



**Delta Natural Gas Company, Inc.**



3617 Lexington Road  
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171

FAX: 859-744-3623

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PUBLIC SERVICE  
COMMISSION

May 7, 2004

Mr. Bill Feldman  
Public Service Commission  
P O Box 615  
Frankfort, KY 40602

Re: Delta Natural Gas Company, Inc.  
Rate Case 2004 - 00067  
Item 40 - Financial Statement  
Item 50.c. - Rate Case Expenses

Enclosed are Items 40 and 50.c. of the FIRST DATA REQUEST OF  
COMMISSION STAFF TO DELTA NATURAL GAS COMPANY, INC. dated  
March 17, 2004. Please add the enclosed documents to our Rate Case file.

Sincerely,

Marian Carpenter  
Accounting Financial Analyst

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Item 40.

PUBLIC SERVICE  
COMMISSION

**DELTA NATURAL GAS COMPANY, INC.**  
**CASE NO. 2004-00067**  
**Detailed Monthly Income Statement**  
**March 2004**

40. Provide monthly income statements for each month after the test year, including the month in which the hearing ends, as they become available.

**RESPONSE**

See attached for detail.

Sponsoring Witness:

John Hall

**DELTA NATURAL GAS COMPANY, INC.**

**FINANCIAL STATEMENT**

**AS OF**

**MARCH 31, 2004**

**DELTA NATURAL GAS COMPANY, INC.**

BALANCE SHEET

MARCH 31, 2004

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
<b>GAS UTILITY PLANT, AT COST</b>	\$ 166,955,764	\$ 158,197,655
Less - Reserve for Depreciation	<u>53,873,350</u>	<u>50,135,015</u>
	\$ <u>113,082,414</u>	\$ <u>108,062,639</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 281,252	\$ 1,591,333
Receivables	5,527,048	6,394,099
Deferred Gas Cost	3,349,505	5,966,068
Gas in Storage, at Cost	2,546,759	1,806,639
Materials and Supplies, at Cost	507,054	518,668
Prepayments	<u>731,750</u>	<u>620,370</u>
	\$ <u>12,943,368</u>	\$ <u>16,897,177</u>
<b>OTHER ASSETS:</b>		
Cash Surrender Value of Life Insurance	\$ 356,137	\$ 344,687
Unamortized Expenses	4,126,025	4,332,483
Receivable/Investment in Subsidiaries	943,925	872,860
Other	<u>204,030</u>	<u>2,853,813</u>
	\$ <u>5,630,117</u>	\$ <u>8,403,843</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>131,655,899</u></b>	<b>\$ <u>133,363,659</u></b>
<b>LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock	\$ 3,193,877	\$ 2,558,635
Paid-in Surplus	44,079,555	30,916,521
Capital Stock Expense	(2,597,999)	(1,929,205)
Accum Other Comprehensive Income	(2,050,636)	0.00
Retained Earnings	<u>4,435,632</u>	<u>4,953,683</u>
Total Common Equity	\$ 47,060,429	\$ 36,499,634
Long-term Debt	<u>53,133,000</u>	<u>53,408,000</u>
Total Capitalization	\$ <u>100,193,429</u>	\$ <u>89,907,634</u>
<b>CURRENT LIABILITIES:</b>		
Notes Payable	\$ 6,008,349	\$ 16,995,293
Current Portion of Long-Term Debt	1,650,000	1,650,000
Accounts Payable	2,170,260	4,420,810
Accrued Taxes	1,416,243	1,776,778
Refunds Due Customers	109	(1,814)
Customer Deposits	543,797	554,322
Accrued Interest	1,504,457	1,448,864
Other	<u>1,125,863</u>	<u>1,024,737</u>
	\$ <u>14,419,078</u>	\$ <u>27,868,990</u>
<b>DEFERRED CREDITS AND OTHER:</b>		
Deferred Income Taxes	\$ 15,628,366	\$ 14,589,173
Deferred Investment Tax Credit	335,800	384,600
Regulatory Items	459,700	529,900
Advances for Construction and Other	108,591	83,362
Accum Provision for Pensions & Benefit	<u>510,935</u>	<u>0.00</u>
	\$ <u>17,043,392</u>	\$ <u>15,587,035</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>131,655,899</u></b>	<b>\$ <u>133,363,659</u></b>

# DELTA NATURAL GAS COMPANY, INC.

## STATEMENT OF RETAINED EARNINGS AND PAID IN SURPLUS

### RETAINED EARNINGS

			THIS YEAR	LAST YEAR
<b>BALANCE</b>	JULY 1, 2003/2002	\$	<b>3,912,006</b>	\$ <b>3,247,299</b>
<b>ADD</b>				
Net income applicable to common stock			3,339,495	3,959,810
<b>DEDUCT</b>				
Common Dividends			2,815,869	2,253,426
<b>BALANCE</b>	MARCH 31, 2004 / 2003	\$	<b>4,435,632</b>	\$ <b>4,953,683</b>

### PAID-IN SURPLUS

<b>BALANCE</b>	JULY 1, 2003/2002	\$	<b>43,462,433</b>	\$ <b>30,330,330</b>
<b>ADD</b>				
Excess of sales price over par value of common stock			617,122	586,191
<b>DEDUCT</b>				
<b>BALANCE</b>	MARCH 31, 2004 / 2003	\$	<b>44,079,555</b>	\$ <b>30,916,521</b>

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

**MARCH 31, 2004**

	9 MONTHS TO DATE		12 MONTHS ENDED	
	2004	2003	2004	2003
<b>OPERATING REVENUES</b>	\$ 44,629,525	\$ 41,076,729	\$ 54,452,068	\$ 49,328,918
<b>OPERATING EXPENSES &amp; TAXES:</b>				
Gas Purchased	\$ 25,326,331	\$ 21,602,456	\$ 30,319,045	\$ 25,082,647
Operations	7,653,552	7,209,366	10,181,228	9,565,443
Maintenance	442,961	401,237	628,522	575,117
Depreciation	3,195,180	3,135,237	4,222,951	4,143,513
Property & Other Taxes	1,167,956	1,109,349	1,557,320	1,472,385
Income Taxes	1,337,500	1,544,501	1,188,100	1,463,001
Total	\$ 39,123,480	\$ 35,002,146	\$ 48,097,166	\$ 42,302,106
Operating Income	\$ 5,506,045	\$ 6,074,583	\$ 6,354,902	\$ 7,026,812
<b>OTHER INCOME/(EXPENSES),NET</b>	1,170,861	1,411,182	1,310,602	1,651,330
Gross Income	\$ 6,676,906	\$ 7,485,765	\$ 7,665,504	\$ 8,678,142
<b>OTHER DEDUCTIONS:</b>				
Interest on Debt	\$ 3,159,669	\$ 3,390,492	\$ 4,198,939	\$ 4,464,518
Amortization	177,742	135,463	236,272	175,753
Other	-	-	-	-
Total	\$ 3,337,411	\$ 3,525,955	\$ 4,435,211	\$ 4,640,271
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	\$ 3,339,495	\$ 3,959,810	\$ 3,230,293	\$ 4,037,871
<b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>	\$ 1.05	\$ 1.56	\$ 1.05	\$ 1.59
<b>CUSTOMERS AT END OF PERIOD</b>			40,348	40,564

**DELTA NATURAL GAS COMPANY, INC.**

**CASE NO. 2004-00067**

**Rate Case Expenses**

**March 2004**

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Item 50.c.

50.c. During the course of this proceeding, provide monthly updates of the actual costs incurred, in the manner requested in (a) above. Updates will be due the last business day of each month, through the month of the public hearing.

**RESPONSE**

See attached for detail.

Sponsoring Witness:

John Hall

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2004-00067

Rate Case Expenses  
for period ended 12/31/03  
(Expenses thru 4/30/04)

Item 51.c.

Line No.	AC#	Date	Check #	Vendor #	Vendor Name	Total Amount Description	Hours	Rate/Hr	AMT
1	1.186.11	2003-12-31	218676	3640	PRIME GROUP LLC	CONSULTING - SEELYE	6.00	200	1,200
2	1.186.11	2003-01-31	219529	3640	PRIME GROUP LLC	CONSULTING - SEELYE	2.00	200	400
3						CONSULTING - FELTNER	1.00	150	150
4						CONSULTING - BLAKE	4.00	200	800
5	1.186.11	2004-02-29	220130	3640	PRIME GROUP LLC	CONSULTING - SEELYE	22.00	200	4,400
6						CONSULTING - FELTNER	23.50	150	3,525
7						CONSULTING - GARCIA	41.50	150	6,225
8						CONSULTING - BLAKE	27.00	200	5,400
9						DEPRECIATION STUDY			20,000
10	1.186.11	2004-03-31	220948	3640	PRIME GROUP LLC	CONSULTING-SEELYE ; DEVELOPING TESTIMONY AND EXHIBITS	33.50	200	6,700
11						CONSULTING-FELTNER; COST OF SERVICE/RATE DESIGN	44.25	150	6,638
12						CONSULTING-BLAKE; COST OF CAPITAL TESTIMONY SUPPORT	11.50	200	2,300
13						CONSULTING -GARCIA; REVENUES	55.00	150	8,250
14	1.186.11	2005-05-31	AP in process	3640	PRIME GROUP LLC	PROVIDE SUPPORT FOR RATE CASE	15.00	150	2,250
15						PROVIDE SUPPORT FOR RATE CASE	1.00	150	150



DELTA NATURAL GAS COMPANY, INC.  
CASE NO. 2004-00067  
Rate Case Expenses  
for period ended 12/31/03  
(Expenses thru 4/30/04)

Item 51.c.

Line No.	AC#	Date	Check #	Vendor #	Vendor Name	Total Amount Description	Hours	Rate/Hr	AMT
16									
17					<b>TOTAL CONSULTANTS</b>	<b>\$68,387.50</b>			
18									
19	1.186.11	2004-04-27	221143	2334	STOLL, KEENON & PARK	ATTORNEY FEES-R WATT; EXAMINE, REVISE TESTIMONY, INFO ON FILING REQUIREMENTS;	25.10	275	6,903
20						MMS - REQUEST LETTER TO SEC OF STATE REQUESTING CERTIFICATE OF EXISTENCE, ARRANGE PICKUP CERTIFICATE	0.30	90	27
21						PROFESSIONAL COURTESY DISCOUNT	N/A	N/A	(692.95)
22	1.186.11	2004-03-22	220403	2334	STOLL, KEENON & PARK	JOURNAL ENTRY - CORRECT DISTRIBUTION 3/04; R WATT- REVIEW FILE; DRAFT APPLICATIONS, WORK ON FILING REQUIREMENTS PHONE EXP/TRAVEL CREDIT PROFESSIONAL COURTESY DISCOUNT	7.60	275	2,090
23									
24									
25					<b>TOTAL LEGAL</b>	<b>\$8,133.16</b>			
26	1.186.11	2004-04-27	AP 5/10/04	3758	KPS - KENTUCKY PRESS SERVICE	25 NEWSPAPERS IN DELTA'S SERVICE AREAS; ADS RUN ON 3/31/04, 4/7/04 AND 4/14/04	N/A	N/A	(209.00)
27									
28					<b>TOTAL NEWSPAPER ADS</b>	<b>\$28,892.19</b>			

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2004-00067  
 Rate Case Expenses  
 for period ended 12/31/03  
 (Expenses thru 4/30/04)

Item 51 c.

Line No.	AC#	Date	Check #	Vendor #	Vendor Name	Total Amount Description	Hours	Rate/Hr	AMT
29									
30	1.186.11	2004-02-27	220111		VIKING OFFICE PRODUCTS	\$89.00	N/A	N/A	
31	1.186.11	2004-03-24	220546	4314	BB&T BANKCARD CORPORTION	\$1,740.86	N/A	N/A	
32		2004-04-27	221237	4314	BB&T BANKCARD CORPORTION (VIKING OFFICE PRODUCTS)	\$488.27	N/A	N/A	
33									
34									
35					TOTAL SUPPLIES - OTHER	\$2,318.13			
36									
37									
38					TOTAL RATE CASE #2004-00067 EXPENSE @ 2004-05-07	\$107,730.98			