefit Plan be as follows: Connie King, Chair and Secretary, John Brown, Johnny

Caudill, John Hall and Glenn Jennings; and that any one member of the Committee be authorized to execute on behalf of the Committee: and

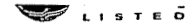
RESOLVED FURTHER, that effective February 2, 2007 the Administrative Committee of the Delta Natural Gas Company, Inc. Flexible Benefit Plan be as follows: Connie King, Chair and Secretary, John Brown, Johnny Caudill, John Hall and Glenn Jennings; and that any one member of the Committee be authorized to execute on behalf of the Committee.

There being no further business to come before the meeting, the meeting was adjourned.

  
Chairman



# Delta Natural Gas Company, Inc.



3617 Lexington Road  
Winchester, Kentucky 40391-9797

GLENN R. JENNINGS  
CHAIRMAN OF THE BOARD,  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

PHONE: 859-744-6171 EXT 148  
FAX: 859-744-6552  
EMAIL: gjennings@deltagas.com

January 25, 2007

Glenn R. Jennings  
9 Fairway Drive  
Berea KY 40403

Dear Glenn:

Notice is hereby given that a Special Meeting of the Board of Directors of Delta Natural Gas Company, Inc. will be held at the Company's principal office located at 3617 Lexington Road, Winchester, Kentucky on Friday, February 2, 2007.

The Audit Committee is scheduled to meet that day at 10:00 a.m. with the Corporate Governance and Compensation Committee scheduled to meet after lunch. Thus since all Board members will be involved with these two committee meetings, we thought it would be more convenient to have a special called meeting over lunch, and we are asking the Audit Committee members to plan to stay for lunch and the Corporate Governance and Compensation Committee members to plan on arriving by 11:30 a.m. and participate in this special called meeting during lunch.

John Hall, Delta's Vice President-Finance, Secretary and Treasurer, is ill and his return to work date is uncertain. I have been doing anything in his areas that needs to be done to carry on in his absence. But, we need to appoint an Acting Chief Financial Officer to sign the 10-Q for this recent quarter and this is planned to be filed on February 6. The Chief Executive Officer and Chief Financial Officer both must sign the 10-Q certifications. This appointment should be done by our Board, thus the need for the Board meeting soon.

Thus the Special Meeting would be for the purpose of appointing an Acting Chief Financial Officer and to transact such other business as may properly come before the meeting and all adjournments thereof.

I appreciate you being able to help by meeting at this time and hope this will be the least disruptive to your schedules.

Sincerely,

Glenn R. Jennings

**Minutes of Regular Annual Meeting of Board of Directors  
of Delta Natural Gas Company, Inc. Held at the Offices  
of the Company in Winchester, Kentucky on November 16, 2006**

The regular annual meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the principal office of the Company at 3617 Lexington Road, Winchester, Kentucky on November 16, 2006 beginning at 11:00 a.m., E.S.T., immediately following the annual stockholders' meeting, pursuant to notice hereto attached as Exhibit I.

The following directors were present: Donald R. Crowe, Billy Joe Hall, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Arthur E. Walker, Jr., Michael R. Whitley and Harrison D. Peet, Emeritus. Lanny D. Greer was absent. John F. Hall, Delta's Vice President – Finance, Secretary and Treasurer, was also in attendance.

The meeting was called to order, then upon motion duly made, seconded and carried unanimously, it was

RESOLVED, that Glenn R. Jennings be elected temporary chairman and John F. Hall be elected temporary secretary.

The chairman announced a quorum and the meeting proceeded.

The first order of business was the approval of the minutes of the regular quarterly meeting held August 25, 2006. Copies of said minutes had been circulated to all directors prior to the meeting. Upon motion duly made, seconded and carried unanimously, it was

RESOLVED, that the minutes of the regular quarterly meeting held August 25, 2006 as circulated, be approved and that reading of said minutes be waived.

The Chairman proceeded to new business.

Lewis N. Melton, Chairman of the Corporate Governance and Compensation Committee, reported on a meeting of the committee held on November 3, 2006. The recommendations of a chairman and officers for the ensuing year were presented by Mr. Melton. Following discussion, on motion duly made, seconded and carried unanimously it was

**RESOLVED**, that the following officers and Chairman of the Board be elected to serve as officers of Delta Natural Gas Company, Inc. beginning November 16, 2006 for the ensuing year or until their successors are elected and qualified.

Glenn R. Jennings	Chairman of the Board, President and Chief Executive Officer
John B. Brown	Vice President – Controller and Assistant Secretary
Johnny L. Caudill	Vice President – Administration and Customer Service and Assistant Treasurer
John F. Hall	Vice President – Finance, Secretary and Treasurer
Alan L. Heath	Vice President – Operations and Engineering

**FURTHER RESOLVED**, that effective December 1, 2006 the monthly compensation for 7 of Delta's directors, those being Donald R. Crowe, Lanny D. Greer, Billy Joe Hall, Michael J. Kistner, Lewis N. Melton, Arthur E. Walker, Jr. and Michael R. Whitley,

**FURTHER RESOLVED**, that Michael R. Whitley be designated as Lead Director of Delta's Board of Directors to conduct meetings of Delta's Board in the absence of the Chairman of the Board.

A Quarterly Summary Report for the period ended September 30, 2006 had been prepared and mailed to all directors prior to the meeting. The Chairman reviewed data from the Report at the meeting and a copy of the Report is attached, marked Exhibit II.

The declaration of a dividend on common stock was discussed; upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that a dividend on common stock of \$.305 per share for the period ended September 30, 2006 be paid to common stockholders of record as of the close of business on December 1, 2006; said dividend to be paid December 15, 2006.

Michael J. Kistner, Chairman of the Audit Committee, reviewed with the Board the committee's meeting held on November 3, 2006.

The Chairman reviewed with the Board the Board committees and committee assignments. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED** that the Board committees, members and chairmen, be ratified and approved, effective December 1, 2006, as listed below:

Audit Committee

Michael Kistner – Chairman  
Donald Crowe  
Lanny D. Greer  
Billy Joe Hall



Corporate Governance and Compensation Committee

Nick Melton – Chairman  
Arthur Walker  
Michael Whitley  
Executive Committee

Glenn Jennings – Chairman  
Michael Kistner  
Nick Melton  
Michael Whitley

The Chairman reviewed with the Board revisions to the Executive Committee Charter. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the Executive Committee Charter be amended as hereto attached as Exhibit III.

Next, the Chairman reviewed with the Board revisions to Delta's Business Code of Conduct and Ethics. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the Business Code of Conduct and Ethics be amended as hereto attached as Exhibit IV.

The Chairman discussed with the Board proposed amendments to Delta's Defined Benefit Retirement Plan. After discussion, no action was taken on any changes and it was concluded that the Board would consider this further at a later date.

The Chairman reviewed with the Board an article from Public Utilities Fortnightly, attached as Exhibit V, relating to regulatory returns on equity.

The Chairman reviewed with the Board an article on rate design from the American Gas Association magazine, which is attached as Exhibit VI.

The Chairman reminded the Board of the December 5, 2006 employee meeting to be held at the Perkins Building at Eastern Kentucky University, in Richmond, Kentucky and encouraged Board members to attend.

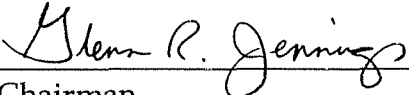
The Chairman also reminded the Board of the Strategic Planning meeting to be held at the Berea office on January 3, 2007 and encouraged Board members to attend.

The updated Directors and Officers list, attached as Exhibit VII, was revised, effective November 16, 2006.

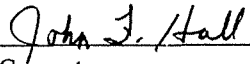
The next Board meeting was announced for February 22, 2007 at 10:00 a.m. at Delta's Winchester office.

An executive session, chaired by Lead Director Michael Whitley, was held without Mr. Jennings and Mr. Hall. There were no items requiring action from that session.

There being no further business to come before the meeting, the meeting was adjourned.

  
Chairman

Attest:

  
Secretary



**Delta Natural Gas Company, Inc.**



3617 Lexington Road  
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171

FAX: 859-744-3623

November 3, 2006

Donald R. Crowe  
8112 Dozier Pl.  
Brentwood, TN 37136

Dear Don:

Notice is hereby given that the annual meeting of the Board of Directors of Delta Natural Gas Company, Inc. will be held at the offices of the Company, 3617 Lexington Road, Winchester, Kentucky, on Thursday, November 16, 2006. This meeting will be held immediately following the Annual Meeting of the Shareholders which will be held at 10:00 a.m., E.S.T., on the same day.

Matters to be considered and voted upon are as follows:

1. Election of officers for the ensuing year.
2. Common Stock Dividend (quarterly) for the period ended September 30, 2006, record date of December 1, 2006, to be paid December 15, 2006.
3. Transact such other business as may properly come before said meeting

In order to expedite action, we are enclosing: 1) a copy of the minutes of the regular quarterly director's meeting held August 25, 2006, 2) a copy of the minutes of the Annual Meeting of Shareholders held November 17, 2005, 3) a copy of the Quarterly Summary Report for the period ending September 30, 2006, and 4) a copy of the Business Code of Conduct and Ethics.

Lunch will be served downstairs after the meeting.

Sincerely,

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

/epb  
enclosures

## DELTA NATURAL GAS COMPANY, INC.

## EXECUTIVE COMMITTEE CHARTER

Adopted November 16, 2006

*Purpose*

The purpose of the Executive Committee (the "Committee") of the Board of Directors (the "Board") of Delta Natural Gas Company, Inc. (the "Company") is to act on behalf of the Board during intervals between meetings of the Board and report to the Board at its next regular meeting on any actions taken.

*Membership*

The Committee shall be comprised of the Chairman of the Board of the Company, the Lead Director, the Chairman of the Audit Committee and the Chairman of the Corporate Governance and Compensation Committee. The Chairman of the Board shall serve as Chairman of the Committee.

*Meetings and Procedures*

- The Committee shall meet as circumstances require. The Chairman of the Committee shall call a meeting of the Committee as necessary.
- A majority of the members of the Committee shall constitute a quorum.
- The vote of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the action of the Committee.
- The Committee may request that any director, officer or employee of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such assistance and information as the Committee requests.
- The Committee shall have the authority to retain, terminate, and approve the fees and other retention terms of legal, financial and other consultants and advisors as it deems necessary or appropriate to carry out its duties and responsibilities.
- Following each of its meetings, the Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Committee at the meeting.

- The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

*Authority and Limitations*

At any time when the Board of Directors is not in session, the Committee shall have full authority to exercise all powers of the Board of Directors to the full extent permitted by applicable laws and regulations and listing standards that then apply to the Company.

BUSINESS CODE OF CONDUCT AND ETHICS  
OF  
DELTA NATURAL GAS COMPANY, INC.

Approved by the Board of Directors  
November 16, 2006

*Purpose of Code of Conduct and Ethics*

The purpose of this Code of Business Conduct and Ethics (the “Code”) is: to promote the honest and ethical conduct of all employees, officers and the Board of Directors (hereinafter collectively referred to as the “employees”) of Delta Natural Gas Company, Inc. (the “Company”), including, without limitation, the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosure in reports and documents required to be filed by the Company; and to promote compliance with all applicable laws, rules and regulations that apply to the Company and its officers. For purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, this Code shall be Delta’s Code of Ethics for the Chief Executive Officer, the Chief Financial Officer and the Principal Accounting Officer.

*Introduction*

This Code is applicable to all of the Company’s employees, including the chief executive officer, chief financial officer, chief operating officers, general counsel, chief administrative officer, chief accounting officer and controller (or any persons performing similar functions) (collectively, the “Senior Executive and Financial Officers”). References in this Code to the Company means the Company or any of its subsidiaries.

While the Company expects honest and ethical conduct in all aspects of its business from all employees, the Company expects the highest possible honest and ethical conduct from its Senior Executive and Financial Officers. Senior Executive or Financial Officers are an example for other employees and are expected to foster a culture of transparency, integrity and honesty. Compliance with this Code is a condition to employment and any violations of the Code may result in disciplinary action, up to and including termination.

Waivers of this Code may be made only by the Board or the Board’s Executive Committee, after full disclosure by the conflicted party and all other interested parties, with any conflicted Director not voting, and will be disclosed in accordance with applicable law.

Any waiver of the Code with respect to any Director or Executive Officer of the Company may only be made by the Board, and not a committee of the Board. Such waiver may only be made after full disclosure by the conflicted party and all other interested parties, with any conflicted Director not voting. Any waiver of the Code with respect to any Director or Executive Officer of the Company must be disclosed within five business days in a Form 8-K and promptly disclosed to the shareholders, along with the reasons for the waiver, in such manner as is required by law and as the Board deems appropriate. The process for any waivers with respect to employees that are not Directors or Executive Officers shall not be affected by this paragraph.

### *Conflicts of Interest*

A conflict of interest occurs when private interests interfere, or appear to interfere, in any way, with the interests of the Company as a whole. Conflicts of interest can also arise when action is taken, or family members have interests, that may make it difficult to perform duties to the Company effectively.

Although every conceivable conflict cannot be listed, following are some common examples that illustrate actual or apparent conflicts of interest that should be avoided:

- Conflicts of interest arise when an employee, or a member of his or her family receives improper personal benefits as a result of his or her position in the Company. Employees may not accept any benefits from the Company that have not been duly authorized and approved pursuant to Company policies and procedures, including any Company loans or guarantees of personal obligations.
- Avoid having an ownership interest in any other enterprise if that interest compromises or appears to compromise loyalty to the Company. For example, employees should not own an interest in a company that competes with the Company or that does business with the Company (such as a supplier) unless they obtain the written approval of the Chief Executive Officer before making any such investment. However, it is not typically considered, and the Company does not consider it, a conflict of interest (and therefore prior written approval is not required) to make investments in competitors, clients or suppliers that are listed or traded on a national securities exchange or market so long as the total value of the investment is less than one percent (1%) of the outstanding stock of the corporation and the amount of the investment is not so significant that it would affect business judgment on behalf of the Company.
- Without the prior written approval of the Chief Executive Officer, employees may not participate in a joint venture, partnership or other business arrangement with the Company.

- Employees who learn of a business or investment opportunity through the use of Company property or information or their position at the Company, such as from a competitor or actual or potential supplier or business associate of the Company (including a principal, officer, director or employee of any of the above), may not participate in the business or make the investment without the prior written approval of the Chief Executive Officer. Such an opportunity should be considered an investment opportunity for the Company in the first instance.
- Simultaneous employment with or serving as a director of a competitor of the Company is strictly prohibited, as is any activity that is intended to or that should reasonably be expected to advance a competitor's interests at the expense of the Company's interests. Employees may not market products or services in competition with the Company's current or potential business activities. It is each employee's responsibility to consult with the Chief Executive officer to determine whether a planned activity will compete with any of the Company's business activities before pursuing the activity in question.
- Without the prior written approval of the Chief Executive Officer, employees may not be a supplier or employed by, serve as a director or represent a supplier to the Company. Without the prior written approval of the Chief Executive officer, employees may not accept money or benefits of any kind from a third party as compensation or payment for any advice or services that they provide to a client, supplier or anyone else in connection with its business with the Company.
- Employees may accept gifts from third parties as long as such gifts do not compromise the employee's judgment, or do not in any way compromise or otherwise affect the employee's actions to properly perform their jobs and to represent Delta's best interests at all times. Any such gift or series of gifts received during any 12 month period by an employee in excess of \$200 in value shall be disclosed in writing to Delta's Chief Executive Officer.
- If employees' spouses or significant others, children, parents, or in-laws, or someone else with whom employees have a familial relationship is a competitor or supplier, the employee must disclose the situation to the Chief Executive Officer so that the Company may assess the nature and extent of any concern and how it can be resolved. Employees must carefully guard against inadvertently disclosing Company confidential information and being involved in decisions on behalf of the Company that involve the other enterprise.

If employees have any doubt as to whether or not conduct would be considered a conflict of interest, they should consult with the Chief Executive Officer.



### ***Accurate Reports and Other Public Communications***

Full, fair, accurate, timely and understandable disclosure in Delta's reports and documents filed with (or submitted to) the Securities and Exchange Commission and in Delta's other public communications is required by Securities and Exchange Commission rules and is essential to Delta's continued success. All employees should exercise the highest standard of care in preparing such materials. The following guidelines have been established in order to ensure the quality of such reports and documents:

- All Company accounting records, as well as reports produced from those records, must be presented in accordance with the laws of each applicable jurisdiction.
- All records must fairly and accurately reflect the transactions or occurrences to which they relate.
- All records must fairly and accurately reflect in reasonable detail the Company's assets, revenues and expenses.
- The Company's account records must not contain any false or intentionally misleading entries.
- No transaction may be intentionally misclassified as to accounts, departments or accounting periods in any other manner.
- All transactions must be supported by accurate documentation in reasonable detail and in the proper account and in the proper accounting period.
- No information may be concealed from the internal auditors or the independent auditors.
- Compliance with Generally Accepted Accounting Principles and the Company's system of accounting controls is required at all times.

### ***Compliance with Laws and Ethics Code***

Employees are expected to comply with both the letter and spirit of all applicable governmental rules and regulations and this Code, and to report any suspected violations of applicable governmental rules and regulations or this Code to the Chief Executive Officer. No one will be subject to retaliation because of a good faith report of a suspected violation. Failure to comply with this Code or any applicable laws or regulations, may be grounds for disciplinary measures, up to and including discharge.

### ***Procedure for the Receipt, Retention and Treatment of Complaints***

The following procedures, established by the Audit Committee of the Board of Directors of Delta Natural Gas Company, Inc. for the receipt, retention and treatment of complaints received by the company regarding questionable accounting, internal audit controls, or auditing matters, are to be followed by all employees:

- Employees and others are encouraged to bring to the attention of the Chairman of the Audit Committee any concerns regarding accounting, internal audit controls, or auditing matters.
- Any such complaints should be submitted directly in writing to the Chairman of the Audit committee in a sealed envelope. Any such complaints submitted to Delta will be provided to the Chairman of the Audit Committee.
  - ◆ Complaints may be submitted anonymously, if desired, by mail or the Company's internal distribution system.
  - ◆ No attempt to identify the author of anonymous complaints shall be made by the Audit Committee or any other employee of the Company.
  - ◆ No attempt will be made to retaliate against an employee submitting a complaint, whether it is anonymous or not.
- Complaints may be submitted to Delta's Manager - Internal Control, Matthew Wesolosky, by phone 859-744-6171 Ext. 149, email [mwesolosky@deltagas.com](mailto:mwesolosky@deltagas.com), or anonymously in writing. All complaints reported to the Manager-Internal Control will be communicated directly to the Chairman of the Audit Committee.
- Upon receipt of a complaint, the Chairman of the Audit Committee shall designate a member or members of the Committee to investigate the Complaint and to prepare a written report of that investigation to be presented at the next meeting of the Audit Committee.
- The designated investigators shall be authorized to meet with any employee of the Company as necessary to determine the legitimacy of the complaint, to request and review any relevant documents produced by or in the possession of the Company, to request statements, sworn or unsworn, from any employee with information relevant to the complaint, and to retain legal counsel and/or other experts to assist them in the investigation.
- The Audit Committee shall take action as deemed appropriate by the Committee to include, if appropriate, a report to the Board of Directors of the Company concerning the Committee's findings with regard to the subject of the complaint.
- All complaints, reports of investigations, and reports to the Board of Directors shall be kept in a permanent file by the Audit Committee.

### *Confidentiality*

Employees shall respect and preserve the confidentiality of information acquired in the course of performing duties on behalf of the Company, except for instances when disclosure of such information is authorized by the Chief Executive Officer or required by law. Confidential information respecting the Company is at no time to be used for personal advantage.

### *No Rights Created*

This Code is a statement of certain fundamental principles, policies and procedures that govern the Company's employees, including Senior Executive and Financial Officers in the conduct of the Company's business. It is not intended to and does not create any rights in any employee, customer, supplier, competitor, shareholder or any other person or entity.

### *Acknowledgement*

Each employee and each member of the Company's Board of Directors is required to complete the attached Acknowledgement Form.

***ACKNOWLEDGEMENT FORM***

I have received and read the Business Code of Conduct and Ethics and I understand its contents. I agree to comply fully with the standards contained in the Business Code of Conduct and Ethics and the Company's related policies and procedures. I understand that I have an obligation to appropriately report any suspected violations of the Business Code of Conduct and Ethics.

Printed Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

## Return On Equity

# REGULATORS TRUST, BUT VERIFY

Some recent utility rate proceedings cast doubt on new ROE models and “risk adders.”



BY PHILLIP S. CROSS

**T**he results of *Public Utilities Fortnightly's* annual survey of rates of return on equity (ROE) authorized for major electric and natural-gas utilities broadly show a continuing decline in the level of debate over issues specific to restructuring of the electric market. The survey also reveals a subtle shift back to investor requirements and overall business risks faced by regulated energy companies.

For example, in a gas rate case decided in Nevada, regulators rejected an ROE “risk adder” proposed by a natural-gas local distribution company and reminded the utility that hard evidence such as credit ratings and regulatory rulings are what makes the difference in a rate-case setting.

The Illinois Commerce Commission reviewed the underpinnings of the traditional ROE process when it rejected a proposal by a party to a major electric rate case to switch to a completely new approach, purportedly based on direct evidence from the investment-banking community. As it turned out, the so-called “investment-bank analysis” produced an ROE estimate much lower than any produced by the standard financial models normally relied upon in rate cases. The commission concluded it had no way to know what assumptions investment bankers use when putting a value on utility stocks, or whether such an estimate might satisfy the legal requirement for just-and-reasonable rates in a regulated market.

### The Risk Adder

In its most recent natural-gas rate case, Sierra Pacific Power Co. asked the Nevada Public Utilities Commission (PUC) to approve a risk-premium adder when estimating the ROE investors would demand before investing in the company. Sierra Pacific argued that it faced an unusually risky position in the near term due to factors such as rapid customer growth and projected increases in capital expenditures. The PUC said

the utility had failed to put forth any evidence that the premium adder is necessary for capital attraction. More to the point, the PUC noted that the company could not explain why it has been able to improve its credit rating from a "B" to a "BB" bond rating since the last rate case, when the current ROE of 10.25 percent did not include a risk-premium adder. Finally, the commission pointed to its own recent actions that would reduce risk perceived by investors in the near term, including:

- 1) Commission statements and orders that indicate the PUC is satisfied with the company's procurement strategy policies;
- 2) Regulatory changes that cause an annual review by the PUC of Sierra Pacific's annual energy supply plan, which informs the commission of short-term purchase plans and number trends, thus decreasing the likelihood of future disallowances;
- 3) Regulatory changes to allow utilities to file annually for two energy cost adjustments if necessary, which is helpful in avoiding large deferred energy balances; and
- 4) Regulatory changes and commission orders that allow for an equity premium adjustment to Sierra Pacific's ROE for construction projects that are deemed critical facilities. *Re Sierra Pacific Power Co., Docket Nos. 05-1005 et al., 248 PUR4th 364, April 27, 2006 (Nev. P.U.C.)*

### An Investment-Bank Analysis

In a major rate case involving electric delivery services provided by Commonwealth Edison Co. (ComEd), a coalition of groups representing small consumers looked to recent valuations of utility assets conducted by investment banks to support a new approach to estimating a rate of return that would attract investors to utility stocks. (The recently terminated plan for a merger of ComEd parent, Exelon, and Public Service Enterprise Group [PSEG], a New Jersey company, provided current market data and an opening to pitch the novel approach.) Using this new method, the consumer groups suggested that investors would favor investment in ComEd so long as a 7.75 percent equity allowance was included in rates. The alliance of consumer groups had estimated ComEd's cost of equity by inference from the weighted average cost of capital (WACC) calculated by Morgan Stanley for the merger of Exelon and PSEG. All other parties to the Illinois Commerce Commission (ICC) case used complex financial models to gauge ROE requirements and came up with much higher estimates, including the utility's offered 11 percent, the 10.19 percent presented by the commission staff, and 9.9 percent favored by a large industrial users group.

Predictably, ComEd responded that the new method pre-

## How We Conducted the Survey

For those readers unfamiliar with our long-standing tradition of conducting utility surveys, a sample of the methodology and data used in this survey is provided in this article. The survey was conducted by three independent financial institutions. The survey findings are presented in this article. Where applicable, a revenue requirement based on a cost of service approach is included as an allowance for rate of return on equity. The survey was conducted by three independent financial institutions. The survey findings are presented in this article. Where applicable, a revenue requirement based on a cost of service approach is included as an allowance for rate of return on equity. The survey was conducted by three independent financial institutions. The survey findings are presented in this article. Where applicable, a revenue requirement based on a cost of service approach is included as an allowance for rate of return on equity.

The additional cost of service rate case remains the most obvious source of information on how utility regulators view the issue of shareholder earnings requirements. Nevertheless, performance-based rate plans and cases involving periodic earnings reviews also contain findings about the appropriate return on equity for utilities and are reported herein. Explanatory notes accompany most entries, and citations are provided for orders published in *Public Utilities Reports, Fourth Series (PUR4th)*. PSC.

sented by consumer groups could not possibly be reasonable because the 7.75 percent ROE it produced is more than 100 basis points below any ROE recently approved in the United States.

The consumer groups explained that because the cost of common equity is not a directly observable number, regulatory commissions have had to rely on subjective models, such as the capital-asset pricing model and the discounted cash flow model, to estimate a utility's cost of common equity. The consumer parties argued that recent merger activity in the electric industry could provide more direct evidence on cost of equity, and a unique opportunity to move away from the complex financial models. With this in mind, the groups hired an expert to recommend a cost of common equity based on a review of electric utility stock valuations conducted by three leading investment banks—Morgan Stanley, JP Morgan, and Lehman Brothers—for the merger between Exelon and PSEG. According to the groups, the valuations done by the three investment banks are a far more reliable indicator of investor needs than the subjective models used to bridge evidentiary gaps "that arise because the level of return required to induce real investors to provide capital for the firm is not directly observable."

The ICC rejected the new approach, finding that while the

consumers had portrayed their method as more objective than standard models, it was impossible to know what assumptions were made by the investment bankers, and whether the result was appropriate in a regulated setting. The commission noted that the expert had relied on WACC figures published by the investment firms as the basis for the estimates. To back out the cost of equity from the investment bankers' WACC estimates, the expert first had to make numerous assumptions, the PUC found.

The commission said it could not determine if the investment bankers used the same approach when determining cost of debt, what mix of debt maturities they used, or if they

included short-term debt. Further, it is unclear whether the Morgan Stanley analysis was for Commonwealth Edison and PECO, a Pennsylvania-based affiliate, separately, or for the proposed combined entity. It also is not known if the investment bankers used the same capital structure or made the same assumptions regarding the treatment of transitional funding instruments, the ICC added. *Re Commonwealth Edison Co., No. 05-0597, 250 PUR 4th 161, July 26, 2006 (Ill.C.C.).* ■

*Phillip S. Cross is a legal editor for Public Utilities Fortnightly. Please address any questions about the survey to him at pccross@pur.com.*

Utility Name	Utility Service	Case No. / Order No.	Application Date	Order Date	Order Effective Date	Current Rate (Million)	Proposed Rate (Million)	Current Rate (Million)	Proposed Rate (Million)
<b>ARIZONA</b>									
Southwest Gas Corp.	Gas	G-01551A 04-0716 247 PUR4th 243	12/9/04	2/23/06	8/31/04	66.9	49.35	11	9.5
<b>ARKANSAS</b>									
Arkansas Oklahoma Gas Corp.	Gas	05-006-U 246 PUR4th 228	2/01/05	12/01/05	8/31/04	6.886	NA	NA	9.7
Arkansas Western Gas Co.	Gas	04-176-U	12/29/04	10/31/05	1/31/06	9.7	4.6	9.9	9.7
CenterPoint Energy Arkla	Gas	04-121-U 245 PUR4th 384	11/24/04	9/19/05	4/30/04	27.9	(11.5)	NA	9.45
<b>CALIFORNIA</b>									
Pacific Gas & Electric Co.	Electric	A-05-05-006 D-05-12-043 245 PUR4th 492	6/16/05	12/15/05	12/31/06	NA	3.3	11.22	11.35
Pacific Gas & Electric Co.	Gas		6/16/05	12/15/05	12/31/06	NA	1.0	11.22	11.35
San Diego Gas & Electric Co.	Electric		6/16/05	12/15/05	12/31/06	NA	NA	10.38	10.79
San Diego Gas & Electric Co.	Gas		6/16/05	12/15/05	12/31/06	NA	NA	10.38	10.79
Southern California Edison Co.	Electric		6/16/05	12/15/05	12/31/06	NA	(26.4)	11.4	11.6
<b>COLORADO</b>									
Colorado Natural Gas, Inc.	Gas	055-412-G	8/31/05	3/01/06	3/31/05	0.9	0.8	15.0	12.0
Eastern Colorado Utility Co.	Gas	055-439G	9/23/05	5/15/06	12/31/04	0.16	0.07	12.9	10.5
Public Service Co. of Colorado	Gas	055-264G	5/27/05	2/03/06	12/31/04	33.4	22.5	11.0	10.5
<b>FLORIDA</b>									
Florida Power & Light Co.	Electric	05-0045-EI	3/22/05	9/15/05	12/31/06	930	NA	11.0	11.75
Progress Energy Florida	Electric	050078-EI	4/29/05	9/28/05	12/31/06	206	NA	12.0	11.75
<b>GEORGIA</b>									
Atmos Energy	Gas	20298-U	5/20/05	11/21/05	6/19/06	4023	345	11.5	10.12
<b>IDAHO</b>									
Idaho Power Co.	Electric	IPC-E-05-28	10/28/05	5/12/06	12/31/05	44	18.1	10.25	NA
<b>ILLINOIS</b>									
Commonwealth Edison Co.	Electric	05-0597 250 PUR4th 161	8/31/05	6/26/06	12/31/04	34.5	8.331	11.72	10.04
NICOR Gas Co.	Gas	04-0779 245 PUR4th 494	11/04/04	09/20/05	12/31/05	83.3	49.7	11.13	10.51
<b>INDIANA</b>									
Snow & Ogdon Gas Co., Inc.	Gas	42844	4/25/05	8/31/05	9/30/04	211	166	NA	9.76
Switzerland County Natural Gas Co., Inc.	Gas	42821-U	4/8/05	11/22/05	11/30/04	0046	0036	NA	10.5
<b>IOWA</b>									
Aquila	Gas	RPU-05-02	5/02/05	3/01/06	12/31/04	4.1	2.6	NA	"

Company Name	Service	Contract ID	Start Date	End Date	Contract Type	Volume	Price	Index	Rate	Rate
Interstate Power & Light Co.	Electric	F-1105-1 245 PUR4th 074	4/15/05	10/14/05	12/31/04	10.67	14.01	11.05	11.0	11.0
<b>KANSAS</b>										
Empire District Electric Co.	Electric	05-11-11-800305	4/29/05	3/30/05	12/31/04	2.18	3.45			
Kansas Gas & Electric Co.	Electric	05-WSEL-981005	5/02/05	12/28/05	12/31/04	84.1	9.05	11.62	11.0	11.0
<b>KENTUCKY</b>										
Kentucky Power Co.	Electric	2005-00344 248 PUR4th 05	8/26/05	8/14/06	9/30/05	14.26	46.0*	11.0	11.0	11.0
The Union Light Heat & Power Co.	Gas	2005-00042	5/25/05	12/22/05	9/30/06	14.04	8.091	11.0	11.0	11.0
<b>LOUISIANA</b>										
CLECO Power LLC	Electric	U-11496	12/05/05	7/28/06	NA	NA	NA	12.25	11.25	11.25
Entergy Gulf States	Electric	U-28016	NA	8/14/05	12/31/04	23.8	0	10.25	10.65	10.65
<b>MAINE</b>										
Maine Public Service Co.	Electric	2006-24	3/13/06	7/11/06	12/31/05	3.24	1.75	10.40	10	10
<b>MARYLAND</b>										
Baltimore Gas & Electric Co.	Gas	9036	4/29/05	12/21/05	7/31/05	52.6	35.6	11.05	11.0	11.0
<b>MASSACHUSETTS</b>										
Bay State Gas Co.	Gas	DTE-05-27	12/01/05	11/30/05	12/31/04	22.2	11.1	11.40	10.0	10.0
<b>MICHIGAN</b>										
Consumers Energy Co.	Electric	U-14347 246 PUR4th 177	12/14/04	12/22/05	12/31/06	319.7	86.1*	12.25	11.15	11.15
Detroit Edison Co.	Electric	U-14839	6/01/06	8/31/06	NA	45	[78.25]	11.0	11.0	11.0
Upper Peninsula Power Co.	Electric	U-14745	1/03/06	6/27/06	12/31/06	6.6	3.8	11.4	10.75	10.75
<b>MINNESOTA</b>										
Interstate Power & Light Co.	Electric	F-001/GE-05-248	5/16/05	3/03/06	12/31/04	4.8	1.2	11.25	10.39	10.39
Northern States Power Co.	Electric	F-002-GR-05-1428	11/02/05	9/01/06	12/31/06	168.0	131.5**	11.47	10.54	10.54
<b>NEVADA</b>										
Sierra Pacific Power Co.	Electric	05-10003	10/03/05	4/27/06	5/31/05	3	(14)	10.25	10.6	10.6
Sierra Pacific Power Co.	Gas	05-10005 248 PUR4th 364	10/03/05	4/27/06	5/31/05	8	4.5	8.7	10.6*	10.6*
<b>NEW JERSEY</b>										
Jersey Central Power & Light Co.	Electric	ER02080906	NA	5/31/05	12/31/05	[42]	[164]	12.2	9.55	9.55
<b>NEW YORK</b>										
Conning Natural Gas Corp.	Gas**	05-G-1359 249 PUR4th 209	10/31/05	5/22/06	12/31/05	3.46	2.7*	10.7	10.0*	10.0*
<b>NORTH DAKOTA</b>										
Xcel Energy	Gas	PU-04-573	11/04/04	6/01/05	12/31/04	1.3	750	11.5		
<b>OHIO</b>										
Cincinnati Gas & Electric Co.	Electric	05-0859-EL-AIR	2/17/05	12/21/05	6/30/05	77.945	51.493	12.025	10.29	10.29
<b>OKLAHOMA</b>										
Oklahoma Gas & Electric Co.	Electric	PUD20050015	5/20/05	12/12/05	12/31/04	89.065	42.306		10.75	10.75
<b>OREGON</b>										
Pacific Power & Light Co.	Electric	UE 170 Order No. 05-150 244 PURth-1	11/12/04	9/28/05	12/31/06	102	26	10.5	10.0*	10.0*
<b>SOUTH CAROLINA</b>										
South Carolina Electric & Gas Co.	Gas	2005-113-G	4/26/05	11/01/05	12/31/04	28.5	22.9	12.25	10.25	10.25
<b>VIRGINIA</b>										
Virginia Natural Gas Co.	Gas	PUE-2005-00057 250 PUR4th 421	NA**	7/24/06	NA	NA	9.8*	NA	10.0	10.0
<b>WASHINGTON</b>										
Avista Corp.	Electric	UE-050482	3/30/05	12/21/05	12/31/04	35.8	22.135	11.16	10.4	10.4
Avista Corp.	Gas	UG-050483	3/30/05	12/21/05	12/31/04	2.9	968	11.16	10.4	10.4
<b>WISCONSIN</b>										
Madison Gas & Electric Co.	Electric	3270-UR-114	4/19/05	12/12/05	12/31/06	37.9	35.9	11.5	11.0	11.0
Madison Gas & Electric Co.	Gas	3270-UR-114	4/19/05	12/12/05	12/31/06	4.0	3.8	11.5	11.0	11.0
Northern States Power Co.	Electric	4220-UR-114	6/01/05	1/05/05	12/31/06	61.4	43.4	11.9	11.0	11.0
Wisconsin										



Company	ROE	ROE	ROE	ROE	ROE	ROE	ROE
Wisconsin Energy Corp.	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%
Wisconsin Electric Power Co.	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%
Wisconsin Public Service Corp.	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%
Wisconsin Public Service Corp.	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%

**ENDNOTES**

\* Settlement agreement. No ROE figure stated.

- ROE figure shown includes a 30 basis-point upward adjustment to account for LDC's higher risk when compared to financial study proxy group.
- Adopted ROE set below the normally accepted mid-point range to reflect finding that LCD had been deficient in accounting and record keeping practices, and had exhibited a pattern of inadequate customer service.
- Order adopting rate-making cost of capital for major investor-owned energy utilities.
- Approved overall rate of return 5 basis points higher than last authorized rate. Produces only nominal change in revenue requirement.
- Although allowed ROE is 20 basis points higher than prior year's award, rate reduction results from lower approved figures for cost of debt and preferred stock.
- Revenue sharing agreement settlement. Existing rates remain in place. Retail base-rate revenues between specified threshold amounts will be shared 2/3 to ratepayers and 1/3 to shareholders. No ROE specified in revenue-sharing settlement.
- Figure shown is current ROE for recovery clause calculations and other non-base-rate purposes.
- Stipulated overall rate of return of 8.1%. No ROE given.
- Delivery service only.
- Final figure per order on rehearing issued 05/28/06. Initial order included an increase of \$45.6 million.
- Settlement agreement. No ROE figure provided. Overall rate of return listed as 8.879%.
- Settlement agreement includes ROE as shown.
- Figure shown includes adjustment for initiation of fuel adjustment charge rate.
- Approved settlement provides that \$28.106 million in environmental surcharge costs will be removed from adjustment clause filing and incorporated into base rates.
- Order on periodic earnings review under existing rate stabilization plan. Threshold for earnings sharing lowered from current ROE of 12.25% to 11.25%.
- Commission finds stranded cost recovery complete. Figure shown allows full recovery of production fixed costs on a going-forward basis.
- Figure shown is Phase 1 grant. Phase 2 grant totaling an additional \$114.9 million revenue requirement effective 1/1/07.
- Commission rejects proposed risk-premium adder as unwarranted given LDC's improved credit rating and recent regulatory actions limiting risk such as preapproval of energy supply plans and ROE premiums for large construction projects.
- Delivery service rates.
- Revenue award includes credit of \$1.4 million in allegedly unreasonable gas commodity costs recovered from ratepayers in 2005-2006 heating season.
- Per settlement proposal. Commission finds revenue figure reflects amount the LDC requires to operate and maintain its gas distribution system.
- Figure as listed in approved settlement agreement.
- In July 14, 2005, order for notice and hearing the commission consolidated utility's rate-case filing and application for performance-based rate plan. Utility may decline commission-approved performance plans, in which case rates may be reset based on cost-of-service data.
- Order approving performance-base rate plan. Commission rejects proposal to dismiss general rate filings and approves revenue requirement findings as shown to be used in event utility rejects plan.
- Financial data indicated the need for a \$393.9 million increase, but WEPCO only requested an increase of \$256.4 million based on the recovery of: \$67.5 million in costs related to transmission charges; \$70.1/million related to reliability investments; \$6 million in costs related to renewable sources of energy; \$93.4 million in additional fuel costs; and \$19.4 million related to Midwest Independent Transmission System Operator additional costs.

## Energy Risk Management — A Primer for the Utility Industry

By Andrew S. Hyman et al.

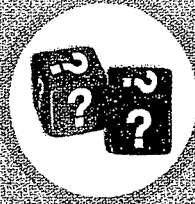
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## Exploring the Philosophy of

# RATE DESIGN

Since 1980, the amount of natural gas consumed per residential and commercial customer has dropped by about 1 percent a year, according to AGA data. Factors contributing to this decline in natural gas usage include the ongoing energy efficiency improvements in gas appliances and equipment, tighter construction of newer and remodeled homes and buildings, and conservation efforts by individual consumers. In years when the winter is warmer than normal, gas consumption decreases even further.

By Karen Ryan  
Contributing Editor

In these days of growing concern about energy supply and prices, the public wouldn't think that conserving natural gas might pose a problem for anyone. But it can for a utility that uses the traditional volumetric rate design, which dates back about 100 years and ties a gas utility's recovery of fixed delivery system costs and its profitability to the amount of gas its customers use. Moreover, while natural gas utilities do provide energy conservation tips to their customers, the traditional volumetric rate acts as a financial disincentive to more aggressive energy conservation campaigns.

Consequently, some utilities, with regulatory approval, have put in place rate mechanisms that separate, or decouple, the recovery of fixed system costs from the volume of gas delivered to customers. Additional utilities have turned to other types of novel rate methodologies to stabilize their earnings or their revenue flow. Below, six utilities describe their innovative approaches to rates.

### Straight-Fixed Variable Rate Design

In the late 1990s, Atlanta Gas Light Co. (AGLC) unbundled its natural gas sales and transportation services. At the same time, the utility moved from a traditional volumetric rate design to a straight-fixed variable design, as mandated by Georgia's deregulation legislation.

Since then, the fixed costs of running AGLC's gas delivery system have been recovered through a monthly customer charge and a demand charge the utility calls a "dedicated design day capacity" (DDDC) charge. The DDDC charge is based on the system capacity needed to serve residential and commercial customers on a day when gas demand will be at the highest level the system is capable of handling.

"Based on the total system capacity requirement for a peak demand day, we determine each customer's proportion of

the total system capacity, which is then multiplied by an individual DDDC factor and related monthly DDDC charge," says Scott Carter, AGLC Resources vice president of regulatory affairs.

Once a year, AGLC reallocates its system capacity requirement based on the previous winter's data and assigns each customer a new annual DDDC factor. The corresponding new DDDC charge usually shows up on customer bills starting in late summer. "If customers have done something to lower their gas consumption, their unique DDDC factors will change and their DDDC charges will decline," says Carter, "This approach creates transparency in the billing structure that shows customers how using less gas saves money."

After the straight-fixed variable rate design was put in place, AGLC made some adjustments. "We went through a learning process during which we discovered what customers need, sense and perceive," Carter explains. "When the DDDC charge first went into effect, for example, we spread a customer's total annual charge evenly over 12 months. Customers, however, were accustomed to very low charges in the summer and higher charges in the winter as their gas usage increased. To keep the customer's bills similar to what they were used to seeing, we did a seasonal sculpting of the DDDC charge. Now, the charge is higher in the cold months and lower in the warm months."

### Fixed Delivery Services Charge

Since July 2005, Northern States Power Co.'s North Dakota residential gas customers have been paying a single fixed "delivery services" charge of \$15.69 a month for gas distribution and metering services.

This fixed charge evolved out of

discussions between the utility and the regulator during a rate proceeding, according to Eric Sederquist, Northern States Power Co. senior regulatory consultant. The utility offered the North Dakota Public Service Commission several rate structure options, two of which revolved around the traditional flat monthly customer charge coupled

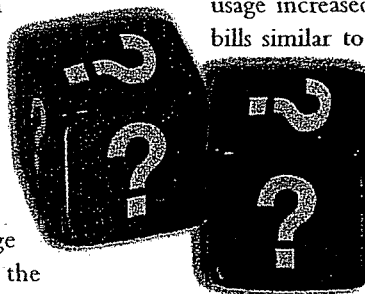
*Some utilities, with regulatory approval, have put in place rate mechanisms that separate, or decouple, the recovery of fixed system costs from the volume of gas delivered to customers.*

with a volumetric charge.

"Another option we offered," says Sederquist, "was a more complicated revenue decoupling mechanism to recover revenues we were unable to recover under our old rate structure because of declining gas use per customer." The commission, however, was not comfortable with the decoupling mechanism because the utility was proposing an annual adjustment rather than "more real-time" adjustments to recover costs, according to Sederquist.

"We'd recently implemented a new billing system and reprogramming it to make monthly adjustments under a decoupling mechanism would have been very expensive," Sederquist explains. "As a result of the discussions with the commission, we moved full bore into consideration of a single fixed monthly charge, which in its simplicity would be better than a decoupling mechanism."

Initially, the utility was concerned that the new fixed charge would be perceived by customers as a radical rate increase because they were accustomed to a monthly basic service charge of \$5.50 coupled with a usage-based distribution charge that typically varied from \$8 to \$30 a month, depending on the amount of gas consumed.



"But we haven't seen much customer back-indication of the new rate structure," says Sederquist. "Customers seem to understand that delivering gas to their homes costs the same each month regardless of how much gas they use. They also understand that the price volatility under the old volumetric-based delivery charge is gone."

Sederquist notes several advantages of a fixed delivery services charge. "We now have nothing to lose by more actively promoting energy conservation. Bills are easier for customers to understand and should be lower during the winter heating months. Plus, once a sufficient fixed charge is in place, the impact of declining gas use per customer will not erode revenues, and there should be longer periods between rate cases."

## Decoupling— Revenue Normalization Adjustment

Washington Gas Light Co. introduced a revenue normalization adjustment (RNA) mechanism last fall that adjusts the monthly gas delivery charge paid by firm-service customers in Maryland. In addition, the utility's interruptible-service customers in the state recently saw changes in the way their rates are calculated.

"With an RNA, revenue collection is stabilized, so customers no longer experience the distribution-charge peaks and valleys associated with traditional rate structures," says Paul Buckley, Washington Gas director of rates and regulatory affairs. The RNA, designed to recover fixed gas delivery service costs, reflects the differences in customer usage. The largest factor that influences usage is weather. Thus, for example, the RNA reduces a customer's bill when winter weather is colder than normal and gas consumption is higher, and it attaches a surcharge to bills during periods of warm weather and lower consumption.

Washington Gas looks at the revenues collected each month under the RNA to determine if there's been an under- or over-collection. The subsequent adjustment, whether a surcharge or credit, is reflected in the customer's distribution charge two months later.

Buckley says an RNA is the "simplest and most straight forward" of the various ways to achieve decoupling results and "an elegant solution to what we think is a long-standing endemic problem with ratemaking—volatility of revenues due to volumetric rates." He also notes that the same basic mechanics of calculating rates that have been used by regulatory

bodies for 100 years are used in the Washington Gas RNA.

With its first interruptible-service customers, Washington Gas replaced its value-of-service gas distribution rate with a cost-of-service rate. The former rate was pegged to the market price of the competing fuel oils that interruptible customers could use in place of natural gas.

"Under the cost-of-service rate," explains Buckley, "we calculate the estimated total revenue we need to collect annually from these customers. The amount is recovered through a monthly fixed system charge that is the same for each customer regardless of gas consumption and through a two-tiered distribution charge based on gas usage—11 cents per therm for the first 75,000 therms a month and a much lower per-therm charge for consumption above 75,000 therms."

If the utility recovers less than 90.9 percent of its annual revenue calculation for interruptible customers, the customers make up the shortfall over a subsequent 12-month period. Conversely, if the utility collects more than 100 percent of the revenue calculation, it returns the surplus to customers, again over 12 months.

"With the new rate structure, customers don't see big changes in their bills as a result of market conditions for oil," says Buckley. "Under the old rate, market conditions could have led to very low revenues for us if oil prices were severely low."

## Restructured Rate Blocks

"Because the winter weather, with a few exceptions, has been warmer than normal over the past two decades, we've had a persistent problem recovering our fixed distribution costs," says Mike Pendergast, Laclède Gas Co. vice president and associate general

### Resources on Natural Gas Utility Rates

NATURAL GAS UTILITY RATE regulation resources are available to AGA members on the association's web site at [www.aga.org](http://www.aga.org), click on "rates and state regulation." Here's some of what you'll find on the site:

► The free *Rate Alert*, published weekly unless there's no news, features summaries of gas utility rate cases decisions and related materials, plus Web links to the full regulatory decisions.

► To date, the periodic and free *Rate Round-Up* has covered bad-debt recovery strategies, pipeline integrity management cost recovery, fixed bill and fixed gas price options, fixed cost recovery rate design and decoupling mechanisms.

► The website's "rate case information" section provides myriad information, including data on requested and allowed rates of return on equity, return on equity calculation methodology, survey results on test-year lengths, and a consultant database. This section continually expands to include other types of information of interest to AGA members.

Another resource, "Rethinking Natural Gas Utility Rate Design," is available from the American Gas Foundation (AGF) at [www.gasfoundation.org](http://www.gasfoundation.org). This white paper presents the views of participants in a recent executive forum sponsored by AGF and the National Association of Regulatory Utility Commissioners. The participants included state regulators, consumer advocates, financial analysts and natural gas utility executives.

counsel to better address that problem. Laclede proposed a weather mitigation rate design (WMRD) that Missouri regulators approved in 2002.

Laclede's previous rate structure consisted of a two-block distribution rate that recovered a significant portion of its distribution costs in the second block and a purchased gas adjustment (PGA) charge that wasn't broken down by usage. WMRD is a reconfiguration of the old block rate structure that "gives us a better chance than before to recover distribution fixed costs even if winter is warmer than normal," says Pendergast. "It also ensures that we don't over-recover costs from customers if it's colder than normal."

Why didn't Laclede

propose some type of decoupling mechanism? "At the time it was difficult getting adjustment mechanisms approved in Missouri because of an old state supreme court case striking down electric utility fuel adjustment clauses," Pendergast explains. "So we had to develop something that would further the same goal as a decoupling mechanism without causing a substantial impact on our customers."

Under WMRD, residential customers pay a monthly \$12 customer charge plus a per-therm distribution charge comprising two blocks. The first block applies to consumption between zero and 65 therms a month; the second block has no distribution charge for usage in excess of 65 therms. The distribution

*The principal benefit of rate stabilization programs is the reduced cost of regulation.*

—CHARLES HARDER, CENTERPOINT DIRECTOR OF REGULATORY POLICY AND EXTERNAL RELATIONS

charge is accompanied by a two-block PGA based on the same gas consumption parameters as the distribution rate blocks. However, the PGA's per-therm charge in the first block is lower than that in the second block.

"We put into the first distribution block the recovery of all of our distribution costs that aren't recovered through a customer charge. And we continued to recover some gas costs through the PGA in the first block," says Pendergast. The increased charges in the first block of the new distribution rate are offset by decreased charges in the first block of the PGA rate. "Consequently, customers are paying basically the same total amount for gas as they were before the rate structure was changed," he says.

Generally during December, January and February Laclede fully recovers distribution costs because customers are using at least 65 therms per month, according to Pendergast. "We still have some significant exposure, however, during November, March and April that we need to address because many customers aren't using 65 therms a month," he says.

"To address this problem, we will continue to pursue further refinements to our rate design, as well as the kind of usage adjustment mechanism that the Missouri legislature authorized for gas utilities under a law passed in 2005," says Pendergast. "In the meantime, WMRD achieves some of the same goals as a decoupling mechanism—it makes us less sensitive due to warm winter weather or general declines in consumption. In the process, it serves to at least lessen any financial disincentive we otherwise would have had to pursue conservation programs on behalf of customers."

## NARUC Encourages Adoption of Innovative Rates

A RESOLUTION URGING UTILITY REGULATORS to consider innovative natural gas utility rate mechanisms to increase energy conservation and reduce customers' bills was adopted by the National Association of Regulatory Utility Commissioners (NARUC) late last year.

The resolution "encourages state commissions and other policy makers to review the rate designs they have previously approved to determine whether they should be reconsidered in order to implement innovative rate designs that will encourage energy conservation and energy efficiency that will assist in moderating natural gas demand and reducing upward pressure on natural gas prices."

Within the resolution, NARUC acknowledges that "current forms of rate design may tend to create a misalignment between the interests of natural gas utilities and their customers." The organization cites eight utilities that have received regulatory approval of innovative rates that "may assist, especially in the short term, in promoting energy efficiency and energy conservation, and slowing the rate of demand growth of natural gas." The companies mentioned are Atlanta Gas Light Co., Baltimore Gas and Electric Co., Northern States Power Co., NW Natural, Oklahoma Natural Gas Co., Piedmont Natural Gas Co., Southwest Gas Corp. and Washington Gas Light Co.

This summer a NARUC resolution endorsed the National Action Plan for Energy Efficiency. This joint plan of the Environmental Protection Agency, Department of Energy and NARUC recommends that states, regulators and utilities work to "[m]odify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments."

[www.naruc.org](http://www.naruc.org)

## Rate Stabilization Mechanism

A rate stabilization mechanism is an effect for all customer classes in CenterPoint Energy's Mississippi, Louisiana and Oklahoma service territories. This mechanism is designed to streamline and reduce the cost of regulation.

"Basically, the mechanism tracks our weather-normalized earnings between rate cases," says Charles Harder, CenterPoint director of regulatory policy and external relations. "We find the mechanism very effective, primarily because there isn't sufficient growth in customers and gas load in these states to offset increasing costs."

Harder provides an example to illustrate how the mechanism works: "Suppose our allowed rate of return on equity is set at 10.25 percent. If we earn between 9.75 and 10.75 percent, we are in what's called the 'dead band' and there's no change in our rates. However, if the actual return on equity falls below 9.75 percent, we are permitted to increase our rates. And if the actual return is above 10.75 percent, the excess is shared between the utility and customers, who will see the amount returned to them as a credit on their bills."

The principal benefit of rate stabilization programs is the reduced cost of regulation, according to Harder. "Essentially, these programs are mini rate cases. Should you require more funds to run your business, this mechanism permits recovery of those necessary funds without incurring the cost and diversion of resources that a rate case requires."

A rate stabilization filing also differs from a traditional rate case. Certain items generally contested in a rate case, such as rates of return, depreciation rates, cost allocation and rate design, are not issues that are allowed to come up during a rate stabilization proceeding because these are pre-determined based on the last rates approved by regulators.

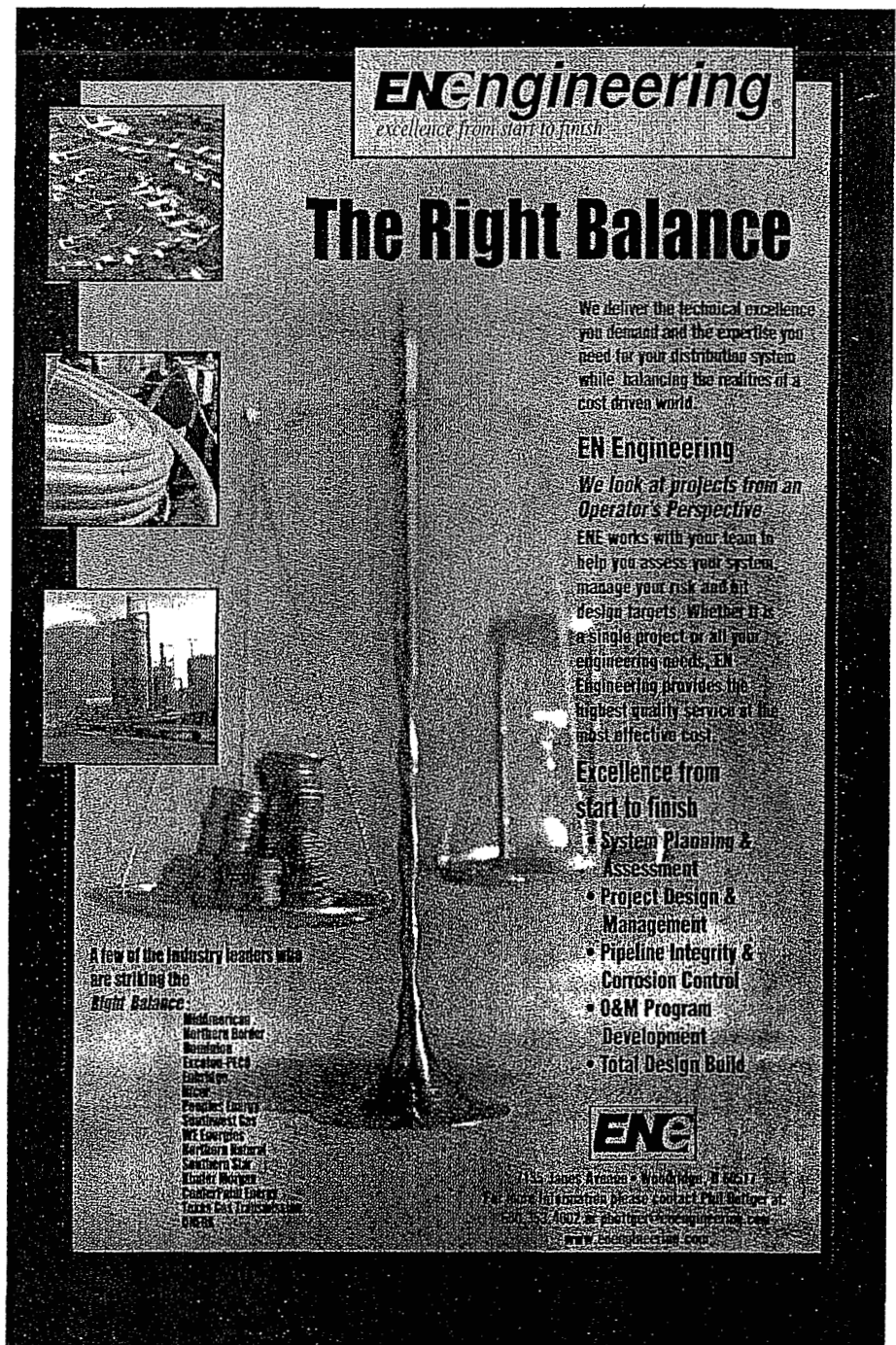
The only concern Harder says he has heard expressed by regulators is that the rate stabilization mechanism may insulate the utility from enough risk that its

return on equity should be adjusted downward to reflect the reduced risk. "We maintain that if you look at the proxy group of peer companies used to determine our rate of return on equity," he says, "a lot of those companies have mechanisms in place that reduce their risks as well, or they have sufficient growth to delay the need for rate relief. Therefore, even with this rate stabiliza-

tion mechanism, we're not substantially less risky than other utilities."

## Decoupling, Conservation Plan

Cascade Natural Gas Corp's Conservation Alliance Plan (CAP), which decouples the recovery of the cost of providing gas service from the amount of gas customers use, went into effect in



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regulator. Many utility companies are seeking regulatory approval of a similar decoupling mechanism in its general rate case in Washington state.

CAP features weather deferral and conservation deferral accounts that track

usage and determine what changes in months we calculate that affect the determination of the variance in usage.

A portion of the dollar amount attributable to the usage variance is assigned to the weather variance deferral account, and the rest goes into the conservation variance deferral account. The deferral accounts are settled every 12 months. Depending on whether there was an over- or under-recovery of costs, the balance in the accounts is either passed through to or recovered from customers over the next 12 months.

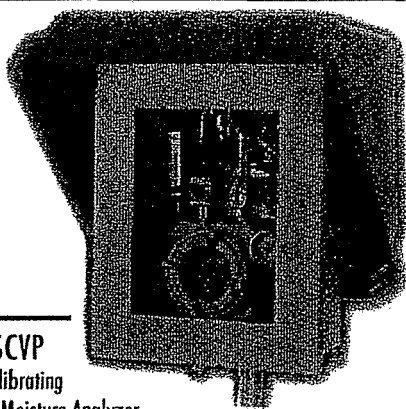
"We figure weather could represent a variance of as much as 8 to 9 percent in gas consumption depending on how much the actual weather is warmer or colder than normal, while conservation accounts for a 1 to 2 percent variance each year," says Stoltz. "If it's an extremely warm year, there can be a significant balance to amortize over the next year."

Stoltz notes that while utility regulators are open to these types of decoupling mechanisms, getting your approved "wasn't a slam dunk." He explains: "Most of Oregon's public utility commission staff were concerned about the weather side of the CAP calculation. The staff initially viewed the proposal as reducing our risk but not the risk of customers. As a result, the staff suggested our rate of return on equity be reduced. We prevailed, however, by showing that our proposal cut the opportunities for windfalls when it's colder than normal and for shortfalls in margin when it's warmer than normal. In essence, we were eliminating the weather risks for us as well as for our customers."

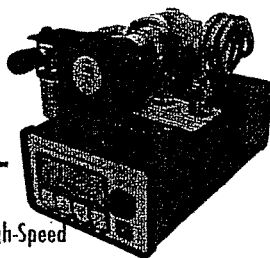
At the same time CAP took effect, Cascade also implemented a "public purpose" surcharge of 0.75 percent of each customer's bill. The surcharge funds collected from customers are matched equally by Cascade and turned over to the nonprofit Energy Trust of Oregon, which facilitates energy conservation activities in the state. **EG**

*The Conservation Alliance Plan features weather deferral and conservation deferral accounts that track variations in residential and commercial customers' gas usage as a result of those factors.*

variations in residential and commercial customers' gas usage as a result of those factors. "We establish baseline margins per customer, based on either a rate case test period or another period that has been normalized for weather and compare actual weather to that normalized period, says Jon Stoltz, Cascade senior vice president of gas



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## DELTA NATURAL GAS COMPANY, INC. DIRECTORS

NAME	TERM EXPIRES	HOME ADDRESS	SPOUSE	TELEPHONE	E-MAIL
Crowe, Donald R.	2007				
Greer, Lanny D.	2007				
Hall, Billy Joe	2007				
Jennings, Glenn R.	2008				
Kistner, Michael J.	2009				
Melton, Lewis N.	2008				
Peet, Harrison D.	2007 (emeritus)				
Walker, Arthur E. Jr.	2008				
Whitley, Michael R.	2009				

**Executive Committee**

Glenn R. Jennings - Chairman  
 Michael J. Kistner  
 Lewis N. Melton  
 Michael R. Whitley

**Audit Committee**

Michael J. Kistner - Chairman  
 Donald R. Crowe  
 Lanny D. Greer  
 Billy Joe Hall

**Corporate Governance and  
Compensation Committee**

Lewis N. Melton - Chairman  
 Arthur E. Walker, Jr.  
 Michael R. Whitley

Updated November 16, 2006

(See reverse side for Officers)



Delta Natural Gas Company, Inc.  
Board of Directors' Meeting - 11/16/2006  
Quarterly Summary Report

	Periods ended September 30,				
	3 months			12 months	
	<b>2006</b> <b>Actual</b>	2006 <u>Budget</u>	2005 <u>Actual</u>	<b>2006</b> <b>Actual</b>	2005 <u>Actual</u>
Retail Sales and Unbilled Volumes	<u>198</u>		<u>195</u>	<u>3,227</u>	<u>3,523</u>
Transportation Volumes					
- off system	2,163		2,075	8,876	7,728
- on system	<u>1,231</u>		<u>1,179</u>	<u>5,374</u>	<u>5,282</u>
Total Transportation	<u>3,394</u>		<u>3,254</u>	<u>14,250</u>	<u>13,010</u>
Total Throughput (million cubic feet)	<u>3,592</u>		<u>3,649</u>	<u>17,477</u>	<u>16,533</u>
Actual Lexington Calendar Degree Days as % of 30 Year Average	157.1		18.9	93.9	91.2
Net Income (Loss) (\$000)	<b>(537)</b>		(574)	<b>5,062</b>	5,545
Net Income (Loss) Per Common Share (\$)	<b>(.16)</b>		(.18)	<b>1.56</b>	1.72

The attached detailed financial data is provided for further information and review. In summary, for the past twelve months, weather was warmer than the previous year, but the impact from the last rate case, increased subsidiary earnings and weather adjusted rates helped to offset some of the impact. Also, the unbilled revenues impact increased 2005 by \$.11 per share. Increased transportation revenues helped 2006 earnings, but we experienced significant reductions in total margins on our retail regulated sales due to fewer customers and declining usage resulting from high gas prices.

DELTA NATURAL GAS COMPANY, INC.

BALANCE SHEET

September 30, 2006

ASSETS	2006	2005
GAS UTILITY PLANT, AT COST	\$ 180,528,152	\$ 174,547,934
Less - Reserve for Depreciation	<u>60,398,677</u>	<u>57,504,219</u>
	\$ <u>120,129,475</u>	\$ <u>117,043,715</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 193,249	\$ 172,112
Receivables	4,736,161	4,984,590
Deferred Gas Cost	2,319,006	4,292,143
Gas in Storage, at Cost	11,559,214	12,626,859
Materials and Supplies, at Cost	428,218	683,273
Prepayments	<u>885,796</u>	<u>1,546,024</u>
	\$ <u>20,121,644</u>	\$ <u>24,305,001</u>
<b>OTHER ASSETS:</b>		
Cash Surrender Value of Life Insurance	\$ 401,032	\$ 387,193
Unamortized Expenses	5,795,963	3,771,749
Receivable/Investment in Subsidiaries	6,499,720	3,451,295
Other	<u>5,226,172</u>	<u>3,309,184</u>
	\$ <u>17,922,887</u>	\$ <u>10,919,421</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>158,174,006</u></b>	<b>\$ <u>152,268,137</u></b>
<b>LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock	\$ 3,261,034	\$ 3,237,149
Paid-in Surplus	45,761,728	45,171,632
Capital Stock Expense	(2,615,273)	(2,597,999)
Accum Other Comprehensive Income	0	0
Retained Earnings	<u>4,797,884</u>	<u>3,649,653</u>
Total Common Equity	\$ 51,205,373	\$ 49,460,435
Long-term Debt	<u>58,790,000</u>	<u>52,635,000</u>
Total Capitalization	\$ <u>109,995,373</u>	\$ <u>102,095,435</u>
<b>CURRENT LIABILITIES:</b>		
Notes Payable	\$ 14,572,267	\$ 15,508,746
Current Portion of Long-Term Debt	1,200,000	1,650,000
Accounts Payable	3,742,823	6,985,789
Accrued Taxes	553,828	426,052
Refunds Due Customers	1,884	245
Customer Deposits	459,095	456,665
Accrued Interest	865,368	1,532,717
Current Deferred Income Taxes	701,000	999,700
Other	<u>1,030,311</u>	<u>1,079,372</u>
	\$ <u>23,126,576</u>	\$ <u>28,639,286</u>
<b>DEFERRED CREDITS AND OTHER:</b>		
Deferred Income Taxes	\$ 20,694,500	\$ 18,503,900
Deferred Investment Tax Credit	241,350	278,800
Regulatory Items	2,511,060	2,582,238
Advances for Construction and Other	1,605,147	168,478
Accum Provision for Pensions & Benefit	0	0
	\$ <u>25,052,057</u>	\$ <u>21,533,416</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>158,174,006</u></b>	<b>\$ <u>152,268,137</u></b>

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

September 30, 2006

	3 MONTHS TO DATE		12 MONTHS ENDED	
	2006	2005	2006	2005
<b>OPERATING REVENUES</b>	\$ 5,909,548	\$ 6,064,197	\$ 68,686,705	\$ 56,471,516
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 2,182,775	\$ 2,384,034	\$ 43,030,872	\$ 29,440,106
Operations	2,490,261	2,494,076	10,904,246	11,150,888
Maintenance	158,909	163,259	690,181	621,400
Depreciation	1,105,538	998,823	4,190,586	4,010,286
Property & Other Taxes	452,666	383,257	1,761,042	1,639,416
Income Taxes	(631,850)	(570,200)	1,084,950	1,935,700
Total	\$ 5,758,299	\$ 5,853,249	\$ 61,661,877	\$ 48,797,796
Operating Income	\$ 151,249	\$ 210,948	\$ 7,024,828	\$ 7,673,720
<b>OTHER INCOME/(EXPENSES),NET</b>	487,945	351,572	3,067,389	2,400,520
Gross Income	\$ 639,194	\$ 562,520	\$ 10,092,217	\$ 10,074,240
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 1,079,279	\$ 1,077,944	\$ 4,718,709	\$ 4,293,157
Amortization	96,660	59,045	311,149	236,184
Other				
Total	\$ 1,175,939	\$ 1,136,989	\$ 5,029,858	\$ 4,529,341
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ (536,745)	\$ (574,469)	\$ 5,062,359	\$ 5,544,899
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ (0.16)	\$ (0.18)	\$ 1.56	\$ 1.72
<b>CUSTOMERS AT END OF PERIOD</b>			35,751	36,677
<b>AVERAGE SHARES</b>	3,257,537	3,232,827	3,248,372	3,223,214
	FISCAL YTD	FISCAL YTD	12 MONTH ENDED	12 MONTH ENDED

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**September 30, 2006**

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over		Last Year	Over (Under )		Last Year	This Year	Last Year
	(Under )	Budget		Budget	This Year			
DEGREE DAYS BILLED - LEXINGTON AREA		4	-		5	-	4,314	4,280
<b>MCF'S:</b>								
<b>DELTA NATURAL</b>								
RESIDENTIAL		27,600	29,693		76,216	86,376	1,758,103	1,978,743
SMALL COMMERCIAL		10,573	10,476		28,403	30,120	541,170	572,032
COMMERCIAL - OTHER		27,196	25,803		68,130	69,555	772,566	766,900
INDUSTRIAL		3,565	5,431		9,329	14,362	141,741	151,470
TOTAL SOLD		68,934	71,403		182,078	200,413	3,213,580	3,469,145
OFF SYSTEM		558,656	752,218		2,162,448	2,074,941	8,876,470	7,728,161
ON SYSTEM		418,761	400,681		1,231,199	1,178,616	5,374,151	5,282,334
TOTAL TRANSPORTED		977,417	1,152,899		3,393,647	3,253,557	14,250,621	13,010,495
TOTAL DELTA NATURAL		1,046,351	1,224,302		3,575,725	3,453,970	17,464,201	16,479,640
RESOURCES ON SYS INCL		146,072	157,748		428,375	429,149	2,022,361	2,026,256
DELGASCO OFF SYS INCL		55,582	180,962		453,398	404,789	2,337,524	1,927,679
Unbilled MCF		16,148	(4,971)		16,401	(4,813)	12,816	53,592
<b>REVENUES:</b>								
<b>DELTA NATURAL</b>								
RETAIL SALES		1,465,557	1,599,032		4,100,376	4,497,150	61,338,879	48,388,638
UNBILLED REVENUE		294,501	(51,099)		229,586	30,659	140,322	1,277,215
MISC OPERATING		13,345	10,279		40,237	39,242	251,223	225,532
OFF SYS TRANSPORT		163,406	214,891		629,066	593,782	2,578,090	2,238,521
ON SYS TRANSPORT		311,146	313,354		910,284	903,365	4,378,190	4,341,610
TOTAL DELTA NATURAL		2,247,955	2,086,457		5,909,549	6,064,198	68,686,705	56,471,516
RESOURCES ON SYS SALES		1,313,376	1,861,113		3,787,387	4,124,153	22,808,403	16,550,231
DELGASCO OFF SYS SALES		456,381	2,154,023		3,381,374	4,003,136	24,492,370	15,438,533
TOTAL CONSOLIDATED		4,017,712	6,101,593		13,078,310	14,191,487	115,987,478	88,460,280
<b>GAS COSTS:</b>								
<b>DELTA NATURAL</b>		755,296	873,023		2,048,066	2,348,404	42,967,789	28,774,502
DELTA NATURAL UNBILLED GAS COST		177,445	(57,914)		134,709	35,630	63,083	665,605
DELTA RESOURCES		1,150,911	1,778,443		3,311,004	3,881,990	20,478,662	14,720,623
DELGASCO		397,656	2,120,789		3,231,023	3,910,101	23,004,289	14,569,996
TOTAL CONSOLIDATED		2,481,308	4,714,341		8,724,802	10,176,125	86,513,823	58,730,726
<b>NET SALES:</b>								
<b>DELTA NATURAL EXCLUDING UNBILLED</b>		710,261	726,009		2,052,310	2,148,746	18,371,090	19,614,136
DELTA NATURAL UNBILLED		117,056	6,815		94,877	(4,971)	77,239	611,610
DELTA RESOURCES TOTAL		162,465	82,670		476,383	242,163	2,329,741	1,829,608
DELGASCO		58,725	33,234		150,351	93,035	1,488,081	868,537
TOTAL CONSOLIDATED		1,048,507	848,728		2,773,921	2,478,973	22,266,151	22,923,891
<b>PER MCF:</b>								
<b>DELTA NATURAL</b>								
TOTAL SALES		21.2603	22.3945		22.5199	22.4394	19.0874	13.9483
COST OF GAS		10.9568	12.2267		11.2483	11.7178	13.3707	8.2944
NET SALES		10.3035	10.1678		11.2716	10.7216	5.7167	5.6539
<b>DELTA RESOURCES</b>								
TOTAL SALES		8.9913	11.7980		8.8413	9.6101	11.2781	8.1679
COST OF GAS		7.8791	11.2739		7.7292	9.0458	10.1261	7.2649
NET SALES		1.1122	0.5241		1.1121	0.5643	1.1520	0.9030
<b>DELGASCO</b>								
TOTAL SALES		8.2109	11.9032		7.4578	9.8894	10.4779	8.0089
COST OF GAS		7.1544	11.7195		7.1262	9.6596	9.8413	7.5583
NET SALES		1.0565	0.1837		0.3316	0.2298	0.6366	0.4506
<b>DELTA NATURAL ONLY:</b>								
Change to Customers Between Yrs:								
Total Cost		-5.1%			0.4%		36.8%	
Gas Cost		-5.7%			-2.1%		36.4%	
Net Sales		0.6%			2.5%		0.5%	

Income Statement - Delta Natural Gas Co

July 01, 2006 - September 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>OPERATING REVENUES</b>						
<b>General Service Rate Billed</b>						
Residential	868,422.86CR	784,261.56CR	2,190,703.14CR	2,309,335.36CR	34,816,256.21CR	29,050,028.13CR
Small Commercial	277,433.85CR	257,274.23CR	710,471.30CR	731,643.71CR	10,390,511.77CR	8,157,339.49CR
Other Commercial	547,697.35CR	421,110.52CR	1,266,337.52CR	1,260,352.04CR	13,555,401.40CR	10,066,826.18CR
Industrial	52,225.15CR	59,133.05CR	121,533.50CR	170,434.68CR	1,774,714.34CR	1,377,187.09CR
Unmetered Gas Light	680.10CR	884.88CR	2,177.90CR	1,745.18CR	10,408.39CR	6,680.53CR
Residential WNA	.00	.00	.00	.00	294,695.98CR	463,176.22CR
Small Non-Residential WNA	.00	.00	.00	.00	83,432.01CR	119,568.88CR
Weather Normalization Revenu	.00	.00	.00	.00	378,117.59CR	582,745.10CR
<b>Total General Service Ra</b>	<b>1,746,459.31CR</b>	<b>1,532,664.24CR</b>	<b>4,291,233.36CR</b>	<b>4,473,510.97CR</b>	<b>60,925,409.70CR</b>	<b>49,240,806.52CR</b>
<b>Interruptible Rate Billed</b>						
Commercial	.00	.00	.00	.00	36,534.59CR	25,153.92CR
Industrial	13,598.46CR	25,268.49CR	38,738.80CR	54,297.98CR	517,356.92CR	399,893.22CR
<b>Total Interruptible Rate</b>	<b>13,598.46CR</b>	<b>25,268.49CR</b>	<b>38,738.80CR</b>	<b>54,297.98CR</b>	<b>553,791.51CR</b>	<b>425,047.14CR</b>
<b>Total Gas Revenue</b>	<b>1,760,057.77CR</b>	<b>1,547,932.73CR</b>	<b>4,329,972.16CR</b>	<b>4,527,808.95CR</b>	<b>61,479,201.21CR</b>	<b>49,665,853.66CR</b>
Miscellaneous Operating Revenue	13,345.00CR	10,279.00CR	40,237.00CR	39,242.00CR	251,233.06CR	235,531.90CR
Off System Transportation Reven	163,406.10CR	214,890.52CR	629,065.84CR	593,781.50CR	2,578,090.84CR	2,238,520.96CR
On System Transportation Revenu	311,145.56CR	313,353.26CR	910,283.41CR	903,364.90CR	4,378,190.04CR	4,341,610.22CR
<b>TOTAL OPERATING REVENUE</b>	<b>2,247,954.43CR</b>	<b>2,086,455.51CR</b>	<b>5,909,548.41CR</b>	<b>6,064,197.35CR</b>	<b>68,686,705.15CR</b>	<b>56,471,516.74CR</b>
<b>OPERATING EXPENSES</b>						
Purchased Gas	932,740.05	815,109.07	2,182,774.50	2,384,033.99	43,030,871.70	29,440,105.84
Recovery of Canada Mountain	.00	.00	.00	.00	.00	.00
<b>Purchased Gas, net</b>	<b>932,740.05</b>	<b>815,109.07</b>	<b>2,182,774.50</b>	<b>2,384,033.99</b>	<b>43,030,871.70</b>	<b>29,440,105.84</b>
Operation Expense						
Labor	517,955.86	499,158.88	1,486,135.84	1,470,853.92	6,577,491.56	6,472,583.90
Transportation	58,898.59	53,347.36	185,617.79	161,878.84	748,600.68	659,703.56

DELTA NATURAL GAS CO.

SUBSIDIARIES

Income Statement - Delta

July 01, 2006 - September 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
General Operations	40,392.24	32,444.88	134,103.07		99,429.86	506,309.31	370,935.91
Customer Billing	24,264.56	23,810.17	62,004.01		61,717.52	226,431.18	240,666.22
Uncollectible Accounts	.00	42,500.00	.00		127,500.00	577,974.41	430,326.04
Administrative	47,244.62	39,446.65	137,378.35		135,802.41	580,535.65	546,124.39
Outside Services	37,894.37	64,639.38	157,538.03		141,443.65	676,014.27	674,714.83
Insurance	66,554.84	76,339.60	204,885.02		184,921.86	758,505.15	768,019.20
Employee Benefits	173,712.55	192,330.36	497,822.86		526,973.64	2,107,362.71	2,416,119.47
General Administration	55,177.25	61,480.88	170,712.94		138,973.56	773,200.65	807,266.90
Expenses Transferred	212,614.33CR	211,575.54CR	651,952.54CR		630,314.35CR	3,001,071.57CR	2,516,290.33CR
Other	38,551.62	23,985.17	106,015.95		74,895.58	372,891.69	280,718.70
<b>Total Operation Expense</b>	<b>848,032.07</b>	<b>897,807.79</b>	<b>2,490,261.32</b>		<b>2,494,076.49</b>	<b>10,904,245.69</b>	<b>11,150,888.79</b>
Maintenance Expense							
Labor	7,182.74	7,565.67	31,808.14		22,084.94	144,785.51	91,528.69
Transportation	2,149.56	2,599.28	9,582.13		6,971.62	48,094.65	30,720.07
Mains	9,198.08	5,434.28	16,943.43		12,386.30	66,721.44	64,310.95
Meter & Regulators	2,025.46	2,461.88	7,826.12		15,586.08	40,524.09	62,532.37
Other	30,416.90	33,822.11	92,749.33		106,230.47	390,054.88	372,308.13
<b>Total Maintenance Expense</b>	<b>50,972.74</b>	<b>51,883.22</b>	<b>158,909.15</b>		<b>163,259.41</b>	<b>690,180.57</b>	<b>621,400.21</b>
<b>Total Operation and Maintenance</b>	<b>899,004.81</b>	<b>949,691.01</b>	<b>2,649,170.47</b>		<b>2,657,335.90</b>	<b>11,594,426.26</b>	<b>11,772,289.00</b>
Depreciation Expense	369,483.09	333,779.37	1,105,537.74		988,823.25	4,190,585.90	4,010,286.28
Taxes Other Than Income Taxes							
Property Taxes	100,178.00	87,725.00	301,359.00		263,175.00	1,221,210.12	1,106,258.50
Payroll Taxes	39,704.23	39,307.99	151,306.89		120,081.50	539,832.72	533,156.54
Total Other Taxes	139,882.23	127,032.99	452,665.89		383,256.50	1,761,042.84	1,639,415.04
<b>TOTAL OPERATING EXPENSES</b>	<b>2,341,110.18</b>	<b>2,225,612.44</b>	<b>6,390,148.60</b>		<b>6,423,449.64</b>	<b>60,576,926.70</b>	<b>46,862,096.16</b>

DELTA NATURAL GAS CO. SUBSIDIARIES  
 Income Statement - Delta  
 July 01, 2006 - September 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
OPERATING INCOME	93,155.75	139,156.93	480,600.19		359,252.29	8,109,778.45CR	9,609,420.58CR
Other Income and Expenses							
Other Net Income	6,399.87CR	4,917.79CR	21,947.56CR		20,750.91CR	228,833.10CR	91,319.20CR
Net Non Regulated Income	6,399.87CR	4,917.79CR	21,947.56CR		20,750.91CR	228,833.10CR	91,319.20CR
Total Income Before Interest Ch	86,855.88	134,239.14	488,652.63		338,501.38	8,338,611.55CR	9,700,739.78CR
Interest Expense							
Interest On Long-Term Debt	308,300.00	316,230.50	924,825.00		949,430.50	3,944,388.00	3,803,775.43
Interest On Short-Term Debt	53,970.13	49,307.53	147,959.77		121,706.44	744,308.57	458,490.16
Other Interest	2,353.73	2,308.29	6,494.24		6,806.81	30,013.37	30,891.03
Amortization of Debt Expense	31,242.88	19,681.75	96,660.42		59,045.25	311,148.73	236,184.00
Total Interest Expense	396,766.74	387,528.07	1,175,939.43		1,136,989.00	5,029,858.67	4,529,340.61
Net Income Before Income Taxes	483,622.62	521,767.21	1,634,592.06		1,475,490.38	3,308,752.88CR	5,171,399.17CR
Current Federal	172,800.00CR	184,325.00CR	601,500.00CR		543,275.00CR	659,025.00CR	423,675.00CR
Current State	.00	.00	.00		.00	76,100.00CR	106,800.00CR
Deferred Federal & State	11,300.00CR	13,275.00CR	21,100.00CR		17,525.00CR	1,857,525.00	2,504,075.00
Investment Tax Credit-Net	3,083.33CR	3,133.33CR	9,250.03CR		9,400.03CR	37,450.00CR	37,900.06CR
Income Taxes Non-Regulated	2,400.00	1,900.00	8,300.00		7,900.00	88,200.00	36,000.00
Total Income Taxes	184,783.33CR	198,833.33CR	623,550.03CR		562,300.03CR	1,173,150.00	1,971,699.94
Net Income - Delta Natural	288,839.29	322,933.88	1,011,042.03		913,190.35	2,135,602.88CR	3,199,699.23CR
Subsidiary Net Income							
Total Subsidiary Net Income	159,470.00CR	127,422.00CR	474,288.00CR		338,721.00CR	3,926,757.00CR	2,345,200.00CR
Net Income - Consolidated	139,369.29	195,511.88	536,744.03		574,469.35	5,062,359.88CR	5,544,899.23CR

DELTA NATURAL GAS CO. SUBSIDIARIES  
 Income Statement - Delta Resources  
 July 01, 2006 - September 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
<b>Operating Revenues</b>							
Sales To Parent	.00	.00	.00	.00	.00	.00	.00
Sales To Others	1,522,583.56CR	2,076,335.58CR	4,401,818.51CR	4,401,818.51CR	4,727,293.99CR	25,607,307.44CR	19,335,956.84CR
<b>Total Operating Revenues</b>	<b>1,522,583.56CR</b>	<b>2,076,335.58CR</b>	<b>4,401,818.51CR</b>	<b>4,401,818.51CR</b>	<b>4,727,293.99CR</b>	<b>25,607,307.44CR</b>	<b>19,335,956.84CR</b>
<b>Operating Expenses</b>							
Purchased Gas	1,150,911.00	1,778,443.00	3,311,004.00	3,311,004.00	3,881,989.62	20,478,661.99	14,720,621.98
Total Operation, Maintenance and Taxes Other than Income Tax	212,015.70	217,606.99	624,438.07	624,438.07	608,906.29	3,057,103.05	2,853,420.74
<b>Total Operating Expenses</b>	<b>1,362,926.70</b>	<b>1,996,049.99</b>	<b>3,935,442.07</b>	<b>3,935,442.07</b>	<b>4,490,895.91</b>	<b>23,535,765.04</b>	<b>17,574,042.72</b>
<b>Operating Income</b>	<b>159,656.86CR</b>	<b>80,285.59CR</b>	<b>466,376.44CR</b>	<b>466,376.44CR</b>	<b>236,398.08CR</b>	<b>2,071,542.40CR</b>	<b>1,761,914.12CR</b>
<b>Interest Expense</b>	<b>2,200.00</b>	<b>4,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>1,600.00CR</b>	<b>10,200.00</b>	<b>7,900.00CR</b>
<b>Net Income Before Income Taxes</b>	<b>157,456.86CR</b>	<b>76,285.59CR</b>	<b>461,376.44CR</b>	<b>461,376.44CR</b>	<b>237,998.08CR</b>	<b>3,061,342.40CR</b>	<b>1,769,614.12CR</b>
<b>Income Tax Expense</b>	<b>57,700.00</b>	<b>28,000.00</b>	<b>167,600.00</b>	<b>167,600.00</b>	<b>87,200.00</b>	<b>788,600.00</b>	<b>693,800.00</b>
<b>Net Income</b>	<b>99,756.86CR</b>	<b>48,285.59CR</b>	<b>293,776.44CR</b>	<b>293,776.44CR</b>	<b>150,798.08CR</b>	<b>1,272,742.40CR</b>	<b>1,076,014.12CR</b>



DELTA NATURAL GAS CO., SUBSIDIARIES

Income Statement - Deigasco

July 01, 2006 - September 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
03						
Operating Revenues						
Sales To Affiliates	1,150,911.00CR	2,364,223.00CR	3,311,004.00CR	8,840,644.08CR	19,165,158.19CR	18,570,355.04CR
Sales To Others	474,031.52CR	2,210,224.84CR	3,524,825.41CR	4,132,071.71CR	25,217,467.81CR	16,051,287.03CR
Total Operating Revenues	1,624,942.52CR	4,574,447.84CR	6,835,829.41CR	12,972,715.79CR	44,382,626.00CR	34,621,642.07CR
Operating Expenses						
Purchased Gas	1,548,567.86	4,485,013.17	6,542,027.46	12,750,745.28	42,169,447.92	33,140,351.37
Operation and Maintenance	22,538.88	59,401.86	157,990.88	140,873.34	915,735.10	692,037.22
Taxes Other Than Income Tax	.00	.00	.00	.00	7,630.63	4,233.34
Total Operating Expense	1,571,106.74	4,544,415.03	6,700,018.34	12,891,618.62	43,092,813.65	33,836,621.93
Operating Income	53,835.78CR	30,032.81CR	135,811.07CR	81,097.17CR	1,289,812.35CR	785,020.14CR
Total Interest Expense	10,857.78	1,748.93CR	7,019.22	5,371.68CR	45,771.51	9,011.71CR
Net Income Before Income Taxes	42,978.00CR	31,781.74CR	128,791.85CR	86,468.85CR	1,244,040.84CR	794,031.85CR
Income Tax Expense	16,900.00	12,500.00	50,600.00	34,000.00	479,100.00	309,900.00
Net Income	26,078.00CR	19,281.74CR	78,191.85CR	52,468.85CR	764,940.84CR	484,131.85CR

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
 Income Statement - Empro  
 July 01, 2006 - September 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
05						
<b>Operating Revenues</b>						
Gas Production	66,191.20CR	118,216.32CR	201,553.08CR	275,863.38CR	1,975,865.33CR	1,875,344.30CR
Oil Production	.00	.00	.00	3,001.34CR	5,666.72CR	15,296.21CR
Royalty	11,104.87CR	9,413.83CR	35,042.48CR	29,851.54CR	143,010.50CR	118,359.33CR
Other	.00	.00	.00	.00	.00	.00
<b>Total Operating Revenues</b>	<b>77,296.07CR</b>	<b>127,630.15CR</b>	<b>236,595.56CR</b>	<b>308,716.26CR</b>	<b>2,124,542.55CR</b>	<b>1,808,999.84CR</b>
<b>Operating Expenses</b>						
Purchased Gas	12,734.46	8,767.99CR	39,613.83	13,828.42CR	410,325.13	139,148.61
Operations and Maintenance						
Total Operations and Maint. E	4,826.93	11,458.05	14,654.41	78,312.20	185,388.76	291,283.54
Depreciation and Amortization	9,899.18	9,986.18	28,697.54	29,958.54	119,578.16	121,216.89
Taxes Other Than Income Taxes	.00	.00	.00	.00	21,156.31	20,833.48
<b>Total Operating Expenses</b>	<b>27,460.57</b>	<b>32,676.24</b>	<b>83,965.78</b>	<b>94,462.32</b>	<b>736,448.36</b>	<b>572,482.52</b>
<b>Operating Income</b>	<b>49,835.50CR</b>	<b>94,953.91CR</b>	<b>152,629.78CR</b>	<b>214,253.94CR</b>	<b>1,388,094.19CR</b>	<b>1,236,517.32CR</b>
<b>Total Other Income and Expenses</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>36,394.51CR</b>
<b>Interest Expense</b>	<b>4,800.00CR</b>	<b>2,100.00CR</b>	<b>13,500.00CR</b>	<b>5,400.00CR</b>	<b>58,380.00CR</b>	<b>14,945.00CR</b>
<b>Net Income Before Income Taxes</b>	<b>54,635.50CR</b>	<b>97,053.91CR</b>	<b>166,129.78CR</b>	<b>219,653.94CR</b>	<b>1,446,474.19CR</b>	<b>1,287,856.83CR</b>
<b>Income Tax Expense</b>	<b>31,000.00</b>	<b>37,200.00</b>	<b>63,800.00</b>	<b>84,200.00</b>	<b>557,400.00</b>	<b>502,800.00</b>

JJ.635.50CR

59,853.91CR

102,129.78CR

115,453.94CR

889,074.15CR

78E

13CR

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
SUDGET REPORT BY AGENT  
For Period 7/01/2006 - 9/30/2006

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

- 1117 CUSH GAS
- 1325 LAND&RGHTS
- 1327 STRUCTURES
- 1331 WELL EQUIP
- 1332 GATH LINES
- 1333 COMP EQUIP
- 1334 REG STAT
- 135001 STORAGE LD
- 135002 STOR ROW
- 1351 STRUCTURES
- 1352 STOR WELLS
- 135201 STORAGE RT
- 135202 STOR RESEV
- 135203 NONR NAT G
- 1353 STORAGE LN
- 1354 COMPR EQUIP
- 1355 REG EQUIP
- 1356 PURIFICATN
- 1357 OTHER EQUIP
- 136501 LAND RGHTS
- 136502 TRAN ROW
- 1366 TRAN STRUC
- 1367 TRAN MAINS
- 1368 COMP STAT
- 1369 REG EQUIP
- 1371 OTHR EQUIP
- 1381 METERS

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 9/30/2006

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

- 1383 REGULATORS
- 1385 IND METERS
- 1395 LAB EQUIP
- 139901 MAPPING
- 5117 CUSHN GAS
- 532503 MIN RIGHTS
- 532521 LEASEH-GAS
- 532523 INT INVESM
- 533101 GAS WELL E
- 535006 GAS RGT ST

Total ALH ALH

DELTA NATURAL GAS CO., INC. .-D SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 9/30/2006

CAPITAL EXPENDITURES

All Agents

GRJ GLENN R JENNINGS

139909 CONTINGENC

Total GRJ GRJ

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DELTA NATURAL GAS CO., INC. .J SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 9/30/2006

CAPITAL EXPENDITURES

All Agents

JFH JOHN F HALL

139902 COMP SOFTW

139903 COMP HWARE

Total JFH JFH

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2006 - 9/30/2006

CAPITAL EXPENDITURES  
All Agents

JLC JOHNNY L CAUDILL

- 1121 NON U PROP
- 1374 LAND & ROW
- 1375 DIS STRUCT
- 1376 DIST MAINS
- 1378 REG STRANS
- 1379 CG REG STA
- 1380 DIST SERV
- 1382 METREG IN
- 1389 LAND&RGHTS
- 1390 STRUCTURES
- 1391 FURN&EQUIP
- 1392 TRANSP EQP
- 1393 STORES EQP
- 1394 TOOLS&EQUIP
- 139401 CNG EQUIPM
- 1396 PO EQUIPMT
- 1397 COMM EQUIP
- 1398 MISC EQUIP
- 139911 OFFC EQUIP

Total JLC JLC

Grand Total

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**Minutes of Regular Quarterly Meeting of  
Board of Directors of  
Delta Natural Gas Company, Inc.  
Held in Winchester, Kentucky on August 25, 2006**

The regular quarterly meeting of the Board of Directors of Delta Natural Gas Company, Inc. was held at the offices of the Company at 3617 Lexington Road, Winchester, Kentucky on August 25, 2006, beginning at the hour of 10:00 a.m., E.D.T., pursuant to notice hereto attached as Exhibit I.

The following directors were present: Donald R. Crowe, Jane Hylton Green, Lanny D. Greer, Billy Joe Hall, Glenn R. Jennings, Michael J. Kistner, Lewis N. Melton, Harrison D. Peet, Arthur E. Walker, Jr. and Michael R. Whitley. John F. Hall, Delta's Vice President - Finance, Secretary and Treasurer was present in his capacity as Secretary of Delta and recorded the minutes of the meeting.

Glenn R. Jennings, Chairman of the Board, President & Chief Executive Officer, called the meeting to order, announced a quorum and the meeting proceeded.

The Chairman stated that the first order of business was the approval of the minutes of the regular quarterly meeting of May 12, 2006; copies of said minutes had been circulated to all directors prior to the meeting. Following discussion, on motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the minutes of the regular quarterly meeting held May 12, 2006 as circulated, be approved and that reading of said minutes be waived.

There being no old business, the Chairman then proceeded to new business. First, the Chairman commented on the drafts of Delta's 2006 Annual Report, Form 10-K and Proxy materials that were distributed to each Director at the meeting. Any suggestions on those documents were requested to be provided to either the Chairman or John F. Hall.

The Chairman reviewed the financial results for the twelve months ended June 30, 2006; a copy of his report had been mailed to each Director prior to the meeting and is attached as Exhibit II.

The Chairman reviewed with the Board 1) statistical information that compared fiscal 2006 information with the budgets of 2006 and 2007, attached hereto as Exhibit III, 2) a five year earnings, cash flow and financing projection, attached hereto as Exhibit IV and 3) some comparative data on gas companies provided by Edward Jones, attached hereto as Exhibit V.

The Chairman then asked the Board to consider the declaration of a dividend on common stock for the quarter ended June 30, 2006. After discussion, upon motion duly made, seconded, and carried unanimously, it was

**RESOLVED**, that a dividend on common stock of \$.305 per share be paid to stockholders of record as of the close of business on September 1, 2006, for the quarter ended June 30, 2006; said dividend to be paid September 15, 2006.

Michael J. Kistner, the Chairman of the Audit Committee, updated the Board on a meeting of the Committee held August 14, 2006 with the Company's outside auditor,

Deloitte & Touche LLP, and the Company's internal auditor to review the results of the June 30, 2006 audit. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that the audited financial statements be included in Delta's Form 10-K report to be filed with the Securities and Exchange Commission for the fiscal year ending June 30, 2006.

**RESOLVED**, that the amended Audit Committee Charter be approved as attached hereto as Exhibit VI.

Lewis N. Melton, the Chairman of the Corporate Governance and Compensation Committee, updated the Board on a meeting of the Committee held August 14, 2006. After discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that Delta's management is authorized to pay cash bonuses on or about August 31, 2006 to all employees on the payroll as of July 1, 2006, who are still employees when the payments are distributed, but excluding temporary summer employees, as follows:

All employees other than Officers and Leadership group (list attached as Exhibit VII) -

All Leadership group other than Officers -

Officers as Listed:

Glenn Jennings  
Alan Heath  
John Hall  
Johnny Caudill  
John Brown

Management is to use its discretion to pay less than the percentages authorized, including no bonus at all, to any employees whose performance does not warrant such bonus participation.

**RESOLVED**, that management is authorized to pay cash bonuses to the members of Delta's present Board of Directors as set forth below, such amounts to be paid on or about August 31, 2006:

Don Crowe  
Jane Green  
Lanny Greer  
Billy Joe Hall  
Mike Kistner  
Nick Melton  
Harrison Peet  
Arthur Walker  
Mike Whitley

**RESOLVED**, that acting pursuant to Article VIII of Delta's Articles of Incorporation and Article III of Delta's By-Laws, the number of Directors to be elected at the 2006 Annual Meeting of Shareholders shall be two (2).

**RESOLVED**, that the Board of Directors' nominates the following persons as directors of Delta for election at the 2006 Annual Meeting of Shareholders to serve until the annual meeting in 2009 and until their successors have been elected and qualified: Michael J. Kistner and Michael R. Whitley.

**RESOLVED**, that effective as of the November 16, 2006 Annual Meeting of Shareholders, Section 3.2 of Delta's By-Laws shall be amended to provide as follows:

Number, Tenure and Qualifications. The number of directors of the Corporation shall be eight (8). The Board of Directors shall be divided into three (3) classes, with each class as nearly equal as possible. Each director shall hold office for the term for which he or she is elected or until his or her successor shall have been elected and qualified, whichever period is longer.

**RESOLVED**, that Delta's By-Laws shall be amended and restated as of November 16, 2006 to incorporate this change to Section 3.2 into Delta's By-Laws.

**RESOLVED**, that the Delta Employee Savings Plan be amended in accordance with the attached Mandatory Distribution Amendment (Exhibit VIII) lowering the mandatory cash-out threshold to \$1,000.

**RESOLVED**, that Delta's Board of Directors congratulates Harrison D. Peet and thanks him for 58 years of outstanding service on the Board of Directors; and

**RESOLVED FURTHER**, that Delta's Board of Directors expresses their appreciation to Harrison D. Peet for the leadership, judgment, wisdom, guidance and vision which he has brought to the Company through the years; and

**RESOLVED FURTHER**, that Delta's Board of Directors wishes Harrison D. Peet a joyful and full life and looks forward to continued fellowship with him.

**RESOLVED**, that Delta's Board of Directors congratulates Jane H. Green and thanks her for 31 years of outstanding service on the Board of Directors; and

**RESOLVED FURTHER**, that Delta's Board of Directors expresses their appreciation to Jane H. Green for the hard work, wisdom, loyalty, support and guidance that she has brought to the Company through the years; and

**RESOLVED FURTHER**, that Delta's Board of Directors wishes Jane H. Green a joyful and complete life and looks forward to continued fellowship with her.

**RESOLVED**, that Harrison D. Peet be elected to a one-year term as an emeritus director of Delta Natural Gas Company, Inc., such term to begin on November 16, 2006, the date of Delta's November Board meeting following the 2006 Annual Meeting of Shareholders, and to end with the November, 2007 Board meeting.

The Chairman presented matters pertaining to the 2006 Annual Meeting and after discussion, upon motion duly made, seconded and carried unanimously, it was

**RESOLVED**, that Delta's 2006 Annual Meeting of Shareholders shall be held on November 16, 2006 at Delta's principal office in Winchester, Kentucky.

**RESOLVED**, that proxies shall be solicited by Delta from shareholders and shall appoint Glenn R. Jennings or John F. Hall, with power of substitution, to vote on behalf of the shareholders at the 2006 Annual Meeting.

**RESOLVED**, that proxies solicited from shareholders shall authorize Mr. Jennings or Mr. Hall to vote in favor of the above nominees to serve as directors until the annual shareholders' meeting in 2009 and until their successors have been elected and qualified.

**RESOLVED**, that the Board of Directors of Delta Natural Gas Company, Inc. hereby approves and recommends to shareholders an amendment to Delta's Articles of Incorporation increasing the number of shares of common stock that Delta has authority to issue from 6,000,000 shares to 20,000,000 shares and directs that such amendment be submitted to the shareholders of Delta for their approval at the Annual Meeting of Shareholders to be held on November 16, 2006.

**RESOLVED**, that proxies solicited from shareholders shall authorize Mr. Jennings or Mr. Hall to vote in favor of the amendment to Delta's Articles of Incorporation increasing the number of shares of common stock which Delta has authority to issue from 6,000,000 shares to 20,000,000 shares.

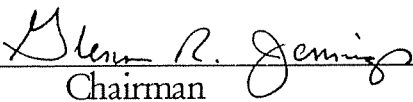
**RESOLVED**, that the close of business on October 2, 2006 shall be the record date for determination of shareholders entitled to vote at Delta's Annual Shareholders' Meeting to be held on November 16, 2006.

**RESOLVED**, that the officers of Delta are directed to take any and all actions as are reasonably necessary for the solicitation of proxies and the holding of the 2006 Annual meeting, including such filings as may be necessary or appropriate with the Securities and Exchange Commission and any exchange on which Delta's stock is traded, and that Delta shall pay all reasonable expenses associated with the solicitation of proxies and the Annual Meeting.

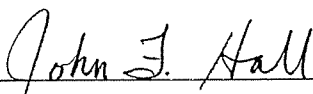
The Chairman discussed with the Board the status of various Delta management succession issues and plans, particularly with respect to the officers.

The Board adjourned into Executive Session with only the Independent Directors. There was nothing from that Executive Session that required further action.

There being no further business to come before the meeting, upon motion duly made, seconded and carried unanimously, the meeting was adjourned.

  
Chairman

Attest:

  
Secretary

**Delta Natural Gas Company, Inc.**3617 Lexington Road  
Winchester, Kentucky 40391-9797GLENN R. JENNINGS  
CHAIRMAN OF THE BOARD,  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICERPHONE: 859-744-6171 EXT 148  
FAX: 859-744-6552  
EMAIL: gjennings@deltagas.com

August 15, 2006

Michael J. Kistner  
151 Rosswoods Drive  
Pewee Valley, KY 40056

Dear Mike:

Enclosed for your records is a copy of the minutes of the Audit Committee meeting held on August 14, 2006.

Sincerely,

cc: Don Crowe, Audit Committee  
Lanny Greer, Audit Committee  
Billy Joe Hall, Audit Committee  
Mike Whitley, Audit Committee  
John Hall (original for minute books)  
John Brown  
Matthew Wesolosky  
John Black, Deloitte





**DELTA NATURAL GAS COMPANY, INC.**  
**BOARD OF DIRECTORS' MEETING - 8/25/06**  
**QUARTERLY SUMMARY REPORT**

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	<u>12 months ended June 30</u>		
	<u>2006</u> <u>Actual</u>	2006 <u>Budget</u>	2005 <u>Actual</u>
Retail Sales and Unbilled Volumes	<u>3,224</u>		<u>3,557</u>
Transportation Volumes			
- on system	8,789		7,194
- off system	<u>5,321</u>		<u>5,273</u>
Total Transportation	<u>14,110</u>		<u>12,467</u>
Total Throughput (million cubic feet)	<u>17,334</u>		<u>16,024</u>
Actual Lexington Calendar Degree Days as % of 30 Year Average	92.4		91.8
Net Income (\$000)	5,025		4,999
Net Income Per Common Share (\$)	1.55		1.55

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The attached detailed financial data is provided for further information and review. We have experienced significant reductions in total martins on our retail regulated sales due to fewer customers and declining usage resulting from high gas prices. Also, weather has been warmer than normal again. Weather adjusted rates have provided \$378,000 of additional revenues this year, but this was not enough to offset the weather and conservation impacts.

## DELTA NATURAL GAS COMPANY, INC.

## BALANCE SHEET

June 30, 2006

ASSETS	2006	2005
GAS UTILITY PLANT, AT COST	\$ 179,494,297	\$ 172,356,726
Less - Reserve for Depreciation	<u>60,022,768</u>	<u>56,664,570</u>
	\$ <u>119,471,529</u>	\$ <u>115,692,156</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 150,108	\$ 127,530
Receivables	5,353,811	4,505,866
Deferred Gas Cost	1,827,078	2,646,868
Gas in Storage, at Cost	9,580,339	9,193,809
Materials and Supplies, at Cost	432,223	957,786
Prepayments	<u>1,408,493</u>	<u>899,606</u>
	\$ <u>18,752,052</u>	\$ <u>18,331,465</u>
<b>OTHER ASSETS:</b>		
Cash Surrender Value of Life Insurance	\$ 401,032	\$ 387,193
Unamortized Expenses	5,886,654	3,830,794
Receivable/Investment in Subsidiaries	543,047	961,486
Other	<u>4,260,990</u>	<u>3,511,340</u>
	\$ <u>11,091,723</u>	\$ <u>8,690,813</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>149,315,304</u></b>	<b>\$ <u>142,714,434</u></b>
<b>LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock	\$ 3,256,043	\$ 3,229,988
Paid-in Surplus	45,641,008	44,973,352
Capital Stock Expense	(2,615,274)	(2,597,999)
Accum Other Comprehensive Income	0	0
Retained Earnings	<u>6,327,947</u>	<u>5,194,113</u>
Total Common Equity	\$ 52,609,724	\$ 50,799,454
Long-term Debt	<u>58,790,000</u>	<u>52,707,000</u>
Total Capitalization	\$ <u>111,399,724</u>	\$ <u>103,506,454</u>
<b>CURRENT LIABILITIES:</b>		
Notes Payable	\$ 7,046,434	\$ 5,959,122
Current Portion of Long-Term Debt	1,200,000	1,650,000
Accounts Payable	3,357,174	5,700,425
Accrued Taxes	1,423,338	930,412
Refunds Due Customers	1,976	265
Customer Deposits	442,979	472,247
Accrued Interest	837,847	899,964
Current Deferred Income Taxes	999,700	999,700
Other	<u>1,080,752</u>	<u>1,056,128</u>
	\$ <u>16,390,200</u>	\$ <u>17,668,263</u>
<b>DEFERRED CREDITS AND OTHER:</b>		
Deferred Income Taxes	\$ 18,499,234	\$ 18,503,900
Deferred Investment Tax Credit	250,600	288,200
Regulatory Items	2,550,003	2,581,387
Advances for Construction and Other	225,543	166,230
Accum Provision for Pensions & Benefit	0	0
	\$ <u>21,525,380</u>	\$ <u>21,539,717</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>149,315,304</u></b>	<b>\$ <u>142,714,434</u></b>

# DELTA NATURAL GAS COMPANY, INC.

## STATEMENT OF INCOME

June 30, 2006

	12 MONTH TO DATE		12 MONTHS ENDED	
	2006	2005	2006	2005
<b>OPERATING REVENUES</b>	\$ 68,841,354	\$ 55,566,651	\$ 68,841,354	\$ 55,566,651
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 43,232,131	\$ 28,944,780	\$ 43,232,131	\$ 28,944,780
Operations	10,908,061	11,236,907	10,908,061	11,236,907
Maintenance	694,531	656,329	694,531	656,329
Depreciation	4,083,871	4,124,679	4,083,871	4,124,679
Property & Other Taxes	1,691,633	1,664,525	1,691,633	1,664,525
Income Taxes	1,146,800	1,701,000	1,146,800	1,701,000
Total	\$ 61,757,027	\$ 48,328,220	\$ 61,757,027	\$ 48,328,220
Operating Income	\$ 7,084,327	\$ 7,238,431	\$ 7,084,327	\$ 7,238,431
<b>OTHER INCOME/(EXPENSES),NET</b>	2,931,216	2,253,472	2,931,216	2,253,472
Gross Income	\$ 10,015,543	\$ 9,491,903	\$ 10,015,543	\$ 9,491,903
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 4,717,374	\$ 4,257,100	\$ 4,717,374	\$ 3,809,693
Amortization	273,534	236,184	273,534	683,591
Other	-	-	-	-
Total	\$ 4,990,908	\$ 4,493,284	\$ 4,990,908	\$ 4,493,284
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ 5,024,635	\$ 4,998,619	\$ 5,024,635	\$ 4,998,619
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55
<b>CUSTOMERS AT END OF PERIOD</b>			36,745	38,093

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**June 30, 2006**

	MONTH			YEAR TO DATE			YEAR ENDED	
	This Year Over (Under ) Budget	This Year	Last Year	This Year Over (Under ) Budget	This Year	Last Year	This Year	Last Year
DEGREE DAYS BILLED - LEXINGTON AREA		144	53		4,309	4,293	4,309	4,293
<b>MCF'S:</b>								
<b>DELTA NATURAL</b>								
RESIDENTIAL		59,292	43,878		1,768,263	1,992,286	1,768,263	1,992,286
SMALL COMMERCIAL		14,975	12,215		542,887	575,585	542,887	575,585
COMMERCIAL - OTHER		35,913	25,390		773,991	777,202	773,991	777,202
INDUSTRIAL		5,256	5,034		146,774	153,940	146,774	153,940
TOTAL SOLD		115,436	86,517		3,231,915	3,499,013	3,231,915	3,499,013
OFF SYSTEM		634,020	580,990		8,788,963	7,193,581	8,788,963	7,193,581
ON SYSTEM		380,526	415,948		5,321,568	5,272,925	5,321,568	5,272,925
TOTAL TRANSPORTED		1,014,546	996,938		14,110,531	12,466,506	14,110,531	12,466,506
TOTAL DELTA NATURAL		1,129,982	1,083,455		17,342,446	15,965,519	17,342,446	15,965,519
RESOURCES ON SYS INCL		133,980	154,524		2,023,135	1,992,515	2,023,135	1,992,515
DELGASCO OFF SYS INCL		58,473	129,979		2,288,915	1,838,391	2,288,915	1,838,391
Unbilled MCF		(53,754)	(20,545)		(8,398)	58,405	(8,398)	58,405
<b>REVENUES:</b>								
<b>DELTA NATURAL</b>								
RETAIL SALES		2,297,943	1,741,680		61,735,653	47,697,796	61,735,653	47,697,796
UNBILLED REVENUE		(848,426)	(331,042)		(58,605)	1,246,556	(58,605)	1,246,556
MISC OPERATING		32,352	23,972		250,228	210,940	250,228	210,940
OFF SYS TRANSPORT		179,564	169,089		2,542,806	2,098,982	2,542,806	2,098,982
ON SYS TRANSPORT		292,668	318,946		4,371,271	4,312,376	4,371,271	4,312,376
TOTAL DELTA NATURAL		1,954,101	1,922,645		68,841,354	55,566,650	68,841,354	55,566,650
RESOURCES ON SYS SALES		1,131,253	1,133,954		23,145,169	14,983,956	23,145,169	14,983,956
DELGASCO OFF SYS SALES		386,586	891,111		25,114,132	13,494,860	25,114,132	13,494,860
TOTAL CONSOLIDATED		3,471,940	3,947,710		117,100,655	84,045,466	117,100,655	84,045,466
<b>JSTS:</b>								
<b>DELTA NATURAL</b>								
DELTA NATURAL UNBILLED GAS COST		1,370,941	931,676		43,268,127	28,314,806	43,268,127	28,314,806
DELTA RESOURCES		(623,584)	(221,261)		(35,996)	629,975	(35,996)	629,975
DELGASCO		979,535	1,029,675		21,049,648	13,198,439	21,049,648	13,198,439
TOTAL CONSOLIDATED		358,198	878,749		23,683,367	12,657,795	23,683,367	12,657,795
TOTAL CONSOLIDATED		2,085,090	2,618,839		87,965,146	54,801,015	87,965,146	54,801,015
<b>NET SALES:</b>								
<b>DELTA NATURAL EXCLUDING UNBILLED</b>								
DELTA NATURAL UNBILLED		927,002	810,004		18,467,526	19,382,990	18,467,526	19,382,990
DELTA NATURAL UNBILLED		(224,842)	(109,781)		(22,609)	616,581	(22,609)	616,581
DELTA RESOURCES TOTAL		151,718	104,279		2,095,521	1,785,517	2,095,521	1,785,517
DELGASCO		28,388	12,362		1,430,765	837,065	1,430,765	837,065
TOTAL CONSOLIDATED		882,266	816,864		21,971,203	22,622,153	21,971,203	22,622,153
<b>PER MCF:</b>								
<b>DELTA NATURAL</b>								
TOTAL SALES		19.9066	20.1311		19.1019	13.6318	19.1019	13.6318
COST OF GAS		11.8762	10.7687		13.3878	8.0922	13.3878	8.0922
NET SALES		8.0304	9.3624		5.7141	5.5396	5.7141	5.5396
<b>DELTA RESOURCES</b>								
TOTAL SALES		8.4434	7.3384		11.4402	7.5201	11.4402	7.5201
COST OF GAS		7.3111	6.6635		10.4045	6.6240	10.4045	6.6240
NET SALES		1.1324	0.6748		1.0358	0.8961	1.0358	0.8961
<b>DELGASCO</b>								
TOTAL SALES		6.6114	6.8558		10.9721	7.3406	10.9721	7.3406
COST OF GAS		6.1259	6.7607		10.3470	6.8853	10.3470	6.8853
NET SALES		0.4855	0.0951		0.6251	0.4553	0.6251	0.4553
<b>DELTA NATURAL ONLY:</b>								
% Change to Customers Between Yrs:	Total Cost	-1.1%			40.1%		40.1%	
	Gas Cost	5.5%			38.8%		38.8%	
	Net Sales	-6.6%			1.3%		1.3%	

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta Natural Gas Co

July 01, 2005 - June 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
01							
<b>OPERATING REVENUES</b>							
<b>General Service Rate Billed</b>							
Residential	754,612.43CR	756,655.07CR	34,934,888.43CR		28,699,256.18CR	34,934,888.43CR	28,699,256.18CR
Small Commercial	234,459.20CR	228,050.97CR	10,411,684.18CR		8,040,655.61CR	10,411,684.18CR	8,040,655.61CR
Other Commercial	406,558.92CR	374,672.87CR	13,549,415.92CR		9,843,746.40CR	13,549,415.92CR	9,843,746.40CR
Industrial	39,443.02CR	39,792.89CR	1,823,615.52CR		1,346,421.61CR	1,823,615.52CR	1,346,421.61CR
Unmetered Gas Light	817.70CR	.00	9,975.67CR		8,575.43CR	9,975.67CR	8,575.43CR
Residential WNA	.00	.00	294,695.58CR		463,176.22CR	294,695.58CR	463,176.22CR
Small Non-Residential WNA	.00	.00	83,422.01CR		119,568.88CR	83,422.01CR	119,568.88CR
Weather Normalization Revenue	.00	.00	378,117.59CR		582,745.10CR	378,117.59CR	582,745.10CR
<b>Total General Service Rate</b>	<b>1,435,891.27CR</b>	<b>1,399,171.80CR</b>	<b>61,107,697.31CR</b>		<b>48,521,400.33CR</b>	<b>61,107,697.31CR</b>	<b>48,521,400.33CR</b>
<b>Interruptible Rate Billed</b>							
Commercial	.00	116.54	36,534.59CR		25,153.92CR	36,534.59CR	25,153.92CR
Industrial	13,625.19CR	11,583.56CR	532,816.10CR		397,798.18CR	532,816.10CR	397,798.18CR
<b>Total Interruptible Rate</b>	<b>13,625.19CR</b>	<b>11,467.02CR</b>	<b>569,350.69CR</b>		<b>422,952.10CR</b>	<b>569,350.69CR</b>	<b>422,952.10CR</b>
<b>Total Gas Revenue</b>	<b>1,449,516.46CR</b>	<b>1,410,638.82CR</b>	<b>61,677,048.00CR</b>		<b>48,944,352.43CR</b>	<b>61,677,048.00CR</b>	<b>48,944,352.43CR</b>
Miscellaneous Operating Revenue	32,352.00CR	23,972.00CR	250,228.06CR		210,939.90CR	250,228.06CR	210,939.90CR
Off System Transportation Revenue	179,564.06CR	169,089.18CR	2,542,806.50CR		2,098,982.08CR	2,542,806.50CR	2,098,982.08CR
On System Transportation Revenue	292,668.35CR	318,946.33CR	4,371,271.53CR		4,312,376.48CR	4,371,271.53CR	4,312,376.48CR
<b>TOTAL OPERATING REVENUE</b>	<b>1,954,100.87CR</b>	<b>1,922,646.33CR</b>	<b>68,841,354.09CR</b>		<b>55,566,650.89CR</b>	<b>68,841,354.09CR</b>	<b>55,566,650.89CR</b>
<b>OPERATING EXPENSES</b>							
Purchased Gas	747,357.04	710,414.63	43,232,131.19		28,944,780.19	43,232,131.19	28,944,780.19
Recovery of Canada Mountain	.00	.00	.00		.00	.00	.00
<b>Purchased Gas, net</b>	<b>747,357.04</b>	<b>710,414.63</b>	<b>43,232,131.19</b>		<b>28,944,780.19</b>	<b>43,232,131.19</b>	<b>28,944,780.19</b>
<b>Operation Expense</b>							
Labor	1,117,891.21	1,093,472.70	6,562,209.64		6,435,949.00	6,562,209.64	6,435,949.00
Transportation	61,836.00	69,606.50	724,861.73		688,650.07	724,861.73	688,650.07



## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta

July 01, 2005 - June 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
OPERATING INCOME	170,550.23CR	346,048.25	7,084,326.35CR		7,238,430.73CR	7,084,326.35CR	7,238,430.73CR
NON REGULATED INCOME							
Net Income from Subsidiaries	235,771.00	10,386.00CR	2,791,380.00CR		2,198,728.00CR	2,791,380.00CR	2,198,728.00CR
Income Tax Non Regulated	6,700.00	5,600.00	87,800.00		35,600.00	87,800.00	35,600.00
Other Net Inc Before Inc Taxes	12,624.04CR	10,735.45CR	227,636.45CR		90,343.32CR	227,636.45CR	90,343.32CR
Net Non Regulated Income	229,846.96	15,521.45CR	2,931,216.45CR		2,253,471.32CR	2,931,216.45CR	2,253,471.32CR
Income Before Interest Charges	59,296.73	330,526.80	10,015,542.80CR		9,491,902.05CR	10,015,542.80CR	9,491,902.05CR
INTEREST CHARGES							
Interest On Long-Term Debt	276,255.56	316,800.00	3,968,993.50		3,809,692.66	3,968,993.50	3,809,692.66
Interest On Short-Term Debt	41,280.66	36,015.20	718,055.24		416,613.07	718,055.24	416,613.07
Other Interest	2,483.64	2,633.97	30,325.94		30,793.58	30,325.94	30,793.58
Amortization of Debt Expense	32,208.77	19,681.75	273,533.56		236,184.00	273,533.56	236,184.00
Total Interest Charges	352,228.63	375,130.92	4,990,908.24		4,493,283.31	4,990,908.24	4,493,283.31
NET INCOME	411,525.36	705,657.72	5,024,634.56CR		4,998,618.74CR	5,024,634.56CR	4,998,618.74CR

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delta Resources

July 01, 2005 - June 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
02							
Revenues							
Other Revenue	8,631.25CR	4,916.50CR	8,026.47CR		17,075.58CR	8,026.47CR	17,075.58CR
Sales To Parent	.00	.00	.00		.00	.00	.00
Sales To Others	1,325,862.15CR	1,348,245.29CR	25,932,782.92CR		17,754,424.66CR	25,932,782.92CR	17,754,424.66CR
<b>Total Revenues</b>	<b>1,334,493.40CR</b>	<b>1,353,161.79CR</b>	<b>25,940,809.39CR</b>		<b>17,771,500.24CR</b>	<b>25,940,809.39CR</b>	<b>17,771,500.24CR</b>
Expenses							
Purchased Gas	979,535.00	1,029,675.00	21,049,647.61		13,198,438.72	21,049,647.61	13,198,438.72
Transportation Fee	194,608.67	214,291.68	2,787,613.74		2,770,468.66	2,787,613.74	2,770,468.66
Uncollectible Accounts	.00	.00	.00		.00	.00	.00
Outside Services	237,710.00	49,500.00	265,584.00		73,326.00	265,584.00	73,326.00
Taxes - Non Income	.00	.00	.00		.00	.00	.00
Income Taxes	6,500.00	67,200.00	708,200.00		678,900.00	708,200.00	678,900.00
<b>Total Expenses</b>	<b>1,418,353.67</b>	<b>1,360,666.68</b>	<b>24,811,045.35</b>		<b>16,721,133.38</b>	<b>24,811,045.35</b>	<b>16,721,133.38</b>
<b>Net Income</b>	<b>83,860.27</b>	<b>7,504.89</b>	<b>1,129,764.04CR</b>		<b>1,050,366.86CR</b>	<b>1,129,764.04CR</b>	<b>1,050,366.86CR</b>



## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Delgasco

July 01, 2005 - June 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
03							
<b>Revenues</b>							
Other Revenue	8,109.65CR	1,800.00CR	33,380.61		7,040.01CR	33,380.61	7,040.01CR
Sales To Affiliates	2,749,827.33CR	1,029,675.00CR	22,818,838.64CR		13,198,437.32CR	22,818,838.64CR	13,198,437.32CR
Sales To Others	404,145.82CR	933,567.51CR	25,824,714.11CR		14,082,212.10CR	25,824,714.11CR	14,082,212.10CR
<b>Total Revenues</b>	<b>3,162,082.80CR</b>	<b>1,965,042.51CR</b>	<b>48,610,172.14CR</b>		<b>27,287,689.43CR</b>	<b>48,610,172.14CR</b>	<b>27,287,689.43CR</b>
<b>Expenses</b>							
Purchased Gas	3,108,025.71	1,908,423.87	46,502,206.11		25,856,232.03	46,502,206.11	25,856,232.03
Miscellaneous Expenses	17,559.88	42,456.18	710,581.56		587,351.70	710,581.56	587,351.70
Outside Services	155,725.00	49,500.00	188,036.00		71,846.00	188,036.00	71,846.00
Taxes - Non Income	.00	1,205.00	7,630.63		4,233.34	7,630.63	4,233.34
Income Taxes	55,600.00CR	15,900.00CR	462,500.00		299,700.00	462,500.00	299,700.00
<b>Total Expenses</b>	<b>3,225,710.59</b>	<b>1,985,685.05</b>	<b>47,870,954.30</b>		<b>26,819,363.07</b>	<b>47,870,954.30</b>	<b>26,819,363.07</b>
<b>Net Income</b>	<b>63,627.79</b>	<b>20,642.54</b>	<b>739,217.84CR</b>		<b>468,326.36CR</b>	<b>739,217.84CR</b>	<b>468,326.36CR</b>

## DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

## Income Statement - Enpro

July 01, 2005 - June 30, 2006

	Current Month Amount	Last Year Curr Month Amount	Current Y-T-D Amount	Current Year Y-T-D Budget	Last Year Y-T-D Amount	12 Month Y-T-D Amount	Previous 12 Month Amount
05							
Revenues							
Gas Production	60,805.40CR	137,053.86CR	2,050,175.63CR		1,441,751.59CR	2,050,175.63CR	1,441,751.59CR
Oil Production	.00	.00	8,668.06CR		31,488.08CR	8,668.06CR	31,488.08CR
Royalty	15,183.70CR	26,359.77CR	137,819.56CR		104,274.38CR	137,819.56CR	104,274.38CR
Other	.00	14.84	.00		36,394.51CR	.00	36,394.51CR
<b>Total Revenues</b>	<b>75,989.10CR</b>	<b>163,398.79CR</b>	<b>2,196,663.25CR</b>		<b>1,613,908.56CR</b>	<b>2,196,663.25CR</b>	<b>1,613,908.56CR</b>
Expenses							
Depletion, Depreciation, & Ac	9,986.18	10,020.88	119,839.16		124,826.76	119,839.16	124,826.76
Well Opr & Mnt	2,177.14	1,996.25	27,619.13		20,618.41	27,619.13	20,618.41
Purchased Gas	13,106.22	15,327.77	356,882.88		87,721.70	356,882.88	87,721.70
Royalty & W.I.	.00	12,069.17	.00		180,584.98	.00	180,584.98
Outside Services	197,902.51	49,551.00	221,447.42		73,286.71	221,447.42	73,286.71
Interest Expense	7,300.00CR	2,400.00CR	50,280.00CR		11,598.99CR	50,280.00CR	11,598.99CR
Taxes - Non Income	.00	.00	21,156.31		20,833.48	21,156.31	20,833.48
Income Taxes	51,600.00CR	38,300.00	577,600.00		437,600.00	577,600.00	437,600.00
<b>Total Expenses</b>	<b>164,272.05</b>	<b>124,865.07</b>	<b>1,274,264.90</b>		<b>933,873.05</b>	<b>1,274,264.90</b>	<b>933,873.05</b>
Operating Income	88,282.95	38,533.72CR	922,398.35CR		680,035.51CR	922,398.35CR	680,035.51CR
Net Income from Subs	.00	.00	.00		.00	.00	.00
<b>Net Income</b>	<b>88,282.95</b>	<b>38,533.72CR</b>	<b>922,398.35CR</b>		<b>680,035.51CR</b>	<b>922,398.35CR</b>	<b>680,035.51CR</b>

KESTES

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2005 - 6/30/2006

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

1117 CUSH GAS  
1325 LAND&RGHTS  
1327 STRUCTURES  
1331 WELL EQUIP  
1332 GATH LINES  
1333 COMP EQUIP  
1334 REG STAT  
135001 STORAGE LD  
135002 STOR ROW  
1351 STRUCTURES  
1352 STOR WELLS  
135201 STORAGE RT  
135202 STOR RESEV  
135203 NONR NAT G  
1353 STORAGE LN  
1354 COMPR EQUIP  
1355 REG EQUIP  
1356 PURIFICATN  
1357 OTHER EQUIP  
136501 LAND RGHTS  
136502 TRAN ROW  
1366 TRAN STRUC  
1367 TRAN MAINS  
1368 COMP STAT  
1369 REG EQUIP  
1371 OTHR EQUIP  
1381 METERS

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 6/30/2006

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

1383 REGULATORS

1385 IND METERS

1395 LAB EQUIP

139901 MAPPING

5117 CUSHN GAS

532503 MIN RIGHTS

532521 LEASEH-GAS

532522 PROD L OIL

532523 INT INVESM

533101 GAS WELL E

533102 OIL W EQUIP

535006 GAS RGT ST

Total ALH ALH

KESTES

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 6/30/2006

CAPITAL EXPENDITURES

All Agents

GRJ GLENN R JENNINGS

139909 CONTINGENC

Total GRJ GRJ

KESTES

GBVCRC/GBVCK

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 6/30/2006

CAPITAL EXPENDITURES

All Agents

JFH JOHN F HALL

139902 COMP SOFTW

139903 COMP HWARE

Total JFH JFH

KESTES

GBVCR/GBV

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2005 - 6/30/2006

CAPITAL EXPENDITURES

All Agents

JLC JOHNNY L CAUDILL

- 1121 NON U PROP
- 1374 LAND & ROW
- 1375 DIS STRUCT
- 1376 DIST MAINS
- 1378 REG STATNS
- 1379 CG REG STA
- 1380 DIST SERV
- 1382 MET&REG IN
- 1389 LAND&RGHTS
- 1390 STRUCTURES
- 1391 FURN&EQUIP
- 1392 TRANSP EQP
- 1393 STORES EQP
- 1394 TOOLS&EQUIP
- 139401 CNG EQUIPM
- 1396 PO EQUIPMT
- 1397 COMM EQUIP
- 1398 MISC EQUIP
- 139931 OFFC EQUIP

---

Total JLC JLC

---

Grand Total

	Budget 2006	Actual 2006	Budget 2007
Retail volumes		3224000	
Off system trans		8789000	
On system trans		5321000	
Throughput		17334000	
Net Income		5024635	
Shares		3242223	
EPS		1.55	
Net Income-REG		2233255	
Net Income-UNREG subs		2791380	
Retail Margin		18695145	
Off sys trans rev		2543000	
On sys trans rev		4371000	
UNREG net income by sub			
Resources		1129764	
Delgasco		739218	
Enpro		922398	

COMPARING JUNE 30, 2006 TO CASE 99-176

MARGIN LOSS 2,925,092

COMPONENTS:

"NET" WEATHER 426,115  
 LOST CUSTOMERS 568,597  
 CONSERVATION 1,930,380

TOTAL 2,925,092



DELTA NATURAL GAS CO INC  
 FIVE YEAR CASHFLOW / FINANCING PROJECTION  
 AUGUST 25, 2006

Fiscal year June 30	ACTUAL	BUDGET	PROJECTED	PROJECTED	PROJECTED	PROJECTED
COMMON EQUITY	2006	2007	2008	2009	2010	2011
-----						
Beginning balance	50,799,454					
DRIP	676,436					
Projected earnings	5,024,635					
Less common dividends	3,890,800					
Ending balance	52,609,725					
-----						
CASH FLOW						
-----						
Earnings	5,024,635					
Add estimated						
Deferred taxes	1,859,251					
Other						
Depreciation	4,203,711					
Net cash from operations	11,087,597					
Less estimated						
Construction	7,781,396					
Dividends	3,890,800					
Long term repayment	526,000					
Net cash needs	(1,087,312)					
-----						
NOTES PAYABLE						
-----						
Beginning balance	5,959,122					
Net cash needs	1,087,312					
Ending balance	7,046,434					
-----						
CAPITAL STRUCTURE						
-----						
Common equity	52,609,725					
%	44%					
Long term debt	59,990,000					
%	50%					
Short term debt	7,046,434					
%	6%					
Total	119,646,159					
	100%					
-----						
RETAINED EARNINGS						
-----						
Beginning balance	5,194,113					
Ending balance	6,327,948					
-----						

\$ DRIP  
Shares  
Shares outstanding  
Price  
Book value

!  
:

EPS

Return on average equity

DIVIDEND

PAYOUT

MARKET / BOOK

PE RATIO

-----  
ASSUMPTIONS

-----  
ROE-beginning balance  
Depreciation  
yearly dividend growth  
Deferred taxes-15 yrs

Common Stock Information Sorted by P/E

LAL111 V

DIVERSIFIED		STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	CORNING NATURAL GAS CORP.	CNIG	09/30	14.000	18.000							
2	SOUTHWESTERN ENERGY CORP.	SWN	12/31	31.160	44.280	13.260	3	507				
3	SOUTHWEST GAS CORPORATION	SWX	12/31	31.340	44.280	23.660	75,250	167,645	10.54	NMF	0.0	133
4	KINDER MORGAN, INC.	KMI	12/31	99.890	32.410	25.120	6,788	40,053	7.38	28.6	0.0	423
5	KEYSPAN CORPORATION	KSE	12/31	40.400	103.750	81.000	31,816	133,629	19.94	22.5	2.6	157
6	QUESTAR CORPORATION	STR	12/31	80.490	41.520	32.660	13,583	174,960	29.71	21.0	3.5	336
7	CHESAPEAKE UTILITIES CORP.	CPK	12/31	30.080	89.600	66.810	23,237	85,552	26.44	19.0	4.6	153
8	UGI CORPORATION	UGI	09/30	24.620	35.780	27.900	157	5,947	21.28	18.6	1.2	378
9	NATIONAL FUEL GAS COMPANY	NFG	09/30	35.140	29.980	20.210	9,534	105,310	15.23	17.2	3.9	198
10	EQUITABLE RESOURCES, INC.	EQT	12/31	33.500	36.860	27.740	12,462	83,976	9.65	16.7	2.9	255
11	MDU RESOURCES GROUP, INC.	MDU	12/31	36.610	41.180	31.590	16,550	120,576	16.48	16.3	3.4	213
12	ENERGEN CORPORATION	EGN	12/31	38.410	37.490	29.260	7,536	119,969	5.11	15.3	2.6	656
13	NICOR, INC.	GAS	12/31	41.500	44.310	32.160	13,439	73,469	16.14	14.9	2.1	227
14	ONEOK, INC.	OKE	12/31	34.040	43.120	37.420	9,739	44,379	13.99	14.0	1.1	275
15	SOUTHERN UNION COMPANY	SUG	12/31	27.060	36.540	26.300	14,131	117,395	18.89	13.3	4.5	220
					27.350	21.660	20,181	111,862	15.39	NMF	3.5	170
										1.5		176
									MAXIMUM	28.6	4.6	656
									MINIMUM	7.6	0.0	133
									MEDIAN	16.7	2.6	220
									MEAN	17.3	2.5	265

COMBINATION		STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	ALLIANT ENERGY CORPORATION	LNT	12/31	34.300	35.170	25.790	10,615	117,540	21.11	NMF	3.4	163
2	PNM RESOURCES, INC.	PNM	12/31	24.960	30.450	22.490	12,783	68,819	18.84	27.1	3.5	133
3	NISOURCE INC.	NI	12/31	21.840	25.500	19.510	24,455	272,665	18.06	24.0	4.2	121
4	PUBLIC SERVICE ENT. GROUP INC.	PEG	12/31	66.120	72.450	56.050	43,882	251,469	24.74	20.7	3.4	267
5	NORTHWESTERN CORPORATION	NWEC	12/31	34.350	35.240	27.820	6,876	35,493	20.97	19.1	3.6	164
6	FLORIDA PUBLIC UTILITIES	FPU	12/31	12.590	16.840	11.860	139	5,980	7.91	18.5	3.4	159
7	CH ENERGY GROUP	CHG	12/31	48.000	50.230	43.030	5,263	15,762	32.60	18.0	4.5	147
8	AMEREN CORPORATION	AEE	12/31	50.500	56.770	47.960	16,830	205,347	30.77	17.7	5.0	164
9	MGE ENERGY, INC.	MGEE	12/31	31.150	38.750	29.200	1,100	20,454	17.04	17.6	4.4	183
10	AVISTA CORPORATION	AVA	12/31	22.830	23.720	16.760	8,315	48,907	16.51	16.8	2.5	138
11	PG&E CORPORATION	PGC	12/31	39.280	40.900	34.540	39,031	347,167	16.29	16.2	3.4	185
12	PUGET ENERGY, INC.	PSD	12/31	21.480	24.360	20.130	9,722	116,031	18.03	16.0	4.7	119
13	CENTERPOINT ENERGY, INC.	CNP	12/31	12.500	15.140	11.620	40,452	311,378	4.33	15.8	4.8	288
14	ENERGY EAST CORPORATION	EAS	12/31	28.600	31.250	24.900	6,971	106,808	14.24	15.8	4.2	201
15	VECTREN CORPORATION	VVC	12/31	23.930	29.000	22.180	13,146	147,676	19.44	15.0	4.8	123
16	WISCONSIN ENERGY CORP.	WEC	12/31	27.250	29.460	25.000	4,933	76,166	15.43	14.9	4.5	177
17	XCEL ENERGY, INC.	XEL	12/31	40.300	42.350	36.490	8,809	116,981	23.58	14.8	2.3	171
18	TECO ENERGY, INC.	TE	12/31	19.180	20.190	17.800	30,353	405,484	13.62	14.8	4.6	141
19	SCANA	SCG	12/31	14.940	19.250	14.400	22,958	208,763	7.76	14.4	5.1	192
20	WPS RESOURCES CORP.	WPS	12/31	38.580	43.650	36.920	7,802	115,482	23.78	14.2	4.4	162
21	DTE ENERGY CORPORATION	DTE	12/31	49.600	60.000	47.390	4,577	40,306	34.00	12.7	4.6	146
22	SEMPRA ENERGY	SRE	12/31	40.740	48.140	38.770	1,831	147,678	32.95	12.4	5.1	124
23	AQUILA, INC.	ILA	12/31	45.480	49.540	41.020	21,277	259,084	25.03	12.1	2.6	182
24	CMS ENERGY CORPORATION	CMS	12/31	4.210	4.640	3.290	43,822	373,833	3.50	NMF	0.0	120
25				12.940	16.800	12.090	262	221,148	10.43	NMF	0.0	124
									MAXIMUM	27.1	5.1	288
									MINIMUM	12.1	0.0	119
									MEDIAN	15.9	4.2	162
									MEAN	16.8	3.7	184

## Common Stock Information Sorted by P/E

	<b>DISTRIBUTION</b>	<b>STOCK SYMBOL</b>	<b>FISCAL YEAR</b>	<b>MO. END PRICE*</b>	<b>52 WEEK HIGH</b>	<b>52 WEEK LOW</b>	<b>MO. VOL SHARES (000)</b>	<b>O/S SHARES (000)</b>	<b>BOOK VALUE</b>	<b>P/E</b>	<b>YIELD</b>	<b>MARKET TO BOOK</b>
1	PEOPLES ENERGY CORPORATION	PGL	09/30	35.910	45.520	34.340	8,978	38,409	22.00	NMF	6.1	163
2	SEMCO ENERGY, INC.	SEN	09/30	5.560	7.050	5.040	1,521	34,626	6.10	30.9	0.0	91
3	CASCADE NATURAL GAS CORP.	CGC	09/30	21.090	25.680	18.950	1,534	11,481	11.40	19.9	4.6	165
4	ENERGYSOUTH, INC.	ENSI	09/30	31.230	34.920	25.820	440	7,922	14.02	17.7	2.9	223
5	PIEDMONT NATURAL GAS CO., INC.	PNY	10/31	24.300	25.800	21.260	10,686	75,278	12.37	17.6	4.0	197
6	WGL HOLDINGS, INC.	WGL	09/30	28.950	34.790	27.040	6,832	48,782	19.76	17.2	4.7	146
7	NORTHWEST NATURAL GAS COMPANY	NWN	12/31	37.030	39.630	32.830	3,495	27,577	22.44	17.1	3.7	165
8	RGC RESOURCES, INC.	RGCO	09/30	25.180	27.739	22.720	14	2,122	19.56	16.1	4.8	129
9	SOUTH JERSEY INDUSTRIES, INC.	SJI	12/31	27.390	30.800	25.630	2,897	29,162	14.41	16.1	3.3	190
10	ATMOS ENERGY CORPORATION	ATO	09/30	27.910	29.970	25.000	6,589	81,152	21.05	15.3	4.5	133
11	DELTA NATURAL GAS COMPANY INC.	DGAS	06/30	24.510	30.000	23.600	29	3,251	16.64	15.2	4.9	147
12	LACLEDE GROUP (THE)	LG	09/30	34.360	35.550	28.600	2,334	21,327	19.27	15.1	4.1	178
13	NEW JERSEY RESOURCES CORP.	NJR	09/30	46.780	49.140	40.681	4,442	28,027	22.03	14.6	3.1	212
14	ENERGY WEST	EWST	06/30	9.020	13.890	8.200	119	2,932	6.55	14.3	3.5	138
15	AGL RESOURCES, INC.	ATG	12/31	38.120	39.290	32.230	7,916	77,931	20.29	13.8	3.9	188
									<i>MAXIMUM</i>	30.9	6.1	223
									<i>MINIMUM</i>	13.8	0.0	91
									<i>MEDIAN</i>	16.1	4.0	165
									<i>MEAN</i>	17.2	3.9	166

\*Closing price on the last trading day of Jun-06

## Common Stock Information Sorted by Yield

DIVERSIFIED												
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK	
1	KEYSPAN CORPORATION	KSE	12/31	40.400	41.520	32.660	13,583	174,960	28.44	19.0	4.8	153
2	NICOR, INC.	GAS	12/31	41.500	43.120	37.420	9,739	44,379	18.89	13.3	4.5	220
3	CHESAPEAKE UTILITIES CORP.	CPK	12/31	30.080	35.780	27.900	157	5,947	15.23	17.2	3.9	198
4	ONEOK, INC.	OKE	12/31	34.040	36.540	26.300	14,131	117,395	20.08	7.6	3.5	170
5	KINDER MORGAN, INC.	KMI	12/31	99.890	103.750	81.000	31,816	133,629	29.71	21.0	3.5	336
6	NATIONAL FUEL GAS COMPANY	NFG	09/30	35.140	36.860	27.740	12,462	83,976	16.48	16.3	3.4	213
7	UGI CORPORATION	UGI	09/30	24.620	29.980	20.210	9,534	105,310	9.65	16.7	2.9	255
8	EQUITABLE RESOURCES, INC.	EQT	12/31	33.500	41.180	31.590	16,550	120,576	5.11	15.3	2.6	656
9	SOUTHWEST GAS CORPORATION	SWX	12/31	31.340	32.410	25.120	6,788	40,053	19.94	22.5	2.6	157
10	MDU RESOURCES GROUP, INC.	MDU	12/31	36.610	37.490	29.260	7,536	119,989	16.14	14.9	2.1	227
11	SOUTHERN UNION COMPANY	SUG	12/31	27.060	27.350	21.660	20,181	111,862	15.39	NMF	1.5	176
12	QUESTAR CORPORATION	STR	12/31	80.490	89.600	66.810	23,237	85,552	21.28	18.6	1.2	378
13	ENERGEN CORPORATION	EGN	12/31	38.410	44.310	32.180	13,439	73,469	13.99	14.0	1.1	275
14	CORNING NATURAL GAS CORP.	CNIG	09/30	14.000	18.000	13.260	3	507	10.54	NMF	0.0	133
15	SOUTHWESTERN ENERGY CORP.	SWN	12/31	31.160	44.280	23.660	75,250	167,645	7.38	28.6	0.0	423
									MAXIMUM	28.6	4.6	656
									MINIMUM	7.6	0.0	133
									MEDIAN	16.7	2.6	220
									MEAN	17.3	2.5	265

COMBINATION												
	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK	
1	TECO ENERGY, INC.	TE	12/31	14.940	19.250	14.400	22,958	208,763	7.76	14.4	5.1	192
2	DTE ENERGY CORPORATION	DTE	12/31	40.740	48.140	38.770	1,831	147,678	32.95	12.4	5.1	124
3	AMEREN CORPORATION	AEE	12/31	50.500	56.770	47.960	16,830	205,347	30.77	17.7	5.0	164
4	ENERGY EAST CORPORATION	EAS	12/31	23.930	29.000	22.180	13,146	147,678	19.44	15.0	4.8	123
5	CENTERPOINT ENERGY, INC.	CNP	12/31	12.500	15.140	11.620	40,452	311,378	4.33	15.8	4.8	288
6	PUGET ENERGY, INC.	PSD	12/31	21.480	24.360	20.130	9,722	116,031	18.03	16.0	4.7	119
7	XCEL ENERGY INC.	XEL	12/31	19.180	20.190	17.800	30,353	405,484	13.62	14.8	4.6	141
8	WPS RESOURCES CORP.	WPS	12/31	49.600	60.000	47.390	4,577	40,306	34.00	12.7	4.6	146
9	CH ENERGY GROUP	CHG	12/31	48.000	50.230	43.030	5,263	15,762	32.60	18.0	4.5	147
10	VECTREN CORPORATION	VVC	12/31	27.250	29.460	25.000	4,933	76,186	15.43	14.9	4.5	177
11	MGE ENERGY, INC.	MGEE	12/31	31.150	38.750	29.200	1,100	20,454	17.04	17.6	4.4	183
12	SCANA	SCG	12/31	38.580	43.650	36.920	7,802	115,482	23.78	14.2	4.4	162
13	NSTAR	NST	12/31	28.600	31.250	24.900	6,971	106,808	14.24	15.8	4.2	201
14	NISOURCE INC.	NI	12/31	21.840	25.500	19.510	24,455	272,665	18.06	24.0	4.2	121
15	NORTHWESTERN CORPORATION	NWEC	12/31	34.350	35.240	27.820	6,876	35,493	20.97	19.1	3.6	164
16	PNM RESOURCES, INC.	PNM	12/31	24.960	30.450	22.490	12,783	68,819	18.84	27.1	3.5	133
17	PUBLIC SERVICE ENT. GROUP INC.	PEG	12/31	66.120	72.450	56.050	43,882	251,469	24.74	20.7	3.4	267
18	FLORIDA PUBLIC UTILITIES	FPU	12/31	12.590	16.840	11.860	139	5,980	7.91	18.5	3.4	159
19	PG&E CORPORATION	PGC	12/31	39.280	40.900	34.540	39,031	347,167	21.29	16.2	3.4	185
20	ALLIANT ENERGY CORPORATION	LNT	12/31	34.300	35.170	25.790	10,615	117,540	21.11	NMF	3.4	163
21	SEMPRA ENERGY	SRE	12/31	45.480	49.540	41.020	21,277	259,084	25.03	12.1	2.6	182
22	AVISTA CORPORATION	AVA	12/31	22.830	23.720	16.760	8,315	48,907	16.51	16.8	2.6	138
23	WISCONSIN ENERGY CORP.	WEC	12/31	40.300	42.350	36.490	8,809	116,981	23.58	14.8	2.3	171
24	AQUILA, INC.	ILA	12/31	4.210	4.640	3.290	43,822	373,833	3.50	NMF	0.0	120
25	CMS ENERGY CORPORATION	CMS	12/31	12.940	16.800	12.090	262	221,148	10.43	NMF	0.0	124
									MAXIMUM	27.1	5.1	288
									MINIMUM	12.1	0.0	119
									MEDIAN	15.9	4.2	162
									MEAN	16.8	3.7	164

Common Stock Information Sorted by Yield

	DISTRIBUTION	STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	PEOPLES ENERGY CORPORATION	PGL	09/30	35.910	45.520	34.340	8,978	38,409	22.00	NMF	6.1	183
2	DELTA NATURAL GAS COMPANY INC.	DGAS	06/30	24.510	30.000	23.600	29	3,251	16.64	15.2	4.9	147
3	RGC RESOURCES, INC.	RGCO	09/30	25.180	27.739	22.720	14	2,122	19.56	16.1	4.8	129
4	WGL HOLDINGS, INC.	WGL	09/30	28.950	34.790	27.040	6,832	48,762	19.76	17.2	4.7	146
5	CASCADE NATURAL GAS CORP.	CGC	09/30	21.090	25.680	18.950	1,534	11,481	11.40	19.9	4.6	185
6	ATMOS ENERGY CORPORATION	ATO	09/30	27.910	29.970	25.000	6,589	81,152	21.05	15.3	4.5	133
7	LACLEDE GROUP (THE)	LG	09/30	34.360	35.550	28.600	2,334	21,327	19.27	15.1	4.1	178
8	PIEDMONT NATURAL GAS CO., INC.	PNY	10/31	24.300	25.800	21.260	10,686	75,278	12.37	17.6	4.0	197
9	AGL RESOURCES, INC.	ATG	12/31	38.120	39.290	32.230	7,916	77,931	20.29	13.8	3.9	188
10	NORTHWEST NATURAL GAS COMPANY	NWN	12/31	37.030	39.630	32.830	3,495	27,577	22.44	17.1	3.7	165
11	ENERGY WEST	EWST	06/30	9.020	13.890	8.200	119	2,932	6.55	14.3	3.5	138
12	SOUTH JERSEY INDUSTRIES, INC.	SJI	12/31	27.390	30.800	25.630	2,897	29,162	14.41	16.1	3.3	190
13	NEW JERSEY RESOURCES CORP.	NJR	09/30	46.780	49.140	40.681	4,442	28,027	22.03	14.6	3.1	212
14	ENERGYSOUTH, INC.	ENSI	09/30	31.230	34.920	25.820	440	7,922	14.02	17.7	2.9	223
15	SEMCO ENERGY, INC.	SEN	09/30	5.560	7.050	5.040	1,521	34,626	6.10	30.9	0.0	91
									MAXIMUM	30.9	6.1	223
									MINIMUM	13.8	0.0	91
									MEDIAN	18.1	4.0	165
									MEAN	17.2	3.9	166

\*Closing price on the last trading day of Jun-08

## Common Stock Information Sorted by Market to Book Value

DIVERSIFIED		STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	EQUITABLE RESOURCES, INC.	EQT	12/31	33.500	41.180	31.590	16,550	120,576	5.11	15.3	2.6	656
2	SOUTHWESTERN ENERGY CORP.	SWN	12/31	31.160	44.280	23.660	75,250	167,645	7.38	28.6	0.0	423
3	QUESTAR CORPORATION	STR	12/31	80.490	89.600	66.810	23,237	85,552	21.28	18.6	1.2	378
4	KINDER MORGAN, INC.	KMI	12/31	99.890	103.750	81.000	31,816	133,629	29.71	21.0	3.5	336
5	ENERGEN CORPORATION	EGN	12/31	38.410	44.310	32.160	13,439	73,469	13.99	14.0	1.1	275
6	UGI CORPORATION	UGI	09/30	24.620	29.980	20.210	9,534	105,310	9.65	16.7	2.9	255
7	MDU RESOURCES GROUP, INC.	MDU	12/31	36.610	37.490	29.260	7,536	119,969	16.14	14.9	2.1	227
8	NICOR, INC.	GAS	12/31	41.500	43.120	37.420	9,739	44,379	18.89	13.3	4.5	220
9	NATIONAL FUEL GAS COMPANY	NFG	09/30	35.140	36.860	27.740	12,462	83,976	16.48	16.3	3.4	213
10	CHESAPEAKE UTILITIES CORP.	CPK	12/31	30.080	35.780	27.900	157	5,947	15.23	17.2	3.9	198
11	SOUTHERN UNION COMPANY	SUG	12/31	27.060	27.350	21.660	20,181	111,862	15.39	NMF	1.5	176
12	ONEOK, INC.	OKE	12/31	34.040	36.540	26.300	14,131	117,395	20.08	7.6	3.5	170
13	SOUTHWEST GAS CORPORATION	SWX	12/31	31.340	32.410	25.120	6,788	40,053	19.94	22.5	2.6	157
14	KEYSPAN CORPORATION	KSE	12/31	40.400	41.520	32.660	13,583	174,960	26.44	19.0	4.6	153
15	CORNING NATURAL GAS CORP.	CNIG	09/30	14.000	18.000	13.260	3	507	10.54	NMF	0.0	133
									MAXIMUM	28.6	4.6	656
									MINIMUM	7.6	0.0	133
									MEDIAN	16.7	2.6	220
									MEAN	17.3	2.5	265

COMBINATION		STOCK SYMBOL	FISCAL YEAR	MO. END PRICE*	52 WEEK HIGH	52 WEEK LOW	MO. VOL SHARES (000)	O/S SHARES (000)	BOOK VALUE	P/E	YIELD	MARKET TO BOOK
1	CENTERPOINT ENERGY, INC.	CNP	12/31	12.500	15.140	11.620	40,452	311,378	4.33	15.8	4.8	288
2	PUBLIC SERVICE ENT. GROUP INC.	PEG	12/31	66.120	72.450	56.050	43,882	251,469	24.74	20.7	3.4	267
3	NSTAR	NST	12/31	28.600	31.250	24.900	6,971	106,808	14.24	15.8	4.2	201
4	TECO ENERGY, INC.	TE	12/31	14.940	19.250	14.400	22,958	208,763	7.76	14.4	5.1	192
5	PG&E CORPORATION	PGC	12/31	39.280	40.900	34.540	39,031	347,167	21.29	16.2	3.4	185
6	MGE ENERGY, INC.	MGEE	12/31	31.150	38.750	29.200	1,100	20,454	17.04	17.6	4.4	183
7	SEMPRA ENERGY	SRE	12/31	45.480	49.540	41.020	21,277	259,084	25.03	12.1	2.6	182
8	VECTREN CORPORATION	VVC	12/31	27.250	29.460	25.000	4,933	76,186	15.43	14.9	4.5	177
9	WISCONSIN ENERGY CORP.	WEC	12/31	40.300	42.350	36.490	8,809	116,981	23.58	14.8	2.3	171
10	AMEREN CORPORATION	AEE	12/31	50.500	56.770	47.960	16,830	205,347	30.77	17.7	5.0	164
11	NORTHWESTERN CORPORATION	NWEC	12/31	34.350	35.240	27.820	6,876	35,493	20.97	19.1	3.6	164
12	ALLIANT ENERGY CORPORATION	LNT	12/31	34.300	35.170	25.790	10,615	117,540	21.11	NMF	3.4	163
13	SCANA	SCG	12/31	38.580	43.650	36.920	7,802	115,482	23.78	14.2	4.4	162
14	FLORIDA PUBLIC UTILITIES	FPU	12/31	12.590	16.840	11.860	139	5,980	7.91	18.5	3.4	159
15	CH ENERGY GROUP	CHG	12/31	48.000	50.230	43.030	5,263	15,762	32.60	18.0	4.5	147
16	WPS RESOURCES CORP.	WPS	12/31	49.600	60.000	47.390	4,577	40,306	34.00	12.7	4.6	146
17	XCEL ENERGY INC.	XEL	12/31	19.180	20.190	17.800	30,353	405,484	13.62	14.8	4.6	141
18	AVISTA CORPORATION	AVA	12/31	22.830	23.720	16.760	8,315	48,907	16.51	16.8	2.5	138
19	PNM RESOURCES, INC.	PNM	12/31	24.960	30.450	22.490	12,783	68,819	18.84	27.1	3.5	133
20	CMS ENERGY CORPORATION	CMS	12/31	12.940	16.800	12.090	262	221,148	10.43	NMF	0.0	124
21	DTE ENERGY CORPORATION	DTE	12/31	40.740	48.140	38.770	1,831	147,678	32.95	12.4	5.1	124
22	ENERGY EAST CORPORATION	EAS	12/31	23.930	29.000	22.160	13,146	147,678	19.44	15.0	4.8	123
23	NISOURCE INC.	NI	12/31	21.840	25.500	19.510	24,455	272,665	18.06	24.0	4.2	121
24	AQUILA, INC.	ILA	12/31	4.210	4.640	3.290	43,822	373,833	3.50	NMF	0.0	120
25	PUGET ENERGY, INC.	PSD	12/31	21.480	24.360	20.130	9,722	116,031	18.03	16.0	4.7	119
									MAXIMUM	27.1	5.1	288
									MINIMUM	12.1	0.0	119
									MEDIAN	15.9	4.2	162
									MEAN	16.8	3.7	164

## Common Stock Information Sorted by Market to Book Value

		STOCK	FISCAL	MO. END	52 WEEK	52 WEEK	MO. VOL	O/S	BOOK	P/E	YIELD	MARKET
		SYMBOL	YEAR	PRICE*	HIGH	LOW	SHARES	SHARES	VALUE			TO BOOK
							(000)	(000)				
1	ENERGYSOUTH, INC.	ENSI	09/30	31.230	34.920	25.820	440	7,922	14.02	17.7	2.9	223
2	NEW JERSEY RESOURCES CORP.	NJR	09/30	46.780	49.140	40.681	4,442	28,027	22.03	14.6	3.1	212
3	PIEDMONT NATURAL GAS CO., INC.	PNY	10/31	24.300	25.800	21.260	10,686	75,278	12.37	17.6	4.0	197
4	SOUTH JERSEY INDUSTRIES, INC.	SJI	12/31	27.390	30.800	25.630	2,897	29,162	14.41	16.1	3.3	190
5	AGL RESOURCES, INC.	ATG	12/31	38.120	39.290	32.230	7,916	77,931	20.29	13.8	3.9	188
6	CASCADE NATURAL GAS CORP.	CGC	09/30	21.090	25.680	18.950	1,534	11,481	11.40	19.9	4.6	185
7	LACLEDE GROUP (THE)	LG	09/30	34.360	35.550	28.600	2,334	21,327	19.27	15.1	4.1	178
8	NORTHWEST NATURAL GAS COMPANY	NWN	12/31	37.030	39.630	32.830	3,495	27,577	22.44	17.1	3.7	165
9	PEOPLES ENERGY CORPORATION	PGL	09/30	35.910	45.520	34.340	8,978	38,409	22.00	NMF	6.1	163
10	DELTA NATURAL GAS COMPANY INC.	DGAS	06/30	24.510	30.000	23.600	29	3,251	16.64	15.2	4.9	147
11	WGL HOLDINGS, INC.	WGL	09/30	28.950	34.790	27.040	6,832	48,762	19.76	17.2	4.7	146
12	ENERGY WEST	EWST	06/30	9.020	13.890	8.200	119	2,932	6.55	14.3	3.5	138
13	ATMOS ENERGY CORPORATION	ATO	09/30	27.910	29.970	25.000	6,589	81,152	21.05	15.3	4.5	133
14	RGC RESOURCES, INC.	RGCO	09/30	25.180	27.739	22.720	14	2,122	19.56	16.1	4.8	129
15	SEMCO ENERGY, INC.	SEN	09/30	5.560	7.050	5.040	1,521	34,626	6.10	30.9	0.0	91
									MAXIMUM	30.9	6.1	223
									MINIMUM	13.8	0.0	91
									MEDIAN	16.1	4.0	165
									MEAN	17.2	3.9	166

\*Closing price on the last trading day of Jun-06



## Financial Information Sorted by 12 Month Change in Dividend Rate

<b>DIVERSIFIED</b>		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	SOUTHERN UNION COMPANY	03/31/06	3,461,344	2,480,119	49	(0.14)	NMF	0.40	NMF	10.4	NMF	2.6	2.01
2	KINDER MORGAN, INC.	03/31/06	18,188,901	1,683,900	22	4.75	7.5	3.50	25.0	18.1	74	11.8	2.61
3	ENERGEN CORPORATION	03/31/06	1,711,794	70,000	60	2.74	80.3	0.44	10.0	22.1	16	3.1	7.50
4	ONEOK, INC.	03/31/06	6,481,772	751,551	36	4.45	100.5	1.20	7.1	29.4	27	6.0	3.68
5	MDU RESOURCES GROUP, INC.	03/31/06	3,090,833	101,707	63	0.00	32.3	0.76	5.6	16.3	31	4.7	8.49
6	EQUITABLE RESOURCES, INC.	03/31/06	1,379,176	70,000	45	2.19	(11.9)	0.88	4.8	37.5	40	17.2	7.47
7	QUESTAR CORPORATION	03/31/06	2,603,538	200,014	70	4.32	45.9	0.94	4.4	22.8	22	4.4	9.10
8	UGI CORPORATION	03/31/06	2,967,700	191,800	37	1.47	5.8	0.71	4.4	14.4	48	7.3	3.48
9	NATIONAL FUEL GAS COMPANY	03/31/06	2,497,030	9,505	55	2.15	14.4	1.20	3.4	15.1	56	7.3	3.99
10	KEYSPAN CORPORATION	03/31/06	8,560,800	510,300	54	2.13	(42.6)	1.86	2.2	8.3	87	7.0	3.06
11	CHESAPEAKE UTILITIES CORP.	03/31/06	148,451	30,237	61	1.75	0.6	1.16	1.8	11.9	66	7.6	4.01
12	SOUTHWESTERN ENERGY CORP.	03/31/06	1,348,156	0	92	1.09	40.3	0.00	0.0	20.7	NMF	0.0	NMF
13	NICOR, INC.	03/31/06	1,319,200	138,000	64	3.13	39.1	1.86	0.0	16.9	59	9.8	3.38
14	SOUTHWEST GAS CORPORATION	03/31/06	2,127,679	82,989	38	1.39	6.9	0.82	0.0	7.2	59	4.1	1.81
15	CORNING NATURAL GAS CORP.	03/31/06	14,568	8,789	37	0.27	(84.8)	0.00	0.0	2.9	NMF	0.0	1.55
			MAXIMUM	2,480,119	92		100.5		25.0	37.5	87	17.2	9.10
			MINIMUM	0	22		(84.8)		0.0	2.9	18	0.0	1.55
			MEDIAN	101,707	54		10.9		3.9	16.3	52	6.0	3.57
			MEAN	421,927	52		16.7		4.9	16.9	49	6.2	4.44
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<b>COMBINATION</b>		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	NORTHWESTERN CORPORATION	03/31/06	1,287,889	156,934	58	1.96	(88.3)	1.24	40.9	NMF	69	5.9	2.41
2	PNM RESOURCES, INC.	03/31/06	3,052,739	330,987	42	0.92	(40.3)	0.88	18.9	5.1	96	4.7	1.49
3	PG&E CORPORATION	03/31/06	16,994,000	635,000	43	2.43	(1.2)	1.32	10.0	12.0	54	6.2	3.36
4	ALLIANT ENERGY CORPORATION	03/31/06	4,368,300	178,300	57	0.35	(80.9)	1.15	9.5	(0.5)	NMF	5.4	3.07
5	SCANA	03/31/06	5,776,000	602,000	48	0.00	19.3	1.68	7.7	12.0	62	7.1	2.79
6	ENERGY EAST CORPORATION	03/31/06	6,602,167	305,568	43	1.60	(13.0)	1.16	5.5	8.3	73	6.0	2.24
7	WISCONSIN ENERGY CORP.	03/31/06	5,814,200	827,800	47	2.72	40.2	0.92	4.5	12.2	34	3.9	3.33
8	NSTAR	03/31/06	4,080,875	484,220	37	1.81	4.0	1.21	4.3	13.0	67	8.5	2.71
9	FLORIDA PUBLIC UTILITIES	03/31/06	98,547	3,443	48	0.68	0.7	0.43	4.0	8.8	63	5.4	2.26
10	AVISTA CORPORATION	03/31/06	1,774,155	226,716	45	0.00	97.1	0.56	3.7	8.6	41	3.4	1.98
11	CENTERPOINT ENERGY, INC.	03/31/06	9,576,000	645,000	14	0.79	0.0	0.56	3.7	22.1	76	3.4	1.43
12	XCEL ENERGY INC.	03/31/06	11,171,832	1,585,180	49	1.30	5.7	0.89	3.5	10.0	68	6.5	2.46
13	SEMPRA ENERGY	03/31/06	11,440,000	762,000	57	3.75	(6.5)	1.20	3.4	16.4	32	4.8	4.40
14	VECTREN CORPORATION	03/31/06	2,427,600	163,200	48	1.83	27.1	1.22	3.4	12.0	67	7.9	2.39
15	WPS RESOURCES CORP.	03/31/06	2,288,600	649,600	60	3.92	(12.5)	2.26	1.8	12.1	58	6.6	2.55
16	PUBLIC SERVICE ENT. GROUP INC.	03/31/06	17,414,000	1,195,000	36	3.19	(0.6)	2.28	1.8	9.7	71	9.2	2.24
17	MGE ENERGY, INC.	03/31/06	570,827	65,000	61	1.77	23.8	1.38	1.0	10.3	78	8.1	4.58
18	DTE ENERGY COMPANY	03/31/06	12,879,000	1,340,000	45	3.28	51.9	2.06	0.0	9.7	63	6.3	1.24
19	CH ENERGY GROUP	03/31/06	845,672	62,000	61	2.67	6.0	2.16	0.0	8.3	81	6.6	4.27
20	PUGET ENERGY, INC.	03/31/06	4,422,035	206,600	47	1.34	3.1	1.00	0.0	9.4	75	5.5	2.30
21	AMEREN CORPORATION	03/31/06	12,053,000	614,000	52	2.85	(1.4)	2.54	0.0	9.1	89	8.3	4.02
22	NISOURCE INC.	03/31/06	10,235,200	821,900	48	0.91	(42.0)	0.92	0.0	5.5	101	5.1	2.20
23	AQUILA, INC.	03/31/06	3,162,300	125,200	41	(0.44)	NMF	0.00	0.0	(19.0)	NMF	0.0	NMF
24	TECO ENERGY, INC.	03/31/06	5,325,200	157,200	30	1.04	NMF	0.76	0.0	19.3	73	9.8	1.30
25	CMS ENERGY CORPORATION	03/31/06	10,186,000	319,000	23	(1.31)	NMF	0.00	0.0	(12.1)	NMF	0.0	0.67
			MAXIMUM	1,585,180	61		97.1		40.9	22.1	101	9.8	4.58
			MINIMUM	3,443	14		(88.3)		0.0	(19.0)	32	0.0	0.67
			MEDIAN	330,987	47		0.4		3.4	9.7	69	6.0	2.40
			MEAN	498,474	46		(0.4)		5.1	8.4	68	5.8	2.57

## Financial Information Sorted by 12 Month Change in Dividend Rate

DISTRIBUTION		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	ENERGY WEST	03/31/06	37,475	2,513	51	0.63	110.0	0.32	NMF	11.0	51	4.9	2.06
2	AGL RESOURCES, INC.	03/31/06	3,076,000	472,000	52	2.77	13.1	1.48	19.4	14.2	53	7.3	4.33
3	ENERGYSOUTH, INC.	03/31/06	192,050	4,876	58	1.76	4.3	0.92	7.0	13.0	52	6.6	4.69
4	NORTHWEST NATURAL GAS COMPANY	03/31/06	1,120,410	78,400	55	2.16	2.9	1.38	6.2	9.7	64	6.1	3.39
5	SOUTH JERSEY INDUSTRIES, INC.	03/31/06	755,418	124,464	56	1.70	3.7	0.90	5.9	12.2	53	6.2	4.80
6	NEW JERSEY RESOURCES CORP.	03/31/06	951,990	91,905	65	3.21	13.4	1.44	5.9	16.9	45	6.5	7.26
7	PIEDMONT NATURAL GAS CO., INC.	04/30/06	1,555,537	287,000	60	1.38	34.6	0.96	4.3	11.4	70	7.8	3.93
8	LACLEDE GROUP (THE)	03/31/06	751,640	241,709	55	2.27	28.2	1.42	2.9	12.1	63	7.4	3.08
9	RGC RESOURCES, INC.	03/31/06	71,478	4,153	58	1.56	20.0	1.20	1.7	8.5	77	6.1	3.33
10	DELTA NATURAL GAS COMPANY INC.	03/31/06	110,519	10,070	49	1.61	(12.5)	1.20	1.7	9.9	75	7.2	2.78
11	ATMOS ENERGY CORPORATION	03/31/06	3,887,411	265,623	44	1.83	(3.2)	1.26	1.6	8.8	69	6.0	2.73
12	WGL HOLDINGS, INC.	03/31/06	1,471,760	95,630	65	1.68	(19.2)	1.35	1.5	8.6	80	6.8	4.59
13	CASCADE NATURAL GAS CORP.	03/31/06	296,364	8,000	44	1.06	11.6	0.96	0.0	9.5	91	8.4	2.72
14	PEOPLES ENERGY CORPORATION	03/31/06	1,738,232	166,190	49	0.49	(72.5)	2.18	0.0	2.1	NMF	9.9	1.00
15	SEMCO ENERGY, INC	03/31/06	714,042	36,000	29	0.18	NMF	0.00	0.0	4.4	NMF	0.0	1.37
			MAXIMUM	472,000	65		110.0		19.4	16.9	91	9.9	7.26
			MINIMUM	2,513	29		(72.5)		0.0	2.1	45	0.0	1.00
			MEDIAN	91,905	55		8.0		2.3	9.9	64	6.6	3.33
			MEAN	125,902	53		9.6		4.1	10.1	65	6.5	3.47

Financial Information Sorted by Dividend Payout

DIVERSIFIED		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	KEYSPAN CORPORATION	03/31/06	8,560,800	510,300	54	2.13							
2	KINDER MORGAN, INC.	03/31/06	18,188,901	1,683,900	22	4.75	(42.6)	1.86	2.2	8.3	87	7.0	3.06
3	CHESAPEAKE UTILITIES CORP.	03/31/06	148,451	30,237	61	1.75	0.6	3.50	25.0	18.1	74	11.8	2.61
4	NICOR, INC.	03/31/06	1,319,200	138,000	64	3.13		1.16	1.8	11.9	66	7.6	4.01
5	SOUTHWEST GAS CORPORATION	03/31/06	2,127,679	82,989	38	1.39	39.1	1.86	0.0	7.2	59	9.8	3.38
6	NATIONAL FUEL GAS COMPANY	03/31/06	2,497,030	9,505	55	2.15	14.4	0.82	0.0	15.1	59	4.1	1.81
7	UGI CORPORATION	03/31/06	2,967,700	191,800	37	1.47	5.8	1.20	3.4	14.4	56	7.3	3.99
8	EQUITABLE RESOURCES, INC.	03/31/06	1,379,176	70,000	45	2.19	(11.9)	0.71	4.4	37.5	48	7.3	3.48
9	MDU RESOURCES GROUP, INC.	03/31/06	3,090,833	101,707	63	0.00	32.3	0.88	5.6	16.3	40	17.2	7.47
10	ONEOK, INC.	03/31/06	6,481,772	751,551	36	4.45	100.5	1.20	7.1	29.4	31	4.7	8.49
11	QUESTAR CORPORATION	03/31/06	2,603,538	200,014	70	4.32	45.9	0.94	4.4	22.8	27	6.0	3.66
12	ENERGEN CORPORATION	03/31/06	1,711,794	70,000	60	2.74		0.44	10.0	22.1	16	4.4	9.10
13	SOUTHWESTERN ENERGY CORP.	03/31/06	1,348,156	0	92	1.09	80.3	0.00	0.0	20.7	22	3.1	7.50
14	CORNING NATURAL GAS CORP.	03/31/06	14,568	8,789	37	0.27	(84.8)	0.00	0.0	2.9	NMF	0.0	1.55
15	SOUTHERN UNION COMPANY	03/31/06	3,461,344	2,480,119	49	(0.14)	NMF	0.40	NMF	10.4	NMF	0.0	2.01
	MAXIMUM			2,480,119	92		100.5				87	17.2	9.10
	MINIMUM			0	22		(84.8)		25.0	37.5	16	0.0	1.55
	MEDIAN			101,707	54		10.9		3.9	16.3	52	6.0	3.57
	MEAN			421,927	52		16.7		4.9	16.9	49	6.2	4.44

COMBINATION		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
1	ALLIANT ENERGY CORPORATION	03/31/06	4,368,300	178,300	57	0.35	(80.9)	1.15	9.5	(0.5)	NMF	5.4	3.07
2	NISOURCE INC.	03/31/06	10,235,200	821,900	48	0.91	(42.0)	0.92	0.0	5.5	101	5.1	2.20
3	PNM RESOURCES, INC.	03/31/06	3,052,739	330,987	42	0.92	(40.3)	0.88	18.9	5.1	96	4.7	1.49
4	AMEREN CORPORATION	03/31/06	12,053,000	614,000	52	2.85	(1.4)	2.54	0.0	9.1	89	8.3	4.02
5	CH ENERGY GROUP	03/31/06	845,672	62,000	61	2.67	6.0	2.16	0.0	8.3	81	6.6	4.27
6	MGE ENERGY, INC.	03/31/06	570,827	65,000	61	1.77	23.8	1.38	1.0	10.3	78	8.1	4.58
7	CENTERPOINT ENERGY, INC.	03/31/06	9,576,000	645,000	14	0.79	0.0	0.58	3.7	22.1	76	3.4	1.43
8	PUGET ENERGY, INC.	03/31/06	4,422,035	206,600	47	1.34	3.1	1.00	0.0	9.4	75	5.5	2.30
9	TECO ENERGY, INC.	03/31/06	5,325,200	157,200	30	1.04	NMF	1.16	5.5	8.3	73	9.8	2.30
10	ENERGY EAST CORPORATION	03/31/06	6,602,167	305,568	43	1.60	(13.0)	1.24	1.8	9.7	73	6.0	1.30
11	PUBLIC SERVICE ENT. GROUP INC.	03/31/06	17,414,000	1,195,000	36	3.19	(0.6)	2.28	40.9	NMF	71	9.2	2.24
12	NORTHWESTERN CORPORATION	03/31/06	1,287,889	156,934	58	1.96	(88.3)	1.24	3.5	10.0	69	5.9	2.24
13	XCEL ENERGY INC.	03/31/06	11,171,832	1,585,180	49	1.30	5.7	0.89	3.5	13.0	68	6.5	2.46
14	NSTAR	03/31/06	4,080,875	484,220	37	1.81	4.0	1.21	4.3	12.0	67	8.5	2.71
15	VECTREN CORPORATION	03/31/06	2,427,600	163,200	48	1.83	27.1	1.22	3.4	8.8	63	7.9	2.39
16	FLORIDA PUBLIC UTILITIES	03/31/06	98,547	3,443	48	0.68	0.7	0.43	4.0	9.7	63	5.4	2.26
17	DTE ENERGY COMPANY	03/31/06	12,879,000	1,340,000	45	3.28	51.9	2.06	0.0	12.0	63	6.3	1.24
18	SCANA	03/31/06	5,776,000	602,000	48	0.00	19.3	1.68	7.7	12.0	62	7.1	2.79
19	WPS RESOURCES CORP.	03/31/06	2,288,600	649,600	60	3.92	(12.5)	2.26	1.8	12.1	58	6.6	2.55
20	PG&E CORPORATION	03/31/06	16,994,000	635,000	43	2.43	(1.2)	1.32	10.0	12.0	54	6.2	3.36
21	AVISTA CORPORATION	03/31/06	1,774,155	226,716	45	0.00	97.1	0.56	3.7	8.5	41	3.4	1.98
22	WISCONSIN ENERGY CORP.	03/31/06	5,814,200	827,800	47	2.72	(6.5)	1.20	4.5	12.2	34	3.9	3.33
23	SEMPRA ENERGY	03/31/06	11,440,000	762,000	57	3.75	40.2	0.82	3.4	16.4	32	4.8	4.40
24	CMS ENERGY CORPORATION	03/31/06	10,166,000	319,000	23	(1.31)	NMF	0.00	0.0	(12.1)	NMF	0.0	0.67
25	AQUILA, INC.	03/31/06	3,162,300	125,200	41	(0.44)	NMF	0.00	0.0	(19.0)	NMF	0.0	NMF
	MAXIMUM			1,585,180	61		97.1		40.9	22.1	101	9.8	4.58
	MINIMUM			3,443	14		(88.3)		0.0	(19.0)	32	0.0	0.67
	MEDIAN			330,987	47		0.4		3.4	9.7	69	6.0	2.40
	MEAN			498,474	46		(0.4)		5.1	8.4	68	5.8	2.57

## Financial Information Sorted by Dividend Payout

		12 MOS ENDING	TOTAL CAP (000)	S-T DEBT (000)	PCT EQUITY	EPS	PCT CHG	DIV RATE	PCT CHG	ROE	DIVIDEND PAYOUT	BOOK YIELD	INTEREST COVERAGE
	<b>DISTRIBUTION</b>												
1	PEOPLES ENERGY CORPORATION	03/31/06	1,738,232	166,190	49	0.49	(72.5)	2.18	0.0	2.1	NMF	9.9	1.00
2	CASCADE NATURAL GAS CORP.	03/31/06	296,364	8,000	44	1.06	11.6	0.96	0.0	9.5	91	8.4	2.72
3	WGL HOLDINGS, INC.	03/31/06	1,471,760	95,630	65	1.68	(19.2)	1.35	1.5	8.6	80	6.8	4.59
4	RGC RESOURCES, INC.	03/31/06	71,478	4,153	58	1.56	20.0	1.20	1.7	8.5	77	6.1	3.33
5	DELTA NATURAL GAS COMPANY INC.	03/31/06	110,519	10,070	49	1.61	(12.5)	1.20	1.7	9.9	75	7.2	2.78
6	PIEDMONT NATURAL GAS CO., INC.	04/30/06	1,555,537	287,000	60	1.38	34.6	0.96	4.3	11.4	70	7.8	3.93
7	ATMOS ENERGY CORPORATION	03/31/06	3,887,411	265,623	44	1.83	(3.2)	1.26	1.6	8.8	69	6.0	2.73
8	NORTHWEST NATURAL GAS COMPANY	03/31/06	1,120,410	78,400	55	2.16	2.9	1.38	6.2	9.7	64	6.1	3.39
9	LACLEDE GROUP (THE)	03/31/06	751,640	241,709	55	2.27	28.2	1.42	2.9	12.1	63	7.4	3.08
10	AGL RESOURCES, INC.	03/31/06	3,076,000	472,000	52	2.77	13.1	1.48	19.4	14.2	53	7.3	4.33
11	SOUTH JERSEY INDUSTRIES, INC.	03/31/06	755,418	124,464	56	1.70	3.7	0.90	5.9	12.2	53	6.2	4.80
12	ENERGYSOUTH, INC.	03/31/06	192,050	4,876	58	1.76	4.3	0.92	7.0	13.0	52	6.6	4.69
13	ENERGY WEST	03/31/06	37,475	2,513	51	0.63	110.0	0.32	NMF	11.0	51	4.9	2.06
14	NEW JERSEY RESOURCES CORP.	03/31/06	951,990	91,905	65	3.21	13.4	1.44	5.9	16.9	45	6.5	7.26
15	SEMCO ENERGY, INC	03/31/06	714,042	36,000	29	0.18	NMF	0.00	0.0	4.4	NMF	0.0	1.37
			<i>MAXIMUM</i>	472,000	65		110.0		19.4	16.9	91	9.9	7.26
			<i>MINIMUM</i>	2,513	29		(72.5)		0.0	2.1	45	0.0	1.00
			<i>MEDIAN</i>	91,905	55		8.0		2.3	9.9	64	6.6	3.33
			<i>MEAN</i>	125,902	53		9.6		4.1	10.1	65	6.5	3.47

DELTA NATURAL GAS COMPANY, INC.  
AUDIT COMMITTEE CHARTER

Approved by the Board of Directors  
August 25, 2006

I. ORGANIZATION

- A. The Audit Committee is composed of not less than three members of the Board of Directors and shall meet the qualification requirements set forth in 1.B.
- B. The Audit Committee shall be comprised solely of independent Directors. To be independent, a Director shall not be an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of the Company's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. The following persons shall not be considered independent:
1. A Director who, other than in his or her capacity as a member of the Audit Committee, the Board of Directors or any other Board committee of the Company, accepts directly or indirectly, any consulting, advisory, or other compensatory fee from the Company or any subsidiary of the Company. Unless the rules of any national securities exchange or national securities association on which the Company's shares are traded provide otherwise, "compensatory fees" as used in the immediately preceding sentence, do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for a prior service with the Company (provided that such compensation is not contingent in any way on continued service).
  2. An affiliated person of the Company or any of its subsidiaries, as the term "affiliated person" is defined under the Securities Exchange Act of 1934 or Rules enacted thereunder.
  3. A Director who is, or at any time during the past three years was, employed by the Company or any parent or subsidiary of the Company.
  4. A Director who accepted or who has a Family Member who accepted any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 during the current or any of the past three fiscal years, other than the following:
    - a. Compensation for Board or Board committee service;
    - b. Payments arising solely from investments in the Company's securities;

- c. Compensation paid to a Family Member who is a non-executive employee of the Company or a parent or subsidiary of the Company;
    - d. Benefits under a tax-qualified retirement plan, or non-discretionary compensation; or
    - e. Loans permitted under Section 13(k) of the Securities Exchange Act of 1934.
  - 5. A Director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company as an executive officer.
  - 6. A Director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
    - a. Payments arising solely from investments in the Company's securities; or
    - b. Payments under non-discretionary charitable contribution matching programs.
  - 7. A Director of the Company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during any of the past three years any of the executive officers of the Company serve on the compensation committee of such other entity; or
  - 8. A Director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.
  - 9. A Director who is not "independent" as defined by NASDAQ's listing requirements or the listing requirements of any exchange on which the Company's stock trades.
- C. No member of the Audit Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

- D. All members of the Audit Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. Additionally, at least one member of the Audit Committee shall have had past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

One may acquire such preceding attributes through (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions, (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions, (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements, or (iv) other relevant experience.

- E. The members of the Audit Committee, and a Chairman of the Committee, shall be approved by the Board of Directors and shall serve until their successors shall be duly elected and qualified. If a Chairman of the Audit Committee is not selected by the Board, the members of the Audit Committee shall designate a Chairman. The Chairman of the Audit Committee may convene a meeting of the Audit Committee at his/her option and discretion, in addition to regularly scheduled meetings.
- F. The Audit Committee is authorized to engage independent counsel and other advisers, as it determines necessary to carry out its duties.
- G. The Company will provide appropriate funding, as determined by the Audit Committee, for payment of:
1. Compensation to the accounting firm employed by the Company for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company; and
  2. Compensation to any independent counsel or other advisers employed by the Audit Committee; and
  3. Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

## II. PURPOSE:

The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by (i) reviewing financial information which will be provided to shareholders and others, (ii) reviewing the internal control systems which management and

the Board have established, (iii) reviewing the performance of the internal auditors and the independent public accountants, (iv) appointing, overseeing, determining levels of compensation and, where appropriate, replacing the independent public accountants, and (v) generally overseeing the accounting, financial and reporting processes of the Company and the audits of the financial statements of the Company. The independent public accountants shall be accountable to the Company's Board of Directors and the Audit Committee as representatives of the Company's shareholders.

### III. RESPONSIBILITIES AND DUTIES:

The Audit Committee shall:

#### A. General

1. Be directly responsible for the appointment, compensation, and oversight of the work of the public accounting firm employed by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, and such accounting firm shall report directly to the Audit Committee.
2. Meet with the independent public accountants and the internal auditor:
  - a. At least annually; and
  - b. At such other times as is appropriate.
3. Have the power to conduct or authorize investigations into any matters within the scope of its responsibilities.
4. Review its charter periodically and recommend to the Board of Directors appropriate changes to its charter.

#### B. Relationship to the Independent Public Accountants

1. Before the annual audit, meet with the independent public accountants, review the scope and nature of the audit engagement, and recommend changes wherever considered necessary.
2. After completion of the audit, discuss with the independent public accountants:
  - a. The results of the annual audit, including significant audit adjustments; and
  - b. Their view of the status of the Company's internal controls; and



- c. The impact on the financial statements of new pronouncements and prospective changes in accounting and auditing standards; and
  - d. Any changes in planned scope and any difficulties encountered; and
  - e. The resolution of disagreements (if any) with management.
3. Periodically consult with the independent public accountants out of the presence of management about internal controls, the quality of the Company's financial reporting, and the adequacy/capability of the financial staff given the business and changes in operations.

C. Relationship to the Internal Auditor

1. Communicate with the Company's internal auditor, review the internal audit scope, assess the internal audit work performed and recommend changes when necessary; and
2. Review the internal audit work plan and scope for adequacy as it relates to the work of the independent public accountants; and
3. Review any changes required in planned scope and any difficulties encountered; and
4. Periodically consult with the internal auditor out of the presence of management.

D. Policies

1. Not engage the auditors at any point during the audit and professional engagement period to provide any of the following non-audit services:
  - a. Bookkeeping or other services related to the accounting records or financial statements of the Company. Any services, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the Company's financial statements, including
    - (i) Maintaining or preparing the Company's accounting records; or
    - (ii) Preparing the Company's financial statements that are filed with the Securities and Exchange Commission (the "Commission") or that form the basis of financial statements filed with the Commission; or

- (iii) Preparing or originating source data underlying the Company's financial statements.
- b. Financial information systems design and implementation. Any services unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the Company's financial statements, including:
  - (i) Directly or indirectly operating, or supervising the operation of, the Company's information system or managing the Company's local area network; or
  - (ii) Designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the Company's financial information systems taken as a whole.
- c. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports. Any appraisal services, valuation services, or any services involving a fairness opinion or contribution-in-kind report for the Company, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the Company's financial statements.
- d. Actuarial services. Any actuarially-oriented advisory services involving the determination of amounts recorded in the financial statements and related accounts for the Company other than assisting a client in understanding the methods, models, assumptions, and inputs used in computing an amount, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the Company's financial statements.
- e. Internal audit outsourcing services. Any internal audit services that have been outsourced by the Company that relates to the Company's internal accounting controls, financial systems, or financial statements for the Company unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the Company's financial statements.
- f. Management functions. Acting, temporarily or permanently, as a director, officer, or employee of the Company, or performing any decision-making, supervisory, or ongoing monitoring function for the Company.
- g. Human resources functions, including:

- (i) Searching for or seeking out prospective candidates for managerial, executive, or director positions; or
  - (ii) Engaging in psychological testing, or other formal testing or evaluation programs; or
  - (iii) Undertaking reference checks of prospective candidates for an executive or director position; or
  - (iv) Acting as a negotiator on the Company's behalf, such as determining position, status or title, compensation, fringe benefits, or other conditions of employment; or
  - (v) Recommending, or advising the Company to hire, a specific candidate for a specific job (except that an accounting firm may, upon request by the Company, interview candidates and advise the Company on the candidate's competence for financial accounting, administrative, or control positions).
- h. Broker-dealer, investment adviser, or investment banking services. Acting as a broker-dealer (registered or unregistered), promoter, or underwriter, on behalf of the Company, making investment decisions on behalf of the Company or otherwise having discretionary authority over the Company's investments, executing a transaction to buy or sell the Company's investment, or having custody of assets of the Company, such as taking temporary possession of securities purchased by the Company.
  - i. Legal services. Providing any service to the Company that, under circumstances in which the service is provided, could be provided only by someone licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.
  - j. Expert services unrelated to the audit. Providing an expert opinion or other expert services for the Company, or the Company's legal representative, for the purpose of advocating the Company's interests in litigation or in a regulatory or administrative proceeding or investigation, except that in any litigation or regulatory or administrative proceeding or investigation, the Company's auditors may provide factual accounts, including testimony, of work performed or explain the positions taken or conclusions reached during the performance of any services provided by the auditors for the Company.
  - k. Any other services subsequently declared impermissible through the action of any proper governmental authority.

2. Preapprove all auditing services (which may entail providing comfort letters in connection with securities underwritings).
3. Preapprove all permissible non-audit services (including tax services), provided, however, that the auditor for the Company may not, contemporaneously with the audit, provide the Company with any of the non-audit services listed in subparagraphs D.1.a. through D.1.k., above.
4. Report to the Board of Directors for disclosure in the Company's periodic reports under the Securities Exchange Act of 1934 any approval of non-audit services to be performed by the Company's auditors.
5. Oversee the independence of the outside auditor. The Audit Committee shall, as a part of that responsibility:
  - a. Review, annually, the independence of the independent public accountants; and
  - b. Ensure the receipt of a formal written statement from the independent public accountants delineating relationships between the independent public accountants and the Company, consistent with Independence Standards Board Standard No. 1; and
  - c. Engage in a dialogue with the independent public accountants with respect to any disclosed relationships or services that may impact the objectivity of the independent public accountants.
6. Review matters within the scope of its duties, such as determining compliance with internal accounting controls and with regulations of governmental bodies; and review recommendations made by the Board of Directors, management, the independent public accountants, or the internal auditors to improve internal accounting controls, to enhance current management practices, or to adopt or change accounting principles.
7. Review with management and the independent public accountants legal and regulatory matters that may have a material impact on the financial statements and related compliance policies.

**E. Communication and Reporting**

1. Provide for a line of communication between the Board of Directors and both internal auditing personnel and the independent public accountants.
2. Report its findings to the Board of Directors after each Audit Committee meeting.

F. Procedures for Complaints About Accounting or Internal Controls

1. Employees and others are encouraged to bring to the attention of the Chairman of the Audit Committee any concerns regarding accounting, internal audit controls, or auditing matters.
2. Any such complaints should be submitted directly in writing to the Chairman of the Audit Committee in a sealed envelope. Complaints may be submitted to Delta's Manager-Internal Control, Matthew Wesolosky, by phone 859-744-6171 Ext. 149, email [mwesolosky@deltagas.com](mailto:mwesolosky@deltagas.com), or anonymously in writing. All complaints submitted to Delta directly or reported to the Manager - Internal Control will be communicated directly to the Chairman of the Audit Committee.
  - a. Complaints may be submitted anonymously, if desired, by mail or the Company's internal distribution system.
  - b. No attempt to identify the author of anonymous complaints shall be made by the Audit Committee or any other employee of the Company.
  - c. No attempt will be made to retaliate against an employee submitting a complaint, whether it is anonymous or not.
  - d. Upon receipt of a complaint, the Chairman of the Audit Committee shall designate a member or members of the Committee to investigate the Complaint and to prepare a written report of that investigation to be presented at the next meeting of the Audit Committee.
  - e. The designated investigators shall be authorized to meet with any employee of the Company as necessary to determine the legitimacy of the complaint, to request and review any relevant documents produced by or in the possession of the Company, to request statements, sworn or unsworn, from any employee with information relevant to the complaint, and to retain legal counsel and/or other experts to assist them in the investigation.
  - f. The Audit Committee shall take action as deemed appropriate by the Committee to include, if appropriate, a report to the Board of Directors of the Company concerning the Committee's findings with regard to the subject of the complaint.
  - g. All complaints, reports of investigations, and reports to the Board of Directors shall be kept in a permanent file by the Audit Committee.



# Delta Natural Gas Company, Inc.

## LEADERSHIP

POSITION	NAME
Chairman of the Board / President & CEO	Glenn R. Jennings
Construction Supervisor	Tom Lundy
Construction Supervisor	Jerry Perry
Construction Supervisor	Sawyer Messer
Construction Supervisor	David M. Nash
Construction Supervisor	Jesse D. Stivers
Construction Supervisor	James N. Swartz
Corrosion Control Supervisor	Gerald L. Powell
Customer Development Supervisor	Jeffrey C. Steele
Director – Corporate Services	Emily P. Bennett
Director – IT & Network Services	David Turpin
Director – Measurement & Corrosion Control	Bobby R. Coyle
Director – Purchasing	Hollie J. Craycraft
Director – Safety & Training	James B. Potter
District Customer Service Supervisor	Robert W. Cobb
District Customer Service Supervisor	Michael C. Downs
District Customer Service Supervisor	Charles W. Gardner
District Customer Service Supervisor	Mark A. Norvell
District Customer Service Supervisor	Arvil Swafford
Division Manager – Customer Service	Gerald D. Baker
Division Manager – Customer Service	Michael B. Robinson
Manager – Construction	Robert C. Miller
Manager – Corporate & Employee Services	Connie H. King
Manager – Engineering	Jonathan W. Morphew
Manager – External Affairs	Robert C. Hazelrigg
Manager – Gas Control Operations	Donald C. Cartwright
Manager – Gas Supply	Brian S. Ramsey
Manager – Internal Control	Matthew Wesolosky
Manager – Transmission	Clyde A. Russell
Supervisor – Transmission Operations	Carl Cox
Vice President – Adm. & Cust. Service	Johnny L. Caudill
Vice President – Controller	John B. Brown
Vice President – Finance, Sec. & Treas.	John F. Hall
Vice President – Operations & Engineering	Alan L. Heath

**MANDATORY DISTRIBUTION AMENDMENT**  
**(Code Section 401(a)(31)(B))**

**ARTICLE I**  
**APPLICATION OF AMENDMENT**

- 1.1 Effective Date. Unless a later effective date is specified in Article III of this Amendment, the provisions of this Amendment will apply with respect to distributions made on or after March 28, 2005.
- 1.2 Precedence. This Amendment supersedes any inconsistent provision of the Plan.

**ARTICLE II**  
**DEFAULT PROVISION: LOWER MANDATORY CASH-OUT**  
**THRESHOLD TO \$1,000**

Unless the Employer otherwise elects in Article III of this Amendment, the provisions of the Plan for the mandatory distribution of amounts not exceeding \$5,000, are amended as follows:

The \$5,000 threshold in such provisions is reduced to \$1,000 and the value of the Participant's interest in the Plan for such purpose shall include any rollover contributions (and earnings thereon) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).

**ARTICLE III**  
**EMPLOYER'S ALTERNATIVE ELECTIONS**

3.1 ( ) **Effective Date of Plan Amendment**

This Amendment applies with respect to distributions made on or after \_\_\_\_\_ (may be a date later than March 28, 2005, only if the terms of the Plan already comply with Code Section 401(a)(31)(B)).

3.2 ( ) **Election to implement automatic IRA rollover rules**

- a. ( ) IRA rollover of amounts over \$1,000. In lieu of the default provision in Article II of this Amendment, the provisions of the Plan concerning mandatory distributions of amounts not exceeding \$5,000 are amended as follows:

In the event of a mandatory distribution greater than \$1,000 that is made in accordance with the provisions of the Plan providing for an automatic distribution to a Participant without the Participant's consent, if the Participant does not elect to have such distribution paid directly to an "eligible retirement plan" specified by the Participant in a direct rollover (in accordance with the direct rollover provisions of the Plan) or to receive the distribution directly, then the Administrator shall pay the

distribution in a direct rollover to an individual retirement plan designated by the Administrator.

- b. ( ) IRA rollover of amounts over and under \$1,000. In lieu of the default provision in Article II of this Amendment, the provisions of the Plan concerning mandatory distributions of amounts not exceeding \$5,000 are amended as follows:

In the event of a mandatory distribution that is made in accordance with the provisions of the Plan providing for an automatic distribution to a Participant without the Participant's consent, if the Participant does not elect to have such distribution paid directly to an "eligible retirement plan" specified by the Participant in a direct rollover (in accordance with the direct rollover provisions of the Plan) or to receive the distribution directly, then the Administrator shall pay the distribution in a direct rollover to an individual retirement plan designated by the Administrator.

- 3.3 ( ) **Election to modify mandatory distribution threshold (may not be elected if 3.2 above is elected)**

In lieu of the default provision in Article II of this Amendment, the provisions of the Plan that provide for the involuntary distribution of vested accrued benefits of \$5,000 or less, are modified as follows:

- a. ( ) No mandatory distributions. Participant consent to the distribution shall now be required before the distribution may be made.
- b. ( ) Reduction of threshold to amount less than \$1,000. The \$5,000 dollar threshold in such provisions is reduced to \$\_\_\_\_\_ (enter an amount less than \$1,000) and the value of the Participant's interest in the Plan for such purpose shall include any rollover contributions (and earnings thereon) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).

This amendment is executed as follows:

Name of Plan: Delta Natural Gas Company, Inc. Employee Savings Plan

Name of Employer: Delta Natural Gas Company, Inc.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
EMPLOYER