



**Delta Natural Gas Company, Inc.**

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February 10, 2004

Mr. Thomas Dorman  
Executive Director  
Kentucky Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

Case 2004-00046

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RE: Case No. ~~2003-00172~~

Dear Mr. Dorman:

This filing is in response to the Commission's Order of August 4, 2003 in the above styled case requiring Delta to file a report with the Commission detailing the effect of any forward contracts that Delta entered into and an analysis of the impact on the price of gas to its customers.

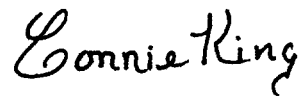
On November 10, 2003, Delta advised the Commission that it had forward priced 139,000 Dth for December 2003 purchases at a price of \$4.70 per Dth. That was the only gas forward priced for the 2003-04 heating season. The 2003-04 heating season ends March 31, 2004, and Delta does not anticipate forward pricing additional gas purchases through that date. Therefore, Delta is filing this correspondence to report the effect of forward pricing the 139,000 Dth reported above. The December TGP *Inside FERC* index price, which would have been the unit price Delta would have paid had it not forward priced these volumes, was \$4.82. Delta realized savings of \$0.12 per Dth on 139,000 Dth for total gas cost savings of \$16,680. Based on the Twelve Months Sales used in Delta's latest GCR filing of 4,260,167 Mcf, the annual impact on Delta's rates to its customers equates to a savings of \$.004 per Mcf.

The Commission's August 4, 2003 Order repeated Delta's stated goal of keeping rates as low as possible while endeavoring to stabilize rates. That continues to be Delta's goal. Delta stated in the July 1, 2003 conference with the PSC staff and the Assistant Attorney General that, at that time, it was using a threshold price of \$5.00 per unit in deciding to forward price gas. That price threshold was based on historical prices, futures prices, and pricing trends at the time. That price may or may not be representative of futures prices and trends when Delta is considering forward pricing gas purchases for the 2004 or other future injection seasons or the 2004-05 or other future heating seasons. Delta hereby requests that its existing natural gas price mitigation plan be extended through March 31, 2006 to enable Delta to forward price both storage injection purchases as well as heating season purchases for system needs as conditions warrant. Delta also requests that there be no references in the future to any particular threshold price due to the constantly changing gas market conditions.

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Delta requests expedited treatment of this request so that forward price purchases can be made soon if market conditions allow. We would prefer to receive Commission action on this proposal by March 31, 2004 if possible.

Sincerely,

A handwritten signature in cursive script that reads "Connie King".

Connie King  
Director – Rates & Treasury