



Delta Natural Gas Company, Inc.

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Winchester, Kentucky 40391-9797

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August 7, 2007



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

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PUBLIC SERVICE
COMMISSION

RE: Case No. 2007-00272

Dear Ms. O'Donnell:

Enclosed herewith are the original and seven copies of Delta's response to the first data request of the Commission Staff dated August 3, 2007 in the above-styled case.

Sincerely,

Connie King

Connie King
Manager – Corporate & Employee Services

copy: Dennis Howard
Assistant Attorney General

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN ORDER) **CASE NO. 2007-00272**
AUTHORIZING THE EXTENSION OF)
THE LINE OF CREDIT)**

CERTIFICATION

The undersigned, John B. Brown, states that he is Chief Financial Officer, Treasurer and Secretary of Delta Natural Gas Company, Inc., a corporation, ("Delta") and certifies that he supervised the preparation of the responses of Delta to the First Data Request of Commission Staff 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 7th day of August, 2007.



John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00272

FIRST DATA REQUEST OF COMMISSION STAFF
DATED AUGUST 3, 2007

1. Describe Delta's current capital structure.

RESPONSE:

See attached for Delta's current capital structure (as of June 30, 2007).

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS CO., INC.
JUNE 30, 2007 CAPITAL STRUCTURE
CASE NO. 2007-0072

ITEM 1

| | <u>As of June 30, 2007</u> | |
|---|----------------------------|-------|
| Equity | | |
| Per Consolidated Balance Sheet | 54,428,471 | |
| Unbilled | (311,522) | |
| Subsidiaries | <u>(548,682)</u> | |
| Regulated Equity, Billed Basis | 53,568,267 | 45.6% |
| Long Term Debt | | |
| 7% Due 2/01/23 | 19,980,000 | |
| 5.75% Due 4/1/21 | <u>39,845,000</u> | |
| Total Long Term Debt | 59,825,000 | 50.9% |
| Short Term Debt | <u>4,189,918</u> | 3.6% |
| Total Regulated Capital Structure, Billed Basis | <u>117,583,185</u> | |

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00272

FIRST DATA REQUEST OF COMMISSION STAFF
DATED AUGUST 3, 2007

2. Describe the effect that the line of credit's extension will have on Delta's capital structure.

RESPONSE:

The extension of the line of credit will have no effect on Delta's capital structure. Delta has utilized a line of credit to fund cash needs for operations and construction for many years. The extension of this line will simply allow Delta to continue doing business in this manner.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00272

FIRST DATA REQUEST OF COMMISSION STAFF
DATED AUGUST 3, 2007

3. Explain how extending the line of credit will affect Delta's efforts to improve its equity percentage.

RESPONSE:

Extending the line of credit will have no impact on Delta's equity percentage. If Delta does not have a line of credit to fund seasonal cash needs, Delta will be unable to meet its cash obligations, thus rendering the Company insolvent and unable to issue any additional equity.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00272

FIRST DATA REQUEST OF COMMISSION STAFF
DATED AUGUST 3, 2007

4. Refer to Delta's Application, Exhibit A. The total cost of Delta's gas utility plant as detailed on this schedule does not agree with the gas utility plant reported on the Balance Sheet, Exhibit E, page 8 of 8. Provide a reconciliation of the gas utility plant on these schedules with a detailed explanation for the differences.

RESPONSE:

The balance sheet includes gross assets of \$426,622 recorded for asset retirement obligations in conjunction with Statement of Financial Accounting Standards No. 143 and Interpretation No. 47. These amounts, while required for financial accounting purposes, are not recognized as assets for regulatory purposes so we excluded them from the Description of Property and Original Cost (Exhibit A). These accounts are similarly excluded from rate base in our general rate case filing.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2007-00272

FIRST DATA REQUEST OF COMMISSION STAFF
DATED AUGUST 3, 2007

5. Refer to Delta's Application, Exhibit 8, page 8 of 8. Explain the debit balance of \$993,827 that is reported for Notes Payable.

RESPONSE:

The debit balance on the "notes payable" line at 4/30/07 shows that the line of credit was actually \$0 and Delta had \$993,827 of cash to invest. Had this occurred at a SEC/PSC reporting quarter end, we would have reclassified the amount out of current liabilities and shown it as a current asset. As the exhibit to Item 1 shows, this reclassification was not necessary as the balance on the line of credit was \$4,189,918 at the quarter ending June 30, 2007.

Sponsoring Witness:

John B. Brown