



Delta Natural Gas Company, Inc.

3617 Lexington Road
Winchester, Kentucky 40391-9797



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

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

August 3, 2007

Beth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

AUG - 6 2007

PUBLIC SERVICE
COMMISSION

RE: Case No. 2007-00154

Dear Beth:

In accordance with the Commission's order in this case dated July 26, 2007, Delta herewith submits its reply comments.

The AG commented that the program should be renewed for a three year period and then considered further at that time. Delta requested that the program be approved. There has already been a trial run of this program. Data has been filed, a conference held and the program performance has been evaluated. No objections to the program have been raised. It has been operated and administered as originally proposed and approved. Periodic re-approvals and reviews are costly and burdensome to all involved. Since the program is operating effectively, no further trial runs are necessary. The program should be treated as all other of Delta's tariffs and not be subject to another trial run and subsequent analysis. Either it has worked and should be continued or it should be denied and discontinued.

The AG reasserted his concern that a reduced monthly charge should be approved. Delta is not like the other larger utilities. A reduced charge to \$.10 results in a program that is not cost effective. Due to Delta's smaller size, this would not generate enough for it to be worthwhile. Delta still believes for the program to be meaningful for its customers and worth the time, effort and cost involved, it should be a charge of at least \$.30 per month as we have suggested before. If the charge is to be reduced to \$.10 per month, Delta suggests the program be denied instead.

Lastly the AG calls for continuing reporting on an annual basis. Reporting is time consuming and costly. The program has been tried, analyzed and evaluated. There is no need to continue to consider it with annual analysis and evaluation. The program has been and, if approved, will be administered by the Company as set out in its tariffs. Like

all of Delta's tariffs, these tariffs are implemented in accordance with their terms. This specific program should not be held to such a higher analysis and reporting standard, especially since there has been no evidence of any problems with the operation and administration of the program of the related tariffs.

This is a very simple program in concept, and in administration. It does not need to be made unduly burdensome and complicated by prolonged analysis and reporting. If so, it could become not worth the effort for any of the parties, neither the Company, the Commission nor the AG. Delta incurs internal costs to offer this program. It is offered to try to provide help to lower income customers. In addition, Delta has been contributing into this program an additional amount of \$30,000 annually. Delta is seeking recovery of this amount in its current rate filing with the Commission. If Delta is not granted recovery of this on-going expense, which is known, fixed and determinable, Delta will need to reconsider the continuation of this program or at least whether to continue such contribution in future years.

Thank you for the opportunity to comment. If any further information is required or if there should be any questions or we can assist in any way, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Howard".

CC: Dennis Howard, Assistant Attorney General