

Delta Natural Gas Company, Inc.



Matthew D. Wesolosky
Vice President - Controller

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March 6, 2013

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 29, 2013. During 2012, Delta's Pipe Replacement Program achieved increased progress towards the replacement of bare steel pipe, deteriorating pipe and curb valves, as well as the removal of service lines no longer serving customers.

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

Sincerely,



Matthew D. Wesolosky
Vice President - Controller

Delta Natural Gas Company, Inc.
 Pipe Replacement Program Filing
 Program Year Ended: December 31, 2012
 Rates Effective: April 29, 2013

	2010	2011	2012	Total
1 Total annual expenditures under the PRP (Schedule II)	\$ 1,612,302	\$ 1,735,887	\$ 3,796,271	
2 Less:				
3 Accumulated depreciation	(76,217)	(59,850)	(45,414)	
4 Accumulated deferred income taxes	(556,826)	(636,224)	(1,390,882)	
5 Net PRP Rate Base, as of December 31, 2012	979,259	1,039,813	2,359,975	
6 WACOC, per case no 2010-00116	7.97025%	7.97025%	7.97025%	
7 Allowed Return	78,049	82,876	188,096	
8 Tax expansion factor, w PSC (per Case No. 2010-00116)	1.60658	1.60658	1.60658	
9 Return, grossed up for income taxes	\$ 125,392	\$ 133,147	\$ 302,192	\$ 560,731
10 Cost of Service Items (Schedule III)				171,365
12 Current Year PRP Adjustment				\$ 732,096
13 Balancing Adjustment				
14 Prior Year PRP Adjustment				315,013
15 Less: Collections of Prior Year PRP Adjustment, through February 2012				(199,809)
16 Less: Actual Collections March 2013 and April 2013				(51,150)
17 Total PRP Adjustment				\$ 796,150

	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%	\$ 432,489	367,914	\$ 1.18
19 Small Non-Residential	3,991,286	14.6%	116,271	50,794	\$ 2.29
18 Large Non-Residential	7,008,122	25.6%	204,155	11,460	\$ 17.81
19 Interruptible	1,484,119	5.4%	43,234	486	\$ 88.96
20	\$ 27,329,745	100.0%	\$ 796,149	430,654	

Calendar Year 2010
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2010 Investment	Book Depr Year 3	Depreciation					
			Beginning	Expense	Ending			
1 Distribution Mains	816,750	3.10%	(37,979)	(25,319)	(63,298)	753,452	0.01%	\$ 82
2 Transmission Mains	23,974	2.33%	(838)	(559)	(1,397)	22,577	0.02%	5
3 Services	118,268	2.69%	(4,772)	(3,181)	(7,953)	110,315	0.42%	497
4 Gathering Lines	37,514	2.25%	(1,266)	(844)	(2,110)	35,404	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	615,796	various	(875)	(584)	(1,459)	614,337	0.00%	-
	1,612,302		(45,730)	(30,487)	(76,217)	1,536,085		\$ 584

	Book Investment	Qualifying Tax Expense Percentage	Tax Expense	50% Bonus Depreciation			Depreciable Base	MACRS YEAR 3	Tax Depreciation Reserve					Tax Net Book Value
				Tax Additions	Tax Additions	Tax Additions			Tax Expense	Bonus Depr	MACRS Depr	MACRS Ending		
													Beginning	
7 Distribution Mains	816,750	94.5%	(771,829)	44,921	(22,461)	22,461	15	8.550%	(798,557)	-	-	(1,920)	(800,477)	16,273
8 Transmission Mains	23,974	100.0%	(23,974)	-	-	-	15	8.550%	(23,974)	-	-	-	(23,974)	-
9 Services	118,268	0.0%	-	118,268	(59,134)	59,134	20	6.677%	(67,672)	-	-	(3,948)	(71,620)	46,648
10 Gathering Lines	37,514	0.0%	-	37,514	(18,757)	18,757	7	17.492%	(27,945)	-	-	(3,281)	(31,226)	6,288
11 Storage Lines	-	0.0%	-	-	-	-	15	8.550%	-	-	-	-	-	-
12 Cost of Removal	615,796	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	1,612,302		(795,803)	200,703	(100,352)	100,352			(918,148)	-	-	(9,149)	(927,297)	69,209

	Net Book Value		Cumulative		
	Book	Tax	Timing Difference	Statutory Rate	Deferred Income Taxes
13 Distribution Mains	753,452	16,273	(737,179)	37.96%	(279,833)
14 Transmission Mains	22,577	-	(22,577)	37.96%	(8,570)
15 Services	110,315	46,648	(63,667)	37.96%	(24,168)
16 Gathering Lines	35,404	6,288	(29,116)	37.96%	(11,052)
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	614,337	NA	(614,337)	37.96%	(233,202)
	1,536,085	69,209	(1,466,876)		(556,826)

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.

Calendar Year 2011
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	Book Depr Year		A					
	2011 Investment	2	Beginning	Expense	Ending			
1 Distribution Mains	828,951	3.10%	(12,849)	(25,697)	(38,546)	790,405	0.01%	\$ (83)
2 Transmission Mains	88,312	2.33%	(1,029)	(2,058)	(3,087)	85,225	0.02%	(18)
3 Services	383,075	2.69%	(5,152)	(10,305)	(15,457)	367,618	0.42%	(1,609)
4 Gathering Lines	5,783	2.25%	(65)	(130)	(195)	5,588	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	429,766	various	(855)	(1,710)	(2,565)	427,201	0.00%	-
	1,735,887		(19,950)	(39,900)	(59,850)	1,676,037		\$ (1,710)

	Book Investment	Qualifying Tax Expense Percentage	100% Tax				MACRS YEAR 2	Tax Depreciation Reserve					Tax Net Book Value	
			Tax Expense	Tax Additions	100% Bonus Depreciation	Depreciable Base		Tax Expense	Bonus Depr	MACRS Depr	Ending			
												Beginning		
7 Distribution Mains	828,951	71.0%	(588,555)	240,396	(240,396)	-	15	9.500%	(828,951)	-	-	-	(828,951)	-
8 Transmission Mains	88,312	94.0%	(82,981)	5,331	(5,331)	-	15	9.500%	(88,312)	-	-	-	(88,312)	-
9 Services	383,075	100.0%	(383,075)	-	-	-	20	7.219%	(383,075)	-	-	-	(383,075)	-
10 Gathering Lines	5,783	0.0%	-	5,783	(5,783)	-	7	24.490%	(5,783)	-	-	-	(5,783)	-
11 Storage Lines	-	0.0%	-	-	-	-	15	9.500%	-	-	-	-	-	-
12 Cost of Removal	429,766	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	1,735,887		(1,054,611)	251,510	(251,510)	-			(1,306,121)	-	-	-	(1,306,121)	-

	Net Book Value		Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
	Book	Tax			
	13 Distribution Mains	790,405			
14 Transmission Mains	85,225	-	(85,225)	37.96%	(32,352)
15 Services	367,618	-	(367,618)	37.96%	(139,548)
16 Gathering Lines	5,588	-	(5,588)	37.96%	(2,121)
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	427,201	NA	(427,201)	37.96%	(162,165)
	1,676,037	-	(1,676,037)		(636,224)

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.

Calendar Year 2012
PRP Worksheet

	A		Book Depreciation Reserve			Book Net Book Value	COR Rate	COR Depr
	2012 Investment	Book Depr Year 1	A					
			Beginning	Expense	Ending			
1 Distribution Mains	2,164,531	3.10%	-	(33,550)	(33,550)	2,130,981	0.01%	\$ (108)
2 Transmission Mains	31,604	2.33%	-	(368)	(368)	31,236	0.02%	(3)
3 Services	732,128	2.69%	-	(9,847)	(9,847)	722,281	0.42%	(1,537)
4 Gathering Lines	-	2.25%	-	-	-	-	0.00%	-
5 Storage Lines	-	2.05%	-	-	-	-	0.00%	-
6 Cost of Removal	868,008	various	-	(1,648)	(1,648)	866,360	0.00%	-
	3,796,271		-	(45,414)	(45,414)	3,750,857		\$ (1,648)

	Qualifying Tax		50% Bonus Depreciable				MACRS YEAR 1	Tax Depreciation Reserve					Tax Net Book Value	
	Book Investment	Expense Percentage	Tax Expense	Tax Additions	50% Bonus Depreciation	Depreciable Base		Tax Life	Beginning	Tax Expense	Bonus Depr	MACRS Depr		Ending
8 Transmission Mains	31,604	1.3%	(416)	31,188	(15,594)	15,594	15	5.000%	-	(416)	(15,594)	(780)	(16,790)	14,814
9 Services	732,128	100.0%	(732,128)	-	-	-	20	3.750%	-	(732,128)	-	-	(732,128)	-
10 Gathering Lines	-	0.0%	-	-	-	-	7	14.286%	-	-	-	-	-	-
11 Storage Lines	-	0.0%	-	-	-	-	15	5.000%	-	-	-	-	-	-
12 Cost of Removal	868,008	NA	-	-	-	-	NA	NA	-	-	-	-	-	NA
	3,796,271		(2,745,558)	182,705	(91,353)	91,352			-	(2,745,558)	(91,353)	(4,568)	(2,841,479)	86,784

	Net Book Value		Cumulative Timing Difference	Statutory Rate	Deferred Income Taxes
	Book	Tax			
	13 Distribution Mains	2,130,981			
14 Transmission Mains	31,236	14,814	(16,422)	37.96%	(6,234)
15 Services	722,281	-	(722,281)	37.96%	(274,178)
16 Gathering Lines	-	-	-	37.96%	-
17 Storage Lines	-	-	-	37.96%	-
18 Cost of Removal	866,360	NA	(866,360)	37.96%	(328,870)
	3,750,857	86,784	(3,664,073)		(1,390,882)

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.

DELTA NATURAL GAS
Cost of Removal and Replacement Projects for 2012

<u>PLANT ACCOUNT</u>	<u>PLANT CLASSIFICATION</u>	<u>PIPE SIZE AND TYPE INSTALLED</u>	<u>INSTALLED FOOTAGE</u>	<u>TOTAL</u>
	COST OF REMOVAL	(A)	-	868,008
367	TRANSMISSION MAINS	8" STEEL	0	31,604
			0	31,604
376	DISTRIBUTION MAINS	UNDER 2" PLASTIC	3,579	131,733
376	DISTRIBUTION MAINS	2" PLASTIC	61,491	1,569,030
376	DISTRIBUTION MAINS	4" PLASTIC	6,286	219,458
376	DISTRIBUTION MAINS	6" PLASTIC	4,026	224,420
376	DISTRIBUTION MAINS	4" STEEL	489	10,195
376	DISTRIBUTION MAINS	8" STEEL	127	9,695
			<u>75,998</u>	<u>2,164,531</u>
380	SERVICES	(B)	-	732,128
			Report Total	<u>3,796,271</u>
			Control Total	<u>3,796,271</u>

- (A) Represents cost of removal incurred. No pipe installed.
 (B) Represents replacement of a service line. Delta does not track the footage of each individual service line.

	1	2	3	4	5	6	7	8	
7	14.286%	24.490%	17.492%	12.495%	8.925%	8.925%	8.925%	4.462%	
15	5.000%	9.500%	8.550%	7.695%	6.925%	6.233%	5.905%	5.905%	5.905%
20	3.750%	7.219%	6.677%	6.177%	5.713%	5.285%	4.888%	4.522%	4.462%

**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

	Base Rate	+	Gas Cost Recovery Rate (GCR) **	=	Total Rate
Customer Charge *	\$ 20.90000				\$ 20.90000
All Ccf ***	\$ 0.43185		\$ 0.53931		\$ 0.97116 /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 .01447 /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.

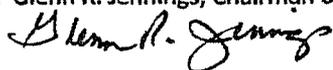
Residential rates are also subject to a Pipe Replacement Program charge of \$1.18, as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

(1)

DATE OF ISSUE: March 1, 2013

DATE EFFECTIVE: April 29, 2013 (Final Meter Reads)

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



**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

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate (GCR) **</u>	=	<u>Total Rate</u>
Customer Charge	\$ 31.20000				\$ 31.20000
All Ccf ***	\$ 0.43185		\$ 0.53931		\$ 0.97116 /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.

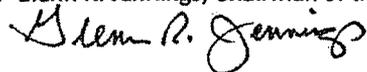
* Meter no larger than AL425

** 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 \$2.29 as determined in accordance with the Pipe Replacement Program Rider as set forth on Sheet 43 of this tariff.

(1)

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



**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

	Base Rate	+	Gas Cost Recovery Rate (GCR) **	=	Total Rate
Customer Charge	\$ 131.00000				\$ 131.00000
1 - 2,000 Ccf	\$ 0.43185		\$ 0.53931		\$ 0.97116 /Ccf
2,001 - 10,000 Ccf	\$ 0.26696		\$ 0.53931		\$ 0.80627 /Ccf
10,001 - 50,000 Ccf	\$ 0.18735		\$ 0.53931		\$ 0.72666 /Ccf
50,001 - 100,000 Ccf	\$ 0.14735		\$ 0.53931		\$ 0.68666 /Ccf
Over 100,000 Ccf	\$ 0.12735		\$ 0.53931		\$ 0.66666 /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.

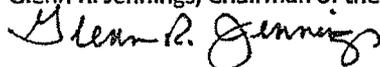
* Meter larger than AL425

** 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 \$17.81, 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
 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

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate (GCR) **</u>	=	<u>Total Rate</u>
Customer Charge	\$ 250.00000				\$ 250.00000
1 - 10,000 Ccf	\$ 0.16000		\$ 0.53931		\$ 0.69931 /Ccf
10,001 - 50,000 Ccf	\$ 0.12000		\$ 0.53931		\$ 0.65931 /Ccf
50,001 - 100,000 Ccf	\$ 0.08000		\$ 0.53931		\$ 0.61931 /Ccf
Over 100,000 Ccf	\$ 0.06000		\$ 0.53931		\$ 0.59931 /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 \$88.96, 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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