

Delta Natural Gas Company, Inc.



Matthew D. Wesolosky
Vice President - Controller

3617 Lexington Road
Winchester, Kentucky 40391
Phone: 859-744-6171
Fax: 877-814-3789

mwesolosky@deltagas.com

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LISTED
www.deltagas.com

February 29, 2012

Mr. Jeff Derouen
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

Dear Mr. Derouen:

Attached to this filing is Delta's Annual Pipe Replacement Program rate filing which determines the Pipe Replacement Program Rate to be effective with the first billing cycle of May, 2012, which includes meters read on and after April 23, 2012.

Feel free to contact me if you have any questions. Please send the approved tariff sheets to my attention.

Sincerely,

A handwritten signature in blue ink, appearing to read "Matt Wesolosky".

Matthew D. Wesolosky
Vice President - Controller

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
RESIDENTIAL**

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate (GCR) **</u>	=	<u>Total Rate</u>
Customer Charge *	\$ 20.90000				\$ 20.90000
All Ccf ***	\$ 0.43185		\$ 0.61988		\$ 1.05173 /Ccf

* The customer charge includes \$0.20 collected under Delta's Energy Assistance Program Tariff Rider as set forth on Sheet No. 38 of this tariff.

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

*** Residential rates are also subject to the "Conservation/Efficiency Program Cost Recovery Component (CEPRC)" of .001173/Ccf. The CEPRC is an adjustment determined in accordance with the Conservation/Efficiency Program Cost Recovery as set forth on Sheets 39 – 42 of this tariff.

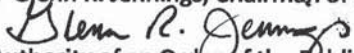
Residential rates are also subject to a Pipe Replacement Program charge of \$.47, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

(1)

DATE OF ISSUE: May 1, 2012

DATE EFFECTIVE: April 23, 2012 (Final Meter Reads)

ISSUED BY: Glenn R. Jennings, Chairman of the Board, President and CEO



Issued by Authority of an Order of the Public Service Commission of KY in Case No. 2011-00516 dated January 20, 2012

**CLASSIFICATION OF SERVICE – RATE SCHEDULES
 SMALL NON-RESIDENTIAL***

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by small non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	Base Rate	+	Gas Cost Recovery Rate (GCR) **	=	Total Rate
Customer Charge	\$ 31.20000				\$ 31.20000
All Ccf ***	\$ 0.43185		\$ 0.61988		\$ 1.05173 /Ccf

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential or Interruptible Service rate schedule.

* Meter no larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

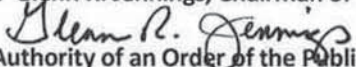
Small Non-Residential rates are also subject to a Pipe Replacement Program charge of \$0.92 as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

(1)

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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
LARGE NON-RESIDENTIAL***

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by large non-residential customers.

CHARACTER OF SERVICE

Firm - within the reasonable limits of the Company's capability to provide such service.

RATES

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate (GCR) **</u>	=	<u>Total Rate</u>
Customer Charge	\$ 131.00000				\$ 131.00000
1 - 2,000 Ccf	\$ 0.43185		\$ 0.61988		\$ 1.05173 /Ccf
2,001 - 10,000 Ccf	\$ 0.26696		\$ 0.61988		\$ 0.88684 /Ccf
10,001 - 50,000 Ccf	\$ 0.18735		\$ 0.61988		\$ 0.80723 /Ccf
50,001 - 100,000 Ccf	\$ 0.14735		\$ 0.61988		\$ 0.76723 /Ccf
Over 100,000 Ccf	\$ 0.12735		\$ 0.61988		\$ 0.74723 /Ccf

TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Large Non-Residential or Interruptible Service rate schedule.

* Meter larger than AL425

** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

Large Non-Residential rates are also subject to a Pipe Replacement Program charge of \$7.16, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
INTERRUPTIBLE SERVICE**

APPLICABILITY

Applicable within all areas served by Delta. See Tariff Sheet No. 17.

AVAILABILITY

Available for use by interruptible customers.

CHARACTER OF SERVICE

Interruptible - within the reasonable limits of the Company's capability to provide such service.

RATES

	Base Rate	+	Gas Cost Recovery Rate (GCR) **	=	Total Rate
Customer Charge	\$ 250.00000				\$ 250.00000
1 - 10,000 Ccf	\$ 0.16000		\$ 0.61988		\$ 0.77988 /Ccf
10,001 - 50,000 Ccf	\$ 0.12000		\$ 0.61988		\$ 0.73988 /Ccf
50,001 - 100,000 Ccf	\$ 0.08000		\$ 0.61988		\$ 0.69988 /Ccf
Over 100,000 Ccf	\$ 0.06000		\$ 0.61988		\$ 0.67988 /Ccf

Special Conditions - All customers having a connected load in excess of 2,500,000 Btu input per hour may be required to enter into an Interruptible Sales Agreement. Determinations of those customers so required shall be based on peak day use as well as annual volume and shall be at the sole discretion of the Company.

Any customer required to enter into an Interruptible Agreement shall be permitted to purchase or transport gas under the Interruptible Rate Schedule as set forth on Sheet No. 5. Gas requirements, minimum charges and other specific information shall be set forth in the Agreement.

Interruptible rates are also subject to a Pipe Replacement Program charge of \$35.76, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

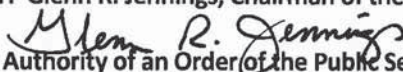
** The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Ccf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 13 and 14 of this tariff.

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**CLASSIFICATION OF SERVICE – RATE SCHEDULES
INTERRUPTIBLE SERVICE**

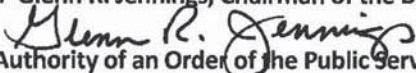
TERMS AND CONDITIONS

For a customer that is utilizing transportation service and has under deliveries of transportation gas to Delta's system, and/or requests to revert to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule, Delta may require a written contract providing for a continuance of service under the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule for a minimum term of twelve months beginning with the date service reverts to the Small Non-Residential, Large Non-Residential or Interruptible Service rate schedule.

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Delta Natural Gas Company, Inc.
 Pipe Replacement Program Filing
 Program Year Ended: December 31, 2011
 Rates Effective: May 1, 2012

	2010	2011	Total
1 Total annual expenditures under the Pipe Replacement Program	\$ 1,612,302	\$ 1,735,887	
2 Less:			
3 Accumulated depreciation	(45,730)	(19,950)	
4 Accumulated deferred income taxes	(564,926)	(651,370)	
5 Net PRP Rate Base, as of December 31, 2011	<u>1,001,646</u>	<u>1,064,567</u>	
6 WACOC, per case no 2010-00116	7.97025%	7.97025%	
7 Allowed Return	<u>79,834</u>	<u>84,849</u>	
8 Tax expansion factor, w PSC (per Case No. 2010-00116)	1.60658	1.60658	
9 Return, grossed up for income taxes	<u>128,260</u>	<u>136,317</u>	
10 Depreciation	30,486	19,950	
12 Current Year PRP Adjustment	\$ 158,746	\$ 156,267	\$ 315,013
13 Balancing Adjustment			
14 Prior Year PRP Adjustment			139,471
15 Less: Collections of Prior Year PRP Adjustment, through February			(111,638)
16 Less: Estimated Collections March 2012 - April 2012			<u>(22,800)</u>
17 Total PRP Adjustment			\$ 320,046

	Calculated Net Revenue @ Approved Rates per Case No. 2010-00116	Class Allocation	Allocated PRP Adjustment	# Customers Per Case No. 2010-00116	Monthly PRP Rate
18 Residential	\$ 14,846,218	54.3%	\$ 173,858	367,914	\$ 0.47
19 Small Non-Residential	3,991,286	14.6%	46,740	50,794	\$ 0.92
18 Large Non-Residential	7,008,122	25.6%	82,069	11,460	\$ 7.16
19 Interruptible	1,484,119	5.4%	17,380	486	\$ 35.76
20	<u>\$ 27,329,745</u>	100.0%	\$ 320,047	430,654	

Calendar Year 2010
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2010 Investment	Book Depr Year 2	Depreciation					
			Beginning	Expense	Ending			
1 Distribution Mains	816,750	3.10%	(12,660)	(25,319)	(37,979)	778,771	0.01%	\$ 82
2 Transmission Mains	23,974	2.33%	(279)	(559)	(838)	23,136	0.02%	5
3 Services	118,268	2.69%	(1,591)	(3,181)	(4,772)	113,496	0.42%	497
4 Gathering Lines	37,514	2.25%	(422)	(844)	(1,266)	36,248	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	615,796	various	B (292)	(583)	(875)	614,921	0.00%	-
	1,612,302		(15,243)	(30,486)	(45,730)	1,566,572		\$ 583

	Qualifying Tax		50%			MACRS YEAR	Tax Depreciation Reserve					Tax Net Book Value			
	Book Investment	Expense Percentage	Tax Expense	Tax Additions	Bonus Depreciation		Depreciable Base	Tax Life	2	Beginning	Expense		Bonus Depr	MACRS Depr	Ending
7 Distribution Mains	816,750	94.5%	(771,829)	44,921	(22,461)	22,461	15	9.50%	(796,423)	-	-	(2,134)	(798,557)	18,193	
8 Transmission Mains	23,974	100.0%	(23,974)	-	-	-	15	9.50%	(23,974)	-	-	-	(23,974)	-	
9 Services	118,268	0.0%	-	118,268	(59,134)	59,134	20	7.22%	(63,403)	-	-	(4,269)	(67,672)	50,596	
10 Gathering Lines	37,514	0.0%	-	37,514	(18,757)	18,757	7	24.49%	(23,351)	-	-	(4,594)	(27,945)	9,569	
11 Storage Lines	-	0.0%	-	-	-	-	15	9.50%	-	-	-	-	-	-	
12 Cost of Removal	615,796	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA	
	1,612,302		(795,803)	200,703	(100,352)	100,352			(907,151)	-	-	(10,997)	(918,148)	78,358	

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	778,771	18,193	(760,579)	37.96%	(288,716)
14 Transmission Mains	23,136	-	(23,136)	37.96%	(8,782)
15 Services	113,496	50,596	(62,900)	37.96%	(23,877)
16 Gathering Lines	36,248	9,569	(26,679)	37.96%	(10,127)
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	614,921	NA	(614,921)	37.96%	(233,424)
	1,566,572	78,358	(1,488,215)		(564,926)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

B 2010 PRP filing included, as depreciation expense, the cost of removal provision on all assets rather than only PRP assets placed during 2010. This worksheet has been corrected for the current year filing.

Calendar Year 2011
PRP Worksheet

	Book Depr		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2011 Investment	Year 1	Beginning	Depreciation Expense	Ending			
1 Distribution Mains	828,951	3.10%	-	(12,849)	(12,849)	816,102	0.01%	\$ (41)
2 Transmission Mains	88,312	2.33%	-	(1,029)	(1,029)	87,283	0.02%	(9)
3 Services	383,075	2.69%	-	(5,152)	(5,152)	377,923	0.42%	(804)
4 Gathering Lines	5,783	2.25%	-	(65)	(65)	5,718	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	429,766	various	-	(855)	(855)	428,911	0.00%	-
	1,735,887		-	(19,950)	(19,950)	1,715,937		\$ (855)

	Qualifying Tax		100%			MACRS YEAR	Tax Depreciation Reserve					Tax Net Book Value		
	Book Investment	Expense Percentage	Tax Expense	Tax Additions	Bonus Depreciation		Depreciable Base	Tax Life	Beginning	Tax Expense	Bonus Depr		MACRS Depr	Ending
7 Distribution Mains	828,951	71.0%	(588,555)	240,396	(240,396)	-	15	5.00%	-	(588,555)	(240,396)	-	(828,951)	-
8 Transmission Mains	88,312	94.0%	(82,981)	5,331	(5,331)	-	15	5.00%	-	(82,981)	(5,331)	-	(88,312)	-
9 Services	383,075	100.0%	(383,075)	-	-	-	20	3.75%	-	(383,075)	-	-	(383,075)	-
10 Gathering Lines	5,783	0.0%	-	5,783	(5,783)	-	7	14.29%	-	-	(5,783)	-	(5,783)	-
11 Storage Lines	-	0.0%	-	-	-	-	15	5.00%	-	-	-	-	-	-
12 Cost of Removal	429,766	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	1,735,887		(1,054,611)	251,510	(251,510)	-			-	(1,054,611)	(251,510)	-	(1,306,121)	-

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	816,102	-	(816,102)	37.96%	(309,792)
14 Transmission Mains	87,283	-	(87,283)	37.96%	(33,133)
15 Services	377,923	-	(377,923)	37.96%	(143,459)
16 Gathering Lines	5,718	-	(5,718)	37.96%	(2,171)
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	428,911	NA	(428,911)	37.96%	(162,815)
	1,715,937	-	(1,715,937)		(651,370)

A Depreciation rate for lines 1-5 exclude cost of removal rate. Provision for cost of removal on PRP assets is reflected on line 6.

B Year 1 for PRP assets assumes a half year of depreciation expense.