

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 31 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

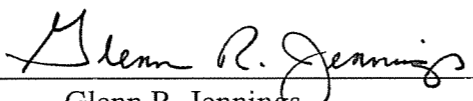
APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR) CASE NO. 2007-00089
AN ADJUSTMENT OF RATES)

* * * * *

CERTIFICATION

The undersigned, Glenn R. Jennings, states that he is Chairman of the Board, President and Chief Executive Officer of Delta Natural Gas Company, Inc., a corporation, ("Delta") and certifies that he supervised the preparation of the responses of Delta to the Attorney General's Supplemental Request for Information to Delta herein and that the responses are true and accurate to the best of the undersigned's knowledge, information and belief formed after a reasonable inquiry.

Dated this 31st day of July, 2007.



Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

1. Please refer to AG 1-7. Please provide the "special contracts" for transportation service for the three companies as discussed in the response. Also, if the customer discussed in the first bullet point is on a special contract, provide that contract.

RESPONSE:

The referenced special contracts have been previously filed with the Commission and were granted confidential protection. Please refer to the Commission's files.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

2. Refer to AG 1-12.
 - a. Please provide a detailed list of the projects that make up the \$308,300 budget for Outside Services Computers.
 - b. Please provide the contract(s) with FlowCal and PowerPlan showing the annual costs to be paid to these companies for the new systems.

RESPONSE:

- a. See attached Item 2a
- b. See attached Item 2b:
 - Exhibit 1 - - Flow-Cal Contract
 - Exhibit 2 - - Powerplan Contract

Sponsoring Witness:

John B. Brown

PROFESSIONAL SERVICES COMPUTERS

A/C 1.923.05

Item 2 a

| A/C 1.923.05 | DESCRIPTION | Jul-07 | Aug-07 | Sep-07 | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | TOTAL |
|---|---|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|-----------------|------------------|-----------------|------------------|-------------------|
| ALLIANCE EXT SUPPORT | | | | | | | | | | | | | | |
| | CIS | 3,911.57 | | | 3,911.57 | | | 4,302.73 | | | 4,302.73 | | | 16,428.60 |
| | SERVICE ORDERS | 1,185.33 | | | 1,185.33 | | | 1,303.86 | | | 1,303.86 | | | 4,978.38 |
| | CUSTOMER CONTACTS | 948.26 | | | 948.26 | | | 1,043.09 | | | 1,043.09 | | | 3,982.70 |
| | GUI | 1,896.52 | | | 1,896.52 | | | 2,086.17 | | | 2,086.17 | | | 7,965.38 |
| | RATE STUDIES | 711.20 | | | 711.20 | | | 782.31 | | | 782.31 | | | 2,987.02 |
| | USER DEFINED SCREENS | 829.73 | | | 829.73 | | | 912.70 | | | 912.70 | | | 3,484.86 |
| | METER READING | 711.20 | | | 711.20 | | | 782.31 | | | 782.31 | | | 2,987.02 |
| | CODE 1 INTERFACE-ORCOM | 948.26 | | | 948.26 | | | 1,043.09 | | | 1,043.09 | | | 3,982.70 |
| | MAILSTREAM INTERFACE-OC | 711.18 | | | 711.18 | | | 782.32 | | | 782.32 | | | 2,987.00 |
| | TOTAL | 11,853.25 | | | 11,853.25 | | | 13,038.58 | | | 13,038.58 | | | 49,783.66 |
| HARRIS INC. | | | | | | | | | | | | | | |
| | Financial | | | | | | | 1,998.13 | | | | | | 1,998.13 |
| | MISC A/R | | | | | | | 1,634.83 | | | | | | 1,634.83 |
| | A/P | | | | | | | 2,361.42 | | | | | | 2,361.42 |
| | GL | | | | | | | 1,453.18 | | | | | | 1,453.18 |
| | BUDGETS | | | | | | | 2,361.42 | | | | | | 2,361.42 |
| | HUMAN RESOURCES | | | | | | | 2,906.37 | | | | | | 2,906.37 |
| | PAYROLL | | | | | | | | | | | | | - |
| | Work Management | | | | | | | 181.65 | | | | | | 181.65 |
| | INVENTORY | | | | | | | 1,089.89 | | | | | | 1,089.89 |
| | PURCHASING | | | | | | | 908.24 | | | | | | 908.24 |
| | REQUISITIONS | | | | | | | 1,634.83 | | | | | | 1,634.83 |
| | WORK ORDERS | | | | | | | 1,634.83 | | | | | | 1,634.83 |
| | FIXED ASSETS | | | | | | | 18,164.79 | | | | | | 18,164.79 |
| | TOTAL | | | | | | | | | | | | | |
| GROUP 1 (Postal & Barcoding) | | | | | | | | | | | | | | |
| | CODE 1 PLUS | | | | | | | | | | 2,350.00 | | | 2,350.00 |
| | MAILSTREAM PLUS MNT | | | | | | | | | | 5,354.00 | | | 5,354.00 |
| | BTO Maint. | | | | | | | | | | 375.00 | | | 375.00 |
| | US Postal Monthly Database | | | | | | | | | | 6,630.00 | | | 6,630.00 |
| | USPS File Monthly | | | | | | | | | | 1,340.00 | | | 1,340.00 |
| | | | | | | | | | | | 16,049.00 | | | 16,049.00 |
| IBM Software and Support | | | | | | | | | | | | | | |
| | Support Line / Alert | - | | | - | | | - | | | - | | | - |
| | Software Subscription Pd thru 6/30/09 | - | | | - | | | - | | | - | | | - |
| OTHER | | | | | | | | | | | | | | |
| | Iron Software | 652.00 | | | 652.00 | | | 717.00 | | | 717.00 | | | 2,738.00 |
| | Iron extended customer support for MV-RS - | 1,300.00 | | | | | | | | | | | | 1,300.00 |
| | Cognos Impromptu | | | | | 850.00 | 8,500.00 | | | | | | | 8,500.00 |
| | Cognos Powerplay/Reportnet | | | | | | | | | | | 1,400.00 | | 1,400.00 |
| | Digital Designs (Laser Checks, Report emailing) | | | | | | | | | | | | | 2,000.00 |
| | Digital Designs DocAgent | | | | 2,000.00 | | | | | | | | | 6,000.00 |
| | KnowledgeLake | | | 6,000.00 | | | | | | | | | | 5,800.00 |
| | KnowledgeLake Image Enterprise Yearly Maintenance | | | | | | | 5,800.00 | | | | | | 5,800.00 |
| | Hawkeye | | | 725.00 | | | | | | | | | | 725.00 |
| | ICOM400 (Pinnacle) | | | | | | | | 500.00 | | | | | 500.00 |
| | Datalrade Spoolview Archiving | | | 175.00 | - | | | | | | | | 5,000.00 | 5,175.00 |
| | ACL Statistical Program | | | | | 855.00 | | | | | | | | 855.00 |
| | Arsenault and Assoc (Maintenance Dossier) | 1,800.00 | | | | | | | | | | | | 1,800.00 |
| | CCH Edgar Ease Subscription | | | | | | | 3,100.00 | | | | | | 3,100.00 |
| | Mailwatch Email Virus Check | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 1,800.00 |
| | IBM Business Recovery | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 10,284.00 |
| | Disaster Recovery Option with IBM/Network Only | 650.00 | 650.00 | 650.00 | 650.00 | 650.00 | 650.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 8,400.00 |
| | Proseries Research Lib and Lacert Tax Prep | 750.00 | | | | | | | | | | | | 750.00 |
| | Microsoft Office Sft Assurance 2YR - not needed for 2007 budget | | | | | | | | | | | | | - |
| | Windows 2003 with Software Assurance - CDW | | | | | | 1,100.00 | | | | | | | 1,100.00 |
| | SQL Server Software assurance 10 user 1 server - CDW | 1,300.00 | | | | | | | | | | | | 1,300.00 |
| | Software assurance SQL Server CPU base license 20 - CDW | | | | | | | | 3,000.00 | | | | | 3,000.00 |
| | SQL Server Software Assurance 5 user u server | | 900.00 | | | | | | | | | | | 900.00 |
| | Window Server Software Assurance - CDW | | | | | | 800.00 | | | | | | | 800.00 |
| | Microsoft Software Assurance - | | | | | | | | | | | | 15,678.88 | 15,678.88 |
| | Microsoft Exchange Subscription user calcs ans server - CDW | | | | | | | | | | 4,500.00 | | | 4,500.00 |
| | Desktop fax service for Winchester users - Easlylin | 480.00 | | | | | | | | | | | | 480.00 |
| | Website Design and major updates - Boxlake | | | | | | | | | | | | | - |
| | Networks | 725.00 | 725.00 | 725.00 | 725.00 | 725.00 | 725.00 | 775.00 | 775.00 | 775.00 | 775.00 | 775.00 | 775.00 | 9,000.00 |
| | Track-It Premium Care - Numara | | | | | 1,500.00 | | | | | | | | 1,500.00 |
| | Autocad Subscription Rnew - Advanced Solutions | | | | | | | 4,200.00 | | | | | | 4,200.00 |
| | Backup Exec Agents As Required - CDW | | | | | | | 900.00 | | | | | | 900.00 |
| | Backup Exec - Symantic | | | | | | | | | | | | 1,500.00 | 1,500.00 |
| | Unknown software items | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 837.00 | 10,000.00 |
| | Carlson Civil Suite 2007 | | | | | | | 1,600.00 | | | | | | 1,600.00 |
| | Citrix Subscription Renewal | | | | | | | 1,925.00 | | | | | | 1,925.00 |
| | Citrix Access Gateway User Connections | | | | | | | 1,600.00 | | | | | | 1,600.00 |
| | Etrust with ITM including Pest Patrol Subscription - CDW | | | | | | | | 2,000.00 | | | | | 2,000.00 |
| | Oracle Extended Support/Software upgrade license | | | | | | | | | | 1,500.00 | | | 1,500.00 |
| | Enhancement to mapping project -Ron Auble Consulting | | | | | | | | | | | 5,000.00 | | 5,000.00 |
| | SSL Certificates for Web Security | | | | | | | | - | 800.00 | | | | 800.00 |
| | FloCal | | | | | | | | | | | | 36,410.00 | 36,410.00 |
| | Profliviti SarbOx Maintenance | 11,000.00 | | | | | | | | | | | | 11,000.00 |
| | PowerPlant | | 36,250.00 | | | | | | | | | | | 36,250.00 |
| | PowerTax | | 9,250.00 | | | | | | | | | | | 9,250.00 |
| | Total Other | 20,497.00 | 49,615.00 | 10,115.00 | 5,867.00 | 6,420.00 | 13,615.00 | 23,207.00 | 3,865.00 | 9,165.00 | 10,082.00 | 9,765.00 | 61,957.88 | 223,320.88 |
| | | | | | | | | | | | | | | |
| | TOTAL | 32,350.25 | 49,615.00 | 10,115.00 | 17,720.25 | 6,420.00 | 13,615.00 | 54,410.37 | 3,865.00 | 9,165.00 | 39,169.58 | 9,765.00 | 61,957.88 | 307,318.33 |
| | ROUNDED | 32,400.00 | 49,600.00 | 10,100.00 | 17,700.00 | 6,400.00 | 13,600.00 | 54,400.00 | 3,900.00 | 9,200.00 | 39,200.00 | 9,800.00 | 62,000.00 | 308,300.00 |

SOFTWARE SUBSCRIPTION AGREEMENT

DG-01-06
Agreement No.

This Subscription Agreement (Agreement) between Flow-Cal, Inc. (FCI), a Texas corporation whose principal office is located at 2222 Bay Area Boulevard, Suite 200 Houston, Texas, 77058, and Customer, governs the provision of annual software maintenance and support (the "Services") for The Flow-Cal System[®] described in Exhibit A attached hereto, in consideration of the mutual promises set forth in this agreement.

June 1, 2006
Effective Date

1 Year
Term

Delta Natural Gas

8056

FC No.

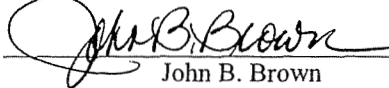
3617 Lexington Road, Winchester, KY 40391

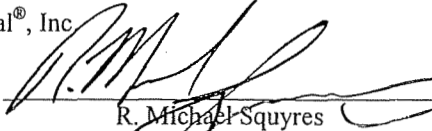
Location

Customer acknowledges that it has not been induced to enter into this Agreement by any representation or warranty not set forth in this Agreement. This Agreement, and the documents attached hereto and incorporated herein, contain the entire agreement of the parties with respect to its subject matter, and supersede all other existing agreements and all other oral, written, or other communications between them concerning the subject matter covered thereby. This Agreement shall not be modified in any way except by a writing signed by all parties.

Customer Delta Natural Gas Co., Inc.

Flow-Cal[®], Inc.

By: 
John B. Brown

By: 
R. Michael Squyres

Title: VP-Controller

Title: President

Date: 6/1/06

Date: 5/19/06

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1. TERM.

- 1.1 The term ("Term") of this Agreement shall commence on the Effective Date and shall continue for a period of twelve (12) months.
- 1.2 Upon review of prior terms, support requirements and mutual agreement upon fee adjustments, the Agreement shall renew for subsequent renewal terms ("Renewal Terms") of the same length as the Term provided; however, if either party notifies the other in writing at least thirty (30) days prior to the end of the Term or any Renewal Term that it does not wish to renew this Agreement, this Agreement shall terminate upon expiration of the then current Term or the Renewal Term.
- 1.3 The fee for the initial term shall be thirty-three thousand, one hundred (\$33,100.00) dollars (US).

*assume 10% increase for 2003
budget to \$36,410*

2. THE SERVICES.

- 2.1 The Services specified in this Agreement shall constitute the complete and exclusive definition of Services to be provided by FCI. On-site services are not included, but may be provided by FCI at Customer's request on a time, expense, and materials basis at FCI's then current rates.
- 2.2 FCI shall provide Customer's designated contacts with unlimited telephone consultation with its technical support staff regarding the Flow-Cal System on a toll-free number between the hours of 8:00 a.m. and 5:00 p.m. CT, Monday through Friday, excluding legal holidays. If Customer acquires a modem at its expense, then FCI may provide on-line consultation, as deemed necessary and appropriate by FCI.
- 2.3 Customer shall have access to the FCI message center twenty-four hours a day, seven days a week, and may leave messages regarding the Flow-Cal System for FCI personnel.
- 2.4 Customer shall have access to the FCI File Transfer Protocol (FTP) site, whereby Customer may, by connecting to the site via the Internet, obtain updates and information regarding the Flow-Cal System and other products and services available from FCI.
- 2.5 FCI shall provide Customer with upgrades and enhancements to the Flow-Cal System. For the purposes of this Agreement, upgrades and enhancements shall mean any changes or improvements in the Flow-Cal System provided to FCI customers at no charge.
- 2.6 The Services shall only be provided for the Flow-Cal System when they are used in accordance with the license agreement ("License Agreement") in effect between FCI and Customer, and in conjunction with equipment, software, or other devices designated by FCI as compatible with the Flow-Cal System.
- 2.7 FCI shall provide to customer and customer shall use the latest version of The Flow-Cal System, or the next previous version of the Flow-Cal System if the latest version has been available for less than six (6) months. Customer may use the next previous version for longer periods whenever Customer has provided to FCI reasonable documentation of non-conformities within the latest version.
- 2.8 Any work product that results from FCI providing Services to Customer under this Agreement shall become the exclusive property of FCI upon creation.

3. ON SITE SERVICES, TRAVEL COSTS, AND EXPENSES.

- 3.1 FCI employees may incur costs and traveling expenses such as commercial transportation, private car rental, taxi or limousine fees, hotel room rentals, meals, parking, or other related expenses, in connection with the Services performed at Customers site. Upon written request by FCI, Customer shall reimburse FCI for all such costs and expenses that are reasonably and prudently incurred.
- 3.2 If FCI performs services at Customer's premises, Customer shall reimburse FCI at FCI's then prevailing hourly rates for the performance of said services. Customer shall further reimburse FCI for any materials used and expenses incurred in the performance of said services.

4. RESOURCES AND CUSTOMER RESPONSIBILITY.

- 4.1 Customer shall be responsible for providing FCI with any equipment, software, information, or documentation reasonably required by FCI to perform the Services under this Agreement.
- 4.2 Customer shall provide FCI with a detailed description of all non-conformities concerning the Flow-Cal System, and Customer shall assist FCI in recreating the non-conformity and resolving the issue(s) by providing FCI with any requested information or material.
- 4.3 Customer shall designate a limited number of employees as its Maintenance Contacts, who shall be named in Exhibit A of this Agreement. Customer's Maintenance Contacts shall have the exclusive right and responsibility to contact FCI for Service pursuant to this Agreement. Upon fourteen (14) days prior written notice to FCI, Customer may change its Maintenance Contacts.
- 4.4 If services are to be performed at Customer's location, Customer shall provide FCI's personnel with a secure workspace with access to Customer's computer system, software, and related equipment, if necessary, to perform the Services, along with basic operating supplies and adequate storage space for work materials.

5. PAYMENT.

- 5.1 Payment for Service shall be due and payable upon commencement of the Term or any Renewal Term.
- 5.2 Payment for travel costs, expenses, and on-site Services shall be made in accordance with Section 5.3.
- 5.3 All invoices shall be paid by Customer Net 30. If Customer fails to pay any amount due under this Agreement, whether by acceleration or otherwise, Customer, upon demand, shall pay interest at the rate of 18% per annum (or 1½% per month), but not to exceed the maximum allowed by law, on such delinquent amount from the due date thereof until the date of payment. Customer agrees to reimburse FCI for any and all expenses FCI may incur, including interest and reasonable attorney fees, in taking action to collect any amounts due FCI hereunder.

6. TAXES.

There shall be added to all payments hereunder amounts equal to any applicable taxes levied or based on this Agreement, unless Customer provides FCI with appropriate exemption certificates, exclusive of taxes based on FCI's net income.

7. WARRANTY.

- 7.1 FCI warrants solely that FCI shall use reasonable efforts to assist Customer in correcting non-conformities with the Flow-Cal System, which are properly reported to FCI as promptly as possible. The foregoing shall be FCI's sole obligation under this Agreement, and Customer's exclusive remedy, and shall terminate in the event of any unauthorized modification to the Flow-Cal System.
- 7.2 EXCEPT AS SPECIFICALLY PROVIDED HEREIN, THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

8. OWNERSHIP OF FLOW-CAL SYSTEM.

Any workarounds, fixes, updates, modifications, and/or enhancements to the Flow-Cal System provided to Customer under this Agreement shall remain the property of FCI and shall be licensed or leased to Customer in accordance with the terms and conditions of the License or Lease Agreements covering the Flow-Cal System. FCI hereby grants Customer a license to use such workarounds, fixes, modifications, and/or enhancements in accordance with the terms of such License or Lease Agreement.

9. LIMITATION OF LIABILITY.

IN NO EVENT SHALL FCI BE LIABLE TO CUSTOMER FOR ANY DIRECT, SPECIAL, INDIRECT, EXEMPLARY, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING ANY LOST PROFIT OR LOST SAVINGS, EVEN IF FCI HAS BEEN ADVISED, KNOWS, OR SHOULD KNOW OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF OR IN CONNECTION WITH FCI'S PERFORMANCE OF SERVICES HEREUNDER, OR THE DELIVERY, SALE, USE, OR INABILITY TO USE, OR PERFORMANCE OF THE FLOW-CAL SYSTEM. IN NO EVENT SHALL FCI BE LIABLE FOR ANY DAMAGES, WHETHER BASED UPON THEORIES OF TORT, CONTRACT, OR ANY OTHER LEGAL OR EQUITABLE THEORY, IN EXCESS OF THE AMOUNT ACTUALLY PAID TO FCI BY CUSTOMER FOR THE SERVICES AND PRODUCTS PROVIDED UNDER THIS AGREEMENT DURING THE IMMEDIATELY PRECEDING TWELVE (12) MONTHS.

10. TERMINATION.

- 10.1 Either party may terminate this Agreement upon thirty (30) days written notice (the "Notice Period") in the event that the other party violates any provision of this Agreement or the License or Lease Agreements covering the Flow-Cal System, including but not limited to, confidentiality and payment, provided, however, that the breaching party shall have the right to attempt to cure said violation during the Notice Period.
- 10.2 FCI may terminate this Agreement upon five (5) days written notice in the event Customer: (i) terminates or suspends its business; or (ii) becomes subject to any bankruptcy or becomes insolvent or subject to direct control by a trustee, receiver, or similar authority.
- 10.3 Without limiting any of the above provisions, in the event of termination as a result of the Customer's failure to comply with any of its obligations under this Agreement or under the License or Lease Agreements, the Customer shall continue to be obligated for any payment due. Termination of this Agreement and/or the License or Lease Agreement shall be in addition to, and not in lieu of, any equitable or legal remedies available to FCI.

11. FCI EMPLOYEES.

Customer acknowledges that FCI's employees' expertise and service constitute a valuable and unique asset of FCI. Therefore, Customer agrees not to make any offer of employment to, nor enter into a consulting or employment relationship with, any employee of FCI for a period of two (2) years after termination or expiration of that employee's employment with FCI.

12. GENERAL.

- 12.1 If any provision of this Agreement (or any portion thereof) shall be held to be invalid, illegal, or unenforceable, the validity, legality, or enforceability of the remaining provisions (or the remaining portions thereof) shall not in any way be affected or impaired thereby.
- 12.2 This Agreement shall not be assignable by Customer without the prior written consent of FCI, and any attempt by Customer to assign any of its rights, duties, or obligations, which arise under this Agreement without such consent, will be void.
- 12.3 The headings in this Agreement are intended for convenience of reference only and shall not effect its interpretation.
- 12.4 All notices shall be in writing and shall be delivered or sent by registered or certified mail, return receipt requested, to the addresses indicated herein.
- 12.5 This Agreement shall be binding upon and inure to the benefit of the parties' successors, legal representatives, and permitted assigns.
- 12.6 The parties agree that the International Sale of Goods Act does not apply to this Agreement. This Agreement shall be interpreted and governed by the laws of the State of Texas. Any and all disputes arising pursuant to this Agreement shall be resolved exclusively in the courts of the State of Texas, and the parties hereto submit to the exclusive jurisdiction of such courts.
- 12.7 The provisions of Sections 7.2, 8, 9, and 11 shall survive termination or expiration of this Agreement for any reason.
- 12.8 The failure of either party to enforce any term or condition of this Agreement shall not

constitute a waiver of either party's right to enforce each and every term and condition of this Agreement.

- 12.9 No action, regardless of form, arising out of any claimed breach of this Agreement or transactions under the Agreement may be brought by Customer more than one year after the cause of action has arisen.

EXHIBIT A

**FLOW-CAL SYSTEM MODULES COVERED BY THE
SUBSCRIPTION AGREEMENT:**

Flow-Cal Client/Server with (1) concurrent user, (1) occasional user, and (1) view-only user, (2) Test-It! Desktops, and the following Enterprise Modules for Client/Server:

| |
|---|
| Service to Auto Estimate Missing Data Module |
| Scheduled Reporting Module |
| Monthly Close Functions and Service Module |
| GQ Source Module |
| Validation Set-Points |
| Meter Inspection, Calibration, & Test Report Module |

Customer Contact(s): Don Cartwright (User), 859/744-6171 x169
David Turpin (IT), 859/744-6171 x175
John Brown (VP-Controller), 859/744-6171 x109

**PowerPlant System Perpetual
Licensing Agreement**

1. LICENSE & USE

PowerPlan Consultants, Inc. (Licensor), a Delaware Corporation, agrees to provide Delta Natural Gas Company, Inc. (Licensee), a Kentucky corporation, with the PowerPlant Software, ("Software"), in accordance with the provisions contained within this Licensing Agreement.

1.1 Licensor grants Licensee a perpetual, non-exclusive license to use the Software. Licensee agrees to pay to Licensor the amounts set forth in this agreement for the Software and for the implementation and related costs thereof on the Licensee computer systems.

1.2 This Agreement is intended for the sole use and for the sole benefit of Licensee and its direct affiliates and subsidiaries ("Affiliates"), and for no other persons or corporations except as specifically provided for under Sections 1.3, 1.4, and 1.5. The Licensed Program and Documentation shall be utilized only to process data of Licensee and its Affiliates. Any other use shall be cause for termination of this Agreement and/or assessment of additional licensing fees.

For purposes of this Agreement, the term "Affiliate" means any entity, corporation, subsidiary, parent company, partnership, joint venture or other entity in which Licensee, or Licensee's Affiliates, owns a direct controlling interest and does not produce software which competes with the PowerPlant Software. For the purposes of this Agreement, "direct controlling interest" means an active and direct participation in the entity's operations and management and 50%, or greater, ownership of the stock or 50%, or greater, representation on the board of directors.

1.3 Contractors and consultants of Licensee and its Affiliates shall be permitted to access and use the Software provided the contractor or consultant signs Licensee's non-disclosure agreement which is consistent with Section 14 herein, and such access and use is only for the business purposes of Licensee and its Affiliates and is in accordance with the terms of this Agreement. At no time shall Licensee serve as a service bureau to third parties with respect to the Software. All source code versions of the Software shall remain within the United States and shall only be accessible by Licensee, Licensee's Affiliates, Contractors, or Consultants located within the United States.

1.4 Operating Venture. For the purposes of this Agreement, the term "Operating Venture" means any entity corporation, subsidiary, partnership, joint venture or other entity in which Licensee, or one of its Affiliates, owns at least a direct 25% interest in the entity, and Licensee has direct and active participation in the entity's operations and management, and the entity does not produce software that competes with the Software. As part of Licensee's obligations in the management of the Operating Venture, Licensee may use the Software to process records for the Operating Venture.

1.5 Transition Assets - If Licensee's assets, for which data records exist in the Software, are split-off or sold to a separate legal entity ("Asset Receiver"), and such entity is not provided for under Section 1.2, 1.3, or 1.4, and such entity does not have a current license agreement for the applicable Software, the Licensee may continue to maintain and process the associated records for the Asset Receiver for up to twelve (12) months beyond the first date of transfer. This period will be defined as the "Transition Period".

After the Transition Period, Licensee must suspend the processing and maintenance of such records, or Licensee must enter into a separate license agreement for the processing and maintenance of such records, or the Asset Receiver must enter into a license agreement with PowerPlan. Such agreements may be either on a perpetual or monthly lease basis.

2. LICENSOR STATUS

The relationship of Licensor to Licensee shall be that of an independent contractor. Licensor shall accept, in connection with the work called for herein, exclusive liability for withholding the sums for Licensor's employee, federal, state and/or local income taxes, contributions for social security, unemployment insurance, wages, or other remuneration paid by Licensor to any and all persons employed in connection with the work described under this agreement. Licensor

will comply with all valid Federal and State Administrative Regulations requiring the assumption of liability for any of the aforesaid taxes or contributions.

3. EMPLOYMENT RELATIONSHIP

Nothing herein contained shall be construed as creating the relationship of employer and employee between Licensee and Licensor, or between Licensee and any persons employed by Licensor.

4. SUBCONTRACTORS

No portion of the work described herein shall be sublet by Licensor without first securing the approval of Licensee. Approval by Licensee of any subcontractor shall not relieve Licensor of full responsibility for the work to be performed by the subcontractor or of full responsibility for any property damage or personal injury caused by the subcontractor or employees.

5. AUDIT CLAUSE

Licensor agrees to maintain records capable of being audited for all cost reimbursement work. Licensor further agrees to furnish such supporting detail as may be reasonably requested by Licensee to support charges or invoices for the cost reimbursement work, and to make available for audit purposes the records covering charges presented under this contract. The cost of any such audit shall be borne by Licensee. If the audit is not performed by Licensee, Licensor and Licensee shall mutually agree on an independent auditor.

6. GOVERNING LAW

This agreement shall be governed and construed by the laws of the State of Georgia.

6.1 In the event that any one or more of the provisions, paragraphs, sentences or clauses ("provisions") contained within this license shall be deemed invalid, illegal, or otherwise unenforceable, the remainder of the provisions this license will remain intact. Licensor and Licensee mutually agree to substitute any invalid, illegal or unenforceable provision of this license with a similar valid, legal, or enforceable provision which provides the parties with protection which contains a closely similar economic impact to the invalid, illegal, or unenforceable provision.

7. FORCE MAJUERE

No party hereunder shall be considered in default in the performance of, and any such party shall be excused from performing, any obligation under this license to the extent that, and for long as that, such performance is prevented due to any cause that is not reasonably within such party's control and that is not caused by such party's default or negligence (an event of "Force Majeure") including, but not limited to, acts of God or the public enemy; fire, flood, strike or other labor dispute directly affecting the project implementation, civil disturbance, or omission by public authority or authorities having proper jurisdiction, or any similar circumstances beyond the control of Licensor or Licensee.

8. INVOICING

Licensor shall monthly present invoices to Licensee which shall be due and payable upon presentation. Licensee agrees to make payment to Licensor in lawful money of the United States of America. In the event that such invoices are not paid within thirty (30) days, undisputed unpaid amounts will be charged interest at the monthly rate of .5%.

All payments due under this Agreement shall be presented via invoice to Licensee, via regular US mail, or mutually agreed-upon courier, addressed to:

Mr. John B. Brown
VP-Controller
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391
859.744.6171

All payments due under this agreement shall be remitted to Licensor, in the currency of the United States of America, via regular US mail, or agreed-upon courier, addressed to:

R. Alan Delk, Treasurer
PowerPlan Consultants, Inc.
1600 Parkwood Suite 600
Atlanta, Georgia 30339
(770) 618 - 2261

8.1 In the event that Licensee disputes the amount of any invoice, Licensee will not be obligated to pay the disputed portion of such invoice until the parties have resolved such dispute. The parties agree to consider all good faith and reasonable solutions and to exercise all reasonable efforts to resolve such matters. In the event of any dispute with regard to a portion of the invoice, the undisputed amount shall be paid as set forth herein.

8.2 In the event that the portion of any invoice not under dispute is unpaid after sixty (60) days after its mailing date, Licensor will notify Licensee in writing that Licensor considers Licensee to be delinquent in payments due Licensor under this agreement. If Licensee fails to rectify such payment delinquency within 30 days, then Licensor may at its sole option and discretion, terminate this agreement and terminate the license granted to Licensee as a result thereof. Licensor reserves cumulatively all other remedies and rights provided under this Agreement. Licensee will pay all legal costs and other costs associated with the collection of payments due pursuant to this Agreement.

9. TAXES

The charges presented under this Agreement exclude sales tax, excise tax, personal property tax, or other similar or related tax.

Licensee takes full responsibility for any ultimate sales, excise, personal property, or other similar or related tax.

10. INSURANCE

Licensor shall properly maintain the following insurance coverage: Statutory workers' compensation insurance in full compliance with the worker's compensation and occupational disease acts of each and every state in which work is to be performed; employer's liability insurance with a limit of not less than \$500,000, comprehensive general liability coverages with a combined single limit of not less than \$1,000,000 per occurrence; excess umbrella liability insurance with a single limit of not less than \$2,000,000; automobile liability insurance covering all owned, hired and non-owned vehicles with a combined single limit of not less than \$1,000,000 per occurrence. Licensor shall provide Licensee with a certificate of insurance specifically evidencing the coverages required above, naming the Licensee as an additional insured, except under the worker's compensation policy, and expiration dates of all policies. The certificate of insurance shall also provide for thirty (30) days prior written notice to Licensee in the event of cancellation or any material alteration of any policy. The certificate of insurance shall be furnished to or be on file with the Licensee prior to commencement of any work under this Agreement by Licensor or any of its subcontractors, if any. The property damage liability insurance shall include the broad form comprehensive general liability coverage.

11. ASSIGNMENT

11.1 No assignment or delegation of the Software provided under this Agreement may be made to any designated person or corporation, except to Licensee's Affiliates, without the prior consent of Licensor. Except as provided above, any other assignment or delegation made without written consent of Licensor shall be void for any and all purposes. Any such assignment or delegation shall be cause for termination of this Agreement and/or assessment of additional licensing fees.

Licensor agrees, upon written notification by Licensee, to amend this agreement and to assign written consent either to: 1) an Affiliate of Licensee; or 2) a successor-in-interest as a result of a reorganization of Licensee, or 3) a consolidation involving Licensee, or 4) the transfer of substantially all of Licensee's assets upon advance written notice to Licensor.

Licensee's right to assign shall include Licensee's license to use and receive maintenance for the Software to a successor or permitted transferee of Licensee located within the United States.

12. SOFTWARE INSTALLATION

12.1 Licensor will deliver the following production version of the PowerPlant system, on standard CD-ROM or 3.5" computer diskettes, to operate on the Licensee computer environment as follows:

A.) PowerPlant Version 9.0.7

12.2 As a part of the initial service provided pursuant to this agreement, Licensor will deliver one copy of the source code for the Software. So long as Licensee is in compliance with the provisions of its agreements with Licensor, will have the right to have access to and possession of the last delivered copy of the source code for the Software, which remains the sole and exclusive property of Licensor.

12.3 So long as Licensee is in compliance with the provisions of its agreements with Licensor and is operating under current maintenance provisions with Licensor, Licensee shall have the right to have access to and possession of the latest source code for the Software, which remains the sole and exclusive property of Licensor.

13. MAINTENANCE

13.1 Provided that this agreement is in full force and effective between Licensor and Licensee, Licensor agrees to keep the Software up-to-date with IRS, PUC, FERC and GAAP requirements. Licensor further agrees to maintain the PowerPlant system in technical compatibility with Database, Software and Hardware improvements.

Included in the PowerPlant maintenance fee and agreement is unlimited telephone support for both technical and functional assistance, enhancements and upgrades to the PowerPlant source code, executable code and documentation, and membership in a Licensor-sponsored users-group.

As long as license and maintenance fees are current, Licensor agrees to provide telephone support during normal business hours for issues that Licensee deems critical on an immediate-as-possible basis.

13.2 Licensee will be responsible for implementing the PowerPlant Code updates in the Licensee source code. Unlimited phone support is provided to assist in implementing PowerPlant code updates. On site Licensor assistance in implementing PowerPlant code updates may be arranged for under Licensor then-current consulting rate structure.

13.3 If Licensee determines that an error or deficiency exists in the programs supported under this maintenance agreement, Licensee will provide written notification to Licensor of such error or deficiency, along with supporting data and programs which document such error or deficiency. Licensor shall respond by providing to Licensee either 1) an updated version of the source code and documentation which overcome the error or deficiency or 2) an adequate suggested procedure for overcoming such error or deficiency, provided that such suggestion enable the Software to perform in substantial conformance with the intent of the original programs, documentation and maintenance agreement.

13.4 Licensee hereby agrees to an initial maintenance term of 5 years covering the period from August 14th, 2007 through August 13th, 2012. During this period, the annual escalation of the maintenance fee will follow the schedule in Section 19.5. Maintenance prior to August 14th, 2007 will be provided at no additional cost.

13.5 In the event Licensee discontinues receiving maintenance services and desires to reinstate such services, unless otherwise agreed, Licensee shall pay all intervening maintenance charges which would have been applicable during the period during which maintenance services were not in effect.

13.6 Licensor shall have no obligation under paragraph 13 if Licensee is delinquent in paying any sums of money owed to Licensor.

14. PROTECTION OF PROPRIETARY INTERESTS / CONFIDENTIALITY

14.1 Licensee acknowledges the proprietary rights of Licensor in and to the Software, including, but not limited to, computer programs, manuals, and supporting material and that such are properly considered to be trade secrets, in that they involve compilations of information which are secrets and which are the

product of Licensor's own expenditures of time, effort, money, and creative skill. Licensee agrees that all tangible objects containing or relating to the PowerPlant programs are the sole and exclusive property of Licensor and upon termination of this agreement for any reason, Licensee will return to Licensor all programs, manuals and related materials provided under this Agreement, and will retain no copies whatsoever for its own use or for any purpose.

14.2 Each party agrees that it will not use, disclose, publish, or otherwise divulge to any third party either during or after the termination of this agreement or permit its officers or employees to so divulge any confidential information of the other party without prior written consent of such party. Each party shall employ no such less stringent procedures than the strictest procedures used to protect its own confidential data including procedures set forth in these paragraphs. If disclosure to a third party, such as an auditor, is required, the third party is required to first sign a confidentiality agreement with the owner of the confidential information. Licensee may use the standard reports of the Software in filings or proceedings before any governmental regulatory or judicial body to which it is subject.

14.3 In the event of a breach of this Section 14, the owner of the confidential information will not have an adequate remedy in money or in damages, and therefore shall be entitled to seek injunctive relief against such breach without any requirement to post bond as a condition thereof.

14.5 All of the above restrictions in Paragraph 14 shall survive any termination of this Agreement and/or the completion of work. Nothing contained herein shall be construed as to limit any rights of Licensor under copyright, patent, or other law.

15. TITLE

Licensor warrants that it is the owner of the PowerPlant program and that Licensor has the right to permit Licensee to use the PowerPlant program. Licensor further warrants that the software and services that Licensor provides under this Agreement does not infringe upon or otherwise violate any patents, trademarks, copyrights or trade secrets of any third parties. In the event that final judgment shall be obtained against Licensee's use of the Software by reason of patent, trademark, copyright or trade secret infringement, Licensor shall, at its option, either 1) modify such software so that it becomes non-infringing, but is still in conformance with Licensee tax requirements and Licensor specifications, or 2) procure for Licensee the right to use such software or other software with equivalent capabilities or 3) grant Licensee a refund for the Software fee.

Licensor will defend, at its expense, any action brought against Licensee to the extent that it is based upon a claim that the Software infringes upon a United States patent, trademark, copyright, or trade secret of a third party. Licensor shall pay such attorneys fees and damages as shall be finally awarded against Licensee in such action(s) which are attributable to such claims; provided, however, that Licensor's obligation hereunder is dependent upon Licensee's notifying Licensor in writing of such a claim promptly for Licensor to fully participate in defense of such claim, or, at its option, agree to any settlement of such claim.

Licensor shall have no liability for any claim of patent, copyright, trademark, or trade secret of a third party infringement based on 1) use of programs or data not furnished by Licensor, or 2) use of any programs or documentation delivered hereunder in a form other than as delivered by Licensor, if such change in form is the cause of the claimed infringement.

This section sets forth the complete liability of Licensor with respect to infringement of any patent, copyright, trademark, or trade secret by the Software or any part thereof.

16. OWNERSHIP

During the course of the term of this Agreement, Licensor and Licensee will be working together to install the Software. Improvements and modifications to the Software are expected to occur during the PowerPlant system implementation. Licensor will retain title to PowerPlant and to any and all modifications, improvements, and alterations made during or subsequent to the PowerPlant system installation.

17. SYSTEM TRANSFER

Licensee may make complete or partial copies of the software as needed solely for testing, archival, backup and disaster-recovery purposes. The retention period of such copies shall be subject to approval by Licensor. Licensee shall ensure that any proprietary, copyright, trademark, or trade secret notices contained in or placed upon the system shall appear on any such copies.

18. PROGRAM ACCEPTANCE

18.1 During the 90 (ninety) days following the delivery of the PowerPlant programs, the programs will be subject to test by Licensee to determine that the PowerPlant programs are in substantial conformance with the Licensee requirements. If, during the 90 day test period, Licensee discovers an error in the PowerPlant programs or a substantial non-conformance to Licensee's asset accounting requirements, Licensee will notify Licensor in writing accompanied by program listings or sample results evidencing such error or non-conformance.

18.2 If, within 60 days following receipt of Licensee's written error report in accordance with paragraph 18.1, Licensor fails to remedy the reported error or non-conformance, Licensee shall be entitled to terminate this Agreement by written notice to Licensor accompanied by return to Licensor all copies and materials relating to the Software delivered to Licensee under this Agreement.

18.3 If this Agreement is terminated by Licensee in accordance with paragraph 18.2, Licensee will receive a refund for all license fee amounts paid by Licensee under paragraph 19.1, exclusive of consulting fee amounts and reimbursements.

18.4 The Software shall be "Deemed Accepted" if no errors have been reported or if no communication to any effect is received from Licensee after Sections 18.1 and 18.2 have been satisfied.

19. PRICING

The Perpetual PowerPlant software fees and service fees are as follows:

| | Description | Payment | Comments |
|---|-----------------------|------------------|---------------------------|
| 19.1 | License Fees | \$ 25,000 | Charge Repository - Basic |
| | | \$ 100,000 | Project Accounting |
| | | \$ 116,667 | Asset Management |
| 19.2 | PowerPlant Consulting | \$ 2,300 per day | As incurred |
| 19.3 | Maintenance | \$ 3,750 | Charge Repository - Basic |
| | | \$ 15,000 | Project Accounting |
| | | \$ 17,500 | Asset Management |
| 19.4 Licensor will invoice Licensee per the following schedule for PowerPlant software fees: | | | |
| i) 25% of the PowerPlant License Fees following the execution of this agreement; | | | |
| ii) 50% of the PowerPlant License Fees following Acceptance as per Section 18 of this Agreement; | | | |
| iii) 25% of the PowerPlant License Fees following the first month of processing in Licensee's production environment; | | | |
| iv) PowerPlant Consulting – as incurred; | | | |
| 19.5 Maintenance fees will be due annually in advance as per the following schedule: | | | |
| ▪ August 14 th , 2007 - \$36,250 | | | |
| ▪ August 14 th , 2008 - \$36,250 | | | |
| ▪ August 14 th , 2009 - \$36,250 | | | |
| ▪ August 14 th , 2010 - \$54,375 | | | |
| ▪ August 14 th , 2011 - \$54,375 | | | |

20. REIMBURSEMENTS

Additionally to the costs specified elsewhere herein, Licensee shall reimburse Licensor for all such costs reasonably incurred by Licensor pursuant to its obligations under this Agreement including the actual costs of travel, airfare, living and hotel, rental car, and other out-of-pocket expense incurred by Licensor and its employees in rendering service at locations other than Licensor offices. Air travel will be at coach rates, and hotel accommodations may be arranged by Licensee. Also reimbursable are communication and (voice and data) telephone charges incurred by Licensor pursuant to its obligations under this Agreement.

Licensee agrees to provide Licensor remote computer access to its PowerPlant system for the duration of the PowerPlant implementation in order to speed Licensor ability to respond to questions and implementation concerns, and to hold down the costs of travel and out-of-pocket expenses to Licensee. Any costs in providing such access are payable by Licensee.

21. WARRANTIES

21.1 Licensor warrants that the PowerPlant Software substantially conforms with all written specifications, including user-manual, furnished to Licensee in accordance with this Agreement, and that the Software is compatible with the operating environment specified in the program specifications.

21.2 Licensor warrants that no disabling mechanisms will be incorporated into the Software.

21.3 Licensor warrants that any services rendered by Licensor will be performed in accordance with good industry standards by qualified personnel.

21.4 It is expressly understood and agreed that no employee, agent, or other representative of Licensor has any authority to bind Licensor with regard to any statement, representation, warranty or other expression unless said statement, representation, warranty or other expression is specifically included within the express terms of the Agreement.

21.5 Notwithstanding the foregoing, Licensee is solely responsible for ensuring the proper selection, use, management, and supervision of the Software and audit controls, programs, operating methods and office procedures for establishing the necessary controls over access to and use of data and for establishing all proper checkpoints, safeguards, and procedures necessary for the proper use of the Software, any changes made by Licensee to alter the calculations, functions, or performance of the Software, the security of the data stored therein and the suitability of the results obtained with the use of the Software. Licensee agrees that Licensor shall not be liable for any damages caused by Licensee's failure to fulfill these responsibilities.

21.6 All PowerPlant software is "Year 2000" compliant. The occurrence in or use by the software of dates on or after January 1, 2000 will not adversely affect the performance of the software and the software will create, store and generate output data related to or including millennial dates without errors or omissions.

Licensor's sole obligation and liability with regard to any failure of PowerPlant to conform to the foregoing standard shall be to correct such failure(s) in accordance with the maintenance procedures set forth in paragraph 13.4.

21.7 Licensor warranties are limited to those set forth in this Agreement. Licensor MAKES NO OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTERS WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ITS MERCHANTABILITY, OR ITS FITNESS FOR A PARTICULAR PURPOSE OR ANY WARRANTIES ARISING FROM COURSE OF DEALING, USAGE OR TRADE PRACTICE.

22. REMEDIES

EXCEPT FOR LIABILITY ARISING UNDER PARAGRAPHS 14 AND 15 ABOVE, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND (EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES) OR FOR ANYTHING BEYOND ITS REASONABLE CONTROL. If for any reason, any of the foregoing limitations of liability are voided or not effective, Licensee agrees that Licensor's liability for damages in the aggregate, if any, shall not exceed the lesser of (i) the total amounts paid to Licensor by Licensee for use of the Software under this

Agreement, and (ii) the average monthly charge paid to Licensor by Licensee for use of the Software under this Agreement during the prior three (3) years multiplied by twelve. Licensee's remedies in this Agreement are exclusive. Licensee acknowledges and agrees that the fees to be paid to Licensor are based in substantial part on the above disclaimers of warranties, limitations of remedies, limitations of liability and exclusions of damages and that such disclaimers, limitations and exclusions are unrelated independent allocations of risks. WITHOUT LIMITING THE FOREGOING, THE PARTIES AGREE THAT IF ANY REMEDY HEREUNDER IS DETERMINED TO HAVE FAILED OF ITS ESSENTIAL PURPOSE, ALL LIMITATIONS OF LIABILITY AND EXCLUSIONS OF DAMAGES SET FORTH HEREIN SHALL REMAIN IN EFFECT.

23. RELATED SOFTWARE

The PowerPlant system operates in conjunction with the PowerBuilder and the ORACLE DBMS. PowerBuilder is a product of the Sybase Corporation. The ORACLE DBMS is a product of the ORACLE Corporation. Licensee is required to obtain and maintain current valid PowerBuilder and ORACLE user licenses for use by Licensee in conjunction with PowerPlant. At its option, Licensee may procure discounted run-time or full use copies of the PowerBuilder and/or ORACLE software from Licensor in accordance with any existing valid reseller agreement between Licensor, ORACLE, and Sybase.

24. TERMINATION

This Agreement and License granted hereunder shall become effective on the Effective Date as set forth in Section 26, and shall continue in effect perpetually unless terminated under an express provision of this Agreement.

24.1 Termination prior to Acceptance shall be governed by Section 18.

24.2 Licensee may terminate this Agreement after Acceptance upon providing Licensor thirty (30) days prior written notice of Licensee's desire to terminate this Agreement. Termination can be for any reason but only after the payment of all fees then due and owing.

24.3 Sections 11, 12, 14, 15, 16, and 22 shall survive any termination of this Agreement and/or completion of work.

25. ENTIRE AGREEMENT

This contract constitutes the entire agreement between Licensor and Licensee hereto relating to the subject matter herein, and supersedes any prior agreements. There are no terms, obligations, covenants, representations, statements or conditions other than those contained herein. No variations or modifications of the Contract nor waiver of any of the terms and conditions hereof shall be deemed valid unless in writing, signed by both parties hereto.

26. EFFECTIVE DATE

The effective date of this Agreement is June 19th, 2006.

PowerPlan Consultants, Inc.

By: Mark E. Heinemann
Name: Mark E. Heinemann
Title: President
Date: 6/19/2006

Delta Natural Gas Co., Inc.

By: John B. Brown
Name: John B. Brown
Title: VP-Controller
Date: 6-15-06

Amendment #1
To The
PowerPlant System Perpetual License Agreement
Between
PowerPlan Consultants, Inc.
And
Delta Natural Gas Company, Inc.

This Amendment No. 1, dated July 15th, 2006, is between PowerPlan Consultants, Inc. (Licensor), and Delta Natural Gas Company, Inc. (Licensee), and is an amendment of that certain PowerPlant System Perpetual License Agreement, effective as of June 19th, 2006, between Licensor and Licensee.

WHEREAS, Licensor licenses to Licensee a certain proprietary software program known as PowerPlant (Software); and

WHEREAS, Licensee wishes to add an additional module to this Agreement and Licensor is willing to agree to such an addition based on the terms set forth below:

NOW, THEREFORE, Licensee and Licensor agree that the Agreement is amended and supplemented as follows:

1.0 Software Fees

1.1 The standard license fee and terms for the following additional PowerPlant Modules (which additional modules are hereby licensed to Licensee in accordance with the terms, covenants and conditions of the Agreement as amended and supplemented herein) are as follows:

| | Product | Fee | Terms |
|------------------------|--------------------|-----------|---|
| Perpetual License Fees | PowerTax | \$ 36,667 | <ul style="list-style-type: none"> ▪ 25% of the PowerPlant License Fees following the execution of this Amendment; ▪ 50% of the PowerPlant License Fees following Acceptance as per Section 18 of this Agreement; ▪ 25% of the PowerPlant License Fees following the first month of processing in Licensee's production environment; |
| | PowerTax Provision | \$ 25,000 | |
| Maint. Fees | PowerTax | \$ 5,500 | |
| | PowerTax Provision | \$ 3,750 | |

Licensee and Licensor agree that all of the licenses, rights, warranties, and other terms, covenants and conditions of the Agreement shall apply to the additional modules licensed under this Amendment #1.

2.0 Optional Modules

1.1 The standard license fee and terms for the following additional PowerPlant Modules (which additional modules are hereby licensed to Licensee in accordance with the terms, covenants and conditions of the Agreement as amended and supplemented herein) are as follows:

| | Product | Fee | Terms |
|------------------------|-------------------|----------|---|
| Perpetual License Fees | Capital Budgeting | \$ 0 | |
| | PropertyTax | \$ 0 | |
| | Depr Studies | \$ 0 | |
| Maint. Fees | Capital Budgeting | \$ 0 | Maintenance fees will be due upon the first posting of entries in a DNG production system and then annually in advance thereafter. Maintenance fees will not escalate until after the initial maintenance term specified in the Agreement under section 13.4. |
| | PropertyTax | \$ 5,625 | |
| | Depr Studies | \$ 4,500 | |

Licensee and Licensor agree that all of the licenses, rights, warranties, and other terms, covenants and conditions of the Agreement shall apply to the optional modules licensed under this Amendment #1.

3.0 Effective Date

The effective date of this Amendment #1 is July 15th, 2006.

The terms, covenants, and conditions of the Agreement, as modified and supplemented herein, shall remain in full force and effect.

PowerPlan Consultants, Inc.

By: Mark E. Heinemann

Name: Mark E. Heinemann

Title: President

Date: 10/11/2006

Delta Natural Gas Company, Inc.

By: John B. Brown

Name: John B. Brown

Title: VP-Controller

Date: 10-3-06

Amendment #2
To The
PowerPlant System Perpetual License Agreement
Between
PowerPlan Consultants, Inc.
And
Delta Natural Gas Company, Inc.

This Amendment No. 2, dated March 15th, 2007, is between PowerPlan Consultants, Inc. (Licensor), and Delta Natural Gas Company, Inc. (Licensee), and is an amendment of that certain PowerPlant System Perpetual License Agreement, effective as of June 19th, 2006, between Licensor and Licensee.

WHEREAS, Licensor licenses to Licensee a certain proprietary software program known as PowerPlant (Software); and

WHEREAS, Licensee wishes to add an additional module to this Agreement and Licensor is willing to agree to such an addition based on the terms set forth below:

NOW, THEREFORE, Licensee and Licensor agree that the Agreement is amended and supplemented as follows:

1.0 Software Fees

1.1 The standard license fee and terms for the following additional PowerPlant Modules (which additional modules are hereby licensed to Licensee in accordance with the terms, covenants and conditions of the Agreement as amended and supplemented herein) are as follows:

| | Product | Fee | Terms |
|------------------------|----------------|------------|---|
| Perpetual License Fees | CR Allocations | \$ 0 | |
| Maint. Fees | CR Allocations | \$ 3,750 | Maintenance fees will be due annually in advance as per the following schedule: <ul style="list-style-type: none">▪ August 14th, 2007 - \$ 3,750▪ August 14th, 2008 - \$ 3,750▪ August 14th, 2009 - \$ 3,750▪ August 14th, 2010 - \$ 5,625▪ August 14th, 2011 - \$ 5,625 |

Licensee and Licensor agree that all of the licenses, rights, warranties, and other terms, covenants and conditions of the Agreement shall apply to the additional modules licensed under this Amendment #1.

2.0 Effective Date

The effective date of this Amendment #2 is March 15th, 2007.

The terms, covenants, and conditions of the Agreement, as modified and supplemented herein, shall remain in full force and effect.

PowerPlan Consultants, Inc.

By: Mark E. Heinemann
Name: Mark E. Heinemann
Title: President
Date: 3/9/2007

Delta Natural Gas Company, Inc.

By: John B. Brown
Name: John B. Brown
Title: VP-Controller
Date: 3-7-07

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

2. Refer to AG 1-12.
 - a. Please provide a detailed list of the projects that make up the \$308,300 budget for Outside Services Computers.
 - b. Please provide the contract(s) with FlowCal and PowerPlan showing the annual costs to be paid to these companies for the new systems.

RESPONSE:

- a. See attached Item 2a
- b. See attached Item 2b:
 - Exhibit 1 - - Flow-Cal Contract
 - Exhibit 2 - - Powerplan Contract

Sponsoring Witness:

John B. Brown

PROFESSIONAL SERVICES COMPUTERS

A/C 1 923 05


Item 2 a

| A/C 1.923.05 | DESCRIPTION | Jul-07 | Aug-07 | Sep-07 | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | TOTAL |
|--------------|---|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|-----------------|------------------|-----------------|------------------|-------------------|
| | ALLIANCE EXT SUPPORT | | | | | | | | | | | | | |
| | CIS | 3,911.57 | | | 3,911.57 | | | 4,302.73 | | | 4,302.73 | | | 16,428.60 |
| | SERVICE ORDERS | 1,185.33 | | | 1,185.33 | | | 1,303.86 | | | 1,303.86 | | | 4,978.38 |
| | CUSTOMER CONTACTS | 948.26 | | | 948.26 | | | 1,043.09 | | | 1,043.09 | | | 3,982.70 |
| | GUI | 1,896.52 | | | 1,896.52 | | | 2,086.17 | | | 2,086.17 | | | 7,965.38 |
| | RATE STUDIES | 711.20 | | | 711.20 | | | 782.31 | | | 782.31 | | | 2,987.02 |
| | USER DEFINED SCREENS | 829.73 | | | 829.73 | | | 912.70 | | | 912.70 | | | 3,484.86 |
| | METER READING | 711.20 | | | 711.20 | | | 782.31 | | | 782.31 | | | 2,987.02 |
| | CODE 1 INTERFACE-ORCOM | 948.26 | | | 948.26 | | | 1,043.09 | | | 1,043.09 | | | 3,982.70 |
| | MAILSTREAM INTERFACE-OC | 711.18 | | | 711.18 | | | 782.32 | | | 782.32 | | | 2,987.00 |
| | TOTAL | 11,853.25 | | | 11,853.25 | | | 13,038.58 | | | 13,038.58 | | | 49,783.66 |
| | HARRIS INC. | | | | | | | | | | | | | |
| | Financial | | | | | | | | | | | | | |
| | MISC A/R | | | | | | | 1,998.13 | | | | | | 1,998.13 |
| | A/P | | | | | | | 1,634.83 | | | | | | 1,634.83 |
| | GL | | | | | | | 2,361.42 | | | | | | 2,361.42 |
| | BUDGETS | | | | | | | 1,453.18 | | | | | | 1,453.18 |
| | HUMAN RESOURCES | | | | | | | 2,361.42 | | | | | | 2,361.42 |
| | PAYROLL | | | | | | | 2,906.37 | | | | | | 2,906.37 |
| | Work Management | | | | | | | | | | | | | |
| | INVENTORY | | | | | | | 181.65 | | | | | | 181.65 |
| | PURCHASING | | | | | | | 1,089.89 | | | | | | 1,089.89 |
| | REQUISITIONS | | | | | | | 908.24 | | | | | | 908.24 |
| | WORK ORDERS | | | | | | | 1,634.83 | | | | | | 1,634.83 |
| | FIXED ASSETS | | | | | | | 1,634.83 | | | | | | 1,634.83 |
| | TOTAL | | | | | | | 18,164.79 | | | | | | 18,164.79 |
| | GROUP 1 (Postal & Barcoding) | | | | | | | | | | | | | |
| | CODE 1 PLUS | | | | | | | | | | 2,350.00 | | | 2,350.00 |
| | MAILSTREAM PLUS MNT | | | | | | | | | | 5,354.00 | | | 5,354.00 |
| | BTO Maint. | | | | | | | | | | 375.00 | | | 375.00 |
| | US Postal Monthly Database | | | | | | | | | | 6,630.00 | | | 6,630.00 |
| | USPS File Monthly | | | | | | | | | | 1,340.00 | | | 1,340.00 |
| | | | | | | | | | | | 16,049.00 | | | 16,049.00 |
| | IBM Software and Support | | | | | | | | | | | | | |
| | Support Line / Alert | - | | | - | | | - | | | - | | | - |
| | Software Subscription Pd thru 6/30/09 | - | | | - | | | - | | | - | | | - |
| | OTHER | | | | | | | | | | | | | |
| | Iron Software | 652.00 | | | 652.00 | | | 717.00 | | | 717.00 | | | 2,738.00 |
| | Iron extended customer support for MV-RS - | 1,300.00 | | | | | | | | | | | | 1,300.00 |
| | Cognos Impromplu | | | | | 850.00 | | | | | | | | 8,500.00 |
| | Cognos Powerplay/Reportnet | | | | | | 8,500.00 | | | | | 1,400.00 | | 1,400.00 |
| | Digital Designs (Laser Checks, Report emailing) | | | | | | | | | | | | | 2,000.00 |
| | Digital Designs DocAgent | | | | 2,000.00 | | | | | | | | | 6,000.00 |
| | KnowledgeLake | | | 6,000.00 | | | | | | | | | | 5,800.00 |
| | KnowledgeLake Image Enterprise Yearly Maintenance | | | | | | | 5,800.00 | | | | | | 725.00 |
| | Hawkeye | | | 725.00 | | | | | | | | | | 500.00 |
| | ICOM400 (Pinnacle) | | | | | | | | 500.00 | | | | | 5,175.00 |
| | Datatrade Spoolview Archiving | | | 175.00 | | | | | | | | | 5,000.00 | 855.00 |
| | ACL Statistical Program | | | | | 855.00 | | | | | | | | 1,800.00 |
| | Arsenault and Assoc (Maintenance Dossier) | 1,800.00 | | | | | | | | | | | | 3,100.00 |
| | CCH Edgar Ease Subscription | | | | | | | 3,100.00 | | | | | | 1,800.00 |
| | Mailwatch Email Virus Check | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 150.00 | 10,284.00 |
| | IBM Business Recovery | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 857.00 | 8,400.00 |
| | Disaster Recovery Option with IBM/Network Only | 650.00 | 650.00 | 650.00 | 650.00 | 650.00 | 650.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 |
| | Proseries Research Lib and Lacert Tax Prep | 750.00 | | | | | | | | | | | | |
| | Microsoft Office Sft Assurance 2YR - not needed for 2007 budget | | | | | | | | | | | | | |
| | Windows 2003 with Software Assurance - CDW | | | | | | 1,100.00 | | | | | | | 1,100.00 |
| | SQL Server Software assurance 10 user 1 server - CDW | 1,300.00 | | | | | | | | | | | | 3,000.00 |
| | Software assurance SQL Server CPU base license 20 - CDW | | | | | | | | | 3,000.00 | | | | 900.00 |
| | SQL Server Software Assurance 5 user u server | | 900.00 | | | | | | | | | | | 800.00 |
| | Window Server Software Assurance - CDW | | | | | | 800.00 | | | | | | | 15,678.88 |
| | Microsoft Software Assurance - | | | | | | | | | | | | | 4,500.00 |
| | Microsoft Exchange Subscription user cals ans server - CDW | | | | | | | | | | 4,500.00 | | | 480.00 |
| | Desktop fax service for Winchester users - Easylin | 480.00 | | | | | | | | | | | | |
| | Website Design and major updates - Boxlake | | | | | | | | | | | | | |
| | Networks | 725.00 | 725.00 | 725.00 | 725.00 | 725.00 | 725.00 | 775.00 | 775.00 | 775.00 | 775.00 | 775.00 | 775.00 | 9,000.00 |
| | Track-It Premium Care - Numara | | | | | 1,500.00 | | | | | | | | 1,500.00 |
| | Autocad Subscription Rnew - Advanced Solutions | | | | | | | 4,200.00 | | | | | | 900.00 |
| | Backup Exec Agents As Required - CDW | | | | | | | 900.00 | | | | | | 1,500.00 |
| | Backup Exec - Symantic | | | | | | | | | | | | | 10,000.00 |
| | Unknown software items | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 833.00 | 837.00 | 1,600.00 |
| | Carlson Civil Suite 2007 | | | | | | | 1,600.00 | | | | | | 1,925.00 |
| | Citrix Subscription Renewal | | | | | | | 1,925.00 | | | | | | 1,600.00 |
| | Citrix Access Gateway User Connections | | | | | | | 1,600.00 | | | | | | |
| | Etrust with ITM including Pest Patrol Subscription - CDW | | | | | | | | | 2,000.00 | | | | 1,500.00 |
| | Oracle Extended Support/Software upgrade license | | | | | | | | | | 1,500.00 | | | |
| | Enhancement to mapping project -Ron Auble | | | | | | | | | | | 5,000.00 | | 800.00 |
| | Consulting | | | | | | | | | | | | | 36,410.00 |
| | SSL Certificates for Web Security | | | | | | | | | 800.00 | | | | 11,000.00 |
| | FloCal | | | | | | | | | | | | | 36,250.00 |
| | Protiviti SarbOx Maintenance | 11,000.00 | | | | | | | | | | | | 9,250.00 |
| | PowerPlant | | 36,250.00 | | | | | | | | | | | |
| | PowerTax | | 9,250.00 | | | | | | | | | | | |
| | Total Other | 20,497.00 | 49,615.00 | 10,115.00 | 5,867.00 | 6,420.00 | 13,615.00 | 23,207.00 | 3,865.00 | 9,165.00 | 10,082.00 | 9,765.00 | 61,957.88 | 223,320.88 |
| | TOTAL | 32,350.25 | 49,615.00 | 10,115.00 | 17,720.25 | 6,420.00 | 13,615.00 | 54,410.37 | 3,865.00 | 9,165.00 | 39,169.58 | 9,765.00 | 61,957.88 | 307,318.33 |
| | ROUNDED | 32,400.00 | 49,600.00 | 10,100.00 | 17,700.00 | 6,400.00 | 13,600.00 | 54,400.00 | 3,900.00 | 9,200.00 | 39,200.00 | 9,800.00 | 62,000.00 | 308,300.00 |

SOFTWARE SUBSCRIPTION AGREEMENT

| | | |
|---------------------------------------|--|-----------------------|
| <u>DG-01-06</u> Agreement No. | This Subscription Agreement (Agreement) between Flow-Cal, Inc. (FCI), a Texas corporation whose principal office is located at 2222 Bay Area Boulevard, Suite 200 Houston, Texas, 77058, and Customer, governs the provision of annual software maintenance and support (the "Services") for The Flow-Cal System [®] described in Exhibit A attached hereto, in consideration of the mutual promises set forth in this agreement. | |
| <u>June 1, 2006</u> Effective Date | | |
| <u>1 Year</u> Term | <u>Delta Natural Gas</u> <u>3617 Lexington Road, Winchester, KY 40391</u> Location | <u>8056</u> FC No. |

Customer acknowledges that it has not been induced to enter into this Agreement by any representation or warranty not set forth in this Agreement. This Agreement, and the documents attached hereto and incorporated herein, contain the entire agreement of the parties with respect to its subject matter, and supersede all other existing agreements and all other oral, written, or other communications between them concerning the subject matter covered thereby. This Agreement shall not be modified in any way except by a writing signed by all parties.

Customer Delta Natural Gas Co., Inc.
By: 
Title: John B. Brown
VP-Controller
Date: 6/1/06

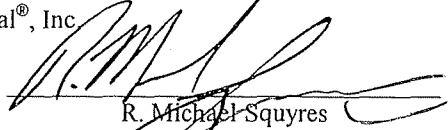
Flow-Cal[®], Inc.
By: 
Title: R. Michael Squyres
President
Date: 5/19/06

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1. TERM.

- 1.1 The term ("Term") of this Agreement shall commence on the Effective Date and shall continue for a period of twelve (12) months.
- 1.2 Upon review of prior terms, support requirements and mutual agreement upon fee adjustments, the Agreement shall renew for subsequent renewal terms ("Renewal Terms") of the same length as the Term provided; however, if either party notifies the other in writing at least thirty (30) days prior to the end of the Term or any Renewal Term that it does not wish to renew this Agreement, this Agreement shall terminate upon expiration of the then current Term or the Renewal Term.
- 1.3 The fee for the initial term shall be thirty-three thousand, one hundred (\$33,100.00) dollars (US).

2. THE SERVICES.

*assume 10% increase for 2003
budget to \$36,410*

- 2.1 The Services specified in this Agreement shall constitute the complete and exclusive definition of Services to be provided by FCI. On-site services are not included, but may be provided by FCI at Customer's request on a time, expense, and materials basis at FCI's then current rates.
- 2.2 FCI shall provide Customer's designated contacts with unlimited telephone consultation with its technical support staff regarding the Flow-Cal System on a toll-free number between the hours of 8:00 a.m. and 5:00 p.m. CT, Monday through Friday, excluding legal holidays. If Customer acquires a modem at its expense, then FCI may provide on-line consultation, as deemed necessary and appropriate by FCI.
- 2.3 Customer shall have access to the FCI message center twenty-four hours a day, seven days a week, and may leave messages regarding the Flow-Cal System for FCI personnel.
- 2.4 Customer shall have access to the FCI File Transfer Protocol (FTP) site, whereby Customer may, by connecting to the site via the Internet, obtain updates and information regarding the Flow-Cal System and other products and services available from FCI.
- 2.5 FCI shall provide Customer with upgrades and enhancements to the Flow-Cal System. For the purposes of this Agreement, upgrades and enhancements shall mean any changes or improvements in the Flow-Cal System provided to FCI customers at no charge.
- 2.6 The Services shall only be provided for the Flow-Cal System when they are used in accordance with the license agreement ("License Agreement") in effect between FCI and Customer, and in conjunction with equipment, software, or other devices designated by FCI as compatible with the Flow-Cal System.
- 2.7 FCI shall provide to customer and customer shall use the latest version of The Flow-Cal System, or the next previous version of the Flow-Cal System if the latest version has been available for less than six (6) months. Customer may use the next previous version for longer periods whenever Customer has provided to FCI reasonable documentation of non-conformities within the latest version.
- 2.8 Any work product that results from FCI providing Services to Customer under this Agreement shall become the exclusive property of FCI upon creation.

3. ON SITE SERVICES, TRAVEL COSTS, AND EXPENSES.

- 3.1 FCI employees may incur costs and traveling expenses such as commercial transportation, private car rental, taxi or limousine fees, hotel room rentals, meals, parking, or other related expenses, in connection with the Services performed at Customers site. Upon written request by FCI, Customer shall reimburse FCI for all such costs and expenses that are reasonably and prudently incurred.
- 3.2 If FCI performs services at Customer's premises, Customer shall reimburse FCI at FCI's then prevailing hourly rates for the performance of said services. Customer shall further reimburse FCI for any materials used and expenses incurred in the performance of said services.

4. RESOURCES AND CUSTOMER RESPONSIBILITY.

- 4.1 Customer shall be responsible for providing FCI with any equipment, software, information, or documentation reasonably required by FCI to perform the Services under this Agreement.
- 4.2 Customer shall provide FCI with a detailed description of all non-conformities concerning the Flow-Cal System, and Customer shall assist FCI in recreating the non-conformity and resolving the issue(s) by providing FCI with any requested information or material.
- 4.3 Customer shall designate a limited number of employees as its Maintenance Contacts, who shall be named in Exhibit A of this Agreement. Customer's Maintenance Contacts shall have the exclusive right and responsibility to contact FCI for Service pursuant to this Agreement. Upon fourteen (14) days prior written notice to FCI, Customer may change its Maintenance Contacts.
- 4.4 If services are to be performed at Customer's location, Customer shall provide FCI's personnel with a secure workspace with access to Customer's computer system, software, and related equipment, if necessary, to perform the Services, along with basic operating supplies and adequate storage space for work materials.

5. PAYMENT.

- 5.1 Payment for Service shall be due and payable upon commencement of the Term or any Renewal Term.
- 5.2 Payment for travel costs, expenses, and on-site Services shall be made in accordance with Section 5.3.
- 5.3 All invoices shall be paid by Customer Net 30. If Customer fails to pay any amount due under this Agreement, whether by acceleration or otherwise, Customer, upon demand, shall pay interest at the rate of 18% per annum (or 1½% per month), but not to exceed the maximum allowed by law, on such delinquent amount from the due date thereof until the date of payment. Customer agrees to reimburse FCI for any and all expenses FCI may incur, including interest and reasonable attorney fees, in taking action to collect any amounts due FCI hereunder.

6. TAXES.

There shall be added to all payments hereunder amounts equal to any applicable taxes levied or based on this Agreement, unless Customer provides FCI with appropriate exemption certificates, exclusive of taxes based on FCI's net income.

7. WARRANTY.

- 7.1 FCI warrants solely that FCI shall use reasonable efforts to assist Customer in correcting non-conformities with the Flow-Cal System, which are properly reported to FCI as promptly as possible. The foregoing shall be FCI's sole obligation under this Agreement, and Customer's exclusive remedy, and shall terminate in the event of any unauthorized modification to the Flow-Cal System.
- 7.2 EXCEPT AS SPECIFICALLY PROVIDED HEREIN, THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

8. OWNERSHIP OF FLOW-CAL SYSTEM.

Any workarounds, fixes, updates, modifications, and/or enhancements to the Flow-Cal System provided to Customer under this Agreement shall remain the property of FCI and shall be licensed or leased to Customer in accordance with the terms and conditions of the License or Lease Agreements covering the Flow-Cal System. FCI hereby grants Customer a license to use such workarounds, fixes, modifications, and/or enhancements in accordance with the terms of such License or Lease Agreement.

9. LIMITATION OF LIABILITY.

IN NO EVENT SHALL FCI BE LIABLE TO CUSTOMER FOR ANY DIRECT, SPECIAL, INDIRECT, EXEMPLARY, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING ANY LOST PROFIT OR LOST SAVINGS, EVEN IF FCI HAS BEEN ADVISED, KNOWS, OR SHOULD KNOW OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF OR IN CONNECTION WITH FCI'S PERFORMANCE OF SERVICES HEREUNDER, OR THE DELIVERY, SALE, USE, OR INABILITY TO USE, OR PERFORMANCE OF THE FLOW-CAL SYSTEM. IN NO EVENT SHALL FCI BE LIABLE FOR ANY DAMAGES, WHETHER BASED UPON THEORIES OF TORT, CONTRACT, OR ANY OTHER LEGAL OR EQUITABLE THEORY, IN EXCESS OF THE AMOUNT ACTUALLY PAID TO FCI BY CUSTOMER FOR THE SERVICES AND PRODUCTS PROVIDED UNDER THIS AGREEMENT DURING THE IMMEDIATELY PRECEDING TWELVE (12) MONTHS.

10. TERMINATION.

- 10.1 Either party may terminate this Agreement upon thirty (30) days written notice (the "Notice Period") in the event that the other party violates any provision of this Agreement or the License or Lease Agreements covering the Flow-Cal System, including but not limited to, confidentiality and payment, provided, however, that the breaching party shall have the right to attempt to cure said violation during the Notice Period.
- 10.2 FCI may terminate this Agreement upon five (5) days written notice in the event Customer: (i) terminates or suspends its business; or (ii) becomes subject to any bankruptcy or becomes insolvent or subject to direct control by a trustee, receiver, or similar authority.
- 10.3 Without limiting any of the above provisions, in the event of termination as a result of the Customer's failure to comply with any of its obligations under this Agreement or under the License or Lease Agreements, the Customer shall continue to be obligated for any payment due. Termination of this Agreement and/or the License or Lease Agreement shall be in addition to, and not in lieu of, any equitable or legal remedies available to FCI.

11. FCI EMPLOYEES.

Customer acknowledges that FCI's employees' expertise and service constitute a valuable and unique asset of FCI. Therefore, Customer agrees not to make any offer of employment to, nor enter into a consulting or employment relationship with, any employee of FCI for a period of two (2) years after termination or expiration of that employee's employment with FCI.

12. GENERAL.

- 12.1 If any provision of this Agreement (or any portion thereof) shall be held to be invalid, illegal, or unenforceable, the validity, legality, or enforceability of the remaining provisions (or the remaining portions thereof) shall not in any way be affected or impaired thereby.
- 12.2 This Agreement shall not be assignable by Customer without the prior written consent of FCI, and any attempt by Customer to assign any of its rights, duties, or obligations, which arise under this Agreement without such consent, will be void.
- 12.3 The headings in this Agreement are intended for convenience of reference only and shall not effect its interpretation.
- 12.4 All notices shall be in writing and shall be delivered or sent by registered or certified mail, return receipt requested, to the addresses indicated herein.
- 12.5 This Agreement shall be binding upon and inure to the benefit of the parties' successors, legal representatives, and permitted assigns.
- 12.6 The parties agree that the International Sale of Goods Act does not apply to this Agreement. This Agreement shall be interpreted and governed by the laws of the State of Texas. Any and all disputes arising pursuant to this Agreement shall be resolved exclusively in the courts of the State of Texas, and the parties hereto submit to the exclusive jurisdiction of such courts.
- 12.7 The provisions of Sections 7.2, 8, 9, and 11 shall survive termination or expiration of this Agreement for any reason.
- 12.8 The failure of either party to enforce any term or condition of this Agreement shall not

constitute a waiver of either party's right to enforce each and every term and condition of this Agreement.

12.9 No action, regardless of form, arising out of any claimed breach of this Agreement or transactions under the Agreement may be brought by Customer more than one year after the cause of action has arisen.

EXHIBIT A

**FLOW-CAL SYSTEM MODULES COVERED BY THE
SUBSCRIPTION AGREEMENT:**

Flow-Cal Client/Server with (1) concurrent user, (1) occasional user, and (1) view-only user, (2) Test-It! Desktops, and the following Enterprise Modules for Client/Server:

| |
|---|
| Service to Auto Estimate Missing Data Module |
| Scheduled Reporting Module |
| Monthly Close Functions and Service Module |
| GQ Source Module |
| Validation Set-Points |
| Meter Inspection, Calibration, & Test Report Module |

Customer Contact(s): Don Cartwright (User), 859/744-6171 x169
David Turpin (IT), 859/744-6171 x175
John Brown (VP-Controller), 859/744-6171 x109

**PowerPlant System Perpetual
Licensing Agreement**

1. LICENSE & USE

PowerPlan Consultants, Inc. (Licensor), a Delaware Corporation, agrees to provide Delta Natural Gas Company, Inc. (Licensee), a Kentucky corporation, with the PowerPlant Software, ("Software"), in accordance with the provisions contained within this Licensing Agreement.

1.1 Licensor grants Licensee a perpetual, non-exclusive license to use the Software. Licensee agrees to pay to Licensor the amounts set forth in this agreement for the Software and for the implementation and related costs thereof on the Licensee computer systems.

1.2 This Agreement is intended for the sole use and for the sole benefit of Licensee and its direct affiliates and subsidiaries ("Affiliates"), and for no other persons or corporations except as specifically provided for under Sections 1.3, 1.4, and 1.5. The Licensed Program and Documentation shall be utilized only to process data of Licensee and its Affiliates. Any other use shall be cause for termination of this Agreement and/or assessment of additional licensing fees.

For purposes of this Agreement, the term "Affiliate" means any entity, corporation, subsidiary, parent company, partnership, joint venture or other entity in which Licensee, or Licensee's Affiliates, owns a direct controlling interest and does not produce software which competes with the PowerPlant Software. For the purposes of this Agreement, "direct controlling interest" means an active and direct participation in the entity's operations and management and 50%, or greater, ownership of the stock or 50%, or greater, representation on the board of directors.

1.3 Contractors and consultants of Licensee and its Affiliates shall be permitted to access and use the Software provided the contractor or consultant signs Licensee's non-disclosure agreement which is consistent with Section 14 herein, and such access and use is only for the business purposes of Licensee and its Affiliates and is in accordance with the terms of this Agreement. At no time shall Licensee serve as a service bureau to third parties with respect to the Software. All source code versions of the Software shall remain within the United States and shall only be accessible by Licensee, Licensee's Affiliates, Contractors, or Consultants located within the United States.

1.4 Operating Venture. For the purposes of this Agreement, the term "Operating Venture" means any entity corporation, subsidiary, partnership, joint venture or other entity in which Licensee, or one of its Affiliates, owns at least a direct 25% interest in the entity, and Licensee has direct and active participation in the entity's operations and management, and the entity does not produce software that competes with the Software. As part of Licensee's obligations in the management of the Operating Venture, Licensee may use the Software to process records for the Operating Venture.

1.5 Transition Assets - If Licensee's assets, for which data records exist in the Software, are split-off or sold to a separate legal entity ("Asset Receiver"), and such entity is not provided for under Section 1.2, 1.3, or 1.4, and such entity does not have a current license agreement for the applicable Software, the Licensee may continue to maintain and process the associated records for the Asset Receiver for up to twelve (12) months beyond the first date of transfer. This period will be defined as the "Transition Period".

After the Transition Period, Licensee must suspend the processing and maintenance of such records, or Licensee must enter into a separate license agreement for the processing and maintenance of such records, or the Asset Receiver must enter into a license agreement with PowerPlan. Such agreements may be either on a perpetual or monthly lease basis.

2. LICENSOR STATUS

The relationship of Licensor to Licensee shall be that of an independent contractor. Licensor shall accept, in connection with the work called for herein, exclusive liability for withholding the sums for Licensor's employee, federal, state and/or local income taxes, contributions for social security, unemployment insurance, wages, or other remuneration paid by Licensor to any and all persons employed in connection with the work described under this agreement. Licensor

will comply with all valid Federal and State Administrative Regulations requiring the assumption of liability for any of the aforesaid taxes or contributions.

3. EMPLOYMENT RELATIONSHIP

Nothing herein contained shall be construed as creating the relationship of employer and employee between Licensee and Licensor, or between Licensee and any persons employed by Licensor.

4. SUBCONTRACTORS

No portion of the work described herein shall be sublet by Licensor without first securing the approval of Licensee. Approval by Licensee of any subcontractor shall not relieve Licensor of full responsibility for the work to be performed by the subcontractor or of full responsibility for any property damage or personal injury caused by the subcontractor or employees.

5. AUDIT CLAUSE

Licensor agrees to maintain records capable of being audited for all cost reimbursement work. Licensor further agrees to furnish such supporting detail as may be reasonably requested by Licensee to support charges or invoices for the cost reimbursement work, and to make available for audit purposes the records covering charges presented under this contract. The cost of any such audit shall be borne by Licensee. If the audit is not performed by Licensee, Licensor and Licensee shall mutually agree on an independent auditor.

6. GOVERNING LAW

This agreement shall be governed and construed by the laws of the State of Georgia.

6.1 In the event that any one or more of the provisions, paragraphs, sentences or clauses ("provisions") contained within this license shall be deemed invalid, illegal, or otherwise unenforceable, the remainder of the provisions this license will remain intact. Licensor and Licensee mutually agree to substitute any invalid, illegal or unenforceable provision of this license with a similar valid, legal, or enforceable provision which provides the parties with protection which contains a closely similar economic impact to the invalid, illegal, or unenforceable provision.

7. FORCE MAJUERE

No party hereunder shall be considered in default in the performance of, and any such party shall be excused from performing, any obligation under this license to the extent that, and for long as that, such performance is prevented due to any cause that is not reasonably within such party's control and that is not caused by such party's default or negligence (an event of "Force Majeure") including, but not limited to, acts of God or the public enemy; fire, flood, strike or other labor dispute directly affecting the project implementation, civil disturbance, or omission by public authority or authorities having proper jurisdiction, or any similar circumstances beyond the control of Licensor or Licensee.

8. INVOICING

Licensor shall monthly present invoices to Licensee which shall be due and payable upon presentation. Licensee agrees to make payment to Licensor in lawful money of the United States of America. In the event that such invoices are not paid within thirty (30) days, undisputed unpaid amounts will be charged interest at the monthly rate of .5%.

All payments due under this Agreement shall be presented via invoice to Licensee, via regular US mail, or mutually agreed-upon courier, addressed to:

Mr. John B. Brown
VP-Controller
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY. 40391
859.744.6171

All payments due under this agreement shall be remitted to Licensor, in the currency of the United States of America, via regular US mail, or agreed-upon courier, addressed to:

R Alan Delk, Treasurer
PowerPlan Consultants, Inc.
1600 Parkwood Suite 600
Atlanta, Georgia 30339
(770) 618 - 2261

8.1 In the event that Licensee disputes the amount of any invoice, Licensee will not be obligated to pay the disputed portion of such invoice until the parties have resolved such dispute. The parties agree to consider all good faith and reasonable solutions and to exercise all reasonable efforts to resolve such matters. In the event of any dispute with regard to a portion of the invoice, the undisputed amount shall be paid as set forth herein.

8.2 In the event that the portion of any invoice not under dispute is unpaid after sixty (60) days after its mailing date, Licensor will notify Licensee in writing that Licensor considers Licensee to be delinquent in payments due Licensor under this agreement. If Licensee fails to rectify such payment delinquency within 30 days, then Licensor may at its sole option and discretion, terminate this agreement and terminate the license granted to Licensee as a result thereof. Licensor reserves cumulatively all other remedies and rights provided under this Agreement. Licensee will pay all legal costs and other costs associated with the collection of payments due pursuant to this Agreement.

9. TAXES

The charges presented under this Agreement exclude sales tax, excise tax, personal property tax, or other similar or related tax.

Licensee takes full responsibility for any ultimate sales, excise, personal property, or other similar or related tax.

10. INSURANCE

Licensor shall properly maintain the following insurance coverage: Statutory workers' compensation insurance in full compliance with the worker's compensation and occupational disease acts of each and every state in which work is to be performed; employer's liability insurance with a limit of not less than \$500,000; comprehensive general liability coverages with a combined single limit of not less than \$1,000,000 per occurrence; excess umbrella liability insurance with a single limit of not less than \$2,000,000; automobile liability insurance covering all owned, hired and non-owned vehicles with a combined single limit of not less than \$1,000,000 per occurrence. Licensor shall provide Licensee with a certificate of insurance specifically evidencing the coverages required above, naming the Licensee as an additional insured, except under the worker's compensation policy, and expiration dates of all policies. The certificate of insurance shall also provide for thirty (30) days prior written notice to Licensee in the event of cancellation or any material alteration of any policy. The certificate of insurance shall be furnished to or be on file with the Licensee prior to commencement of any work under this Agreement by Licensor or any of its subcontractors, if any. The property damage liability insurance shall include the broad form comprehensive general liability coverage.

11. ASSIGNMENT

11.1 No assignment or delegation of the Software provided under this Agreement may be made to any designated person or corporation, except to Licensee's Affiliates, without the prior consent of Licensor. Except as provided above, any other assignment or delegation made without written consent of Licensor shall be void for any and all purposes. Any such assignment or delegation shall be cause for termination of this Agreement and/or assessment of additional licensing fees.

Licensor agrees, upon written notification by Licensee, to amend this agreement and to assign written consent either to: 1) an Affiliate of Licensee; or 2) a successor-in-interest as a result of a reorganization of Licensee, or 3) a consolidation involving Licensee, or 4) the transfer of substantially all of Licensee's assets upon advance written notice to Licensor.

Licensee's right to assign shall include Licensee's license to use and receive maintenance for the Software to a successor or permitted transferee of Licensee located within the United States.

12. SOFTWARE INSTALLATION

12.1 Licensor will deliver the following production version of the PowerPlant system, on standard CD-ROM or 3.5" computer diskettes, to operate on the Licensee computer environment as follows.

A.) PowerPlant Version 9.0.7

12.2 As a part of the initial service provided pursuant to this agreement, Licensor will deliver one copy of the source code for the Software. So long as Licensee is in compliance with the provisions of its agreements with Licensor, will have the right to have access to and possession of the last delivered copy of the source code for the Software, which remains the sole and exclusive property of Licensor.

12.3 So long as Licensee is in compliance with the provisions of its agreements with Licensor and is operating under current maintenance provisions with Licensor, Licensee shall have the right to have access to and possession of the latest source code for the Software, which remains the sole and exclusive property of Licensor.

13. MAINTENANCE

13.1 Provided that this agreement is in full force and effective between Licensor and Licensee, Licensor agrees to keep the Software up-to-date with IRS, PUC, FERC and GAAP requirements. Licensor further agrees to maintain the PowerPlant system in technical compatibility with Database, Software and Hardware improvements.

Included in the PowerPlant maintenance fee and agreement is unlimited telephone support for both technical and functional assistance, enhancements and upgrades to the PowerPlant source code, executable code and documentation, and membership in a Licensor-sponsored users-group.

As long as license and maintenance fees are current, Licensor agrees to provide telephone support during normal business hours for issues that Licensee deems critical on an immediate-as-possible basis.

13.2 Licensee will be responsible for implementing the PowerPlant Code updates in the Licensee source code. Unlimited phone support is provided to assist in implementing PowerPlant code updates. On site Licensor assistance in implementing PowerPlant code updates may be arranged for under Licensor then-current consulting rate structure.

13.3 If Licensee determines that an error or deficiency exists in the programs supported under this maintenance agreement, Licensee will provide written notification to Licensor of such error or deficiency, along with supporting data and programs which document such error or deficiency. Licensor shall respond by providing to Licensee either 1) an updated version of the source code and documentation which overcome the error or deficiency or 2) an adequate suggested procedure for overcoming such error or deficiency, provided that such suggestion enable the Software to perform in substantial conformance with the intent of the original programs, documentation and maintenance agreement.

13.4 Licensee hereby agrees to an initial maintenance term of 5 years covering the period from August 14th, 2007 through August 13th, 2012. During this period, the annual escalation of the maintenance fee will follow the schedule in Section 19.5. Maintenance prior to August 14th, 2007 will be provided at no additional cost.

13.5 In the event Licensee discontinues receiving maintenance services and desires to reinstate such services, unless otherwise agreed, Licensee shall pay all intervening maintenance charges which would have been applicable during the period during which maintenance services were not in effect.

13.6 Licensor shall have no obligation under paragraph 13 if Licensee is delinquent in paying any sums of money owed to Licensor.

14. PROTECTION OF PROPRIETARY INTERESTS / CONFIDENTIALITY

14.1 Licensee acknowledges the proprietary rights of Licensor in and to the Software, including, but not limited to, computer programs, manuals, and supporting material and that such are properly considered to be trade secrets, in that they involve compilations of information which are secrets and which are the

product of Licensor's own expenditures of time, effort, money, and creative skill. Licensee agrees that all tangible objects containing or relating to the PowerPlant programs are the sole and exclusive property of Licensor and upon termination of this agreement for any reason, Licensee will return to Licensor all programs, manuals and related materials provided under this Agreement, and will retain no copies whatsoever for its own use or for any purpose.

14.2 Each party agrees that it will not use, disclose, publish, or otherwise divulge to any third party either during or after the termination of this agreement or permit its officers or employees to so divulge any confidential information of the other party without prior written consent of such party. Each party shall employ no such less stringent procedures than the strictest procedures used to protect its own confidential data including procedures set forth in these paragraphs. If disclosure to a third party, such as an auditor, is required, the third party is required to first sign a confidentiality agreement with the owner of the confidential information. Licensee may use the standard reports of the Software in filings or proceedings before any governmental regulatory or judicial body to which it is subject.

14.3 In the event of a breach of this Section 14, the owner of the confidential information will not have an adequate remedy in money or in damages, and therefore shall be entitled to seek injunctive relief against such breach without any requirement to post bond as a condition thereof.

14.5 All of the above restrictions in Paragraph 14 shall survive any termination of this Agreement and/or the completion of work. Nothing contained herein shall be construed as to limit any rights of Licensor under copyright, patent, or other law.

15. TITLE

Licensor warrants that it is the owner of the PowerPlant program and that Licensor has the right to permit Licensee to use the PowerPlant program. Licensor further warrants that the software and services that Licensor provides under this Agreement does not infringe upon or otherwise violate any patents, trademarks, copyrights or trade secrets of any third parties. In the event that final judgment shall be obtained against Licensee's use of the Software by reason of patent, trademark, copyright or trade secret infringement, Licensor shall, at its option, either 1) modify such software so that it becomes non-infringing, but is still in conformance with Licensee tax requirements and Licensor specifications, or 2) procure for Licensee the right to use such software or other software with equivalent capabilities or 3) grant Licensee a refund for the Software fee.

Licensor will defend, at its expense, any action brought against Licensee to the extent that it is based upon a claim that the Software infringes upon a United States patent, trademark, copyright, or trade secret of a third party. Licensor shall pay such attorneys fees and damages as shall be finally awarded against Licensee in such action(s) which are attributable to such claims; provided, however, that Licensor's obligation hereunder is dependent upon Licensee's notifying Licensor in writing of such a claim promptly for Licensor to fully participate in defense of such claim, or, at its option, agree to any settlement of such claim.

Licensor shall have no liability for any claim of patent, copyright, trademark, or trade secret of a third party infringement based on 1) use of programs or data not furnished by Licensor, or 2) use of any programs or documentation delivered hereunder in a form other than as delivered by Licensor, if such change in form is the cause of the claimed infringement.

This section sets forth the complete liability of Licensor with respect to infringement of any patent, copyright, trademark, or trade secret by the Software or any part thereof.

16. OWNERSHIP

During the course of the term of this Agreement, Licensor and Licensee will be working together to install the Software. Improvements and modifications to the Software are expected to occur during the PowerPlant system implementation. Licensor will retain title to PowerPlant and to any and all modifications, improvements, and alterations made during or subsequent to the PowerPlant system installation.

17. SYSTEM TRANSFER

Licensee may make complete or partial copies of the software as needed solely for testing, archival, backup and disaster-recovery purposes. The retention period of such copies shall be subject to approval by Licensor. Licensee shall ensure that any proprietary, copyright, trademark, or trade secret notices contained in or placed upon the system shall appear on any such copies.

18. PROGRAM ACCEPTANCE

18.1 During the 90 (ninety) days following the delivery of the PowerPlant programs, the programs will be subject to test by Licensee to determine that the PowerPlant programs are in substantial conformance with the Licensee requirements. If, during the 90 day test period, Licensee discovers an error in the PowerPlant programs or a substantial non-conformance to Licensee's asset accounting requirements, Licensee will notify Licensor in writing accompanied by program listings or sample results evidencing such error or non-conformance.

18.2 If, within 60 days following receipt of Licensee's written error report in accordance with paragraph 18.1, Licensor fails to remedy the reported error or non-conformance, Licensee shall be entitled to terminate this Agreement by written notice to Licensor accompanied by return to Licensor all copies and materials relating to the Software delivered to Licensee under this Agreement.

18.3 If this Agreement is terminated by Licensee in accordance with paragraph 18.2, Licensee will receive a refund for all license fee amounts paid by Licensee under paragraph 19.1, exclusive of consulting fee amounts and reimbursements.

18.4 The Software shall be "Deemed Accepted" if no errors have been reported or if no communication to any effect is received from Licensee after Sections 18.1 and 18.2 have been satisfied.

19. PRICING

The Perpetual PowerPlant software fees and service fees are as follows:

| | Description | Payment | Comments |
|---|-----------------------|------------------|---------------------------|
| 19.1 | License Fees | \$ 25,000 | Charge Repository - Basic |
| | | \$ 100,000 | Project Accounting |
| | | \$ 116,667 | Asset Management |
| 19.2 | PowerPlant Consulting | \$ 2,300 per day | As incurred |
| 19.3 | Maintenance | \$ 3,750 | Charge Repository - Basic |
| | | \$ 15,000 | Project Accounting |
| | | \$ 17,500 | Asset Management |
| 19.4 Licensor will invoice Licensee per the following schedule for PowerPlant software fees: | | | |
| i) 25% of the PowerPlant License Fees following the execution of this agreement; | | | |
| ii) 50% of the PowerPlant License Fees following Acceptance as per Section 18 of this Agreement; | | | |
| iii) 25% of the PowerPlant License Fees following the first month of processing in Licensee's production environment; | | | |
| iv) PowerPlant Consulting – as incurred; | | | |
| 19.5 Maintenance fees will be due annually in advance as per the following schedule: | | | |
| ▪ August 14 th , 2007 - \$36,250 | | | |
| ▪ August 14 th , 2008 - \$36,250 | | | |
| ▪ August 14 th , 2009 - \$36,250 | | | |
| ▪ August 14 th , 2010 - \$54,375 | | | |
| ▪ August 14 th , 2011 - \$54,375 | | | |

20. REIMBURSEMENTS

Additionally to the costs specified elsewhere herein, Licensee shall reimburse Licensor for all such costs reasonably incurred by Licensor pursuant to its obligations under this Agreement including the actual costs of travel, airfare, living and hotel, rental car, and other out-of-pocket expense incurred by Licensor and its employees in rendering service at locations other than Licensor offices. Air travel will be at coach rates, and hotel accommodations may be arranged by Licensee. Also reimbursable are communication and (voice and data) telephone charges incurred by Licensor pursuant to its obligations under this Agreement.

Licensee agrees to provide Licensor remote computer access to its PowerPlant system for the duration of the PowerPlant implementation in order to speed Licensor ability to respond to questions and implementation concerns, and to hold down the costs of travel and out-of-pocket expenses to Licensee. Any costs in providing such access are payable by Licensee.

21. WARRANTIES

21.1 Licensor warrants that the PowerPlant Software substantially conforms with all written specifications, including user-manual, furnished to Licensee in accordance with this Agreement, and that the Software is compatible with the operating environment specified in the program specifications.

21.2 Licensor warrants that no disabling mechanisms will be incorporated into the Software.

21.3 Licensor warrants that any services rendered by Licensor will be performed in accordance with good industry standards by qualified personnel.

21.4 It is expressly understood and agreed that no employee, agent, or other representative of Licensor has any authority to bind Licensor with regard to any statement, representation, warranty or other expression unless said statement, representation, warranty of other expression is specifically included within the express terms of the Agreement.

21.5 Notwithstanding the foregoing, Licensee is solely responsible for ensuring the proper selection, use, management, and supervision of the Software and audit controls, programs, operating methods and office procedures for establishing the necessary controls over access to and use of data and for establishing all proper checkpoints, safeguards, and procedures necessary for the proper use of the Software, any changes made by Licensee to alter the calculations, functions, or performance of the Software, the security of the data stored therein and the suitability of the results obtained with the use of the Software. Licensee agrees that Licensor shall not be liable for any damages caused by Licensee's failure to fulfill these responsibilities.

21.6 All PowerPlant software is "Year 2000" compliant. The occurrence in or use by the software of dates on or after January 1, 2000 will not adversely affect the performance of the software and the software will create, store and generate output data related to or including millennial dates without errors or omissions.

Licensor's sole obligation and liability with regard to any failure of PowerPlant to conform to the foregoing standard shall be to correct such failure(s) in accordance with the maintenance procedures set forth in paragraph 13.4.

21.7 Licensor warranties are limited to those set forth in this Agreement. Licensor MAKES NO OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTERS WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ITS MERCHANTABILITY, OR ITS FITNESS FOR A PARTICULAR PURPOSE OR ANY WARRANTIES ARISING FROM COURSE OF DEALING, USAGE OR TRADE PRACTICE.

22. REMEDIES

EXCEPT FOR LIABILITY ARISING UNDER PARAGRAPHS 14 AND 15 ABOVE, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND (EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES) OR FOR ANYTHING BEYOND ITS REASONABLE CONTROL. If for any reason, any of the foregoing limitations of liability are voided or not effective, Licensee agrees that Licensor's liability for damages in the aggregate, if any, shall not exceed the lesser of (i) the total amounts paid to Licensor by Licensee for use of the Software under this

Agreement, and (ii) the average monthly charge paid to Licensor by Licensee for use of the Software under this Agreement during the prior three (3) years multiplied by twelve. Licensee's remedies in this Agreement are exclusive. Licensee acknowledges and agrees that the fees to be paid to Licensor are based in substantial part on the above disclaimers of warranties, limitations of remedies, limitations of liability and exclusions of damages and that such disclaimers, limitations and exclusions are unrelated independent allocations of risks. WITHOUT LIMITING THE FOREGOING, THE PARTIES AGREE THAT IF ANY REMEDY HEREUNDER IS DETERMINED TO HAVE FAILED OF ITS ESSENTIAL PURPOSE, ALL LIMITATIONS OF LIABILITY AND EXCLUSIONS OF DAMAGES SET FORTH HEREIN SHALL REMAIN IN EFFECT.

23. RELATED SOFTWARE

The PowerPlant system operates in conjunction with the PowerBuilder and the ORACLE DBMS. PowerBuilder is a product of the Sybase Corporation. The ORACLE DBMS is a product of the ORACLE Corporation. Licensee is required to obtain and maintain current valid PowerBuilder and ORACLE user licenses for use by Licensee in conjunction with PowerPlant. At its option, Licensee may procure discounted run-time or full use copies of the PowerBuilder and/or ORACLE software from Licensor in accordance with any existing valid reseller agreement between Licensor, ORACLE, and Sybase.

24. TERMINATION

This Agreement and License granted hereunder shall become effective on the Effective Date as set forth in Section 26, and shall continue in effect perpetually unless terminated under an express provision of this Agreement.

24.1 Termination prior to Acceptance shall be governed by Section 18.

24.2 Licensee may terminate this Agreement after Acceptance upon providing Licensor thirty (30) days prior written notice of Licensee's desire to terminate this Agreement. Termination can be for any reason but only after the payment of all fees then due and owing.

24.3 Sections 11, 12, 14, 15, 16, and 22 shall survive any termination of this Agreement and/or completion of work.

25. ENTIRE AGREEMENT

This contract constitutes the entire agreement between Licensor and Licensee hereto relating to the subject matter herein, and supersedes any prior agreements. There are no terms, obligations, covenants, representations, statements or conditions other than those contained herein. No variations or modifications of the Contract nor waiver of any of the terms and conditions hereof shall be deemed valid unless in writing, signed by both parties hereto.

26. EFFECTIVE DATE

The effective date of this Agreement is June 19th, 2006.

PowerPlan Consultants, Inc.

By: Mark E. Heinemann
Name: Mark E. Heinemann
Title: President
Date: 6/19/2006

Delta Natural Gas Co., Inc.

By: John B. Brown
Name: John B. Brown
Title: VP-Controller
Date: 6-15-06

Amendment #1
To The
PowerPlant System Perpetual License Agreement
Between
PowerPlan Consultants, Inc.
And
Delta Natural Gas Company, Inc.

This Amendment No. 1, dated July 15th, 2006, is between PowerPlan Consultants, Inc. (Licensor), and Delta Natural Gas Company, Inc. (Licensee), and is an amendment of that certain PowerPlant System Perpetual License Agreement, effective as of June 19th, 2006, between Licensor and Licensee.

WHEREAS, Licensor licenses to Licensee a certain proprietary software program known as PowerPlant (Software); and

WHEREAS, Licensee wishes to add an additional module to this Agreement and Licensor is willing to agree to such an addition based on the terms set forth below:

NOW, THEREFORE, Licensee and Licensor agree that the Agreement is amended and supplemented as follows:

1.0 Software Fees

1.1 The standard license fee and terms for the following additional PowerPlant Modules (which additional modules are hereby licensed to Licensee in accordance with the terms, covenants and conditions of the Agreement as amended and supplemented herein) are as follows:

| | Product | Fee | Terms |
|------------------------|--------------------|-----------|---|
| Perpetual License Fees | PowerTax | \$ 36,667 | <ul style="list-style-type: none"> ▪ 25% of the PowerPlant License Fees following the execution of this Amendment; ▪ 50% of the PowerPlant License Fees following Acceptance as per Section 18 of this Agreement; ▪ 25% of the PowerPlant License Fees following the first month of processing in Licensee's production environment; |
| | PowerTax Provision | \$ 25,000 | |
| Maint. Fees | PowerTax | \$ 5,500 | |
| | PowerTax Provision | \$ 3,750 | |

Licensee and Licensor agree that all of the licenses, rights, warranties, and other terms, covenants and conditions of the Agreement shall apply to the additional modules licensed under this Amendment #1.

2.0 Optional Modules

1.1 The standard license fee and terms for the following additional PowerPlant Modules (which additional modules are hereby licensed to Licensee in accordance with the terms, covenants and conditions of the Agreement as amended and supplemented herein) are as follows:

| | Product | Fee | Terms |
|------------------------|-------------------|----------|---|
| Perpetual License Fees | Capital Budgeting | \$ 0 | |
| | PropertyTax | \$ 0 | |
| | Depr Studies | \$ 0 | |
| Maint. Fees | Capital Budgeting | \$ 0 | Maintenance fees will be due upon the first posting of entries in a DNG production system and then annually in advance thereafter. Maintenance fees will not escalate until after the initial maintenance term specified in the Agreement under section 13.4. |
| | PropertyTax | \$ 5,625 | |
| | Depr Studies | \$ 4,500 | |

Licensee and Licensor agree that all of the licenses, rights, warranties, and other terms, covenants and conditions of the Agreement shall apply to the optional modules licensed under this Amendment #1.

3.0 Effective Date

The effective date of this Amendment #1 is July 15th, 2006.

The terms, covenants, and conditions of the Agreement, as modified and supplemented herein, shall remain in full force and effect.

PowerPlan Consultants, Inc.

By: Mark E. Heinemann

Name: Mark E. Heinemann

Title: President

Date: 10/11/2006

Delta Natural Gas Company, Inc.

By: John B. Brown

Name: John B. Brown

Title: VP-Controller

Date: 10-3-06

Amendment #2
To The
PowerPlant System Perpetual License Agreement
Between
PowerPlan Consultants, Inc.
And
Delta Natural Gas Company, Inc.

This Amendment No. 2, dated March 15th, 2007, is between PowerPlan Consultants, Inc. (Licensor), and Delta Natural Gas Company, Inc. (Licensee), and is an amendment of that certain PowerPlant System Perpetual License Agreement, effective as of June 19th, 2006, between Licensor and Licensee.

WHEREAS, Licensor licenses to Licensee a certain proprietary software program known as PowerPlant (Software); and

WHEREAS, Licensee wishes to add an additional module to this Agreement and Licensor is willing to agree to such an addition based on the terms set forth below:

NOW, THEREFORE, Licensee and Licensor agree that the Agreement is amended and supplemented as follows:

1.0 Software Fees

1.1 The standard license fee and terms for the following additional PowerPlant Modules (which additional modules are hereby licensed to Licensee in accordance with the terms, covenants and conditions of the Agreement as amended and supplemented herein) are as follows:

| | Product | Fee | Terms |
|------------------------|----------------|------------|---|
| Perpetual License Fees | CR Allocations | \$ 0 | |
| Maint. Fees | CR Allocations | \$ 3,750 | Maintenance fees will be due annually in advance as per the following schedule: <ul style="list-style-type: none">▪ August 14th, 2007 - \$ 3,750▪ August 14th, 2008 - \$ 3,750▪ August 14th, 2009 - \$ 3,750▪ August 14th, 2010 - \$ 5,625▪ August 14th, 2011 - \$ 5,625 |

Licensee and Licensor agree that all of the licenses, rights, warranties, and other terms, covenants and conditions of the Agreement shall apply to the additional modules licensed under this Amendment #1.

2.0 Effective Date

The effective date of this Amendment #2 is March 15th, 2007.

The terms, covenants, and conditions of the Agreement, as modified and supplemented herein, shall remain in full force and effect.

PowerPlan Consultants, Inc.

By: Mark E. Heinemann
Name: Mark E. Heinemann
Title: President
Date: 3/9/2007

Delta Natural Gas Company, Inc.

By: John B. Brown
Name: John B. Brown
Title: VP-Controller
Date: 3-7-07

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

3. Refer to AG 1-23. For each account listed on the attachment, please describe in detail what is included in the account, i.e., what is "labor service revenue," etc.

RESPONSE:

See Attached

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

1.415.01 Labor Service Revenue

This account includes revenue generated from lighting pilots and repairs for damages that have occurred by contractors or customers.

1.415.02 Merchandising Revenue

Sale of Inventory items

1.415.03 Sales Tax Commission

Vendor compensation for Sales Tax Return

1.416.01 Labor Service Expense

Payroll hours charged for repairing broken lines and relighting customers and repairing any company owned property (meters, regulators, etc.) for which a billing is to be made.

1.416.02 Merchandising Expense

Expense of items for resale

1.419 Interest and Dividend Income

Interest earned on line of credits and dividend on Key Man policies

1.421 Miscellaneous Non Operating Income

Income from analysis of gas samples performed for other companies

1.426.02 Life Insurance Co. Beneficiary

Life insurance on Glenn Jennings (Chairman/President & CEO) and three board members (Jane Hylton, H D Peet, Roger Byron)

1.421.01 Miscellaneous Non Operating Expense - Payroll

Payroll hours charged for performing analysis of gas samples for other companies.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

4. Refer to AG 1-39. Why does Delta believe its bad debt estimate is low for the test year?

RESPONSE:

As pointed out in Brown Testimony, uncollectible account expense (\$484,710 for the test year) was at the lowest level in three years and \$116,913 lower than the preceding year.

Uncollectible account expense for the 12 months ended 5/31/07 has been \$529,710. Budgeted uncollectible account expense for fiscal 2008 is \$608,400.

All of these historical measures suggest that the test year level could be low.

The response to the PSC's second data request Item 17 (a) (1) provided an explanation for a \$100,117 non-recurring reduction in expense during the test year:

Uncollectible account expense was lower during the test year primarily due to a lowering of the allowance for doubtful accounts. The allowance for doubtful accounts was \$500,142 at 12/31/05 and decreased to \$400,025 at 12/31/06. The balance in the reserve for doubtful accounts is based on management's estimate of the level of uncollectible accounts. During 2006, we implemented a new computer program that has the capability to better predict future write-offs based on past trends. The new program showed that our reserve was higher than necessary so we lowered the reserve accordingly, thus, lowering test year expense. We believe this is a one-time reduction in expense.

In response to the PSC's second data request Item 17 (c), we suggested a method of computing the normal level based on net-write-offs. This calculation yielded a pro forma level of uncollectible account expense of \$576,198, a \$92,722 increase in expense over test year levels, again indicating that the test year expense level may be low.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

5. Refer to AG 1-42. Explain why Delta does not budget or estimate retirements.

RESPONSE:

Delta's capital budget process focuses on estimating and prioritizing new capital projects, securing board of director approval, forecasting cash needs and controlling actual expenditures against plan. Retirements do not significantly impact any of these processes.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

6. Refer to AG 1-52.
 - a. Please explain what the "salvage received" is. Is it the amount the company received for the sale of the item?
 - b. If Delta "sold" these items for the undepreciated balance, please explain why this was the selling price, as opposed to a fair value selling price.
 - c. If Delta "sold" any vehicles for the undepreciated balance, please reconcile this to the policy provided in response to AG 1-224.
 - d. If the "salvage received" is not the selling price, please provide the selling price for each item and explain where the difference between the selling price and the net book value was charged (and included in the rate case).
 - e. Identify any of the items that were sold to an affiliate or subsidiary.
 - f. State whether any such property was sold to any current or former Delta employee or director, or to anyone related by blood or marriage to any current or former Delta employee or director. If so, identify: (i) any and all such property, including a full description; (ii) to whom it was sold, including the nature of their relationship with the company or its employees or directors; and (iii) the amount for which it was sold.

RESPONSE:

- a. Yes – Salvage Received is the cash received for the sale of the item or the transfer value if the item is transferred to another account.
- b. Items are sold at fair market value. Transfers are done at the undepreciated value.
- c. Refer to response b above. No items were sold at the undepreciated value.
- d. Salvage received is the selling price.
- e. None of the items were sold to an affiliate or subsidiary.
- f. See schedule attached for items sold to current and former employees. No items were sold to relatives or directors.

Sponsoring Witness:

John B. Brown

Delta Natural Gas
Plant Property Sold

AG-6

| Plant Account | Asset Number | Description | Plant Amount | Month Sold | Sold To | Relationship to Delta | Sale Price |
|---------------------------|--------------|---------------------------------|-------------------|------------|----------------|-----------------------|------------|
| <u>Calendar Year 2006</u> | | | | | | | |
| 391 | 1910463 | Drafting Machine | 398.05 | 2/28/2006 | Tom Watts | Employee | 150.00 |
| 392 | 1920022 | 82 Ford F600 Dump Truck | 16,577.73 | 7/31/2006 | Robert Cobb | Employee | 2,800.00 |
| | 1920024 | 93 Chev C1500 Truck | 7,937.00 | 11/30/2006 | Tim Buckler | Employee | 1,505.55 |
| | 1920187 | 96 Ford F350 Welding Truck | 28,880.08 | 12/31/2006 | Richard Estes | Former Employee | 7,550.00 |
| | 1920222 | Ford F150 4x4 truck | 12,889.00 | 1/31/2006 | David Phipps | Employee | 3,688.00 |
| | 1920280 | 99 Ford F150 Truck | 14,842.48 | 1/31/2006 | Gary Hall | Employee | 4,288.00 |
| | 1920284 | 99 Chev Silverado Truck Unit 11 | 18,835.35 | 3/31/2006 | Mike Downs | Employee | 6,185.78 |
| | 1920308 | 2000 Chev K1500 Truck | 15,991.71 | 2/28/2006 | Tim Walker | Employee | 6,090.00 |
| | 1920344 | 2002 Chev Car Unit 230 | 18,938.75 | 11/30/2006 | Robert Lanham | Employee | 3,501.01 |
| | 1920349 | 2002 Chev Silverado Truck | 21,485.60 | 2/28/2006 | Glenn Jennings | Employee | 7,102.00 |
| 396 | 1960066 | Case Loader backhoe | 27,615.00 | 8/31/2006 | Toby Honaker | Employee | 7,780.05 |
| | 1960080 | John Deere Wheel Loadr backhoe | 26,475.00 | 4/30/2006 | Mike Scott | Employee | 4,000.00 |
| | | | <u>210,865.75</u> | | | | |

| <u>Calendar Year 2005</u> | | | | | | | |
|---------------------------|---------|---------------------------|-----------|-----------|--------------|----------|----------|
| 392 | 1920047 | 84 Backhoe Trailer | 4,725.00 | 5/31/2005 | Pat Clark | Employee | 1,252.00 |
| | 1920048 | 86 Ford F600 Cab | 16,675.00 | 5/31/2005 | Rusty Bush | Employee | 5,125.00 |
| | 1920174 | 97 Ford F150 4x4 truck | 20,400.00 | 4/30/2005 | Bill Gardner | Employee | 3,624.14 |
| | 1920241 | 98 Dodge Caravan Unit 298 | 20,226.74 | 4/30/2005 | Tim Buckler | Employee | 2,505.05 |
| | 1920255 | 99 Ford F250 4x4 truck | 18,044.00 | 7/31/2005 | Wayne Storms | Employee | 2,500.00 |
| | 1920281 | 99 Chev Blazer | 20,953.12 | 1/31/2005 | Toby Honaker | Employee | 4,278.00 |
| | 1920288 | 99 Chev Blazer Unit 211 | 25,208.00 | 1/31/2005 | Robert Jones | Employee | 5,225.00 |
| | 1920306 | 2000 Chev Silverado Truck | 19,998.00 | 3/31/2005 | Tim Buckler | Employee | 5,297.06 |

Delta Natural Gas
Plant Property Sold

AG-6

| Plant Account | Asset Number | Description | Plant Amount | Month Sold | Sold To | Relationship to Delta | Sale Price |
|---------------------------|--------------|------------------------------|-------------------|------------|------------------|-----------------------|------------------|
| 392 | 1920314 | 2000 Chev Unit 503 | 20,848.70 | 5/31/2005 | Tim Buckler | Employee | 13,525.00 |
| | 1920357 | 2002 Chev Unit 506 | 37,182.20 | 5/31/2005 | Clint Raney | Employee | 16,647.38 |
| 396 | 1960074 | 200 Amp Lincoln Welder | 3,482.50 | 1/31/2005 | Robert Jones | Employee | 553.00 |
| | 1960119 | Cub Cadet Mower | 4,022.70 | 12/31/2005 | Ruben York | Employee | 220.75 |
| | | | <u>211,765.96</u> | | | | <u>60,752.38</u> |
| <u>Calendar Year 2004</u> | | | | | | | |
| 366 | 1660025 | Metal Building Wburg Station | 21,088.00 | 3/31/2004 | Curtiss Chesnut | Employee | 550.00 |
| 383 | 1830210 | Regulator, Amer 1" 1813C | 42.56 | 1/31/2004 | Jonathan Morphew | Employee | 48.00 |
| 391 | 1910187 | Double Ped Desk Walnut | 641.55 | 4/30/2004 | Margie Sidwell | Employee | 34.00 |
| 392 | 1920142 | 96 Dodge Caravan | 18,046.00 | 4/30/2004 | Greg Aines | Employee | 2,850.00 |
| | 1920152 | 97 Ford F150 4x4 truck | 20,012.08 | 2/29/2004 | Robert Cobb | Employee | 4,359.83 |
| | 1920179 | 96 Ford F150 4x4 truck | 19,497.00 | 5/31/2004 | Jim Creekmore | Employee | 1,500.00 |
| | 1920256 | 98 Chev Blazer Unit 313 | 24,923.92 | 12/31/2004 | Jeff Jones | Employee | 3,625.00 |
| | 1920275 | 99 Chev Astron Van | 25,066.22 | 6/30/2004 | Gerald Baker | Employee | 2,570.16 |
| | 1920278 | 99 Chev Lumina | 18,000.00 | 6/30/2004 | Jonathan Morphew | Employee | 1,500.00 |
| | 1920287 | 99 Olds Intrigue Unit 504 | 24,909.71 | 11/30/2004 | Emily Bennett | Employee | 4,565.00 |
| | 1920289 | 99 Ford F150 4x2 truck | 18,500.00 | 4/30/2004 | Darrell Baker | Employee | 4,100.94 |
| | 1920303 | 2000 Chev Silverado Truck | 21,036.29 | 1/31/2004 | Pat Norris | Employee | 8,056.00 |
| | | | <u>211,763.33</u> | | | | <u>33,758.93</u> |

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

7. Refer to AG 1-62. Several items on the first page of the attachment were apparently either highlighted or redacted and are now not legible. Please provide a clean copy of the attachment. If the items were redacted, please provide an unredacted version under confidential seal.

RESPONSE:

A clean copy of the original attachment is provided.

Sponsoring Witness:

John B. Brown

Rollforward of Cumulative Temporary Differences and Carryforwards and Deferred Tax Accounts

| | Cumulative Temporary Differences & Carryforwards @ 6/30/03 | | Differences Due to Return-To Accrual Analysis | | Cumulative Temporary Differences & Carryforwards @ 6/30/04 | | Differences Due to Return-To Accrual Analysis | | Deferred Tax Balance @ 6/30/03 | | Deferred Tax Balance @ 6/30/04 | | Deferred Tax Balance @ 6/30/04 | | Deferred Tax Balance @ 6/30/04 | | Statutory Rate Balance @ 6/30/04 | Difference Books from Calculation | |
|--------------------------------|--|--------------|---|---|--|--|---|---|--------------------------------|-------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------------|-----------------------------------|---------|
| | Per Workpapers | Corrections | to Return-To Accrual Analysis | Differences Due to Return-To Accrual Analysis | 2004 Timing Items | Cumulative Temporary Differences & Carryforwards @ 6/30/04 | 2004 Timing Items | Differences Due to Return-To Accrual Analysis | Per Workpapers | Corrections | Deferred Tax Balance @ 6/30/03 | Deferred Tax Balance @ 6/30/04 | Deferred Tax Balance @ 6/30/04 | Deferred Tax Balance @ 6/30/04 | Deferred Tax Balance @ 6/30/04 | Deferred Tax Balance @ 6/30/04 | | | |
| Deferred Liabilities: | | | | | | | | | | | | | | | | | | | |
| Tax Depreciation Over Book-Fed | (38,869,005) | 1,267,829 | (563) | (563) | (8,139,546) | (45,741,285) | (8,139,546) | (563) | (14,841,007) | 31,554 | 54,453 | (12,792,000) | (2,761,800) | (15,553,800) | (15,553,800) | (15,553,800) | 34.000% | (15,552,000) | (1,800) |
| Fed to Kentucky | - | (36,050,812) | - | - | (2,294,883) | (36,345,695) | (2,294,883) | - | - | (33) | - | (1,963,000) | (125,000) | (2,088,000) | (2,088,000) | (2,088,000) | 5.445% | (2,087,900) | (100) |
| Tax Depreciation Error | - | - | - | - | (11,498) | (11,498) | (11,498) | - | - | - | - | - | (4,500) | (4,500) | (4,500) | (4,500) | 39.445% | (4,500) | - |
| Accrued Pension | (3,393,039) | - | - | - | (72,657) | (3,465,696) | (72,657) | - | (1,336,700) | - | - | (1,336,700) | (28,700) | (1,365,400) | (1,365,400) | (1,365,400) | 39.445% | (1,367,000) | 1,600 |
| Prepaid Insurance | - | - | - | - | (558,103) | (558,103) | (558,103) | - | - | - | - | - | (20,100) | (20,100) | (20,100) | (20,100) | 39.445% | (220,100) | - |
| Deferred Gas Cost | (4,291,824) | - | - | - | 2,768,193 | (1,523,631) | 2,768,193 | - | (1,692,900) | - | - | (1,692,900) | 1,091,900 | (59,800) | (59,800) | (59,800) | 39.445% | (601,000) | - |
| Rate Case Expenses | (1,557,785) | 23,407 | (552,834) | (552,834) | (151,639) | (151,639) | (151,639) | - | (582,800) | (34,368) | (206,232) | (823,400) | 43,000 | (780,400) | (780,400) | 39.445% | (780,300) | (100) | |
| Debt Expense Amortization | (48,111,653) | (34,759,576) | (553,397) | (553,397) | (8,351,244) | (91,775,870) | (8,351,244) | (2,847) | (18,453,407) | (2,847) | (151,779) | (18,608,000) | (2,065,000) | (20,673,000) | (20,673,000) | 39.445% | (20,672,600) | (400) | |
| Deferred Assets: | | | | | | | | | | | | | | | | | | | |
| Personal Leave Plan | 454,230 | - | - | - | 50,735 | 504,965 | 50,735 | - | 179,100 | - | - | 179,100 | 20,000 | 199,100 | 199,100 | 199,100 | 39.445% | 199,200 | (100) |
| AMT | 1,408,945 | - | 71,044 | 71,044 | 121,800 | 1,601,789 | 121,800 | 71,044 | 1,408,945 | - | - | 1,479,989 | 121,800 | 1,601,789 | 1,601,789 | 1,601,789 | 100.000% | 1,601,800 | (11) |
| ITC | 364,600 | - | - | - | (38,400) | 326,200 | (38,400) | - | 143,800 | - | - | 143,800 | (15,100) | 128,700 | 128,700 | 128,700 | 39.445% | 128,700 | - |
| Regulatory liabilities | 715,125 | - | - | - | (67,100) | 648,025 | (67,100) | - | 282,100 | - | - | 282,100 | (26,500) | 255,600 | 255,600 | 255,600 | 39.445% | 255,600 | - |
| Asset Retirement Obligation | - | 6,917 | - | - | 4,138 | 8,055 | 4,138 | 2,800 | 282,100 | 2,800 | 2,800 | 2,800 | 1,600 | 4,400 | 4,400 | 4,400 | 39.445% | 4,400 | - |
| ARO Error | - | - | - | - | 22,145 | 22,145 | 22,145 | - | - | - | - | - | 8,700 | 8,700 | 8,700 | 8,700 | 39.445% | 8,700 | - |
| Other Comprehensive Income | 3,386,436 | - | - | - | (3,386,436) | 300,000 | (3,386,436) | - | 1,335,800 | - | - | 1,335,800 | (1,335,800) | - | - | - | 39.445% | - | - |
| Reserve for Bad Debts | 350,000 | - | - | - | (50,000) | 300,000 | (50,000) | - | 138,100 | - | - | 138,100 | (19,700) | 118,400 | 118,400 | 118,400 | 39.445% | 118,300 | 100 |
| Employee Stock Plan | 54,517 | - | - | - | 6,025 | 60,542 | 6,025 | - | 21,700 | - | - | 21,700 | 2,400 | 24,100 | 24,100 | 24,100 | 39.445% | 23,900 | 200 |
| Unbilled Revenue | 517,049 | 4 | - | - | (12,586) | 504,467 | (12,586) | - | 204,000 | - | - | 204,000 | (5,000) | 199,000 | 199,000 | 199,000 | 39.445% | 199,000 | - |
| Sales tax audit accrual | - | - | - | - | 20,000 | 20,000 | 20,000 | - | 30,800 | 0 | - | 30,800 | 7,900 | 38,700 | 38,700 | 38,700 | 39.445% | 30,800 | 7,900 |
| Amortization of Firm Note | 78,111 | - | - | - | (8,876) | 69,235 | (8,876) | - | 26,700 | - | - | 26,700 | (1,500) | 25,200 | 25,200 | 25,200 | 39.445% | 25,000 | 200 |
| Contribution for Construction | 67,246 | - | - | - | 101,434 | 168,680 | 101,434 | - | 61,731 | (31) | - | 61,700 | 40,000 | 101,700 | 101,700 | 101,700 | 39.445% | 101,700 | - |
| Uncap - Storage Gas | 156,472 | - | - | - | (3,232,121) | (3,075,649) | (3,232,121) | - | 3,832,776 | 2,769 | 71,044 | 3,905,589 | (1,201,200) | 2,706,389 | 2,706,389 | 2,706,389 | 39.445% | 2,705,000 | 389 |
| | 7,552,731 | 6,921 | 71,044 | 71,044 | (482,353) | (482,353) | (482,353) | (78) | (14,620,831) | (78) | (80,735) | (14,701,411) | (3,286,200) | (17,987,611) | (17,987,611) | (17,987,611) | | | |
| Net Totals | (40,558,922) | (34,752,655) | (482,353) | (482,353) | (75,793,930) | (91,775,870) | (75,793,930) | (80,735) | (18,453,407) | (78) | (80,735) | (18,608,000) | (2,065,000) | (20,673,000) | (20,673,000) | (20,673,000) | | | |

Delta Natural Gas Co., Inc.

Rollforward of Cumulative Temporary Differences and Carryforwards and Deferred Tax Accounts

| Deferred Liabilities: | Cumulative Temporary Differences & Carryforwards @ 6/30/04 | | Differences Due to Return-To Accrual Analysis | | Cumulative Temporary Differences & Carryforwards @ 6/30/05 | | Deferred Tax Balance @ 6/30/04 | | Differences Due to Return-To Accrual Analysis | | Deferred Tax Balance @ 6/30/05 | | Statutory Rate Balance @ 6/30/05 | Difference Books from Calculation |
|--------------------------------|--|-------------|---|----------------|--|----------------|--------------------------------|----------------|---|----------------|--------------------------------|----------------|----------------------------------|-----------------------------------|
| | Per Workpapers | Reclasses | Accrual Analysis | Per Workpapers | Reclasses | Per Workpapers | Reclasses | Per Workpapers | Reclasses | Per Workpapers | Reclasses | Per Workpapers | | |
| Tax Depreciation Over Book-Fed | (45,741,285) | (808,513) | (808,513) | (46,549,798) | (3,576,824) | (50,126,622) | (15,553,800) | (276,900) | (15,820,700) | (1,212,400) | (17,043,100) | (17,043,100) | 34.000% | (17,043,100) |
| Fed to Kentucky | (38,345,695) | (808,513) | (808,513) | (39,154,208) | (3,294,179) | (42,448,387) | (2,068,000) | (43,900) | (2,131,900) | (179,400) | (2,311,300) | (2,311,300) | 5.445% | (2,311,300) |
| Tax Depreciation Error | (11,498) | (2,090) | (2,090) | (13,588) | 7,339 | (6,249) | (4,500) | (100) | (5,400) | 2,900 | (2,500) | (2,500) | 39.445% | (2,500) |
| Accrued Pension | (3,465,696) | (234,494) | (234,494) | (3,700,190) | (944,440) | (4,644,630) | (1,365,400) | (1,688) | (1,459,600) | (372,500) | (1,832,100) | (1,832,100) | 39.445% | (1,832,100) |
| Prepaid Insurance | (558,103) | - | - | (558,103) | (28,238) | (586,341) | (220,100) | (100) | (200,200) | (11,100) | (231,300) | (231,300) | 39.445% | (231,300) |
| Deferred Gas Cost | (1,523,631) | - | - | (1,523,631) | (1,123,236) | (2,646,867) | (601,000) | - | (59,800) | (443,100) | (1,044,100) | (1,044,100) | 39.445% | (1,044,100) |
| Rate Case Expenses | (151,639) | - | - | (151,639) | (66,659) | (218,298) | (780,400) | - | (780,400) | 42,900 | (737,500) | (737,500) | 39.445% | (737,500) |
| Debt Expense Amortization | (1,978,323) | - | - | (1,978,323) | 106,687 | (1,869,636) | (20,673,000) | (322,688) | (21,895,688) | (2,189,000) | (23,288,000) | (23,288,000) | 39.445% | (23,288,000) |
| | (91,775,970) | (1,617,026) | (236,594) | (93,629,460) | (8,917,550) | (102,547,010) | (20,673,000) | (322,688) | (21,895,688) | (2,189,000) | (23,288,000) | (23,288,000) | | |
| Deferred Assets: | | | | | | | | | | | | | | |
| Personal Leave Plan | 504,965 | 807,429 | 807,429 | 504,965 | 18,577 | 523,542 | 199,100 | 100 | 199,200 | 7,300 | 206,500 | 206,500 | 39.445% | 206,500 |
| Cost of Removal | (1,601,789) | - | - | 807,429 | 42,533 | 849,962 | (1,601,789) | 318,500 | 318,500 | 16,800 | 335,300 | 335,300 | 39.445% | 335,300 |
| AMT | 326,200 | - | - | 326,200 | (166,505) | 1,462,400 | 128,700 | 27,116 | 1,628,905 | (166,505) | 1,462,400 | 1,462,400 | 100.000% | 1,462,400 |
| ITC | 648,025 | - | - | 648,025 | (38,000) | 288,200 | 128,700 | - | 128,700 | (15,000) | 113,700 | 113,700 | 39.445% | 113,700 |
| Regulatory liabilities | 11,055 | 1,084 | 1,084 | 12,139 | 3,348 | 15,487 | 255,600 | 400 | 255,600 | (26,400) | 229,200 | 229,200 | 39.445% | 229,200 |
| Asset Retirement Obligation | 22,145 | - | - | 22,145 | 20,221 | 33,869 | 8,700 | - | 4,800 | 1,300 | 6,100 | 6,100 | 39.445% | 6,100 |
| ARO Error | - | (8,657) | (8,657) | 13,588 | 20,221 | 33,869 | 8,700 | (3,400) | 5,300 | 8,000 | 13,300 | 13,300 | 39.445% | 13,300 |
| Other Comprehensive Income | 300,000 | - | - | 300,000 | 10,000 | 310,000 | 118,400 | 0 | 118,400 | 3,900 | 122,300 | 122,300 | 39.445% | 122,300 |
| Reserve for Bad Debts | 60,542 | - | - | 60,542 | (60,542) | - | 24,100 | -200 | 23,900 | (23,900) | - | - | 39.445% | - |
| Employee Stock Plan | 504,467 | - | - | 504,467 | (504,467) | - | 199,000 | - | 199,000 | (199,000) | - | - | 39.445% | - |
| Unbilled Revenue | 20,000 | - | - | 20,000 | (20,000) | - | 7,900 | - | 7,900 | (7,900) | - | - | 39.445% | - |
| Sales tax audit accrual | 78,111 | (78,111) | (78,111) | 63,370 | (2,555) | 60,815 | 30,800 | -30,800 | 25,000 | (1,000) | 24,000 | 24,000 | 39.445% | 24,000 |
| Amortization of Firm Note | 63,370 | - | - | 63,370 | (2,555) | 60,815 | 101,700 | -200 | 101,700 | 30,200 | 131,900 | 131,900 | 39.445% | 131,900 |
| Contribution for Construction | 257,905 | - | - | 257,905 | 76,575 | 334,481 | 2,705,389 | 287,800 | 3,016,905 | (372,205) | 2,644,700 | 2,644,700 | 39.445% | 2,644,700 |
| Unicap - Storage Gas | 4,398,575 | 730,402 | 18,559 | 5,147,536 | (687,715) | 4,459,821 | 2,705,389 | 287,800 | 3,016,905 | (372,205) | 2,644,700 | 2,644,700 | 39.445% | 2,644,700 |
| | (87,377,295) | (886,624) | (218,025) | (88,481,944) | (9,605,265) | (96,087,209) | (17,967,611) | (34,888) | (18,072,095) | (2,571,205) | (20,643,300) | (20,643,300) | | |
| Net Totals | | | | | | | | | | | | | | |

RECONCILE TO Tax Calculation Spreadsheet
Items NOT Schedule M's
Total temporary differences per tax calc

(207,905)
(2,363,300)

| | Cumulative Temporary Differences & Carryforwards @ 6/30/05 | | Cumulative Temporary Differences & Carryforwards @ 6/30/06 | | Deferred Tax Balance @ 6/30/05 | | Differences Due to Return-to-Actual Analysis | | Deferred Tax Balance @ 6/30/06 | | Deferred Tax Balance @ June 30, 2005 - Timing Items | | Deferred Tax Balance @ 6/30/06 | | Statutory Rate Balance @ 6/30/06 | | Difference Books from Calculation | |
|---------------------------------|--|-----------|--|------------------|--------------------------------|----------------|--|-----------|--------------------------------|----------------|---|--------------|--------------------------------|----------------|----------------------------------|-----------|-----------------------------------|----------|
| | Per Workpapers | Reclasses | Reclasses | Accrual Analysis | GL Account # | Per Workpapers | Reclasses | Reclasses | Analysis | Per Workpapers | Reclasses | Reclasses | Analysis | Per Workpapers | Reclasses | Reclasses | | Analysis |
| Deferred Liabilities: | | | | | | | | | | | | | | | | | | |
| Tax Depreciation Over Book--Fed | (50,126,622) | 6,694 | (50,119,928) | (2,823,320) | (52,943,248) | 1,282.01 | (17,043,100) | 2,300 | (32,024) | (17,040,800) | (859,900) | (18,000,700) | (18,000,700) | 34.000% | (18,000,700) | | | |
| Fed to Kentucky | (42,448,397) | 6,693 | (42,441,694) | (3,602,818) | (46,044,512) | 1,282.01 | (1,681,000) | 300 | (1,823,400) | (1,680,700) | (142,700) | (1,823,400) | (1,823,400) | 3.960% | (1,823,400) | | | |
| Tax Depreciation Enpro | (6,249) | (6,694) | (12,943) | 1,140 | (11,803) | 5,282.01 | (2,400) | (2,600) | (1,900) | (2,400) | 500 | (1,900) | (1,900) | 37.189% | (1,900) | | | |
| Delta ARO Book/Tax diff | | | (6,694) | (223,164) | (229,858) | | | | | (2,600) | (84,700) | (87,300) | (87,300) | 37.960% | (87,300) | | | |
| Conditional ARO Reg Asset | | | | (1,126,110) | (1,126,110) | | | | | | (427,500) | (427,500) | (427,500) | 34.000% | (427,500) | | | |
| KY IT Refund | | | (94,187) | (60,327) | (154,514) | 1,283.04 | (1,766,800) | | (32,024) | (82,024) | (20,476) | (62,500) | (62,500) | 38.028% | (62,500) | | | |
| Accrued Pension | (4,644,630) | | (4,644,630) | (782,894) | (5,427,524) | 1,282.02 | (1,681,000) | | | (1,766,800) | (297,200) | (2,064,000) | (2,064,000) | 38.620% | (2,064,000) | | | |
| Prepaid Insurance | (566,341) | | (566,341) | (25,067) | (591,408) | 1,282.15 | (226,400) | | | (226,400) | (9,700) | (236,100) | (236,100) | 38.620% | (236,100) | | | |
| Deferred Gas Cost | (2,046,867) | | (2,046,867) | 819,790 | (1,827,077) | 1,282.09 | (1,022,200) | | | (1,022,200) | 316,600 | (705,600) | (705,600) | 38.620% | (705,600) | | | |
| Rate Case Expenses | (218,298) | | (218,298) | 73,200 | (145,098) | 1,282.17 | (83,800) | | | (83,800) | 28,200 | (55,600) | (55,600) | 38.319% | (55,600) | | | |
| Debt Expense Amortization | (1,869,636) | | (1,869,636) | (1,050,273) | (2,919,909) | 1,282.10 | (711,100) | | | (711,100) | (896,600) | (1,607,700) | (1,607,700) | 38.005% | (1,607,700) | | | |
| | (102,547,000) | 6,693 | (102,540,307) | (8,799,943) | (111,340,250) | | (22,536,800) | | (32,024) | (22,536,824) | (1,995,476) | (24,532,300) | (24,532,300) | | (24,532,300) | | | |
| Deferred Assets: | | | | | | | | | | | | | | | | | | |
| Personal Leave Plan | 523,542 | | 523,542 | 27,406 | 550,948 | 1,282.06 | 199,000 | 0 | 0 | 199,000 | 10,600 | 209,600 | 209,600 | 36.044% | 209,600 | | | |
| Cost of Removal | 849,962 | | 849,962 | 30,241 | 880,203 | | 322,900 | 0 | 0 | 322,900 | 11,700 | 334,600 | 334,600 | 38.014% | 334,600 | | | |
| AMT | 1,462,400 | | 1,462,400 | (471,900) | 1,003,600 | 1,283.02 | 1,462,400 | 13,100 | 13,100 | 1,475,500 | (471,900) | 1,003,600 | 1,003,600 | 100.000% | 1,003,600 | | | |
| ITC | 288,200 | | 288,200 | (37,600) | 250,600 | | 109,900 | | | 109,900 | (14,500) | 95,400 | 95,400 | 38.069% | 95,400 | | | |
| Regulatory liabilities | 561,125 | | 561,125 | (35,425) | 525,700 | 1,283.01 | 658,700 | 0 | 0 | 658,700 | (14,100) | 644,600 | 644,600 | 38.007% | 644,600 | | | |
| Asset Retirement Obligation | 15,487 | | 15,487 | 3,380 | 18,867 | 1,282.14 | 5,900 | 0 | 0 | 5,900 | 1,300 | 7,200 | 7,200 | 37.960% | 7,200 | | | |
| Conditional ARO | | | | 1,348,752 | 1,348,752 | | 0 | | | 0 | 512,000 | 512,000 | 512,000 | 37.960% | 512,000 | | | |
| ARO Enpro | 33,809 | | 33,809 | 10,625 | 44,434 | 5,282.14 | 13,000 | | | 13,000 | 3,900 | 16,900 | 16,900 | 37.960% | 16,900 | | | |
| Supplemental Retirement Plan | 59,795 | | 59,795 | 63,956 | 123,751 | 1,283.03 | 0 | | | 23,590 | 23,410 | 47,000 | 47,000 | 37.960% | 47,000 | | | |
| Reserve for Bad Debts | 310,000 | | 310,000 | 210,000 | 520,000 | 1,282.11 | 119,700 | | | 119,700 | 81,100 | 200,800 | 200,800 | 38.620% | 200,800 | | | |
| | | | | | | 1,282.03 | 0 | 0 | 0 | 0 | | | | 37.960% | | | | |
| | | | | | | 1,282.16 | 0 | 0 | 0 | 0 | | | | 37.960% | | | | |
| | | | | | | 1,282.08 | 0 | 0 | 0 | 0 | | | | 38.099% | 19,700 | | | |
| Contribution for Construction | 60,815 | | 60,815 | (9,107) | 51,708 | 1,282.07 | 23,100 | 0 | 0 | 23,100 | (8,400) | 14,700 | 14,700 | 38.099% | 14,700 | | | |
| Unwrap - Storage Gas | 334,481 | | 334,481 | (95,113) | 239,368 | 1,282.12 | 129,200 | | | 129,200 | (36,800) | 92,400 | 92,400 | 38.602% | 92,400 | | | |
| | 4,459,821 | | 4,459,821 | 1,045,215 | 5,505,036 | | 3,043,800 | | | 3,080,490 | 103,310 | 3,183,800 | 3,183,800 | | 3,183,800 | | | |
| Net Totals | (98,087,209) | 6,693 | (98,080,516) | (7,754,628) | (104,706,136) | | (19,493,000) | | 4,666 | (19,488,334) | (1,892,166) | (21,380,500) | (21,380,500) | | (21,380,500) | | | |

RECONCILE TO Tax Calculation Spreadsheet
 Items NOT Schedule M's
 Total temporary differences per tax calc (4,147,743) (3,606,885)

DELTA NATURAL GAS COMPANY, INC.
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8. Refer to AG 1-68 and 1-80. Explain how Delta Natural Gas ratepayers were compensated for the NOLs generated by Delta Natural Gas.

RESPONSE:

The NOLs generated by Delta Natural Gas discussed in AG 1-68 and 1-80 primarily resulted from the company benefiting from bonus accelerated depreciation (tax basis) allowed during those years. The higher tax depreciation amounts increased the deferred tax balance which has in turn reduced rate base in this filing. This reduction in rate base lowers the required return in the case, lowering rates and thus compensating and benefiting the rate payers.

In addition, the extent to which Delta has benefited from lower cash paid for income taxes through the end of the test year has reduced the amount borrowed on the Company's line of credit. This reduction results in lower pro forma interest expense, again lowering rates.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
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9. Refer to AG 1-95. Nothing responsive to this question was included in the response to PSC 2-50. Please confirm that no such information was provided to Mr. Seelye and/or The Prime Group, LLC, or in the alternative, provide the information as requested.

RESPONSE:

The answer to AG 1-95 was fully responsive to the question asked. All of the information used to conduct the study was either provided in response to PSC 2-50 or in the report included as part of Mr. Seelye's testimony.

Sponsoring Witness:

William Steven Seelye

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10. Refer to AG 1-118. The attachment only shows one set of numbers with no explanation as opposed to the requested comparison. Please provide the requested comparison.

RESPONSE:

See attached.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc.
Case 2007-00089
Cost of Removal
AG2-10

The previous response to AG1-118 showed the cost of removal and salvage amounts for tax purposes on a calendar year basis. This revision is prepared on a fiscal year basis to be consistent with our tax return.

Prior to the issuance of FERC Order 631, salvage and cost of removal provided for in the depreciation rates were embedded in depreciation expense. Delta began segregating these amount in November 2004. Therefore, the first full fiscal year of information in the level of detail requested is for fiscal 2006.

The amount of cost of removal/salvage recognized on the tax return is limited to the removal costs incurred or salvage proceeds received. For book purposes Delta recognizes the amounts as provided through the depreciation rates, set in case 2004-00067

The deferred taxes which arise from the cumulative book/tax difference on cost of removal are separately stated on Delta's books in account 28218. Prior to November 2004 these amounts were embedded in account 28201.

The deferred taxes which arise from the cumulative book/tax difference on salvage are embedded in the deferred tax balance for depreciation 28201 and cannot be easily segregated. Therefore the deferred tax balance below is an estimate based on the same rate used for the cost of removal.

Accounts 28218 and 28201 have been included in the net accumulated deferred income tax totals of \$21,216,188 on line 13 of PSC 2, Item 6d(2); Schedule 6 as a deduction to rate base.

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-----------|-----------|-----------|-----------|-----------|
| Salvage | | | | | |
| Beginning Cumulative Schedule M ¹ | | | | | 3,059,403 |
| Salvage Received | (141,084) | (191,786) | (118,506) | (118,117) | (160,821) |
| Accrued through Depreciation rates | | | | | 214,583 |
| Current year temporary difference | | | | | 53,762 |
| Ending Cumulative Schedule M ¹ | | | | | 3,113,165 |
| Effective Tax Rate | | | | | 38.01% |
| Deferred Taxes (included in a/c 28201) | | | | | 1,183,314 |
| Cost of Removal | | | | | |
| Beginning Cumulative Schedule M ² | | | | | (849,962) |
| Removal costs incurred | 34,790 | 18,779 | 32,996 | 12,678 | 74,953 |
| Accrued through depreciation rates | | | | | (105,193) |
| Current year temporary difference | | | | | (30,240) |
| Ending Cumulative Schedule M ² | | | | | (880,202) |
| Effective Tax Rate | | | | | 38.01% |
| Deferred Taxes (a/c 28218) | | | | | (334,600) |

¹ Salvage accounted for in accounts 108.83, 90, 91, 92, 94, 96, 97, 98, 993

² Cost of removal accounted for in accounts 108.69, 78, 79, 80, 82, 85

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11. Refer to AG 1-121. The response to PSC 2-50 did not include Appendix B in Excel with all formulae intact. Please provide the Excel version as requested.

RESPONSE:

The information requested is included in the attached CD.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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12. Refer to AG 1-122. Appendix B provides only the total proposed rate. Please provide the split as requested.

RESPONSE:

Mr. Seelye has not prepared the requested analysis.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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13. Refer to Appendix B of Mr. Seelye's depreciation study.
- a. Does the Depreciation Book Reserve used to calculate the depreciation rates include the reserve for cost of removal? Explain why or why not.
 - b. On a plant account by plant account basis, reconcile the reserves in Appendix B to the \$62,107,377 in reserves shown in the response to AG 1-117 and the revised Schedule 6 provided in response to AG 1-2 and PSC 2-6 (\$61,275,499 + \$831,878).

RESPONSE:

- a. The depreciation reserve does not include a reserve for the cost of removal.
- b. See schedule attached.

Sponsoring Witness:

William Steven Seelye

Delta Natural Gas Company, Inc

Attorney General's Data Request
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ITEM 13

| Account | Depreciation Study Appendix B Reserve | AG 1-117 AG 1-2 PSC 2-6 Depreciation Reserve | Difference | | |
|---------|--|--|----------------------------|----------------------|--------------------------------------|
| | | | Cost of Removal Depr | ARO Accum Depr | Amortize Acquisition Adjustmts |
| 305 | - | | | | |
| 325 | 52,270 | 52,270 | | | |
| 327 | 24,418 | 24,418 | | | |
| 331 | 7,795 | 7,795 | | | |
| 332 | 1,233,752 | 1,233,752 | | | |
| 333 | 660,875 | 651,375 | | 9,500 | |
| 334 | 69,617 | 69,617 | | | |
| 351 | 60,887 | 60,887 | | | |
| 352 | 108,431 | 108,431 | | | |
| 352.01 | 351,216 | 351,216 | | | |
| 365.02 | 811,788 | 811,788 | | | |
| 352.03 | 129,102 | 129,102 | | | |
| 353 | 1,752,198 | 1,752,198 | | | |
| 354 | 950,982 | 950,982 | | | |
| 355 | 83,320 | 83,320 | | | |
| 356 | 127,301 | 114,902 | | 12,399 | |
| 357 | 40,686 | 40,686 | | | |
| 365.02 | 163,626 | 163,626 | | | |
| 356 | 74,233 | 74,233 | | | |
| 367 | 13,441,417 | 13,441,417 | | | |
| 368 | 1,059,244 | 1,056,360 | | 2,884 | |
| 369 | 673,139 | 739,202 | (70,609) | 4,546 | |
| 371 | 453,352 | 453,352 | - | | |
| 375 | 63,842 | 63,842 | - | | |
| 376 | 21,674,010 | 21,674,010 | - | | |
| 378 | 312,214 | 307,833 | 4,381 | | |
| 379 | 176,408 | 196,578 | (20,170) | | |
| 380 | 2,272,997 | 2,628,901 | (355,904) | | |
| 381 | 3,050,384 | 3,050,384 | - | | |
| 382 | 852,245 | 1,196,286 | (344,041) | | |
| 383 | 1,175,677 | 1,175,677 | - | | |
| 385 | 454,866 | 500,401 | (45,535) | | |
| 390 | 1,541,971 | 1,541,971 | | | |
| 391 | 94,318 | 94,318 | | | |
| 392 | 1,920,928 | 1,920,928 | | | |
| 393 | 26,487 | 26,487 | | | |
| 394 | 205,031 | 205,031 | | | |
| 394.01 | 258,732 | 258,732 | | | |
| 395 | 131,452 | 131,452 | | | |
| 396 | 1,603,045 | 1,603,045 | | | |

Delta Natural Gas Company, Inc

Attorney General's Data Request
Case No. 2007-00089

ITEM 13

| Account | Depreciation Study Appendix B Reserve | AG 1-117 AG 1-2 PSC 2-6 Depreciation Reserve | Difference | | |
|---------|--|--|----------------------------|----------------------|--------------------------------------|
| | | | Cost of Removal Depr | ARO Accum Depr | Amortize Acquisition Adjustmts |
| 397 | 230,944 | 230,944 | | | |
| 398 | 46,607 | 46,607 | | | |
| 399.01 | 591,515 | 591,515 | | | |
| 399.02 | 1,728,173 | 1,728,173 | | | |
| 399.03 | 622,816 | 622,816 | | | |
| 399.031 | 154,077 | 154,077 | | | |
| 115 | | (545,904) | | | 545,904 |
| 115.01 | | 332,345 | | | (332,345) |
| | <u>61,518,388</u> | <u>62,107,378</u> | <u>(831,878)</u> | <u>29,329</u> | <u>213,559</u> |

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14. Refer to AG 1-123. Theoretical reserves do not appear in the response to PSC 2-50. Please provide the requested information.

RESPONSE:

Mr. Seelye has not prepared the requested analysis.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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15. Refer to AG 1-124. The response indicates that depreciation reserve is maintained by account. In view of this response, please explain why the reserve information by account was not provided in response to AG 1-117. Also, please provide the information requested in AG 1-117 for the past 5 years.

RESPONSE:

The Company does maintain book reserve by plant account as answered for AG 1-124 but roll forward schedules for reserve by plant account as requested for AG-117 are not available.

Attached is roll forward of Depreciation Reserve as prepared for the test year and previous four years.

Sponsoring Witness:

John B. Brown

| | DELTA DEPRECIATION RESERVE | | | | | Balance 12/31/2006 |
|--|----------------------------|------------------|------------------|------------------|--------------------|-----------------------|
| | Balance 12/31/2005 | Additions | Retirement | Salvage Value | Cost of Removal | |
| Delta Natural Gas | | | | | | |
| A/C 1.184.03 - JE 92 | | 242,400 | | | | |
| A/C 1.184.08 - JE 92 | | 38,400 | | | | |
| Depreciation Expense | | 4,245,384 | | | | |
| Salvage | | | | 196,938 | | |
| Cost of Removal | | | | | 121,306 | |
| Transfers to COR Depr | | (107,509) | | | (121,306) | |
| Transfers to Salvage Depr | | 221,221 | | (196,938) | | |
| Total A/C 1.108.01 Depr Plant | 61,816,920 | 4,639,896 | 1,782,028 | 0 | 0 | 64,674,788 |
| Salvage Depreciation | | | | | | |
| A/C 1.108.83 | (55,832) | (5,935) | | | | (61,767) |
| A/C 1.108.90 | (981,783) | (72,190) | | 2,500 | | (1,051,473) |
| A/C 1.108.91 | (25,534) | (51) | | 150 | | (25,435) |
| A/C 1.108.92 | (931,864) | (105,825) | | 174,046 | | (863,643) |
| A/C 1.108.94 | (25,805) | (1,135) | | | | (26,940) |
| A/C 1.108.96 | (1,086,820) | (25,629) | | 11,780 | | (1,100,669) |
| A/C 1.108.97 | (15,158) | (1,232) | | | | (16,390) |
| A/C 1.108.98 | (4,553) | (53) | | | | (4,606) |
| A/C 1.108.993 | (34,098) | (6,510) | | 8,462 | | (32,146) |
| A/C 1.108.9931 | | (2,661) | | | | (2,661) |
| Total A/C 1.108 Salvage Depr | (3,161,447) | (221,221) | 0 | 196,938 | 0 | (3,185,730) |
| A/C 1.108 to Balance Sheet Assets | 58,655,473 | 4,418,675 | 1,782,028 | 196,938 | - | 61,489,058 |
| A/C 1.115 Amort Acq Tranex | (487,104) | (58,800) | | | | (545,904) |
| A/C 1.115.01 Amort Acq Mt. Olivet | 285,545 | 46,800 | | | | 332,345 |
| Total Delta Prov for Depreciation | 58,453,914 | 4,406,675 | 1,782,028 | 196,938 | - | 61,275,499 |

Cost of Removal Depreciation (Not included in 1.108 Assets Total Above - included in Reg Liabilities on Balance Sheet)

| | | | | | | |
|---|----------------|----------------|----------|----------|----------------|----------------|
| A/C 1.108.69 | 63,336 | 7,273 | | | | 70,609 |
| A/C 1.108.78 | (8,112) | 3,731 | | | | (4,381) |
| A/C 1.108.79 | 18,901 | 1,269 | | | | 20,170 |
| A/C 1.108.80 | 388,677 | 51,884 | | | 84,656 | 355,905 |
| A/C 1.108.82 | 340,286 | 40,037 | | | 36,282 | 344,041 |
| A/C 1.108.85 | 42,587 | 3,315 | | | 368 | 45,534 |
| Total 1.108 Cost of Removal Depr | 845,675 | 107,509 | - | - | 121,306 | 831,878 |

| DELTA DEPRECIATION RESERVE | | | | | | | |
|--|--------------------|------------------|----------------|-----------|---------------|---------------|--------------------|
| | Balance | | | Beg Bal | Salvage | Cost of | Balance |
| | 12/31/2004 | Additions | Retirement | Transfers | Value | Removal | 12/31/2005 |
| <u>Delta Natural Gas</u> | | | | | | | |
| A/C 1.184.03 - JE 92 | | 225,000 | | | | | |
| A/C 1.184.08 - JE 92 | | 37,200 | | | | | |
| Depreciation Expense | | 3,997,036 | | | | | |
| Salvage | | | | | 85,530 | | |
| Cost of Removal | | | | | | 74,513 | |
| Transfers to COR Depr | | (103,301) | | | | (74,513) | |
| Transfers to Salvage Depr | | 209,293 | | | (85,408) | | |
| Total A/C 1.108.01 Depr Plant | 58,428,370 | 4,365,228 | 976,800 | - | 122 | - | 61,816,920 |
| Salvage Depreciation | | | | | | | |
| A/C 1.108.83 | (50,792) | (5,691) | | | 651 | | (55,832) |
| A/C 1.108.90 | (909,779) | (72,004) | | | | | (981,783) |
| A/C 1.108.91 | (25,499) | (335) | | | 300 | | (25,534) |
| A/C 1.108.92 | (915,817) | (97,760) | | | 81,713 | | (931,864) |
| A/C 1.108.94 | (25,024) | (781) | | | | | (25,805) |
| A/C 1.108.96 | (1,062,860) | (24,734) | | | 774 | | (1,086,820) |
| A/C 1.108.97 | (15,930) | (1,198) | | | 1,970 | | (15,158) |
| A/C 1.108.98 | (4,501) | (52) | | | | | (4,553) |
| A/C 1.108.993 | (27,360) | (6,738) | | | | | (34,098) |
| Total A/C 1.108 Salvage Depr | (3,037,562) | (209,293) | - | - | 85,408 | - | (3,161,447) |
| Cost of Removal Depreciation (Not included in 1.108 Assets Total Below - included in Reg Liabilities on Balance Sheet) | | | | | | | |
| A/C 1.108.69 | 56,814 | 6,522 | | | | | 63,336 |
| A/C 1.108.78 | 30,719 | 3,692 | | | | 42,523 | (8,112) |
| A/C 1.108.79 | 17,640 | 1,261 | | | | | 18,901 |
| A/C 1.108.80 | 361,431 | 49,639 | | | | 22,393 | 388,677 |
| A/C 1.108.82 | 310,921 | 38,962 | | | | 9,597 | 340,286 |
| A/C 1.108.85 | 39,362 | 3,225 | | | | | 42,587 |
| Total 1.108 Cost of Removal Depr | 816,887 | 103,301 | - | - | - | 74,513 | 845,675 |
| A/C 1.108 to Balance Sheet Assets | 55,390,808 | 4,155,935 | 976,800 | - | 85,530 | - | 58,655,473 |
| A/C 1.115 Amort Acq Tranex | (428,304) | (58,800) | | | | | (487,104) |
| A/C 1.115.01 Amort Acq Mt. Olivet | 238,745 | 46,800 | | | | | 285,545 |
| Total Delta Prov for Depreciation | 55,201,249 | 4,143,935 | 976,800 | - | 85,530 | - | 58,453,914 |

DEPRECIATION RESERVE

| | Balance 12/31/2003 | Additions | Retirement | Transfers | Salvage Value | Cost of Removal | Balance 12/31/2004 |
|--|-----------------------|------------------|------------------|-----------|------------------|--------------------|-----------------------|
| <u>Delta Natural Gas</u> | | | | | | | |
| A/C 1.184.03 - JE92 | | 392,200 | | | | | |
| A/C 1.184.08 - JE92 | | 145,400 | | | | | |
| Depreciation Expense | | 4,358,059 | | | | | |
| Salvage | | | | | 83,666 | | |
| Cost of Removal | | | | | | 42,353 | |
| Total All A/C 1.108 Depr Plant | 53,115,180 | 4,895,659 | 1,844,457 | | 83,666 | 42,353 | 56,207,695 |
| Less Cost of Removal Depr (Not included in 1.108 Total Below - included in Reg Liabilities on Balance Sheet) | | | | | | | |
| A/C 1.108.69 | | 56,814 | | | | | 56,814 |
| A/C 1.108.78 | | 30,719 | | | | | 30,719 |
| A/C 1.108.79 | | 17,640 | | | | | 17,640 |
| A/C 1.108.80 | | 366,525 | | | | 5,094 | 361,431 |
| A/C 1.108.82 | | 313,104 | | | | 2,183 | 310,921 |
| A/C 1.108.85 | | 39,362 | | | | | 39,362 |
| Total 1.108 Cost of Removal Depr | - | 824,164 | - | | - | 7,277 | 816,887 |
| A/C 1.108 to Balance Sheet Assets | 53,115,180 | 4,071,495 | 1,844,457 | | 83,666 | 35,076 | 55,390,808 |
| A/C 1.115 Amort Acq Tranex | (369,504) | (58,800) | | | | | (428,304) |
| A/C 1.115.01 Amort Acq Mt Olivet | 191,945 | 46,800 | | | | | 238,745 |
| TOTAL | 52,937,621 | 4,059,495 | 1,844,457 | - | 83,666 | 35,076 | 55,201,249 |

DEPRECIATION RESERVE

| | Balance 12/31/2002 | Additions | Retirement | Salvage Value | Cost of Removal | Balance 12/31/2003 |
|-----------------------------------|-----------------------|------------------|------------------|------------------|--------------------|-----------------------|
| Delta Natural Gas | | | | | | |
| A/C 1.184.03 JE92 | | 378,000 | | | | |
| A/C 1.184.08 JE92 | | 179,400 | | | | |
| Depreciation Expense | | 4,197,542 | | | | |
| Delta A/C 1.108.01 | 49,333,263 | 4,754,942 | 1,137,784 | 184,776 | 20,017 | 53,115,180 |
| | | | | | | |
| A/C 1.115 Amort Acq Tranex | (310,704) | (58,800) | | | | (369,504) |
| | | | | | | |
| A/C 1.115.01 Amort Acq Mt. Olivet | 145,145 | 46,800 | | | | 191,945 |
| | | | | | | |
| TOTAL | 49,167,704 | 4,742,942 | 1,137,784 | 184,776 | 20,017 | 52,937,621 |

| | DEPRECIATION RESERVE | | | | | Balance 12/31/2002 |
|-----------------------------------|--------------------------|-------------------------|------------------|------------------|--------------------|--------------------------|
| | Balance 12/31/2001 | Additions | Retirement | Salvage Value | Cost of Removal | |
| Delta Natural Gas | | | | | | |
| A/C 1.184.03 | | 333,000 | | | | |
| A/C 1.184.08 | | 126,000 | | | | |
| Depreciation Expense | | <u>4,066,831</u> | | | | |
| Total Delta A/C 1.108.01 | <u>46,244,363</u> | <u>4,525,831</u> | 1,595,350 | 175,646 | 17,227 | <u>49,333,263</u> |
| | | | | | | |
| A/C 1.115 Amort Acq Tranex | <u>(251,904)</u> | <u>(58,800)</u> | | | | <u>(310,704)</u> |
| | | | | | | |
| A/C 1.115.01 Amort Acq Mt. Olivet | <u>98,345</u> | <u>46,800</u> | | | | <u>145,145</u> |
| | | | | | | |
| TOTAL | <u>46,090,804</u> | <u>4,513,831</u> | 1,595,350 | 175,646 | 17,227 | <u>49,167,704</u> |

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16. Refer to AG 1-133 and 1-134. Is inflation implicitly included in the proposed (existing) net salvage estimates? Explain why or why not. If it is, respond to the questions.

RESPONSE:

Future inflation was not included in the analysis.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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17. Refer to AG 1-154. The requested information was not included in the response to PSC 2-50. Please provide the requested information.

RESPONSE:

All of the information used to conduct the study was either provided in response to PSC 2-50 or in the report included as part of Mr. Seelye's testimony.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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18. Refer to AG 1-161. Provide the requested information for Account 357.

RESPONSE:

The estimate was based on a comparison with another utility.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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19. Refer to AG 1-162 and 1-163. Provide all notes, correspondence, etc regarding the referenced "discussions with the company." Also, provide the names and positions of the individuals involved in the discussions.

RESPONSE:

All of the information used to conduct the study was either provided in response to PSC 2-50 or in the report included as part of Mr. Seelye's testimony.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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20. Refer to AG 1-172. The requested information was not provided in response to PSC 2-50. Please provide the requested Excel file.

RESPONSE:

All models and spreadsheets used by Mr. Seelye were provided either in the report included as part of Mr. Seelye's testimony or in the response to PSC 2-50.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
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21. Refer to AG 1-189 and 1-190. The attachment to AG 1-189 did not include a plant account-by-plant account calculation of cost of removal that is not an asset retirement obligation, and it does not appear to have been provided elsewhere. Please provide the calculation as requested in 1-189 and 1-190.

RESPONSE:

See response to AG 1-117 and AG 2-22

Sponsoring Witness:

John B. Brown

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22. Please provide the calculation of the cost of removal reserve as of December 31, 2006 on a plant account-by-plant account basis. According to the response to AG 1-117 this amount should be \$831,878.

RESPONSE:

See attached schedule.

Sponsoring Witness:

John B. Brown

Cost of Removal Depreciation Accounts

| Dates | Account 369 | | Account 378 | | Account 379 | | Account 380 | | Account 382 | | Account 385 | | Total Cost of Removal of Depr |
|----------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|--------------|--------------------|--------------|--------------------|-------------|--------------------|-------------------------------|
| | Depr Entry | Cost of Rmvl Entry | Depr Entry | Cost of Rmvl Entry | Depr Entry | Cost of Rmvl Entry | Depr Entry | Cost of Rmvl Entry | Depr Entry | Cost of Rmvl Entry | Depr Entry | Cost of Rmvl Entry | |
| Beg Bal | (55,762.00) | 1,108.69 | | | | | | | | | | | (807,429.00) |
| Nov-04 | (524.59) | | (30,127.00) | | (17,441.00) | | (358,509.00) | | (306,757.00) | | (38,833.00) | | (3,461.83) |
| Dec-04 | (527.69) | | (295.99) | | (96.48) | | (3,998.36) | | (3,166.52) | | (264.49) | | (5,995.88) |
| Jan-05 | (528.05) | | (295.96) | | (102.05) | | (4,017.33) | | (3,180.29) | | (264.61) | | (6,110.51) |
| Feb-05 | (528.05) | | (297.42) | | (102.05) | | (4,033.62) | | (3,194.52) | | (265.16) | | (7,228.55) |
| Mar-05 | (528.05) | | (297.42) | | (104.39) | | (4,053.18) | | (3,202.53) | | (267.69) | | (5,559.85) |
| Apr-05 | (535.43) | | (297.43) | | (104.39) | | (4,067.89) | | (3,209.75) | | (268.74) | | (4,713.15) |
| May-05 | (535.12) | | (299.84) | | (104.70) | | (4,102.95) | | (3,227.92) | | (268.74) | | (5,022.35) |
| Jun-05 | (539.11) | | (302.77) | | (104.49) | | (4,126.53) | | (3,244.29) | | (268.74) | | (4,441.15) |
| Jul-05 | (541.15) | | (311.66) | | (106.11) | | (4,155.59) | | (3,257.98) | | (268.74) | | (6,442.05) |
| Aug-05 | (540.52) | | (316.95) | | (106.11) | | (4,172.78) | | (3,264.81) | | (268.74) | | (4,859.88) |
| Sep-05 | (541.04) | | (318.12) | | (106.11) | | (4,187.34) | | (3,270.84) | | (268.74) | | (7,073.95) |
| Oct-05 | (541.04) | | | 42,523.26 | | | (4,201.63) | | (3,280.55) | | (270.28) | | 36,947.60 |
| Nov-05 | (582.09) | | (317.56) | | (106.11) | | (4,220.11) | | (3,290.34) | | (270.87) | | (6,193.06) |
| Dec-05 | (582.09) | | (317.05) | | (106.11) | | (4,234.51) | | (3,299.61) | | (270.84) | | (8,091.42) |
| Jan-06 | (584.76) | | (309.77) | | (103.96) | | (4,247.91) | | (3,305.95) | | (270.74) | | (6,391.18) |
| Feb-06 | (591.70) | | (309.32) | | (103.96) | | (4,256.16) | | (3,309.65) | | (274.05) | | (6,945.29) |
| Mar-06 | (223.69) | | (309.32) | | (103.96) | | (4,263.62) | | (3,313.03) | | (274.05) | 367.84 | (5,275.07) |
| Apr-06 | (598.56) | | (309.32) | | (103.96) | | (4,278.41) | | (3,320.43) | | (273.84) | | (5,233.76) |
| May-06 | (599.90) | | (309.32) | | (103.96) | | (4,291.73) | | (3,324.48) | | (273.84) | | (4,362.34) |
| Jun-06 | (597.96) | | (309.32) | | (103.96) | | (4,314.25) | | (3,331.70) | | (273.84) | | (6,320.02) |
| Jul-06 | (985.56) | | (311.47) | | (107.63) | | (4,328.75) | | (3,339.81) | | (278.74) | | 8,367.06 |
| Aug-06 | (614.72) | | (312.69) | | (107.63) | | (4,346.40) | | (3,344.28) | | (278.74) | | 27,430.23 |
| Sept-06 | (614.88) | | (312.45) | | (107.63) | | (4,362.54) | | (3,348.61) | | (278.35) | | 8,245.10 |
| Oct-06 | (616.73) | | (311.98) | | (107.63) | | (4,378.58) | | (3,356.86) | | (279.65) | | 5,862.36 |
| Nov-06 | (621.12) | | (313.05) | | (107.63) | | (4,398.14) | | (3,366.38) | | (279.65) | | (3,032.25) |
| Dec-06 | (623.48) | | (313.05) | | (107.63) | | (4,417.16) | | (3,375.57) | | (279.65) | | 1,452.23 |
| Totals | (70,609.08) | - | (38,142.52) | 42,523.26 | (20,170.14) | - | (468,047.79) | 112,143.74 | (392,102.68) | 48,061.62 | (45,902.21) | 367.84 | (831,877.96) |
| Account Total | | (70,609.08) | | 4,380.74 | | (20,170.14) | | (355,904.05) | | (344,041.06) | | (45,534.37) | |

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23. Refer to AG 1-195, part f. Are Mr. Seelye's net salvage estimates "future net salvage" estimates? Explain why or why not. Also, explain fully why Delta does not consider its accruals for cost of removal to be an estimated future cost.

RESPONSE:

The net salvage estimates were based on an examination of historical costs, not future costs.

Sponsoring Witness:

William Steven Seelye

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24. Refer to AG 1-206. The response states that Delta has no incentive compensation/bonus plans, however, the response to AG 1-30 clearly shows bonus accruals. What type of bonus is being accrued, and how is it reflected in the rate case?

RESPONSE:

The bonus is paid at the discretion of the board of directors. There are no incentive compensation/bonus plans. The bonus paid during the test year was charged 100% to the subsidiaries and so is excluded from the case.

Sponsoring Witness:

John B. Brown

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25. Refer to AG 1-218. What caused the large increase in Workers Compensation Premiums in 2007?

RESPONSE:

The rate for Code 7502 increased to \$2.62 per \$100 of payroll in 2007 as compared to \$2.32 per \$100 of payroll in 2006 and Delta's experience modification for 2007 increased to .96 as compared to .83 in 2006

Sponsoring Witness:

John B. Brown

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26. Refer to AG 1-242. The threshold referenced in the original data request was incorrect. Please list by customer and amount and by year for the period 2003 through 2007 any uncollectible accounts which have been written off and which exceeded \$10,000.

RESPONSE:

| <u>Customer</u> | <u>Amount</u> | <u>Year</u> |
|-------------------|---------------|-------------|
| Perry Gas Company | \$12,901.49 | 2004 |

Sponsoring Witness:

John B. Brown

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27. Refer to AG 1-246. Explain why Delta does not have a copy of the annual reports for EEI or AGA.

RESPONSE:

Delta is not a member of EEI. AGA does not provide an annual report.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
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28. Refer to AG 1-255. Please reconcile the amounts shown for Workers Compensation with those shown in response to AG 1-218.

REPOSNE:

Insurance coverage runs from March to March and the amounts reflected in AG 1-218 were the actual premiums paid for the 2004-2005, 2005-2006, 2006-2007 and 2007-2008 insurance years. The amounts reflected in AG 1-255 are the actual expenses reflected on the general ledger for the 2005 and 2006 calendar years.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
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29. Refer to PSC 2-6b. (1), Schedule 2. It appears that \$8,370 for lobbying has been included in the proforma capitalized wages and subsidiary allocation. Please explain why this is appropriate.

RESPONSE:

The total of "Total pro forma capitalized wages and subsidiary allocation" of \$1,640,308 does include \$8,370 for lobbying expenses.

The \$1,640,308 is calculated to be used on PSC 2 Item 6 d (2) Schedule 3.1 line 2 to subtract from Annualized salaries and wages (line 1) to arrive at Pro forma salary and wage expense (line 3).

The Annualized salaries and wages (line 1) include the amounts paid for lobbying. Therefore by including lobbying expense in the amount deducted on line 2, the calculation of our Pro forma salary and wage expense on line 3 appropriately excludes lobbying expense.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
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30. Please list all bonuses paid to company officers and directors during the test year and indicate where they are included in the filing. If they are not included in the filing, please so state.

RESPONSE:

The bonus paid during the test year was charged 100% to the subsidiaries and so is excluded from the case.

Sponsoring Witness:

John B. Brown

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31. Refer to PSC 2-16. Please list all normalization adjustments Delta identified that, had they been made, would have resulted in reduced expenses or increased revenue.

RESPONSE:

In response to AG 1-39 we listed each proposed pro forma entry which was considered in this filing but not made.

Of those listed, the customer growth adjustment could prove to increase revenue if customer growth is truly expected and the pension expense adjustment could prove to decrease expense, pending the results of the 2008 actuarial study.

With our focus on utilizing the historical test year we did not perform a thorough review of each account to identify such normalization adjustments. As we suggested in the response to AG 1-12, the 2008 budget is our best and most recent estimate of normal revenues and expenses.

Sponsoring Witness:

John B. Brown

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32. With regard to the annual return on equity (ROE) numbers for 2004 through 2006 shown on page 6, lines 14 – 16 of Mr. Jennings' testimony, please provide the following information:
- a. Provide workpapers showing the calculations for the actual achieved ROE numbers of 4.1%, 5.6% and 3.9% for 2004, 2005 and 2006, respectively.
 - b. Reconcile the annual ROE numbers of 4.1%, 5.6% and 3.9% for 2004, 2005 and 2006, respectively, to the corresponding annual ROE numbers of 7.9%, 9.8% and 9.5% for 2004, 2005 and 2006, respectively, that are shown in Dr. Blake's Exhibit MJB – 4.
 - c. Provide workpapers showing the calculations for the actual achieved ROE numbers of 7.9%, 9.8% and 9.5% for 2004, 2005 and 2006, respectively, shown in Dr. Blake's Exhibit MJB – 4.
 - d. Explain whether the ROE numbers shown for these 3 years on page 6 of Mr. Jennings' testimony and in Exhibit MJB-4 are actual ROE numbers or weather-normalized ROE numbers.
 - e. Explain whether the ROE numbers shown for these 3 years on page 6 of Mr. Jennings' testimony and in Exhibit MJB-4 have been adjusted to reflect all PSC ratemaking principles (applicable accounting and pro forma adjustments required by the Commission) used in setting the rates in Case No. 2004-00067. If so, explain which specific pro forma accounting and normalization adjustments were made in deriving the stated ROE numbers for these 3 years.

RESPONSE:

- a. See line labeled 32 a on attached Item 32.
- b. See lines labeled 32 b on attached item 32 for reconciling items.
- c. See line labeled 32 c on attached item 32.
- d. All ROE numbers presented are actual and include the impact of the Company's weather normalization tariff.
- e. The ROE numbers presented have not been adjusted to reflect any PSC ratemaking principles. The numbers shown in Blake Testimony are calculated as presented in our SEC filings. The numbers shown in Jennings Testimony are calculated as presented in our SEC filings net of adjustments to exclude the subsidiaries and the impact of net unbilled revenues.

Sponsoring Witness:

John B. Brown

| | 2004 | | | 2005 | | | 2006 | | |
|--|-------------|------------|-------|------------|------------|-------|------------|------------|------|
| | Net Income | Equity | ROE | Net Income | Equity | ROE | Net Income | Equity | ROE |
| ROE per PSC DR 1-35, line 6 | 1,967,332 | 46,376,806 | 4.2% | 2,845,313 | 48,958,684 | 5.8% | 2,050,351 | 50,633,040 | 4.0% |
| Add back unbilled impact on equity | - | 1,754,849 | | - | 1,794,886 | | - | 1,482,514 | |
| 32 a. Actual Achieved ROE Per Jennings Testimony | 1,967,332 | 48,131,655 | 4.1% | 2,845,313 | 50,753,570 | 5.6% | 2,050,351 | 52,115,554 | 3.9% |
| 32 b. Add back unbilled impact on net income | 1,769,692 | | | 40,127 | | | (327,214) | | |
| 32 b. Add back non-regulated impact | 2,224,037 | 924,327 | | 2,763,571 | 770,705 | | 2,826,879 | 621,393 | |
| Consolidated ROE per 12/31 10-Q | 5,961,061 | 49,055,982 | 12.2% | 5,649,011 | 51,524,275 | 11.0% | 4,550,016 | 52,736,947 | 8.6% |
| Reconcile calendar year to fiscal year | (2,123,002) | (225,821) | | (650,392) | (724,821) | | 474,619 | (127,223) | |
| 32 c. Consolidated ROE per 6/30 10-K | 3,838,059 | 48,830,161 | 7.9% | 4,998,619 | 50,799,454 | 9.8% | 5,024,635 | 52,609,724 | 9.6% |

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33. On page 12, lines 11 – 12 of his testimony, Mr. Wesolosky states that if the Company's actual achieved ROE in any particular CRS Evaluation Period falls within the 100 basis point dead-band (50 basis points above and 50 basis point below the ROE to be authorized by the PSC in this case), there will be no CRS adjustment. Tariff sheet 43 states if the actual achieved ROE during the Evaluation period exceeds the authorized ROE by 50 basis points or is below the authorized ROE by 50 basis points, a rate adjustment shall be calculated "to collect (refund) the revenues required to achieve a return on equity for the Evaluation Period equal to the return established in the last general rate order." In this regard, please provide the following information:
- a. Assuming hypothetically that the PSC's authorized ROE for Delta in this base rate case is 10.00%, then under the Company's proposed CRS mechanism, there will be no CRS adjustment if in any particular CRS Evaluation Period the actual achieved ROE is 9.51% or 10.49%. Please confirm that this is the Company's proposal as referenced above. If this is not the Company's proposal, explain what the correct proposal is.
 - b. Assuming hypothetically that the PSC's authorized ROE for Delta in this base rate case is 10.00%, under the Company's proposed CRS mechanism, if the actual achieved ROE in any Evaluation Period is 9.50%, there will be a rate adjustment equivalent to the 50 basis point ROE difference between 9.50% and the authorized ROE of 10.00%; and if the actual achieved ROE in any Evaluation Period is 10.50%, there will be a rate adjustment equivalent to the 50 basis point ROE difference between 10.50% and the authorized ROE of 10.00%. Please confirm that this is the Company's proposal as referenced above. If this is not the Company's proposal, explain what the correct proposal is.
 - c. Assuming hypothetically that the PSC's authorized ROE for Delta in this base rate case is 10.00%, under the Company's proposed CRS mechanism, if the actual achieved ROE in any Evaluation Period is 9.00%, there will be a rate adjustment equivalent to the 100 basis point ROE difference between 9.00% and the authorized ROE of 10.00%; and if the actual achieved ROE in any Evaluation Period is 11.0%, there will be a rate adjustment equivalent to the 100 basis point ROE difference between 11.00% and the authorized ROE of 10.00%. Please confirm that this is the Company's proposal as referenced above. If this is not the Company's proposal, explain what the correct proposal is.

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RESPONSE:

- a. Correct
- b. Correct
- c. Correct

Sponsoring Witness:

Matthew D. Wesolosky

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34. On page 12, lines 20 – 23 and on page 13, lines 9 – 12 of his testimony, Mr. Jennings states:

“As a part of the CRS, the Commission will review Delta’s financial performance for the past year and determine rates for the next year. A true-up is included to adjust each year for the previous year’s experience.”

“The mechanism would review the Company’s financial performance for the past year and set the proper rates for the next year. If the next year varied from what was planned, a simple true-up at the end of the year would assure that customers’ rates would be fair.”

With regard to the above statements, please explain and clarify the following:

- a. Under the proposed CRS, how exactly will the Commission “determine rates for the next year” and “set proper rates for the next year based on the evaluation of Delta’s “financial performance for the past year?” Please provide an illustrative example as part of your explanations.
- b. Under the proposed CRS, how exactly will a “true up be included to adjust each year for the previous year’s experience?” Please provide an illustrative example as part of your explanations.

RESPONSE:

- a & b. Delta will file for each twelve months ended June 30. If revenues need to be adjusted, they will be in accordance with (a) and (b) under the caption “Calculation of CRS Adjustment” in Delta’s proposed tariff sheet No. 43, filed in Delta’s application under Tab 7. In accordance with (c) at the top of the tariff sheet number 44, any over- or under-billings in that year will be trued up the following year. See Delta’s Response to Second PSC Data Request, Number 28, for examples of the calculations under this proposed tariff. Also see Delta’s Response to Third PSC Data Request, Number 14, as well as Delta’s Responses to Second AG Request, Numbers 33 and 35.

Sponsoring Witness:

Glenn R. Jennings

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35. Assume hypothetically that the PSC will authorize an ROE of 10% for Delta in this case and will authorize the Company's proposed CRS mechanism with an allowed ROE of 10% and a dead-band range of 50 basis points above and below this authorized ROE of 10%. Assume further that in the first CRS Evaluation Period (Evaluation Period No. 1) the Company's actual achieved ROE was 9% and that the shortfall between the 9% and the authorized 10% is equivalent to a rate adjustment of \$1 million. Using these assumptions, please answer the following questions:
- a. Under the Company's proposed CRS rate mechanism, will the Company make a CRS "true up" rate adjustment of \$1 million in order to recoup in the Rate Effective Period (Rate Effective Period No. 1) the ROE shortfall actually experienced in the Evaluation Period No. 1? If this is not correct, provide the correct answer.
 - b. Under the Company's proposed CRS mechanism, will the Company make another CRS rate adjustment of \$1 million to reset the going forward rates in the Rate Effective Period No. 1 in order to enable the Company to earn its authorized ROE of 10% in the Rate Effective Period without considering the \$1 million rate collections from the "true up" rate adjustment to recoup the ROE shortfall from the Evaluation Period No. 1? If this is not correct, provide the correct answer.
 - c. When the Company compares the actual achieved ROE to the authorized ROE in Evaluation Period No. 2, how will it treat the fact that the actual achieved ROE will include a portion (8 months worth) of the \$1 million ROE shortfall in Evaluation Period No. 1 that will be recovered in Rate Effective Period No. 1? In other words, in the determination of the actual achieved ROE in Evaluation period No. 2, will the Company remove the impact of the rate recovery from the ROE shortfall in Evaluation Period No. 1? If not, explain what approach the Company intends to follow.
 - d. If not already explained in the responses to parts a, b and c above, provide the approach and various steps to be taken under the Company's proposed CRS rate mechanism based on the hypothetical assumption referenced above.

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RESPONSE:

- a. Please refer to KYPSC DR2-28 which illustrates the calculation of the CRS adjustment.
- b. The statement is not correct. The CRS does not provide for a pro-forma adjustment based on the prior CRS adjustment. During each respective rate effective period there are only two components of the CRS rates. The first being the CRS adjustment for the most recent Evaluation Period and the second being a balancing mechanism for any over or under collections of the prior year's CRS.
- c. For any given Evaluation Period, the achieved ROE would exclude the impact of the CRS collections, as these collections pertain to a prior Evaluation Periods.
- d. Please refer to KYPSC DR2-28 which illustrates the calculation of the CRS adjustment.

Sponsoring Witness:

Matthew D. Wesolosky

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36. On tariff sheet 43, the statement is made that the financial schedules to be filed under the CRS mechanism shall include "All applicable accounting and pro-forma adjustments historically permitted or required by the Commission for the Company."

Additionally, on page 12 of his testimony, Mr. Wesolosky states that, in calculating the allowed return under the CRS, "Delta's earnings for the fiscal year will be adjusted appropriately for adjustments made during the last case. Therefore, any adjustment under this mechanism will normalize Delta's earnings and ensure Delta earns only the return allowed by the Commission."

Furthermore, on page 13 of his testimony, Mr. Jennings states in this regard that "The CRS would apply the principles and rules that are used to set rates in Kentucky on an annual basis to test the existing rates and adjust them as necessary."

With regard to all of the above-referenced statements, please provide the following information:

- a. In the determination of whether the Company's earnings during the Evaluation Period exceed or are below the latest allowed return on common equity (for true-up purposes), is it the Company's intention to compare its latest authorized common equity rate to the *actual unadjusted achieved Evaluation Period common equity rate that has only been adjusted by the removal of expenses and investments that were disallowed for ratemaking purposes by the Commission in the Company's most recent rate case*? For example, in determining the realized return on equity during the Evaluation Period for true-up purposes, will the Company use actual 13-month average rate base components, adjusted to remove the PSC assessment fee prepayments, assuming that the rates set for this same Evaluation Period were based on these ratemaking principles? And in determining the realized return on equity during the Evaluation Period, will the Company use the actual "as it falls" operating income for the Evaluation Period, adjusted only for the removal of items that were disallowed by the PSC in setting the rates for this Evaluation Period (such adjustments could, for example, include the removal of certain incentive compensation expenses, donations, promotional and institutional advertising expenses, lobbying expenses, etc.)?

Or is it the Company's intention -- in the determination as to whether the Company's earnings during the Evaluation Period exceed or are below the

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latest allowed return on common equity (for true-up purposes) -- to compare its latest authorized common equity rate to the *pro forma adjusted achieved Evaluation Period common equity rate* that has been adjusted for normalization and annualization adjustments. For example, in this evaluation process, will the Company use a "year-end" rate base? And will the Company adjust the actual Evaluation Period operating income to include pro forma normalization and annualization adjustments, and any other forward-looking adjustments? For example, if the Evaluation Period is, say, the twelve-month period ending June 30, 2008 and the Company had a wage increase in December 2007 and another wage increase in July of 2008, will the Company adjust the actual Evaluation Period operating income by annualizing the December 2007 wage increase and by reflecting the annualized impact of the July 2008 wage increase? And, as another example, will the Company make an adjustment to weather-normalize the actual Evaluation Period operating results?

Please provide detailed comments on all of the questions raised above.

- b. Will the Company be reflecting forward looking normalization and annualization adjustments (such as, for example, the weather normalization and wage increase annualization adjustments mentioned in part a above) in the determination of its proposed CRS rates for the Rate Effective Period? If so, list these types of annualization and normalization adjustments and provide examples of such adjustments.

RESPONSE:

- a. Please refer to KYPSC DR2-28 for an illustration of the CRS adjustment calculation.
- b. Unless requested by the Commission, there would be no forward looking normalization or annualization adjustments in the CRS mechanism. Weather normalization is included in the proposed tariff, but is not a forward looking mechanism.

Sponsoring Witness:

Matthew D. Wesolosky

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DATED JULY 17, 2007

37. For each of the Company's most recent 5 general base rate filings (starting with the 2004 rate case, Case No. 2004-00067), please provide the following information:
- a. Case number, filing date and rate effective date.
 - b. Actual rate case expenses, in total and as broken out by rate case expense component.
 - c. Rate increase granted (dollar amount and %)
 - d. In addition, provide the estimated rate case expenses for the current case 2007-089 in total and broken out by rate case expense category.

RESPONSE:

- a., See attached item 37
- b. See attached item 37
- c. See attached item 37
- d. See attached item 37 for the estimate of rate case expenses as previously detailed in first PSC data request Item 51b. Note that due to the magnitude of DR AG-1, Delta had to hire representatives of Deloitte & Touche to assist with the preparation of those responses. The bill for that work totaled \$33,985 and since it was unexpected, increases our estimate for rate case expense from \$320,697 as previously filed to \$354,682.

Sponsoring Witness:

John B. Brown

37.a. thru c.

| Line No. | Item 37.a. | | | Item 37.b. | | | | Item 37.c. | | Notes |
|----------|-------------|--|---------------------|--------------------------|----------------------|----------------|------------------------|-------------------------|---------------------|--------------|
| | Case Number | Filing Date | Rate Effective Date | Total Rate Case Expenses | Expenses Consultants | Expenses Legal | Expenses Newspaper Ads | Expenses Supplies Other | Increase granted \$ | |
| 1 | 2004-00067 | 4/5/2004 | 10/7/2004 | 267,098 | 170,241 | 60,025 | 29,575 | 7,257 | \$ 2,755,576 | 64.4% |
| 2 | 99-176 | 7/2/1999 | 1/1/2000 | 170,118 | 112,727 | 32,084 | 18,924 | 6,383 | \$ 420,000 | 16.8% Note 1 |
| 3 | 97-066 | 3/14/1997 | 11/30/1997 | 129,048 | | Not available | | | \$ 1,827,000 | 61.7% Note 2 |
| 4 | 90-342 | 12/14/1990 | 5/23/1991 | 38,902 | | Not available | | | \$ 2,050,000 | 69.8% Note 3 |
| 5 | 9331 | 5/31/1985 | 11/15/1985 | Not available | | Not available | | | \$ 452,000 | 28.3% |
| 6 | | | | | | | | | | |
| 7 | Note 1 | Received WNA | | | | | | | | |
| 8 | Note 2 | Initial increase granted \$1,670,000; rehearing May 1, 1998 additional \$157,000 granted | | | | | | | | |
| 9 | Note 3 | Settlement with no hearing in this case | | | | | | | | |

37.d.

| | Case Number | Current Rate Case | Estimated Total Rate Case Expenses | Expenses Accounting | Expenses Consultants | Expenses Legal | Expenses Newspaper Ads | Expenses Supplies Other | Unamortized Exp from Case No 2004-00067 |
|---|-------------|-------------------|------------------------------------|---------------------|----------------------|----------------|------------------------|-------------------------|---|
| 1 | 2007-00089 | Current Rate Case | 320,697 | 28,513 | 141,729 | 60,025 | 29,575 | 7,257 | 53,598 |

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

DATED JULY 17, 2007

38. Has the Company quantified any numerical ratepayer benefits (expressed in dollars) produced by the proposed CRS rate mechanism? If so, provide these ratepayer benefits, including all assumptions and calculations supporting these estimated benefits.

RESPONSE:

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

The response to AG2-37 provides the actual costs Delta has incurred on previous rate cases. As stated in the Jennings' testimony, "Delta is permitted by law to earn a fair return on equity. Partly due to customer conservation and efficiency trends, we have not been able to do so since our last general rate case. This trend is expected to continue, and the current rate setting process does not contemplate this trend and does not allow utilities to adjust rates on a timely, cost effective basis. Thus we need the proposed mechanism to be able to do this." Therefore, without a mechanism such as the CRS Delta will be required to file more frequent rate cases and Delta's customers will incur these costs more frequently, instead of every three to five years.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

39. FR 10(6)(h), Schedule 1 shows that the pro forma total operating expenses (cost of gas, O&M, depreciation, taxes o/t income taxes and income taxes) for the 2006 test year amount to approximately \$56.1 million. Schedule 1 also shows that of the total operating expenses of \$56.1 million, approximately \$35.2 million (or approximately 63%) represents cost of gas. Schedule 2 of FR 10(6)(h) shows that 100% of this pro forma test year cost of gas amount of \$35.2 million is recovered in the Company's GCR rate mechanism.

Please confirm the above-stated facts. If you do not agree, please explain your disagreement in detail and provide the correct facts.

RESPONSE:

We agree with the facts as stated.

Note, though, that we presented an updated Schedule 1 at PSC 2 Item 6 d (2) which changed pro forma total operating expenses from approximately \$56.1 million to approximately \$56.2 million.

The \$71,924 increase in pro forma total operating expenses resulted from a \$65,000 correction to remove the medical accrual adjustment from test year expenses, a \$18,017 correction to reverse a legal expense cutoff error discovered during the course of this proceeding and a \$25,138 property tax adjustment incorporating the recently received 2006 property tax assessment. These increases were partially offset by a \$32 decrease due to correcting the payroll tax adjustment and a \$36,200 reduction in income taxes due to the increased net expenses. See our response to PSC-2 6 d. (2) for more detail on each of the updates.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

40. With regard to the current Alabama Gas Company Rate Stabilization and Equalization ("RSE") mechanism discussed on page 34 of Mr. Blake's testimony, please provide the following information:
- a. The current RSE tariffs for Alabama Gas Company, describing in detail the exact workings, elements and provisions of the RSE.
 - b. Please confirm that the Alabama Rate RSE allows for a rate refund to the ratepayers when the true-up in the historic Evaluation Period indicates that the actual achieved ROE exceeds the authorized ROE dead-band, but does not allow for a rate increase to the ratepayers when the true-up in the historic Evaluation Period indicates that the actual achieved ROE is below the authorized ROE dead-band. If you do not agree, explain your disagreement and provide the correct facts.

RESPONSE:

- a. Delta does not have current RSE tariffs for Alabama Gas Company. Our proposed CRS mechanism is patterned after the South Carolina approach. See Delta's response to AG Second Request, Item 41.
- b. See response to (a) above.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

41. With regard to the Company's response to AG-1-305 regarding CRS mechanisms implemented by South Carolina utilities, please provide the following information:
- a. What was the "one utility in South Carolina" with a CRS mechanism that Mr. Blake and Delta talked with? In addition, provide the current CRS tariffs for this South Carolina utility, describing in detail the exact working, elements and provisions of this CRS mechanism.
 - b. The response to AG-1-8 indicates that rate stabilization mechanisms were implemented by Piedmont Natural Gas and South Carolina E&G in South Carolina. Please provide the current CRS tariffs for these South Carolina utilities, describing in detail the exact working, elements and provisions of these CRS mechanisms.

RESPONSE:

- a. Mr. Jennings with Delta has spoken with Piedmont Natural Gas relative to that company's South Carolina mechanism. Mr. Blake has not. Delta does not have tariffs for Piedmont. Piedmont's implementation of this CRS program is not in their tariffs, but is implemented as set out in the SC Code of Laws, Title 58, Chapter 5, Article 4. Reference should be made to the SC Code of Laws. Article 4 of the SC Code sets forth the provisions of their mechanism, and Piedmont then files with the South Carolina Commission for approval to adjust rates in accordance with Article 4. A copy of Chapter 5, which includes Article 4, is attached.
- b. Delta does not have tariffs for South Carolina E&G. See (a) above for Piedmont.

Sponsoring Witness:

Glenn R. Jennings

CHAPTER 5.

GAS, HEAT, WATER, SEWERAGE COLLECTION AND DISPOSAL, AND STREET RAILWAY
COMPANIES

ARTICLE 1.

GENERAL PROVISIONS

SECTION 58-5-10. Definitions.

When used in Articles 1, 3, and 5 of this chapter:

(1) The term "commission" means the Public Service Commission.

(2) The term "corporation" includes joint stock companies, corporations, associations and commissions and boards, whether public or private, having any powers or privileges not possessed by individuals or partnerships.

(3) The term "person" includes an individual, a firm, and a copartnership.

(4) The term "public utility" includes every corporation and person delivering natural gas distributed or transported by pipe, and every corporation and person furnishing or supplying in any manner heat (other than by means of electricity), water, sewerage collection, sewerage disposal, and street railway service, or any of them, to the public, or any portion thereof, for compensation; provided, however, that a corporation or person furnishing, supplying, marketing, and/or selling natural gas at the retail level for use as a fuel in self-propelled vehicles shall not be considered a public utility by virtue of the furnishing, supplying, marketing, and/or selling of such natural gas.

(5) The term "public or any portion thereof" means the public generally, or any limited portion of the public, including a person, private corporation, municipality, or any political subdivision of the State for which the service is performed or to which the commodity is delivered and whenever such corporation or person performs a service or delivers a commodity to the public, or any portion thereof, for which compensation is required such corporation or person is hereby declared to be a public utility subject to the jurisdiction and regulation of the Public Service Commission, the Office of Regulatory Staff, and Articles 1, 3, and 5 of this chapter to the extent of its activities within the State.

(6) The term "regulatory staff" means the executive director or the executive director and employees of the Office of Regulatory Staff.

SECTION 58-5-20. Applicability to a business not exclusively a public utility.

Any corporation or person not engaged in business exclusively as a public utility shall be governed by the provisions of Articles 1, 3 and 5 of this chapter in respect only of the public utility owned, leased, operated or managed by it or him and not in respect to any other business or pursuit.

SECTION 58-5-30. Exemption of public utilities owned or operated by municipalities and regional transportation authorities.

Except as provided in Article 23, Chapter 9 of Title 58, nothing contained in Articles 1, 3, and 5 of this chapter shall give the commission or the regulatory staff any power to regulate or interfere with public utilities owned or operated by or on behalf of any municipality or regional transportation authority as defined in Chapter 25 of this title or their agencies.

SECTION 58-5-35. Exemption of certain public utilities and pipeline companies from regulation by Commission.

Public utilities and pipeline companies engaged in the extraction, processing, distribution, or sale of landfill gas (LFG) derived from sanitary landfills, which provide this gas to no more than twenty customers from any single landfill, are exempt from regulation by the commission.

SECTION 58-5-40. Exemption of sellers at wholesale of water or water-borne waste disposal services to municipality.

Any water supplier who sells water wholesale to a municipality and any supplier of water-borne waste disposal services who renders such services on a wholesale basis to a municipality shall not be under the jurisdiction of the South Carolina Public Service Commission or the Office of Regulatory Staff as to such sale of water or services.

SECTION 58-5-50. Exemption of certain term contracts from declaration of unreasonableness by Commission.

Nothing contained in Articles 1, 3 and 5 of this chapter shall authorize the Commission to declare any rate, toll, charge or fare contained in any contract voluntarily entered into prior to March 24, 1922 for a term of years by and between any public utility and any person or corporation, whether public, private or municipal, for the sale and purchase of gas, or other commodity, the subject of such contract, to be unreasonable and noncompensatory without the consent of both parties to such contract.

SECTION 58-5-60. Exemption of certain rates and the like set by franchise or ordinance from declaration of unreasonableness by Commission.

The Commission shall have no power to declare any rate, toll, charge or fare or any maximum rate, toll, charge or fare contained in, or provided for, by any franchise or ordinance, whereby any municipality, prior to March 24, 1922, has given any public utility the right to use the streets or public places of such municipality for any purpose, to be unreasonable and noncompensatory when such ordinance or franchise has been, prior to March 24, 1922, accepted by such public utility.

ARTICLE 3.

REGULATION OF RATES AND SERVICES GENERALLY

SECTION 58-5-210. Supervision and regulation of rates and service.

The Public Service Commission is hereby, to the extent granted, vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State and the State hereby asserts its rights to regulate the rates and services of every "public utility" as herein defined.

SECTION 58-5-220. Standardized system of accounts.

The Office of Regulatory Staff may, in its discretion, subject to approval of the commission:

- (a) establish a standardized system of accounts to be kept by the public utilities subject to its jurisdiction;
- (b) classify such public utilities and establish a standardized system of accounts for each class; and
- (c) prescribe the manner in which such accounts shall be kept.

SECTION 58-5-230. Examination of books and accounts.

The books and accounts of all public utilities shall be subject to the examination of the regulatory staff at any time.

SECTION 58-5-240. Filing schedules of proposed rates and the like; effective date thereof.

(A) Whenever a public utility desires to put into operation a new rate, toll, rental, charge, or classification or a new regulation, it shall give to the commission and the regulatory staff not less than thirty days' notice of its intention to file and shall, after the expiration of the notice period, then file with the commission and provide to the regulatory staff a schedule setting forth the proposed changes. Subject to the provisions of subsections (D) and (E) of this section, the proposed changes must not be put into effect in full or in part until approved by the commission.

(B) After the schedule has been filed, the Commission shall, after notice to the public such as the Commission may prescribe, hold a public hearing concerning the lawfulness or reasonableness of the proposed changes.

(C) The Commission shall rule and issue its order approving or disapproving the changes in full or in part within six months after the date the schedule is filed.

(D) Should the Commission determine that it cannot, due to circumstances reasonably beyond its control, issue such order within the six-month period prescribed by this section, the Commission, may, by order, extend the six-month period for an additional five days. Any such order shall set forth such circumstances and make appropriate findings concerning the need for the extended period.

If the Commission rules and issues its order within the time aforesaid, and the utility shall appeal from the order, by filing with the Commission a petition for rehearing, the utility may put the rates requested in its schedule into effect under bond only during the appeal and until final disposition of the case. Such bond must be in a reasonable amount approved by the Commission, with sureties approved by the Commission, conditioned upon the refund, in a manner to be prescribed by order of the Commission, to the persons, corporations, or municipalities, respectively, entitled to the amount of the excess, if the rate or rates put into effect are finally determined to be excessive; or there may be substituted for the bond other arrangements satisfactory to the Commission for the protection of parties interested. During any period in which a utility shall charge increased rates under bond, it shall provide records or other evidence of payments made by its subscribers or patrons under the rate or rates which the utility has put into operation in excess of the rate or rates in effect immediately prior to the filing of the schedule.

All increases in rates put into effect under the provisions of this section which are not approved and for which a refund is required shall bear interest at a rate of twelve percent per annum.

The interest shall commence on the date the disallowed increase is paid and continue until the date the refund is made.

In all cases in which a refund is due, the Commission shall order a total refund of the difference between the amount collected under bond and the amount finally approved.

(E) If the Commission fails to rule or issue its order within the time prescribed in subsection (C) or subsection (D) of this section, the utility may put into effect the change in rates it requested in its schedule. The change is to be treated as an approval of the new rate schedule by the Commission.

(F) After the date the schedule is filed with the commission and provided to the Office of Regulatory Staff, no further rate change request under this section may be filed until twelve months have elapsed from the date of the filing of the schedule; provided, however, this section shall not apply to a request for a rate reduction.

(G) Notwithstanding the provisions of this section, the Commission may allow rates or tariffs to be put into effect without a hearing upon order of the Commission when such rates or tariffs do not require a determination of the entire rate structure and overall rate of return, or when the rates or tariffs do not result in any rate increase to the public utility, or when the rates or tariffs are for experimental purposes.

(H) The commission's determination of a fair rate of return must be documented fully in its findings of fact and based exclusively on reliable, probative, and substantial evidence on the whole record. The commission shall specify an allowable operating margin in all water and wastewater orders.

SECTION 58-5-250. [1962 Code Section 58-115; 1952 Code Section 58-115; 1942 Code Section 8211; 1932 Code Section 8254; Civ. C. '22 Section 1047; Civ. C. '12 Section 924; 1910 (26) 564; 1922 (32) 938; 1935 (39) 25; 1975 (59) 166][Am 1982 Act No. 458 Section 1] Repealed by 1983 Act No. 138 Section 21, eff June 15, 1983.

SECTION 58-5-260. Notice by publication of filing of new or changed schedule.

Within ten days after the filing of any new or changed schedule by a public utility the Commission shall give general notice thereof by publication.

SECTION 58-5-270. Applications and individual consumer complaints; hearings.

Applications may be made by any corporation, public or private, person, chamber of commerce or board of trade, by any civic, commercial, mercantile, traffic, agricultural, or manufacturing association or by any body politic, commission, board, or municipal corporation by petition in writing, setting forth any act or thing done, or omitted to be done, with respect to which, under the provisions of Articles 1, 3, and 5 of this chapter, the commission has jurisdiction or is alleged to have jurisdiction. Individual consumer complaints must be filed with the Office of Regulatory Staff which has the responsibility of mediating consumer complaints under the provisions of Articles 1, 3, and 5. If a complaint is not resolved to the satisfaction of the complainant, the complainant may request a hearing before the commission. The commission has jurisdiction to hear complaints regarding the reasonableness of any rates or charges that affect the general body of ratepayers; but the commission may at its discretion refuse to entertain a petition as to the reasonableness of any rates or charges unless it be signed by the mayor or the president or chairman of the board of trustees or a majority of the council, commission or other legislative body of the city or county or city or town affected by the subject matter of such complaint or by not less than twenty-five consumers of the public utility named in the complaint. Any public utility shall have the right to petition the commission on any of the grounds upon which petitions are allowed to be filed by other parties, including the fairness, reasonableness, or sufficiency of any schedule, classification, rate, price, charge, fare, toll, rental, rule, regulation, service, or facility of such public utility and in such event the same procedure shall be adopted and followed as in other cases.

SECTION 58-5-280. Repealed by 2006 Act No. 318, Section 233, eff May 24, 2006.

SECTION 58-5-290. Correction by Commission of improper rates and the like.

Whenever the Commission shall find, after hearing, that the rates, fares, tolls, rentals, charges or classifications or any of them, however or whensoever they shall have theretofore been fixed or established, demanded, observed, charged or collected by any public utility for any service, product or commodity, or that the rules, regulations or practices, or any of them, affecting such rates, fares, tolls, rentals, charges or classifications, or any of them, are unjust, unreasonable, noncompensatory, inadequate, discriminatory or preferential or in any wise in violation of any provision of law, the Commission shall, subject to review by the courts, as herein provided, determine the just and reasonable fares, tolls, rentals, charges or classifications, rules, regulations or practices to be thereafter observed and enforced and shall fix them by order as herein provided.

SECTION 58-5-300. All facts may be considered in making correction.

In connection with a determination under Section 58-5-290 the commission may consider all facts which in its judgment have a bearing upon a proper determination of the question, although not set forth in the application and not within the allegations contained therein.

SECTION 58-5-310. Record of proceedings; transcript of evidence.

The commission shall cause a record to be kept of all proceedings and all testimony shall be taken down by a competent stenographer, designated by the commission, and a copy or transcript thereof, verified by the oath of such stenographer, shall be furnished on terms fixed by the commission to parties desiring it and shall be received in evidence with the same effect as if such stenographer were present and testified thereto.

SECTION 58-5-320. Rescission, alteration or amendment of order or decision.

The commission may, at any time, upon notice and opportunity to the public utility affected and the regulatory staff to be heard, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the public utility affected, have the same effect as is herein provided for original orders or decisions.

SECTION 58-5-330. Rehearing by Commission.

Within twenty days after an order or decision is made by the commission, any party to the action or proceeding may apply for a rehearing as to any matter determined in the action or proceeding and specified in the application for rehearing and a rehearing must be granted if in the judgment of the commission sufficient reason exists. No right of appeal arising out of an order or decision of the commission accrues in any court to any corporation or person unless the corporation or person makes application to the commission for a rehearing within the time specified. The application must set forth specifically the ground on which the applicant considers the decision or order to be unlawful. The determination must be made by the commission within thirty days after it is finally submitted. If, after the hearing and a consideration of all the facts, including those arising since the making of the order or decision, the commission is of the opinion that the original order or decision, or any part of it, is in any respect unjust or unwarranted or should be changed, the commission may abrogate, change or modify it and, if changed or modified, the modified order must be substituted in the place of the order originally entered and with like force and effect.

SECTION 58-5-340. Court review of orders or decisions.

A decision of the commission may be reviewed by the Supreme Court or court of appeals as provided by statute and the South Carolina Appellate Court Rules upon questions of both law and fact, as provided pursuant to this section. The commission must not be a party to the action.

No order of determination of the commission reducing any rate, fare, charge, or toll may be in force during the pendency of the action if the utility affected executes and files with the clerk of court a bond undertaking in a sum as the court prescribes, and approved by the court, conditioned to secure the refund to customers of any sum that may be collected in excess of the rates, fares, charges, or tolls that are finally adjudged to be lawful and valid.

SECTIONS 58-5-350, 58-5-360. Repealed by 2006 Act No. 387, Section 54, eff. July 1, 2006.

SECTIONS 58-5-350, 58-5-360. Repealed by 2006 Act No. 387, Section 54, eff. July 1, 2006.

SECTION 58-5-370. Charging higher water or gas rates than those fixed by Commission shall be unlawful.

Any person or corporation owning or operating a plant furnishing water or gas to the public or any portion thereof for compensation who shall fail or refuse to accept the rate fixed by the Commission to be charged for water or gas and instead thereof shall charge, demand or receive a greater amount than that fixed by the Commission shall be guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not less than twenty-five dollars nor more than one hundred dollars, to be recovered in any court of competent jurisdiction, one half of such fine as may be imposed going to the informer and the other half to the city in which the complaint arises. Each overcharge to any consumer of water or gas shall constitute a separate offense.

SECTION 58-5-380. Restrictions on interruption of electric and gas services to residential customer for nonpayment of bill.

No utility company, the South Carolina Public Service Authority, any electric cooperative, nor municipality may interrupt electric or gas hearing service to any residential customer for nonpayment of a bill until twenty-five days have elapsed from the date of billing. Any person aggrieved by a violation of this section may petition the courts of this State for redress in accordance with applicable law and notwithstanding Section 58-27-210, the Public Service Commission shall have no jurisdiction over any electric cooperative or municipality by reason of this section.

ARTICLE 4.

NATURAL GAS RATE STABILIZATION ACT

SECTION 58-5-400. Citation of article.

This article may be cited as the "Natural Gas Rate Stabilization Act".

SECTION 58-5-410. Election to come under article.

A public utility providing natural gas distribution service, in its discretion and at anytime, may elect to have the terms of this article apply to its rates and charges for gas distribution service, on a prospective basis, by filing a notice of the election with the commission and on the same day and by the same means serving a copy on the Office of Regulatory Staff. Upon receipt of notice of the election, the commission shall proceed to make the findings and establish the ongoing procedures required for adjustments in base rates to be made under this article. In carrying out the procedures established by this article with respect to such an election, the commission shall rely upon and utilize the approved rates, charges, revenues, expenses, capital structure, returns, and other matters established in the public utility's most recent general rate proceeding pursuant to Section 58-5-240; provided, however, that the most recent order must have been issued no more than five years prior to the initial election to come under the terms of this article. A public utility may combine an election under this article with the filing of a rate proceeding pursuant to Section 58-5-240 and the commission shall include the findings required by this article in its rate orders issued in the Section 58-5-240 proceedings, and the election shall remain in effect until the next general rate proceeding.

SECTION 58-5-415. Duration of election; withdrawal of request to come under article.

The election by a utility to have the terms of this article apply to its rates and charges for gas distribution service once made shall remain in effect until the next Section 58-5-240 general rate proceeding for the public utility at which time the public utility may then elect to continue the applicability of this article to its rates and charges or elect to opt out of the provisions of this article. The applicant may withdraw its request to come under the terms of this article at any time before the entry of a final order of the commission on the merits of the proceeding in which the election is made or on a petition for rehearing in the proceeding.

SECTION 58-5-420. Contents of order.

In issuing its order pursuant to Section 58-5-410, and in addition to the other requirements of Section 58-5-240, if a proceeding pursuant to that section is required:

- (1) the commission shall specify a range for the utility's cost of equity that includes a band of fifty basis points (0.50 percentage points) below and fifty basis points (0.50 percentage points) above the cost of equity on which rates have been set; and
- (2) the commission separately shall state the amount of the utility's net plant in service, construction work in progress, accumulated deferred income taxes, inventory, working capital, and other rate base components. It also shall state the utility's depreciation expense, operating and maintenance expense, income taxes, taxes other than income taxes, other components of income for return, revenues, capital structure, cost of debt, overall cost of capital, and earned return on common equity. The figures stated shall be those which the commission has determined to be the appropriate basis on which rates were set in the applicable orders.

SECTION 58-5-430. Monitoring reports; schedule and contents.

The utility shall file with the commission monitoring reports for each twelve-month period ending on March thirty-first, June thirtieth, September thirtieth, and December thirty-first of each year, the filings to be made no later than the fifteenth day of the third month following the close of the period. The utility shall serve a copy of such reports on the Office of Regulatory Staff on the same day and by the same means as they are provided to the commission. These quarterly monitoring reports shall include the following:

- (1) the utility's actual net plant in service, construction work in progress, accumulated deferred income taxes, inventory, working capital, and other rate base components. The report shall also show the utility's depreciation expense, operating and maintenance expense, income taxes, taxes other than income taxes, other components of income for return, revenues, capital structure, cost of debt, overall cost of capital, and earned return on common equity;
- (2) all applicable accounting and pro-forma adjustments historically permitted or required by the commission for the utility in question, or for similarly situated utilities, or authorized by general principles of utility accounting, or authorized by accounting letters or orders issued by the commission. This authorization may occur either in a general rate hearing or in any other type of filing or hearing that the commission considers appropriate. However, other parties shall be given sufficient opportunity to review and provide comments on any proposed accounting letter or order issued after the initial order allowing future base rate adjustments pursuant to this article;
- (3) pro-forma adjustments to annualize for the twelve-month period any rate adjustments imposed pursuant to this article or other events affecting only part of the period covered by the filing so that the annualization is required to show the effects of those events on the utility's earnings going forward; and
- (4) pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events.

SECTION 58-5-440. March report; additional schedules.

In the monitoring report filed for the twelve-month period ending March thirty-first of each year, the utility shall provide additional schedules indicating the following revenue calculations:

(1) if the utility's earnings exceed the upper end of the range established in the order, the utility shall calculate the reduction in revenue required to lower its return on equity to the midpoint of the range established in the order; or

(2) if the utility's earnings are below the lower range established in the order, the utility shall calculate the additional revenue required to increase its return on equity to the midpoint of the range established in the order.

The utility also shall provide a schedule that specifies changes in its tariff rates required to achieve any indicated change in revenue.

The proposed rate changes, filed by the utility, shall conform as nearly as is practicable with the revenue allocation principles contained in the most recent rate order.

SECTION 58-5-450. Review of reports; proposed tariff rate adjustments.

The Office of Regulatory Staff shall review the monitoring report filed pursuant to Sections 58-5-430 and 58-5-440 to determine compliance with its terms taking into account the findings of any audit conducted by the Office of Regulatory Staff concerning compliance with Sections 58-5-430 and 58-5-440. The Office of Regulatory Staff shall propose those adjustments it determines to be required to bring the report into compliance with Section 58-5-440. Based upon that report and the findings of any audit conducted by the Office of Regulatory Staff, the commission shall order the utility to make the adjustments to tariff rates necessary to achieve the revenue levels indicated in Section 58-5-440.

SECTION 58-5-455. Rate adjustment request and implementation procedure; notice to and comments by interested parties; issuance of Initial Order; when adjustments take effect.

The procedures contained in this section shall apply to monitoring reports related to the quarter ending March thirty-first.

(1) The utility shall file the monitoring reports with the commission and Office of Regulatory Staff on or before June fifteenth and simultaneously shall mail or electronically transmit copies to any interested parties who have requested in writing to receive them.

(2) Interested parties shall be allowed until July fifteenth to file comments in writing to the commission and the Office of Regulatory Staff concerning the monitoring report.

(3) In cases where the monitoring report indicates rate adjustments are required, or where it otherwise appears to the commission or the Office of Regulatory Staff that an adjustment in rates may be warranted under this article, the Office of Regulatory Staff shall conduct an audit of the monitoring report and specify any changes that the Office of Regulatory Staff determines to be necessary to correct errors in the report or to otherwise bring the report into compliance with this article. The Office of Regulatory Staff's audit reports shall be provided to the commission and to the utility and made available to all interested parties no later than September first.

(4) Interested parties shall be allowed until September fifteenth to file written comments with the commission and the Office of Regulatory Staff related to the Office of Regulatory Staff's audit report and shall simultaneously mail or electronically transmit copies of these comments to the utility and to all parties who previously appeared and filed comments.

(5) On or before October fifteenth the commission shall issue an initial order setting forth any changes required in the utility's request to adjust rates under this article (the "Initial Order"). In the absence of such an Initial Order, the gas rate adjustment contained in the utility's filing shall be considered to be granted as filed.

(6) Any gas rate adjustments authorized under the terms of this article shall take effect for all bills rendered on or after the first billing cycle of November of that year.

SECTION 58-5-460. Petition for review of Initial Order or failure to issue order; hearing.

Within thirty days of the issuance of an Initial Order pursuant to Section 58-5-450, or within thirty days of the failure by the commission to issue an order as required pursuant to Section 58-5-450, any aggrieved party may petition the commission for review of the Initial Order or failure to issue an order and all interested parties of record shall have a right to be heard at an evidentiary hearing on the matter. The party shall serve a copy of such petition on the Office of Regulatory Staff on the same day and by the same means as it is provided to the commission.

SECTION 58-5-465. Final order; contents; deadline for issuance.

After conducting the hearing required by Section 58-5-460, the commission shall issue a final order that:

- (1) sets forth any changes that are required to the rates approved in the Initial Order issued under Section 58-5-455(5);
- (2) determines the amount of any overcollection or undercollection by the utility that resulted from collection of the rates authorized in the Initial Order as compared to the rates authorized in the final order issued under this section; and
- (3) establishes a credit to refund the amount of any overcollection, or a surcharge to collect the amount of any undercollection that arose during the time that the rates approved in the Initial Order were collected, and requires the utility to apply the credit or surcharge until such time as the overcollection or undercollection is exhausted.

The commission shall issue any final order required under this section by April fifteenth of the year following the year in which the monitoring report was filed. The order shall make the corrected rates and the credit or surcharge, if any, effective as of the first billing cycle of May of that year.

The provisions of Sections 58-5-330 and 58-5-340 concerning rehearing and appeal shall apply to the orders issued pursuant to this section.

SECTION 58-5-470. Review of Initial Orders; scope; rule to show cause why full rate proceeding should not be initiated.

The review of Initial Orders pursuant to Sections 58-5-460 and 58-5-465 is limited to issues related to compliance with the terms of this article. Matters determined in orders issued pursuant to Section 58-5-420 are not subject to review except in full rate proceedings pursuant to Section 58-5-240. Any proceedings pursuant to this article are without prejudice to the right of the commission to issue, or any interested party to request issuance of, a rule to show cause why a full rate proceeding should not be initiated, nor does this article limit the right of a utility to file an application pursuant to Section 58-5-240 for an adjustment to its rates and charges, nor does it impose the restrictions on filings contained in Section 58-5-240(F).

SECTION 58-5-480. Office of Regulatory staffing; assessments for staffing costs.

The Office of Regulatory Staff is authorized additional positions as the General Assembly may provide in the annual General Appropriations Act for the purpose of performing its duties under this article; however, no more than one position for each natural gas utility regulated pursuant to this article may be authorized. All salaries, benefits, expenses, and charges incurred by the Office of Regulatory Staff for these positions must be borne by the natural gas utilities regulated pursuant to this article.

On or before the first day of July in each year, the Department of Revenue must assess each natural gas utility regulated pursuant to this article an equal portion of these salaries, benefits, expenses, and charges on the thirtieth day of June preceding that on which the assessment is made which is due and payable on or before July fifteenth. The assessments must be charged against the natural gas utilities by the

Department of Revenue and collected by the department in the manner provided by law for the collection of taxes from the natural gas utilities, including the enforcement and collection provisions of Article 1, Chapter 54 of Title 12 and paid, less the Department of Revenue actual incremental increase in the cost of administration into the state treasury as other taxes collected by the Department of Revenue for the State. These assessments are in addition to any amounts assessed pursuant to Section 58-4-60. These assessments must be deposited in a special fund with the State Treasurer's Office from which the salaries, benefits, expenses, and charges shall be paid. The Office of Regulatory Staff must annually certify to the Department of Revenue on or before May first the amounts to be assessed.

ARTICLE 5.

PRESCRIBING GAS RATES IN ADVANCE OF HEARING [REPEALED]

SECTIONS 58-5-510 to 58-5-560. Repealed by 1983 Act No. 138 Section 21, eff June 15, 1983.

SECTIONS 58-5-510 to 58-5-560. Repealed by 1983 Act No. 138 Section 21, eff June 15, 1983.

ARTICLE 7.

REGULATION OF WATER AND SEWER UTILITIES' ADEQUACY OF SERVICE

SECTION 58-5-710. Issuance of order to provide adequate and proper service; fine or penalty; lien on property of utility.

The Public Service Commission, upon petition by any interested party, shall have the right to require any person or corporation, as defined in Section 58-5-10, operating a water or sewer utility system for which prior consent or approval by the commission is required to appear before the commission on proper notice and show cause why that utility should not be required to take steps as are necessary to provide adequate and proper service to its customers. If the commission upon hearing determines that the service is not being provided, it shall issue an order requiring the utility to take steps as are necessary to the provision of the service within a reasonable time as prescribed by the commission. Upon failure of the utility to provide the service within the time prescribed without cause or excuse, as shall be determined by the commission, the commission shall impose a penalty or fine against the utility in an amount not less than one hundred dollars per day but not more than one thousand dollars per day. Each day the failure or noncompliance continues shall be considered a separate and distinct breach or violation of the order. Any fine or penalty so imposed or assessed by the commission, upon proper filing in the appropriate county office or offices, constitutes a lien upon the properties and assets of the utility in like manner and form as any other judgment at law. Any fine or penalty so imposed by the commission shall go into the general fund of the State, unless otherwise provided by law.

SECTION 58-5-720. Filing of bond of certificates of deposit prior to approval by commission of construction or other work on water or sewer system; forfeiture.

The commission shall, before the granting of authority or consent to any water or sewer utility regulated by the commission, for the construction, operation, maintenance, acquisition, expansion, or improvement of any facility or system, prescribe as a condition to the consent or approval that the utility shall:

(1) file with the commission a bond with sufficient surety, as approved by the commission, in an amount not less than one hundred thousand dollars and not more than three hundred fifty thousand dollars payable

to the commission and conditioned upon the provision by the utility of adequate and sufficient service within its service area and provide a copy of the bond to the Office of Regulatory Staff; or
(2) deliver to the commission certificates of deposit, with endorsements as required by the commission, of federal or state chartered banks or savings and loan associations who maintain an office in this State and whose accounts are insured by either the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. The certificates of deposit shall not exceed the amount covered by insurance. The commission has the right, upon notice and hearing, to declare all or any part of the bond or certificate of deposit forfeited upon a determination by the commission that the utility failed to provide service without just cause or excuse and that this failure has continued for an unreasonable length of time. A further condition of the bond or certificate of deposit shall be the provision for payment to the commission of any fine or penalty imposed or assessed by the commission against the utility under the provisions of Section 58-5-710.

SECTION 58-5-730. Appointment of receiver upon failure of utility to provide adequate and sufficient service.

If the commission, after notice and hearing, determines that a utility subject to the regulations of the commission has wilfully failed to provide adequate and sufficient service for an unreasonable length of time and that it is likely to continue such failure to the detriment of the public served by the utility, or if the commission shall determine after notice and hearing, that adequate and sufficient service is not being provided by such utility and that such utility is unable to provide such service for any reason, the Office of Regulatory Staff shall have the right to petition the court of common pleas for the county wherein the utility shall have its principal office or place of business for the appointment of a receiver to assume possession of the facilities and system and to operate such utility upon such terms and conditions as the court shall prescribe. The court shall require as a condition to the appointment of such receiver that a sufficient bond be given by the receiver and conditioned upon his compliance with the orders of the court and the protection of all property rights involved. The court shall have the right to provide for disposition of the facilities and system in like manner as any other receivership proceeding in this State.

SECTION 58-5-740. Rights and remedies are cumulative.

The rights and remedies granted or imposed by this article shall be deemed cumulative and not in derogation of any other rights and remedies prescribed by law relative to the organization and control of public utilities.

SECTION 58-5-750. Appeals.

Any party in interest being dissatisfied with an order of the Commission may appeal as provided by statutory law.

ARTICLE 9.

SOUTH CAROLINA GAS SAFETY ACT OF 1970

SECTION 58-5-910. Short title.

This article shall be entitled "The South Carolina Gas Safety Act of 1970."

SECTION 58-5-920. Definitions.

When used in this article:

- (a) The term “commission” means the Public Service Commission of the State of South Carolina.
- (b) The term “commissioner” means one of the members of the Public Service Commission of South Carolina.
- (c) The term “corporation” includes all private or public corporations, business trusts, joint stock companies or associations, domestic or foreign, their lessees, assignees, trustees, receivers or other successors in interest, having any of the powers or privileges of corporations not possessed by individuals or partnerships.
- (d) The term “Federal safety standards” shall mean the minimum standards of gas safety adopted by the United States Department of Transportation pursuant to the Natural Gas Pipeline Safety Act of 1968 (P.L. 90-481, 49 U.S.C. Section 1672), as may be amended from time to time, and any rules and regulations promulgated by any regulatory agency of the United States of America having jurisdiction thereof.
- (e) The term “gas” means natural gas, flammable gas or gas which is toxic or corrosive.
- (f) The term “gas utility” includes persons, corporations and gas authorities, municipalities, public service districts and other political subdivisions of this State and which are not subject to the jurisdiction of the Federal Power Commission as provided for by Section 3(b) of the Natural Gas Pipeline Safety Act of 1968. (P.L. 90-481) (49 U.S.C. Section 1672(b)). Provided, however, that gas authorities, municipalities and public service districts and other political subdivisions of this State shall remain exempt from any economic regulation by the Commission.
- (g) The term “person” includes all individuals, partnerships or associations, cooperatives, lessees, assignees, trustees, receivers or other successors in interest, other than corporations.
- (h) The term “pipeline system” or “pipeline facilities” shall mean new and existing pipe rights-of-way and any equipment, facility or building used in the transportation of gas or the treatment of gas during the course of transportation; but the Commission is not authorized to prescribe the location or routing of any pipeline facility “rights-of-way.”
- (i) The term “public” means the public generally, or any limited portion of the public, including a person or corporation.
- (j) The term “regulatory staff” means the executive director or the executive director and the employees of the Office of Regulatory Staff.
- (k) The term “transportation of gas” when used in this article means gathering, transmission, distribution, and storage of gas.

SECTION 58-5-930. Compliance with orders and regulations relating to federal safety standards

Each gas utility shall obey and comply with each and every requirement of every lawful order, decision, direction, rule, or regulation made or prescribed by the commission and every direction, rule, or regulation made or prescribed by the Office of Regulatory Staff in the performance of its duties under this article in relation to federal safety standards and it shall do everything reasonably necessary or proper in order to secure compliance with and observance of every such order, decision, direction, rule, or regulation by all of its officers, agents, and employees.

SECTION 58-5-940. Assessments against gas utilities for administrative expenses and charges.

All lawful expenses and charges incurred by the commission and the Office of Regulatory Staff in the administration of this chapter and in performance of its duties thereunder shall be defrayed by assessments made by the Comptroller General against the gas utilities regulated thereunder and based upon the gross revenues collected by the gas utilities from their business done wholly within this State in the manner set out in Section 58-3-100 for other corporations; provided, however, the assessments against municipalities, gas authorities, public service districts, or other political subdivisions of the State shall be applicable only to expenses and charges incurred in the administration and enforcement of the provisions of this article relating to gas safety requirements.

The Public Service Commission and the Office of Regulatory Staff shall certify to the Comptroller General annually on or before August first the amounts to be assessed in the format approved by the Comptroller General.

SECTION 58-5-950. Employment of staff; legal representation.

The commission and the Office of Regulatory Staff may employ such technical administrative and clerical staff as may be required to carry out the provisions of this article and to perform the duties and exercise the powers conferred upon it by this article in relation to gas utilities. The Office of Regulatory Staff shall institute and defend all suits or actions arising under this chapter.

SECTION 58-5-960. Compliance with safety standards.

All pipeline facilities used in this State for the transportation of gas must be constructed, operated, and maintained in such a manner as at all times to be in compliance with minimum federal safety standards and with the safety standards adopted by the commission.

SECTION 58-5-970. Adoption and enforcement of federal standards for pipeline facilities and transportation.

The Office of Regulatory Staff is authorized to adopt and enforce the minimum federal safety standards for the transportation of gas and pipeline facilities established by the Secretary of Transportation pursuant to Section 3 (b) of the Natural Gas Pipeline Safety Act of 1968 (P.L. 90-481) [49 U.S.C. Section 1672 (b)], as may be amended from time to time.

SECTION 58-5-980. Additional minimum safety standards.

(a) After reasonable notice and an opportunity for the submission for written data, view, or arguments with or without opportunity for oral presentation by interested gas utilities, the regulatory staff, and the public, the commission may establish additional minimum safety standards for pipeline facilities and the transportation of gas (not subject to the jurisdiction of the Federal Power Commission under the Natural Gas Act) in this State.

(b) Gas safety standards may apply to the design, installation, inspection, testing, construction, extension, replacement and maintenance of the facilities. The safety standards shall be practicable and designed to meet the need for pipeline safety. In prescribing the standards, the Commission shall consider: (1) relevant pipeline safety data; (2) whether the standards are appropriate for the particular type of pipeline transportation and distribution; (3) the reasonableness of any proposed standards; and (4) the extent to which the standards will contribute to the public safety.

SECTION 58-5-990. Application for rehearing; judicial review.

A gas utility which is or will be adversely affected by a rule or order of the commission adopted or established pursuant to this article may file an application for rehearing and may seek judicial review in accordance with provisions of Section 58-5-340. The commission must not be named a party to any action.

SECTION 58-5-1000. Certain gas utilities shall file plans for inspection and maintenance of pipeline facilities; revision of plans.

(a) Each gas utility that engages in the transportation of gas or which owns or operates pipeline facilities not subject to the jurisdiction of the Federal Power Commission under the Natural Gas Act shall file with

the Office of Regulatory Staff a plan for inspection and maintenance of each pipeline facility owned or operated by the gas utility, and any changes in the plan, in accordance with regulations prescribed by the commission.

(b) The commission may by regulation also require any gas utility which engages in the transportation of gas or which owns or operates pipeline facilities subject to the provisions of this article to file its plan for approval with the Office of Regulatory Staff.

(c) If at any time the Commission finds that the plan is inadequate to achieve safe operation it shall, after notice and opportunity for a hearing, require the plan to be revised. The plan required by the Commission shall be practicable and designed to meet the need for pipeline safety. In determining the adequacy of any plan, the Commission shall consider: (1) relevant, available pipeline safety data; (2) whether the plan is appropriate for the particular type of pipeline transportation; (3) the reasonableness of the plan; and (4) the extent to which the plan will contribute to public safety.

SECTION 58-5-1010. Records and reports of gas utilities; inspections and investigations; accident reports.

(a) Each gas utility which engages in the transportation of gas or which owns or operates pipeline facilities shall establish and maintain such records, make such reports, and provide such information as the Office of Regulatory Staff may reasonably require to enable it to determine whether the utility has acted or is acting in compliance with the standards established under this article.

(b) Each utility shall permit an officer, employee, or agent of the Office of Regulatory Staff to inspect books, papers, records, and documents relevant to determining whether the utility has acted or is acting in compliance with the standards established pursuant to this article.

(c) The Office of Regulatory Staff may conduct such other relevant inspection and investigation as may be necessary to aid in the enforcement of the standards established pursuant to this article. For purposes of enforcement of this article, officers, employees, or agents of the Office of Regulatory Staff upon presenting appropriate credentials to the individual in charge are authorized (1) to enter upon, at reasonable times, pipeline facilities, and (2) to inspect, at reasonable times and within reasonable limits and in a reasonable manner the facilities. Each inspection shall be commenced and completed with reasonable promptness.

(d) Accident reports made by any officer, employee, or agent of the Office of Regulatory Staff shall be available for use, but not admissible into evidence, in any civil, criminal, or other judicial proceeding arising out of an accident. Any officer, employee, or agent may be required to testify in such proceedings as to the facts developed in the investigations, but no officer, employee, or agent shall give opinion testimony or otherwise testify as to the ultimate fact in any civil, criminal, or other judicial proceeding out of the accident, except in a proceeding or action between the Office of Regulatory Staff and a gas utility. Any report shall be made available to the public in a manner which need not identify individuals. All reports on research projects, demonstration projects, and other related activities shall be public information.

(e) All information reported to or otherwise obtained by the commission, the Office of Regulatory Staff, or their representatives pursuant to subsection (a), (b), or (c), which information contains or relates to a trade secret, shall be considered confidential, except that such information may be disclosed to other officers or employees concerned with carrying out this article or when relevant in any proceeding under this article. Nothing in this section shall authorize the withholding of information by the commission, the Office of Regulatory Staff, or any officer, employee, or agent under its control from the duly authorized committees of the state legislature.

SECTION 58-5-1020. Duties of certain gas utilities with regard to safety standards, inspection and maintenance plans and records.

Each gas utility which engages in the transportation of gas or which owns or operates pipeline facilities shall:

- (a) At all times after the date any applicable safety standard established under this article takes effect, comply with the requirements of such standard; and
- (b) File and comply with a plan of inspection and maintenance required by Section 58-5-1000; and
- (c) Permit access to or copying of records; and make reports or provide information, and permit entry or inspection as required under Section 58-5-1010.

SECTION 58-5-1030. Civil penalties.

(a) A gas utility which violates a provision of Section 58-5-1020 or a regulation under this article is subject to a civil penalty of not more than ten thousand dollars for each violation for each day that the violation persists, except that the maximum civil penalty may not exceed five hundred thousand dollars for any related series of violations.

(b) A civil penalty may be compromised by the commission. In determining the amount of the penalty, or the amount agreed upon in compromise, the appropriateness of the penalty to the size of the business of the person charged, the gravity of the violation, and the good faith of the person charged in attempting to achieve compliance, after notification of a violation, must be considered. The amount of the penalty when finally determined, or the amount agreed upon in compromise, may be recovered in a civil action in the court of common pleas.

SECTION 58-5-1040. Injunctive relief.

(a) The court of common pleas shall have jurisdiction to restrain violations of this article (including the restraining of transportation of gas or the operation of a pipeline facility) or to enforce standards established hereunder upon petition by the Office of Regulatory Staff. Whenever practicable, the Office of Regulatory Staff shall give notice to any gas utility against which an action for injunctive relief is contemplated and afford it an opportunity to present its views, and, except in the case of a knowing and willful violation, shall afford it reasonable opportunity to achieve compliance. The failure to give notice and afford an opportunity to achieve compliance shall not preclude the granting of appropriate relief.

(b) In any proceeding for criminal contempt for violation of an injunction or restraining order issued under this section, which violation also constitutes a violation of this article, trial shall be by the court or upon demand of the accused, by a jury. The trial shall be conducted in accordance with the practice and procedure applicable in such proceedings established by the court of common pleas.

(c) Actions under subsection (a) of this section and Section 58-5-1030 may be brought in the judicial circuit wherein any act or transaction constituting the violation occurred, or in the circuit wherein the defendant is found or is an inhabitant or transacts business, and process in such cases may be served in any other circuit of which the defendant is an inhabitant or transacts business or wherever the defendant may be found.

(d) In any action brought under subsection (a) of this section and Section 58-5-1030, subpoenas for witnesses who are required to attend a court of common pleas may be served in any county.

SECTION 58-5-1050. Interaction with federal agencies.

(a) As soon as practicable after April 23, 1970, and every year thereafter, the Office of Regulatory Staff shall submit an annual certification to the Secretary of the Department of Transportation as provided for in Section 5(a) of the Natural Gas Pipeline Safety Act of 1968 (P.L. 90-481) [49 U.S.C. Section 1674(a)], as may be amended from time to time.

(b) In the event that a new or amended federal safety standard is adopted, the Office of Regulatory Staff shall submit an appropriate certification to comply with Section 5(d) of the Natural Gas Pipeline Safety Act of 1968 [P.L. 90-481, 49 U.S.C. Section 1674(d)].

(c) The Office of Regulatory Staff is further empowered to make and to provide certifications, reports, and information to the Secretary of the United States Department of Transportation or any other regulatory agency of the United States having jurisdiction over federal safety standards; to enter into agreements with the Secretary to carry out the purposes of this article; to enforce federal safety standards in the State in lieu of enforcement by the Department of Transportation as permitted by the Natural Gas Pipeline Safety Act of 1968, as may be amended from time to time; and to exercise regulatory jurisdiction over the safety of pipeline systems and the transportation of gas as permitted by the Natural Gas Pipeline Safety Act of 1968, as may be amended from time to time.

SECTION 58-5-1060. Article inapplicable to liquefied petroleum gas.

Nothing in this article shall be applicable to the regulation of liquefied petroleum gas (LPG) to the extent that this subject is regulated by Sections 39-43-10 through 39-43-180 and the regulations issued pertinent thereto.

SECTION 58-5-1070. Article inapplicable to anhydrous ammonia.

The provisions of this article shall not be applicable to the regulation of anhydrous ammonia to the extent that this subject is regulated by Sections 39-47-10 to 39-47-70 and the regulations issued thereunder.

ARTICLE 11.

TERMINATION OF NATURAL GAS SERVICE DUE TO NONPAYMENT

SECTION 58-5-1110. Definitions.

For purposes of this article:

- (1) "Licensed health care provider" means a licensed medical doctor, physician's assistant, nurse practitioner, or advanced-practice registered nurse.
- (2) "Special needs account customer" means the account of a residential customer where the customer can furnish to the utility a certificate on a form provided by the utility and signed by a licensed health care provider that states that termination of natural gas service would be dangerous to the health of the customer or a member of his household at the premises to which natural gas service is rendered.

SECTION 58-5-1120. Termination procedures; contents.

(A) Each public utility furnishing natural gas to residential customers must establish written procedures for termination of service due to nonpayment for a special needs account customer at any time and for all residential customers during weather conditions marked by extremely cold or hot temperatures. Each public utility furnishing natural gas to residential customers must submit its procedures to the Office of Regulatory Staff by November 1, 2006. Any subsequent revisions must be submitted semiannually by March first or September first.

(B) The procedures for termination must include the following:

- (1) notification procedures so that the customer is made aware of an impending termination and the time within which he must make arrangements for payment prior to termination;
- (2) arrangements for a payment arrangement plan to enable a residential customer, who has a satisfactory payment history as determined by the public utility, to pay by installments where the customer is unable to pay the full amount due for electric service;
- (3) a procedure to advise customers who are unable to pay the full amount due or who are not approved for a payment arrangement plan that they may contact local social service agencies to determine the availability of public or private assistance with the payment of electric bills;

- (4) a schedule of termination that takes into account the availability of the acceptance of payment and the reconnection of service; and
- (5) the standards for determining weather conditions marked by extremely cold or hot temperatures.

SECTION 58-5-1130. Third-party notification program.

Each public utility furnishing natural gas must consider establishing and maintaining a third-party notification program to allow a residential customer to designate a third party to be notified if the natural gas service is scheduled for termination.

SECTION 58-5-1140. Disconnection when public safety emergency exists.

Notwithstanding another provision of this article, a public utility furnishing natural gas may disconnect a customer when it is determined that a public safety emergency exists.

SECTION 58-5-1150. Promulgation of regulations.

Nothing in the article prohibits the commission from promulgating detailed regulations governing termination of service by a public utility furnishing natural gas so long as the regulations include the termination and third-party notification protections provided by this article.

SECTION 58-5-1160. Private right of action; new duty of care.

This article does not create a new private right of action or a new duty of care. This article does not diminish, increase, affect, or evidence any duty of care existing under the laws of this State prior to the effective date of this article.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

42. Explain why Delta is proposing that the CRS be a 5-year experimental program rather than, for example, a 3-year program?

RESPONSE:

Since the mechanism is experimental, the Commission will render a decision at the end of the experimental period as to the continuance of the mechanism. Five years would allow the mechanism to mature as the filing and review process evolves and the mechanism itself operates under several economic and business cycles; therefore allowing the Commission to make an informed decision on the cost/benefit of allowing the continuance of such a program.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

43. Regarding the response to PSC-2-27(f), please define and explain what is meant by "a risk based evaluation procedure" to review and analyze the proposed CRS mechanism.

RESPONSE:

Please refer to KYPSC DR3-14.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

44. Please expand the response to PSC-2-28 by providing an analysis of the annual change in revenues (increase or decrease) that Delta would have implemented each year since its 1999 rate proceeding (with a rate effective date of Jan. 2000) if it had been operating under the proposed CRS mechanism.

RESPONSE:

The only such analysis prepared by the Company pertains to the years 2004-2006.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

45. Reference response to AG DR 1-300. Please provide the formula by which actual Mcf are converted to weather-normalized Mcf.

RESPONSE:

See Sheet Nos 32 and 33 of Delta's Tariff (P.S.C No. 10) for the formula by which the weather normalization factor is computed. The factor is computed based on billed degree days (provided in response to AG DR-1-300) and applied to base rates to arrive at a weather normalization rate per billing cycle. This weather normalization rate is applied to actual consumption and billed accordingly. We do not compute a "weather-normalized Mcf" in the process.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

46. Reference response to AG DR 1-302. This response indicates that close to 20% of customers drop off and hook up each year. For each year, identify the number of drop offs and hook ups at the same customer location. If exact numbers are not available, please provide your best estimate.

RESPONSE:

See attached

Sponsoring Witness:

John B. Brown

Drop Offs and Hook Ups at Same Customer Location

| Year | Total |
|------|-------|
| 2002 | |
| Term | 2654 |
| Rein | 1411 |
| 2003 | |
| Term | 2968 |
| Rein | 1429 |
| 2004 | |
| Term | 2925 |
| Rein | 1446 |
| 2005 | |
| Term | 3244 |
| Rein | 1686 |
| 2006 | |
| Term | 3441 |
| Rein | 1816 |

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

47. Reference response to AG DR 1-303. Please define "off-system transportation." Then explain how revenues from off system transportation benefit other customers.

RESPONSE:

See tariff sheets 10 and 11 filed in this case as a part of Delta's initial filing, under Tab 7. These tariffs describe this transportation.

Off system transportation provides more utilization of Delta's system, and generates transportation revenues for such additional transportation. This revenue helps to provide a portion of Delta's total revenue requirement, thus reducing the revenue requirement necessary from other customer classes.

Sponsoring Witness:

Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

48. Reference response to AG DR 1-308. Please explain the differences between the numbers used by Mr. Brown and those used by Mr. Jennings.

RESPONSE:

As detailed in the schedule provided with the response to AG DR 1-308, there were two differences in the numbers used by Mr. Brown and Mr. Jennings.

Those differences related to 1) calendar year stats (Jan 1 – Dec 31) vs. fiscal year stats (July 1-June 30) and 2) using retail only stats vs. total throughput stats (including both retail and transportation).

Mr. Brown's data presented the statistics based on 1) the calendar year and 2) for retail only stats.

Mr. Jennings's data presented the statistics based on 1) the fiscal year) and 2) for total throughput stats (including both retail and transportation).

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

49. Reference response to AG DR 1-309. Please identify the significance, if any of the term "Minority Report."

RESPONSE:

Please refer to response to KYPSC DR2-21.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

50. Reference response to AG DR 1-333. The referenced language in Mr. Brown's testimony does not explain why the Company is changing from per-Mcf to per-Ccf volumetric rates. Please provide an explanation.

RESPONSE:

The referenced language explains that "Changing the rates to Ccfs will provide for all aspects of metering, billing and rates to be on the same basis, that being Ccfs." We believe that this consistency is preferable and will eliminate the conversion work that our employees must make who "communicate with customers in Mcfs while our meter reading and billing system utilize Ccfs".

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

51. Reference response to AG DR 340. What is the weighting factor used for CUST
04?

RESPONSE:

The weighting factor is used to cost-weight the number of customers to allocate customer
accounting, customer billing and uncollectible expenses

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

52. Reference response to AG DR 350. Please explain your response.

RESPONSE:

See response to 3-PSC-31.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00089

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
DATED JULY 17, 2007

53. Reference response to AG DR 350. Please state whether the level of interruptible rates is based on the cost to Delta to provide the service or on the cost of alternative fuels. In either case, provide whatever support for these rates that is in the possession of the Company.

RESPONSE:

The response to AG DR 350 relates to the large non-residential rate, not interruptible service. The interruptible service rate is currently higher than the cost of providing the service. In the last several rate cases, Delta has been proposing charges with an objective toward gradually bringing the interruptible service rate more in line with the cost of providing service. The price of alternative fuels has not been a consideration for establishing the interruptible service rate in those proceedings.

Sponsoring Witness:

William Steven Seelye