



Delta Natural Gas Company, Inc.

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April 21, 2008



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PUBLIC SERVICE
COMMISSION

Stephanie Stumbo
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

RE: Case No. 2008-⁰⁰⁰⁶²00612

Dear Ms. Stumbo:

Enclosed herewith are the original and three copies of Delta's response to the first data request of the Commission Staff dated April 8, 2008 in the above-styled case.

Sincerely,

John B. Brown
Chief Financial Officer, Treasurer
And Secretary

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR APPROVAL OF A)
CUSTOMER CONSERVATION/EFFICIENCY) CASE NO. 2008-00062
PROGRAM AND DEMAND SIDE MANAGEMENT)
COST RECOVERY MECHANISM)

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 21st day of April, 2008.



John B. Brown

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

1. Has Delta performed "California Tests" (ratepayer participant test, utility cost test, ratepayer impact measure test, and total resource cost test) to determine the cost effectiveness of this program?

a. If yes, provide the test results and copies of all available workpapers.

b. If the answer is no, perform these test and provide the results. Include all workpapers, calculations, and assumptions used by Delta to perform the "California Tests".

RESPONSE:

The "California Tests" were performed, and the results were expressed on a net present value basis. The following summarizes the benefit-cost ratios for the respective tests:

| Test | Benefit-Cost Ratio | Exhibit |
|--------------------------|--------------------|---------|
| Participant | 3.33 | 1 |
| Ratepayer Impact Measure | 1.57 | 2 |
| Total Resource Cost | 1.07 | 3 |
| Program Administrator | 1.06 | 4 |

Since the benefit-cost ratio is greater than one, the CEP program, as designed, benefits the participant, ratepayer and program administrator, as well is a less expensive resource cost

See attached exhibits.

Sponsoring Witness:

Matthew D. Wesolosky

**Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Participant Test**

$$NPV_P = B_P - C_P$$

| | |
|-----------------------|---------|
| B _P = \$ | 557,021 |
| C _P = | 167,506 |
| NPV _P = \$ | 389,515 |

Benefit-Cost Ratio 3.33

Conclusion:

Since the net present value is greater than zero, the program will benefit the participants

Where:

- NPV_P = Net present value to all participants
- B_P = NPV of benefit to all participants
- C_P = NPV of cost to all participants

$$B_P = \sum_{t=1}^n \frac{BR_t + TC_t + INC_t}{(1+d)^{t-1}}$$

$$C_P = \sum_{t=1}^n \frac{PC_t + BI_t}{(1+d)^{t-1}}$$

- BR_t = Bill reductions in year t
- BI_t = Bill increases in year t
- TC_t = Tax credits in year t
- INC_t = Incentives paid to the participant by the Utility
- PC_t = Participant costs in year t, which include incremental capital costs

The following calculations are based on the budgeted participation levels for year one of the program.

See response 2d to the second PSC data request for the illustrative example of the rate mechanism which details the recoveries for year one of the program. This example includes the projected program expenditures and the calculations of commodity conservation.

Program budget and conservation estimates per appliance are included in the Program Document, submitted as Exhibit MDW-1 to the Wesolosky testimony.

Delta Natural Gas Company, Inc.
Conservation/Efficiency Program
Participant Test

$$B_p = \sum_{t=1}^N \frac{BR_t + TC_t + INC_t}{(1+d)^{t-1}}$$

| t | BR _t | TC _t | INC _t | B _p |
|----|-----------------|-----------------|------------------|----------------|
| 1 | 63,290 | 64,500 | 120,400 | 248,190 |
| 2 | 62,202 | - | - | 62,202 |
| 3 | 60,792 | - | - | 60,792 |
| 4 | 59,664 | - | - | 59,664 |
| 5 | 58,858 | - | - | 58,858 |
| 6 | 58,496 | - | - | 58,496 |
| 7 | 58,818 | - | - | 58,818 |
| 8 | 58,455 | - | - | 58,455 |
| 9 | 57,488 | - | - | 57,488 |
| 10 | 57,327 | - | - | 57,327 |
| | 595,390 | 64,500 | 120,400 | 780,290 |

8.867% Discount Rate

\$557,021 NPV

- BR_t = Bill reductions in year t
- TC_t = Tax credits in year t
- INC_t = Incentives paid to the participant by the Utility

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Participant Test

BR_t = Bill reductions in year t

| t | (1) Ccf Conserved | (2) Projected Gas Cost* | (3) Proposed Demand Charge | (4) (2) + (3) Combined Rate | (1) x (4) BR _t |
|----|-------------------------|-------------------------------|----------------------------------|--------------------------------------|------------------------------|
| 1 | 40,289 | \$ 1.155 | \$ 0.4159 | \$ 1.57 | \$ 63,290 |
| 2 | 40,289 | \$ 1.128 | 0.4159 | 1.54 | 62,202 |
| 3 | 40,289 | \$ 1.093 | 0.4159 | 1.51 | 60,792 |
| 4 | 40,289 | \$ 1.065 | 0.4159 | 1.48 | 59,664 |
| 5 | 40,289 | \$ 1.045 | 0.4159 | 1.46 | 58,858 |
| 6 | 40,289 | \$ 1.036 | 0.4159 | 1.45 | 58,496 |
| 7 | 40,289 | \$ 1.044 | 0.4159 | 1.46 | 58,818 |
| 8 | 40,289 | \$ 1.035 | 0.4159 | 1.45 | 58,455 |
| 9 | 40,289 | \$ 1.011 | 0.4159 | 1.43 | 57,488 |
| 10 | 40,289 | \$ 1.007 | 0.4159 | 1.42 | 57,327 |
| | | | | | \$ 595,390 |

- (1) Total projected Ccf savings, based on budgeted participation levels in year one of the program. See KYPSC DR2-2d for calculation.
- (2) Based on Department of Energy "Annual Energy Outlook", converted to per ccf residential cost; where t = 1 = 2008
- (3) Volumetric charge proposed for residential customers in Case 2007-00089

Delta Natural Gas Company, Inc.
Conservation/Efficiency Program
Participant Test

TC_t = Tax credits in year t

| | (1) Program Participants | (2) Residential Energy Credits | (1) x (2) TC _t |
|--|--------------------------------|--------------------------------------|------------------------------|
| <u>A. High Efficiency Heating Savings</u> | | | |
| 1. High Efficiency Forced Air Furnaces | 160 | 300 | \$ 48,000 |
| 2. High Efficiency Dual Fuel Units | 20 | 300 | 6,000 |
| 3. High Efficiency Gas Space Heating | 20 | - | - |
| 4. High Efficiency Gas Logs/Fireplaces | 340 | - | - |
| <u>B. High Efficiency Water Heating Savings</u> | | | |
| 1. High Efficiency Holding Tank Models | 63 | 150 | 9,450 |
| 2. High Efficiency Power Vent Models | 6 | 150 | 900 |
| 3. High Efficiency On-Demand Models | 1 | 150 | 150 |
| Total | 610 | | \$ 64,500 |

Note. participants are eligible for tax credits in the year they incur expenditures for high-efficiency appliances, since this is an analysis of participation in a single year. the tax credit is applicable only where t = 1

- (1) Based on budgeted participation levels in year one of the CEP.
- (2) Amount of tax credit per IRS Form 5695 for the 2006 tax year

Delta Natural Gas Company, Inc.
Conservation/Efficiency Program
Participant Test

INC_t = Incentives paid to the participant by the Utility, for t = 1

| | (1) Program Participants | (2) Rebate Amount | (1) x (2) INC _t |
|--|--------------------------------|-------------------------|-------------------------------|
| <u>A. High Efficiency Heating Savings</u> | | | |
| 1. High Efficiency Forced Air Furnaces | 160 | \$ 400 | \$ 64,000 |
| 2. High Efficiency Dual Fuel Units | 20 | 300 | 6,000 |
| 3. High Efficiency Gas Space Heating | 20 | 100 | 2,000 |
| 4. High Efficiency Gas Logs/Fireplaces | 340 | 100 | 34,000 |
| <u>B. High Efficiency Water Heating Savings</u> | | | |
| 1. High Efficiency Holding Tank Models | 63 | 200 | 12,600 |
| 2. High Efficiency Power Vent Models | 6 | 250 | 1,500 |
| 3. High Efficiency On-Demand Models | 1 | 300 | 300 |
| Total | 610 | | \$ 120,400 |

- (1) Based on budgeted participation levels in year one of the CEP.
- (2) Amount of rebate per CEP, per unit

Note: rebates are given to participant in the year they elect to participate, since this is an analysis of participation in a single year, the rebate is applicable only where t = 1

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Participant Test

$$C_p = \sum_{t=1}^N \frac{PC_t + BI_t}{(1+d)^{t-1}}$$

| t | (1) BI _t | (2) PC _t | (1) + (2) C _p |
|----|------------------------|------------------------|-----------------------------|
| 1 | 4,188 | 177,060 | 181,248 |
| 2 | 342 | - | 342 |
| 3 | 342 | - | 342 |
| 4 | 342 | - | 342 |
| 5 | 342 | - | 342 |
| 6 | - | - | - |
| 7 | - | - | - |
| 8 | - | - | - |
| 9 | - | - | - |
| 10 | - | - | - |
| | 5,555 | 177,060 | 182,615 |

8.867% Discount Rate

\$167,506 NPV

- BI_t = Bill increases in year t
- PC_t = Participant costs in year t, which include incremental capital costs

Delta Natural Gas Company, Inc.
Conservation/Efficiency Program
Participant Test

$$BI_t = PF \times CEPRC$$

| t | (1) CEPCR | (2) CEPLS | (3) CEPI | (4) (1) + (2) + (3) CEPRC | (5) PF | (4) x (5) BI _t |
|----|--------------|--------------|-------------|---------------------------------|-----------|------------------------------|
| 1 | 167,120 | 16,756 | 21,416 | 205,292 | 0.0204 | 4,188 |
| 2 | | 16,756 | | 16,756 | 0.0204 | 342 |
| 3 | | 16,756 | | 16,756 | 0.0204 | 342 |
| 4 | | 16,756 | | 16,756 | 0.0204 | 342 |
| 5 | | 16,756 | | 16,756 | 0.0204 | 342 |
| 6 | | | | - | 0.0204 | - |
| 7 | | | | - | 0.0204 | - |
| 8 | | | | - | 0.0204 | - |
| 9 | | | | - | 0.0204 | - |
| 10 | | | | - | 0.0204 | - |
| | 167,120 | 83,780 | 21,416 | 272,316 | | 5,555 |

(1) - (3) Represents the individual components which comprise the CEP cost recovery. Amounts for year one are based on the year one program budget and expected participation.

For further explanation on the calculations behind (1) - (3) see the proposed tariff included with the filing requirements for Case 2007-00089

- (1) CEPCR represents the program cost recovery of expenses for the given year. As noted this analysis is for a single year of participation, therefore the CEPCR is recovered where t=1.
- (2) CEPLS represents the lost sales attributable to participation in the CEP. Lost sales for a given year are recovered annually through the CEP mechanism until the next general rate case when rates can be reset. Since this analysis is for a single year of participation the lost sales remain constant until the next general rate case. For the purpose of this analysis the next general rate case anticipated in five years based on the requirements of the proposed CRS tariff.
- (3) CEPI represents the incentive earned by the company based on the conservation in the given year. As noted this analysis is for a single year of participation, therefore the CEPI is recovered where t=1.
- (5) BI_t represents the impact of increased rates on the program participants. Since the CEPRC is recovered from all residential customers, a factor was applied to determine the amount of impact to the CEP participants. This is a ratio of participants to the number of residential customers as of 12/31/06

| | | |
|-----|--------|---|
| A | 656 | Budgeted CEP participants (year 1) |
| B | 32,115 | total residential customers, per Seelye Exhibit 4 |
| A/B | 0.0204 | Participant Factor (PF) |

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Participant Test

PC_t = Participant costs for $t = 1$

| | (1) Program Participants | (2) Incremental Cost | (1) x (2) PC_t |
|--|--------------------------------|----------------------------|---------------------|
| <u>A. High Efficiency Heating Savings</u> | | | |
| 1. High Efficiency Forced Air Furnaces | 160 | \$ 613 | \$ 98,080 |
| 2. High Efficiency Dual Fuel Units | 20 | 613 | 12,260 |
| 3. High Efficiency Gas Space Heating | 20 | 143 | 2,860 |
| 4. High Efficiency Gas Logs/Fireplaces | 340 | 143 | 48,620 |
| <u>B. High Efficiency Water Heating Savings</u> | | | |
| 1. High Efficiency Holding Tank Models | 63 | 187 | 11,781 |
| 2. High Efficiency Power Vent Models | 6 | 455 | 2,730 |
| 3. High Efficiency On-Demand Models | 1 | 729 | 729 |
| Total | 610 | \$ | 177,060 |

IC = Incremental Costs for purchasing high-efficiency unit

(1) Based on budgeted participation levels in year one of the CEP.

(2) Incremental costs, per KYPSC DR2-23b

**Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Ratepayer Impact Measure (RIM) Test**

$$NPV_{RIM} = B_{RIM} - C_{RIM}$$

| | |
|------------------|---------|
| $B_{RIM} = \$$ | 517,594 |
| $C_{RIM} =$ | 329,503 |
| $NPV_{RIM} = \$$ | 188,091 |

Benefit-Cost Ratio 1.57

Conclusion:

Since the net present value is greater than zero, the program will benefit rates and bills

Where:

- NPV_{RIM} = Net present value levels
- B_{RIM} = Benefits to rate levels or customer bills
- C_{RIM} = Costs to rate levels or customer bills

$$B_{RIM} = \sum_{t=1}^N \frac{UAC_t + RG_t}{(1+d)^{t-1}}$$

$$C_{RIM} = \sum_{t=1}^N \frac{UIC_t + RL_t + PRC_t + INC_t}{(1+d)^{t-1}}$$

- UAC_t = Utility avoided supply costs in year t
- UIC_t = Utility increased supply costs in year t
- RG_t = Revenue gain from increased sales in year t
- RL_t = Revenue loss from reduced sales in year t
- PRC_t = Program administrator costs in year t
- INC_t = Incentives paid to the participant by the sponsoring utility in year t

The following calculations are based on the budgeted participation levels for year one of the program.

See response 2d to the second PSC data request for the illustrative example of the rate mechanism which details the recoveries for year one of the program. This example includes the projected program expenditures and the calculations of commodity conservation.

Program budget and conservation estimates per appliance are included in the Program Document, submitted as Exhibit MDW-1 to the Wesolosky testimony.

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Ratepayer Impact Measure (RIM) Test

$$B_{RIM} = \sum_{t=1}^N \frac{UAC_t + RG_t}{(1+d)^{t-1}}$$

| t | UAC _t | RG _t | B _{RIM} |
|----|------------------|-----------------|------------------|
| 1 | 46,534 | 205,292 | 251,826 |
| 2 | 45,446 | 16,756 | 62,202 |
| 3 | 44,036 | 16,756 | 60,792 |
| 4 | 42,908 | 16,756 | 59,664 |
| 5 | 42,102 | 16,756 | 58,858 |
| 6 | 41,739 | - | 41,739 |
| 7 | 42,062 | - | 42,062 |
| 8 | 41,699 | - | 41,699 |
| 9 | 40,732 | - | 40,732 |
| 10 | 40,571 | - | 40,571 |
| | 427,829 | 272,316 | 700,145 |

8.867% Discount Rate

\$517,594 NPV

- UAC_t = Utility avoided supply costs in year t
- RG_t = Revenue gain from increased sales in year t

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Ratepayer Impact Measure (RIM) Test

UAC_t = Utility avoided supply costs in year t

| t | (1) Ccf Conserved | (2) Projected Gas Cost* | (1) x (2) UAC _t |
|----|-------------------------|-------------------------------|-------------------------------|
| 1 | 40,289 | \$ 1.155 | \$ 46,534 |
| 2 | 40,289 | \$ 1.128 | \$ 45,446 |
| 3 | 40,289 | \$ 1.093 | \$ 44,036 |
| 4 | 40,289 | \$ 1.065 | \$ 42,908 |
| 5 | 40,289 | \$ 1.045 | \$ 42,102 |
| 6 | 40,289 | \$ 1.036 | \$ 41,739 |
| 7 | 40,289 | \$ 1.044 | \$ 42,062 |
| 8 | 40,289 | \$ 1.035 | \$ 41,699 |
| 9 | 40,289 | \$ 1.011 | \$ 40,732 |
| 10 | 40,289 | \$ 1.007 | \$ 40,571 |
| | | | \$ 427,829 |

- (1) Total projected Ccf savings, based on budgeted participation levels in year one of the program. These amounts continue to be saved year after year.
- (2) Based on Department of Energy "Annual Energy Outlook", converted to per ccf residential cost; where t = 1 = 2008
- (3) Volumetric charge proposed for residential customers in Case 2007-00089

Note: the above analysis is based on the CCF conserved from a single year of participation in the CEP

Delta Natural Gas Company, Inc.
Conservation/Efficiency Program
Ratepayer Impact Measure (RIM) Test

RG_t = Revenue gain from increased sales in year t

| t | (1) CEPCR | (2) CEPLS | (3) CEPI | RG_t |
|----|--------------|--------------|-------------|---------|
| 1 | 167,120 | 16,756 | 21,416 | 205,292 |
| 2 | | 16,756 | | 16,756 |
| 3 | | 16,756 | | 16,756 |
| 4 | | 16,756 | | 16,756 |
| 5 | | 16,756 | | 16,756 |
| 6 | | | | - |
| 7 | | | | - |
| 8 | | | | - |
| 9 | | | | - |
| 10 | | | | - |
| | 167,120 | 83,780 | 21,416 | 272,316 |

(1) - (3) Represents the individual components which comprise the CEP cost recovery. Amounts for year one are based on the year one program budget and expected participation.

For further explanation on the calculations behind (1) - (3) see the proposed tariff included with the filing requirements for Case 2007-00089

- (1) CEPCR represents the program cost recovery of expenses for the given year. As noted this analysis is for a single year of participation, therefore the CEPCR is recovered where $t=1$.
- (2) CEPLS represents the lost sales attributable to participation in the CEP. Lost sales for a given year are recovered annually through the CEP mechanism until the next general rate case when rates can be reset. Since this analysis is for a single year of participation the lost sales remain constant until the next general rate case. For the purpose of this analysis the next general rate case anticipated in five years based on the requirements of the proposed CRS tariff.
- (3) CEPI represents the incentive earned by the company based on the conservation in the given year. As noted this analysis is for a single year of participation, therefore the CEPI is recovered where $t=1$.

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Ratepayer Impact Measure (RIM) Test

$$C_{RIM} = \sum_{t=1}^N \frac{UIC_t + RL_t + PRC_t + INC_t}{(1+d)^{t-1}}$$

| t | (1) UIC _t | (2) RL _t | (3) PRC _t | (4) INC _t | (1) + (2) C _{RIM} |
|----|-------------------------|------------------------|-------------------------|-------------------------|-------------------------------|
| 1 | - | 16,756 | 167,120 | 120,400 | 304,276 |
| 2 | - | 16,756 | - | - | 16,756 |
| 3 | - | 16,756 | - | - | 16,756 |
| 4 | - | 16,756 | - | - | 16,756 |
| 5 | - | 16,756 | - | - | 16,756 |
| 6 | - | - | - | - | - |
| 7 | - | - | - | - | - |
| 8 | - | - | - | - | - |
| 9 | - | - | - | - | - |
| 10 | - | - | - | - | - |
| | - | 83,780 | 167,120 | 120,400 | 371,300 |

8.867% Discount Rate

\$329,503 NPV

- UIC_t = Utility increased supply costs in year t
- RL_t = Revenue loss from reduced sales in year t
- PRC_t = Program administrator costs in year t
- INC_t = Incentives paid to the participant by the sponsoring utility in year t

- (1) No known increased supply costs
- (2) see RG; column (2)
- (3) see RG; column (3)
- (4) Scheduled per calculation performed for Participant Test

**Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Total Resource Cost (TRC) Test**

$$NPV_{TRC} = B_{TRC} - C_{TRC}$$

| | | |
|---------------|----|---------|
| $B_{TRC} =$ | \$ | 338,260 |
| $C_{TRC} =$ | | 316,147 |
| $NPV_{TRC} =$ | \$ | 22,113 |

Benefit-Cost Ratio 1.07

Conclusion:

Since the net present value is greater than zero, the program is a less expensive resource than the supply option upon which the marginal costs are based.

Where:

- NPV_{TRC} = Net present value of total cost of the resource
- B_{TRC} = NPV of benefits of the program
- C_{TRC} = NPV of costs of the programs

$$B_{TRC} = \sum_{t=1}^N \frac{UAC_t + TC_t}{(1+d)^{t-1}}$$

$$C_{TRC} = \sum_{t=1}^N \frac{PRC_t + PCN_t + UIC_t}{(1+d)^{t-1}}$$

- UAC_t = Utility avoided supply costs in year t
- TC_t = Tax credits in year t
- UIC_t = Utility increased supply costs in year t
- PRC_t = Program administrator costs in year t
- PCN_t = Net participant costs

The following calculations are based on the budgeted participation levels for year one of the program

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Total Resource Cost (TRC) Test

$$C_{TRC} = \sum_{t=1}^N \frac{PRC_t + PCN_t + UIC_t}{(1+d)^{t-1}}$$

| t | (1) PRC _t | (2) PCN _t | (3) UIC _t | C _{TRC} |
|----|-------------------------|-------------------------|-------------------------|------------------|
| 1 | 167,120 | 177,060 | - | 344,180 |
| 2 | - | - | - | - |
| 3 | - | - | - | - |
| 4 | - | - | - | - |
| 5 | - | - | - | - |
| 6 | - | - | - | - |
| 7 | - | - | - | - |
| 8 | - | - | - | - |
| 9 | - | - | - | - |
| 10 | - | - | - | - |
| | 167,120 | 177,060 | - | 344,180 |

8.867% Discount Rate

\$316,147 NPV

- PRC_t = Program administrator costs in year t
- PCN_t = Net participant costs
- UIC_t = Utility increased supply costs in year t

- (1) Scheduled per calculation performed for RIM Test
- (2) Represents net participant costs which is the incremental cost to the participant of purchasing a high-efficiency appliance versus one with standard efficiency. Amount scheduled from PC_t from the Participant Test.
- (3) No known increased supply costs as a result of operating the CEP

**Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Program Administrator Cost Test**

$$NPV_{pa} = B_{pa} - C_{pa}$$

| | |
|-----------------|---------|
| $B_{pa} = \$$ | 279,013 |
| $C_{pa} =$ | 264,102 |
| $NPV_{pa} = \$$ | 14,911 |

Benefit-Cost Ratio 1.06

Conclusion:

Since the net present value is greater than zero, the program would decrease costs to the utility

Where:

- NPV_{pa} = Net present value of total cost of the resource
- B_{pa} = NPV of benefits of the program
- C_{pa} = NPV of costs of the programs

$$B_{pa} = \sum_{t=1}^n \frac{UAC_t}{(1+d)^{t-1}}$$

$$C_{pa} = \sum_{t=1}^n \frac{PRC_t + INC_t + UIC_t}{(1+d)^{t-1}}$$

- UAC_t = Utility avoided supply costs in year t
- PRC_t = Program Administrator Costs in year t
- INC_t = Incentives paid to the participant by the Utility
- UIC_t = Utility increased supply costs in year t

The following calculations are based on the budgeted participation levels for year one of the program.

**Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Program Administrator Cost Test**

$$B_{pa} = \sum_{t=1}^N \frac{UAC_t}{(1+d)^{t-1}}$$

(1)

| t | UAC _t |
|----|-------------------|
| 1 | \$ 46,534 |
| 2 | \$ 45,446 |
| 3 | \$ 44,036 |
| 4 | \$ 42,908 |
| 5 | \$ 42,102 |
| 6 | \$ 41,739 |
| 7 | \$ 42,062 |
| 8 | \$ 41,699 |
| 9 | \$ 40,732 |
| 10 | \$ 40,571 |
| | <u>\$ 427,829</u> |

8.867% Discount Rate

\$279,013 NPV

(1) UAC_t scheduled per calculation performed for RIM test

UAC_t = Utility avoided supply costs in year t

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Program Administrator Cost Test

$$C_{pa} = \sum_{t=1}^N \frac{PRC_t + INC_t + UIC_t}{(1+d)^{t-1}}$$

| t | (1) PRC _t | (2) INC _t | (3) UIC _t | C _{pa} |
|----|-------------------------|-------------------------|-------------------------|-----------------|
| 1 | 167,120 | 120,400 | - | 287,520 |
| 2 | - | - | - | - |
| 3 | - | - | - | - |
| 4 | - | - | - | - |
| 5 | - | - | - | - |
| 6 | - | - | - | - |
| 7 | - | - | - | - |
| 8 | - | - | - | - |
| 9 | - | - | - | - |
| 10 | - | - | - | - |
| | 167,120 | 120,400 | - | 287,520 |

8.867% Discount Rate

\$264,102 NPV

- PRC_t = Program Administrator Costs in year t
- INC_t = Incentives paid to the participant by the Utility
- UIC_t = Utility increased supply costs in year t

- (1) Program costs scheduled from PRC_t which was calculated for the RIM Test
- (2) Incentives scheduled from INC_t which was calculated for the Participant test
- (3) No known increased supply costs as a result of operating the CEP

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

2. Refer to page 3 of the application. Paragraph 10 requests that the Commission authorize Delta to amortize the cost of the development and approval of the Conservation and Efficiency Program and the proposed tariff over 3 years.

a. To Delta's knowledge, has the Commission ever approved this in a demand-side management case?

b. If yes, cite the case number in which this treatment was approved.

c. Provide the total cost incurred by Delta to develop its Conservation and Efficiency Program and the proposed tariff. The total cost incurred should be detailed by type of service and vendor with supporting documentation for each.

d. Provide the cost incurred to date and the anticipated total cost of this current proceeding. The projected amount should be detailed by type of service and vendor with supporting documentation for each.

RESPONSE:

a. We are not aware of any rulings by the Commission relating to amortizing the cost of the development and approval of a demand-side management case. Our request is "to amortize the cost of development of same for three years beginning with the date of approval". Costs would immediately begin being amortized, not deferred for future recovery. We believe, from a financial accounting standpoint, that amortizing these costs over 3 years is the correct treatment as opposed to expensing them in the current year. We are simply asking that the Commission concur with this financial accounting treatment.

b. N/A

c. The cost that we incurred to develop the Conservation and Efficiency Program and the proposed tariff totaled \$10,040.39. We paid \$2,839.68 to the Prime Group for consulting services and expenses incurred in meeting with the Attorney General and \$7,200.71 to Stoll, Keenon, Ogden for legal services and expenses incurred in meeting with the Attorney General. Copies of each supporting invoice are attached.

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

d. The costs incurred primarily were related to meeting with the Attorney General's office and preparing the filing. If the supplemental data requests in this case are similar to the initial data requests in that we are able to complete them internally without the use of consultants and we have no additional meetings or hearings, additional costs will be minimal.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company
Expenses related to CEP

| | <u>Invoice Date</u> | <u>Amount</u> |
|--------------------|---------------------|---------------------|
| Prime Group | | |
| | 1/2/2008 | \$ 2,639.68 |
| | 3/5/2008 | 200.00 |
| SKO | | |
| | 12/31/2007 | 4,367.46 |
| | 1/31/2008 | 937.60 |
| | 2/29/2008 | 1,895.65 |
| | | <u>\$ 10,040.39</u> |

The Prime Group

Invoice for Services Rendered

Invoice date: January 2, 2008

1/7

12/07

223
025
Dec 07

To: Delta Natural Gas Company

3617 Lexington Road
R. R. #1, Box 30-A
Winchester, Kentucky 40391

Attn: Mr. John Brown

12.5 hours of consulting work by Steve Seelye @ \$200.00/hr during December in meeting with Delta and with the Attorney General regarding the Delta's DSM program.

\$ 2,500.00

Total amount due for December

\$ 2,639.68

Expenses

December 7 178 miles @ \$0.485
December 13 110 miles @ \$0.485

\$ 86.33
\$ 53.35

Please remit payment to:

The Prime Group, LLC
P.O. Box 837
Crestwood, KY 40014-0837



The Prime Group

Date:

March 5, 2008

2/08
3/17
023

To:

Delta Natural Gas Company
3617 Lexington Road
R. R. #1, Box 30-A
Winchester, Kentucky 40391
Attn: Mr. John Brown

1.0 hour of consulting work by Steve Seelye @ \$200.00/hr during February in assisting Delta with an energy efficiency filing.

\$ 200.00

Total amount due for February

\$ 200.00

Ⓟ

Please remit payment to:

The Prime Group, LLC
P.O. Box 837
Crestwood, KY 40014-0837

OK
J. Brown



STOLL · KEENON · OGDEN
P L L C

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093
www.skofirm.com

ROBERT M. WATT, III
DIRECT DIAL: (859) 231-3043
DIRECT FAX: (859) 246-3643
robert.watt@skofirm.com

3/24

March 17, 2008

Mr. Glenn R. Jennings
President & CEO
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

Dear Glenn:

Please find enclosed herewith our statements for services rendered on behalf of Delta through February 29, 2008. If you have any questions or would like to discuss these statements in any respect, do not hesitate to contact me. Thank you for the opportunity to represent Delta. Best regards.

Sincerely,

Robert M. Watt, III

OK
AY

rmw
Encl.

005522 005777/3533053 1

Total due

6303.85
RM

1.923.01 General 4259.70

1.923.01 Employee Benefits 148.50

1.923.01 2007 DSM Tariff 1895.65

LEXINGTON + LOUISVILLE + FRANKFORT + HENDERSON

STOLL · KEENON · OGDEN

PLLC
300 West Vine Street
Suite 2100
Lexington, Kentucky 40507-1801
(859) 231-3000
Tax Id # 61-0421389
March 13, 2008

Delta Natural Gas Company, Inc.
Attn: Glenn R. Jennings, President
3617 Lexington Road
Winchester, KY 40391

INVOICE NO.: 578633
SKO File No.: 5522/5777

Please Remit This Page With Payment To:

STOLL · KEENON · OGDEN
PLLC
P.O. Box 11969
Lexington, Kentucky 40579-1969

Re: General
Our Reference: 005522/005777/RMW/1001

| | |
|--|--------------------|
| Fees rendered this bill | \$ 4,241.70 |
| Disbursements | \$ 18.00 |
| Total Current Charges This Matter | \$ 4,259.70 |

DL

1,923.01

*PLEASE INDICATE INVOICE NUMBER 578633 ON PAYMENT

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 March 13, 2008

Delta Natural Gas Company, Inc
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO : 578633
 SKO File No : 5522/5777

MATTER NAME: General

| | |
|--|---------------------------------|
| TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED | 4,713.00 |
| <i>COURTESY REDUCTION</i> | <i>(471.30)</i> |
| TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED | <u>18.00</u> |
| INVOICE TOTAL | <u>\$ 4,259.70</u> |
| TOTAL BALANCE DUE | <u><u>\$4,259.70</u></u> |

*PLEASE INDICATE INVOICE NUMBER 578633 ON PAYMENT

BILL DATE: March 13, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

| LEGAL FEES | | | | | |
|-------------------|------------|--|--------------|-------------|---------------|
| DATE | IND | DESCRIPTION OF SERVICE | HOURS | RATE | AMOUNT |
| 11/01/07 | RBC | Telephone conference; prepare for Corporate Governance Committee meeting regarding Armstrong proposal; review of Kentucky Fiduciary Duty Rules; PROXY Rule 14a-8; Economic data regarding shareholder proposals and staggered; Delta Articles and Kentucky law regarding amending Articles | 2.10 | 370.00 | \$ 777.00 |
| 11/02/07 | RBC | Attend Corporate Governance Committee Meeting regarding Armstrong proposal | 1.50 | 370.00 | 555.00 |
| 11/02/07 | RBC | Review and revise minutes from Corporate Governance Committee; calls to Jennings; transmit changes to Delta; email from Brown | 1.20 | 370.00 | 444.00 |
| 11/15/07 | RBC | Attend shareholder meeting; prepare for shareholder meeting; conference with John Brown about various Kentucky, SEC and NASD matters | 1.20 | 370.00 | 444.00 |
| 12/17/07 | RBC | Conference with Jennings and Brown regarding February meetings of Committee and Board | 0.50 | 370.00 | 185.00 |
| 12/18/07 | RBC | Prepare for Directors' meeting; questions about employment contract | 0.40 | 370.00 | 148.00 |
| 02/21/08 | RBC | Telephone conference regarding shareholders proposal and CEO employment contract | 0.40 | 400.00 | 160.00 |
| 02/22/08 | RBC | Prepare for Board meeting regarding shareholder proposal | 1.00 | 400.00 | 400.00 |
| 02/22/08 | RBC | Attend Board meeting regarding shareholder proposal | 2.50 | 400.00 | 1,000.00 |
| 02/25/08 | RBC | Review employment contracts; call to Jennings regarding employment | 0.90 | 400.00 | 360.00 |

| DATE | IND | DESCRIPTION OF SERVICE | HOURS | RATE | AMOUNT |
|----------|-----|--|-------|--------|------------|
| | | contracts | | | |
| 02/29/08 | RBC | Telephone conference with client and research regarding alternatives for CEO employment contract | 0 60 | 400 00 | 240 00 |
| SUBTOTAL | | | 12.30 | | \$4,713.00 |

EXPENSES AND OTHER SERVICES

| DATE | DESCRIPTION | AMOUNT |
|----------|------------------------------------|--------|
| 01/04/08 | Telecopier Charges (Long Distance) | 18.00 |
| SUBTOTAL | | 18.00 |

GRAND TOTAL: \$4,731.00

ATTORNEY/PARALEGAL SUMMARY

| TIMEKEEPER | RANK | HOURS | RATE | AMOUNT |
|--------------|------------|-------|--------|------------|
| R B Campbell | Of Counsel | 12 30 | 383 17 | \$4,713 00 |

*PLEASE INDICATE INVOICE NUMBER 578633 ON PAYMENT

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 March 13, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 578634
 SKO File No.: 5522/8341

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
 PLLC
 P.O. Box 11969
 Lexington, Kentucky 40579-1969

Re: Employee Benefits
 Our Reference: 005522/008341/RMW/1307

| | |
|--|------------------|
| Fees rendered this bill | \$ 148.50 |
| Total Current Charges This Matter | \$ 148.50 |



|. 923.01

*PLEASE INDICATE INVOICE NUMBER 578634 ON PAYMENT

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 March 13, 2008

Delta Natural Gas Company, Inc
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 578634
 SKO File No : 5522/8341

MATTER NAME: Employee Benefits

| | |
|--|------------------------|
| TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED | 165.00 |
| <i>COURTESY REDUCTION</i> | <i>(16.50)</i> |
| TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED | <u>0.00</u> |
| INVOICE TOTAL | <u>\$ 148.50</u> |
| TOTAL BALANCE DUE | <u><u>\$148.50</u></u> |

*PLEASE INDICATE INVOICE NUMBER 578634 ON PAYMENT

BILL DATE: March 13, 2008

Delta Natural Gas Company, Inc
 Attn: Glenn R Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

| LEGAL FEES | | | | | |
|-------------------|------------|---|--------------|-------------|-----------------|
| DATE | IND | DESCRIPTION OF SERVICE | HOURS | RATE | AMOUNT |
| 02/13/08 | CJB | Review IRS announcement re proposed funding regs re Retirement Plan | 0.50 | 330.00 | \$ 165.00 |
| SUBTOTAL | | | 0.50 | | \$165.00 |

| EXPENSES AND OTHER SERVICES | | | AMOUNT |
|------------------------------------|--------------------|--|-----------------|
| DATE | DESCRIPTION | | |
| SUBTOTAL | | | 0.00 |
| GRAND TOTAL: | | | \$165.00 |

| ATTORNEY/PARALEGAL SUMMARY | | | | | |
|-----------------------------------|-------------|--------------|-------------|---------------|--|
| TIMEKEEPER | RANK | HOURS | RATE | AMOUNT | |
| C J Beavin | Partner | 0.50 | 330.00 | \$165.00 | |

5
1
1

STOLL · KEENON · OGDEN
PLLC
300 West Vine Street
Suite 2100
Lexington, Kentucky 40507-1801
(859) 231-3000
Tax Id # 61-0421389
March 13, 2008

Delta Natural Gas Company, Inc.
Attn: Glenn R. Jennings, President
3617 Lexington Road
Winchester, KY 40391

INVOICE NO.: 578639
SKO File No : 5522/129048

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
PLLC
P.O. Box 11969
Lexington, Kentucky 40579-1969

Re: 2007 Demand Side Management Tariff
Our Reference: 005522/129048/RMW/1008

| | |
|--|--------------------|
| Fees rendered this bill | \$ 1,845 00 |
| Disbursements | \$ 50 65 |
| Total Current Charges This Matter | \$ 1,895.65 |

1,923.01

*PLEASE INDICATE INVOICE NUMBER 578639 ON PAYMENT

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 March 13, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 578639
 SKO File No.: 5522/129048

MATTER NAME: 2007 Demand Side Management Tariff

| | |
|--|---------------------------------|
| TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED | 2.050 00 |
| <i>COURTESY REDUCTION</i> | <i>(205.00)</i> |
| TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED | <u>50.65</u> |
| INVOICE TOTAL | <u>\$ 1,895.65</u> |
| TOTAL BALANCE DUE | <u><u>\$1,895.65</u></u> |

*PLEASE INDICATE INVOICE NUMBER 578639 ON PAYMENT

BILL DATE: March 13, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

LEGAL FEES

| <u>DATE</u> | <u>IND</u> | <u>DESCRIPTION OF SERVICE</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-----------------|------------|---|--------------|-------------|-------------------|
| 02/05/08 | RMW | Tel Howard; e-mail client re next steps | 0.50 | 350.00 | \$ 175.00 |
| 02/06/08 | RMW | Conf Nicholson; examine and revise application | 1.00 | 350.00 | 350.00 |
| 02/06/08 | GEN | Meeting with Mr. Watt; editing DSM application | 0.80 | 200.00 | 160.00 |
| 02/07/08 | RMW | Review, revise and finalize application and send to client | 1.50 | 350.00 | 525.00 |
| 02/11/08 | RMW | E-mail re application | 0.20 | 350.00 | 70.00 |
| 02/18/08 | RMW | Examine John Brown e-mail and e-mail to Seelye | 0.40 | 350.00 | 140.00 |
| 02/19/08 | RMW | E-mail re cost recovery; tel Seelye re cost recovery; attention to DSM issues | 0.80 | 350.00 | 280.00 |
| 02/20/08 | RMW | Tel Jennings; finalize and send application for filing at Commission | 1.00 | 350.00 | 350.00 |
| SUBTOTAL | | | 6.20 | | \$2,050.00 |

EXPENSES AND OTHER SERVICES

| <u>DATE</u> | <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|---------------------|---------------------|-------------------|
| 02/20/08 | Duplicating Charges | 35.50 |
| 02/22/08 | Travel Expense | 15.15 |
| SUBTOTAL | | 50.65 |
| GRAND TOTAL: | | \$2,100.65 |

ATTORNEY/PARALEGAL SUMMARY

| <u>TIMEKEEPER</u> | <u>RANK</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-------------------|-------------|--------------|-------------|---------------|
| R M Watt | Partner | 5.40 | 350.00 | \$1,890.00 |

| TIMEKEEPER | RANK | HOURS | RATE | AMOUNT |
|---------------|-----------|-------|--------|----------|
| G E Nicholson | Associate | 0.80 | 200.00 | \$160.00 |

*PLEASE INDICATE INVOICE NUMBER 576639 ON PAYMENT



STOLL · KEENON · OGDEN
P L L C

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093
www.skofirm.com

ROBERT M. WATT, III
DIRECT DIAL: (859) 231-3043
DIRECT FAX: (859) 246-3643
robert.watt@skofirm.com

February 15, 2008

2/25
025

Mr. Glenn R. Jennings
President & CEO
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

Dear Glenn:

Please find enclosed herewith our statements for services rendered on behalf of Delta through January 31, 2008. If you have any questions or would like to discuss these statements in any respect, do not hesitate to contact me. Thank you for the opportunity to represent Delta.
Best regards.

Sincerely,

Robert M. Watt, III

OK
MJ

rmw
Encl.

005522.005777/3533053.1

Total due 1503.80

1099 code A

LEXINGTON + LOUISVILLE + FRANKFORT + HENDERSON

1.923.01 2007 DSM 937.60

STOLL · KEENON · OGDEN

PLLC

300 West Vine Street

Suite 2100

Lexington, Kentucky 40507-1801

(859) 231-3000

Tax Id # 61-0421389

February 12, 2008

Delta Natural Gas Company, Inc
Attn: Glenn R. Jennings, President
3617 Lexington Road
Winchester, KY 40391

INVOICE NO.: 576391
SKO File No : 5522/8341

Please Remit This Page With Payment To:

STOLL · KEENON · OGDEN

PLLC

P.O. Box 11969

Lexington, Kentucky 40579-1969

Re: Employee Benefits
Our Reference: 005522/008341/RMW/1307

| | |
|--|------------------|
| Fees rendered this bill | \$ 564.30 |
| Disbursements | \$ 1.90 |
| Total Current Charges This Matter | \$ 566.20 |

*PLEASE INDICATE INVOICE NUMBER 576391 ON PAYMENT

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 February 12, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 576391
 SKO File No : 5522/8341

MATTER NAME: Employee Benefits

| | |
|--|-------------------------------|
| TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED | 627 00 |
| <i>COURTESY REDUCTION</i> | <i>(62.70)</i> |
| TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED | <u>1.90</u> |
| INVOICE TOTAL | <u>\$ 566.20</u> |
| TOTAL BALANCE DUE | <u><u>\$566.20</u></u> |



*PLEASE INDICATE INVOICE NUMBER 576391 ON PAYMENT

BILL DATE: February 12, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

LEGAL FEES

| <u>DATE</u> | <u>IND</u> | <u>DESCRIPTION OF SERVICE</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-----------------|------------|---|--------------|-------------|-----------------|
| 01/17/08 | CJB | Review possible interim amendment requirements for Retirement Plan and Savings Plan | 0 80 | 330 00 | \$ 264 00 |
| 01/18/08 | CJB | Correspondence with C. King; work on Savings and Retirement Plan matters | 0 70 | 330 00 | 231 00 |
| 01/23/08 | CJB | Correspondence with C. King; work on Retirement Plan matters | 0 40 | 330 00 | 132 00 |
| SUBTOTAL | | | 1.90 | | \$627.00 |

EXPENSES AND OTHER SERVICES

| <u>DATE</u> | <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|---------------------|--------------------|-----------------|
| 01/23/08 | Telephone Expense | 1.90 |
| SUBTOTAL | | 1.90 |
| GRAND TOTAL: | | \$628.90 |

ATTORNEY/PARALEGAL SUMMARY

| <u>TIMEKEEPER</u> | <u>RANK</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-------------------|-------------|--------------|-------------|---------------|
| C J Beavin | Partner | 1 90 | 330 00 | \$627 00 |

STOLL · KEENON · OGDEN
PLLC
300 West Vine Street
Suite 2100
Lexington, Kentucky 40507-1801
(859) 231-3000
Tax Id # 61-0421389
February 12, 2008

Delta Natural Gas Company, Inc
Attn: Glenn R. Jennings, President
3617 Lexington Road
Winchester, KY 40391

INVOICE NO.: 576395
SKO File No : 5522/129048

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
PLLC
P.O. Box 11969
Lexington, Kentucky 40579-1969

Re: 2007 Demand Side Management Tariff
Our Reference: 005522/129048/RMW/1008

| | |
|--|------------------|
| Fees rendered this bill | \$ 936 00 |
| Disbursements | \$ 1 60 |
| Total Current Charges This Matter | \$ 937.60 |

*PLEASE INDICATE INVOICE NUMBER 576395 ON PAYMENT

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 February 12, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 576395
 SKO File No : 5522/129048

MATTER NAME: 2007 Demand Side Management Tariff

TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED 1,040 00

COURTESY REDUCTION (104.00)

TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED 1.60

INVOICE TOTAL \$ 937.60

TOTAL BALANCE DUE \$937.60



*PLEASE INDICATE INVOICE NUMBER 576395 ON PAYMENT

BILL DATE: February 12, 2008

Delta Natural Gas Company, Inc
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

LEGAL FEES

| <u>DATE</u> | <u>IND</u> | <u>DESCRIPTION OF SERVICE</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-----------------|------------|---|--------------|-------------|-------------------|
| 01/04/08 | RMW | E-mail Brown; tel Howard office | 0 30 | 350.00 | \$ 105.00 |
| 01/07/08 | RMW | Tel Howard office | 0 20 | 350.00 | 70.00 |
| 01/22/08 | RMW | Tel AG office and voice mail from Adams re status of AG examination of DSM plan | 0 30 | 350.00 | 105.00 |
| 01/25/08 | GEN | Reviewing Customer Conservation/Efficiency Program file; prep for drafting demand side management application | 1 50 | 200.00 | 300.00 |
| 01/28/08 | GEN | Reviewing DSM materials; drafting DSM application | 1 00 | 200.00 | 200.00 |
| 01/31/08 | GEN | Drafting DSM application | 1 30 | 200.00 | 260.00 |
| SUBTOTAL | | | 4.60 | | \$1,040.00 |

EXPENSES AND OTHER SERVICES

| <u>DATE</u> | <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|-----------------|---------------------|---------------|
| 01/25/08 | Duplicating Charges | 1.60 |
| SUBTOTAL | | 1.60 |

GRAND TOTAL:

\$1,041.60

ATTORNEY/PARALEGAL SUMMARY

| <u>TIMEKEEPER</u> | <u>RANK</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-------------------|-------------|--------------|-------------|---------------|
| R. M Watt | Partner | 0 80 | 350.00 | \$280.00 |
| G. E Nicholson | Associate | 3 80 | 200.00 | \$760.00 |

01/04/2008 10:45 FAX

STOLL KEENON OGDEN

001



STOLL · KEENON · OGDEN

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
(859) 231-3000
FAX: (859) 253-1093

1/14
025
517

| | | | |
|---|---|---------------------------------|--|
| DATE: January 4, 2008 | | | |
| TO: | RECIPIENT | COMPANY NAME | FACSIMILE NUMBER |
| | Mr. Glenn R. Jennings | Delta Natural Gas Company, Inc. | (859) 744-6552 |
| FROM: | Robert M. Watt, III | | (859) 246-3643 (Direct Fax) (859) 231-3043 (Direct Phone) |
| RE: | November and December Invoices | | |
| COMMENTS: | Our invoices for services rendered during November and December 2007 are attached. There are two invoices regarding the Asher Lease litigation because we reprinted the November invoice in a different format and also have a separate invoice for December on that matter. Give me a call if you have any questions. Originals will follow by regular mail. | | |
| NO. OF PAGES (INCLUDING COVER SHEET): 19 | | | |

If you encounter difficulty in receiving this transmission, please call Robert Watt at (859) 231-3043.

18,939.08

OK
 Asher Litigation 13,921.82
 General 482.40
 Employee Benefits 167.40
 Demand Side Mgmt 4,367.46
 Tariff 18,939.08
 Dr v 573000 - 573003

CONFIDENTIALITY NOTE

THE INFORMATION CONTAINED IN THIS FACSIMILE TRANSMISSION MAY BE LEGALLY PRIVILEGED AND CONFIDENTIAL INFORMATION AND IS INTENDED ONLY FOR THE USE OF THE RECIPIENT(S) NAMED ABOVE. IF YOU ARE NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION OR COPYING OF THIS TRANSMISSION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR, PLEASE IMMEDIATELY NOTIFY US BY COLLECT TELEPHONE CALL AND RETURN THE ORIGINAL TRANSMISSION TO US AT THE ADDRESS ABOVE VIA U.S. MAIL.

11/04/2008 10:45 FAX (859) 231-3000

01/04/2008 10:48 FAX

STOLL KEENON OGDEN

016

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 573003
 SKO File No.: 5522/129110

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
 PLLC
 P.O. Box 11969
 Lexington, Kentucky 40579-1969

Re: Asher Lease Litigation
 Our Reference: 005522/129110/JMC/1105

| | |
|--|--------------------|
| Fees rendered this bill | \$ 2,302.65 |
| Disbursements | \$ 120.10 |
| Total Current Charges This Matter | \$ 2,422.75 |
| | |
| Balance as of 12/21/07 | \$11,499.07 |
| Less credits (payments, adjustments) | \$0.00 |
| Balance due on prior billings | \$11,499.07 |
| Total Amount Due This Matter | \$13,921.82 |

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

017

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 573003
 SKO File No.: 5522/129110

MATTER NAME: Asher Lease Litigation

TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED 2,558.50

COURTESY REDUCTION (255.85)

TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED 120.10

INVOICE TOTAL \$ 2,422.75

BALANCE DUE from previous statements:

| Bill Date | Invoice | Outstanding Amount |
|-----------|---------|--------------------|
| 12/21/07 | 571846 | 11,499.07 |

Total Balance Due on Previous Statements: \$ 11,499.07

TOTAL BALANCE DUE \$13,921.82

1,923.01

01/04/2008 10:48 FAX

STOLL KEENON OGDEN

018

BILL DATE: January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

| LEGAL FEES | | | | | |
|-------------------|------------|---|--------------|-------------|-------------------|
| DATE | IND | DESCRIPTION OF SERVICE | HOURS | RATE | AMOUNT |
| 12/06/07 | JMC | Review and work on pleadings - conference with firm attorney Ingram - email to Jennings | 1.50 | 315.00 | \$ 472.50 |
| 12/06/07 | HAI | Meet with Thacker re: Motion to Dismiss hearing | 0.40 | 235.00 | 94.00 |
| 12/07/07 | JMC | Review Motion to Dismiss - conference with firm attorney Thacker on hearing | 0.60 | 315.00 | 189.00 |
| 12/10/07 | CLT | Attend hearing in Pineville. Brief M. Carlenisch re same. | 6.80 | 175.00 | 1,190.00 |
| 12/10/07 | JMC | Call with Thacker on hearing - review motions | 0.30 | 315.00 | 94.50 |
| 12/14/07 | CLT | Review hearing notes; draft and email summary to Mel Camenish. | 1.20 | 175.00 | 210.00 |
| 12/14/07 | JMC | Review emails from Thacker on hearing - conference with firm attorney Thacker | 0.40 | 315.00 | 126.00 |
| 12/18/07 | CLT | Discuss hearing on motions to dismiss with H. Ingram. | 0.10 | 175.00 | 17.50 |
| 12/18/07 | JMC | Call with Mann on Asher case | 0.30 | 315.00 | 94.50 |
| 12/18/07 | HAI | Conference with Thacker re: status | 0.30 | 235.00 | 70.50 |
| SUBTOTAL | | | 11.90 | | \$2,558.50 |

| EXPENSES AND OTHER SERVICES | | |
|------------------------------------|--------------------|---------------|
| DATE | DESCRIPTION | AMOUNT |
| 12/14/07 | Travel Expense | 115.92 |
| 12/18/07 | Telephone Expense | 3.42 |
| 12/28/07 | Telephone Expense | 0.76 |
| SUBTOTAL | | 120.10 |

01/04/2008 10:47 FAX

STOLL KEENON OGDEN

019

| | | |
|------|--------------|-------------------|
| DATE | DESCRIPTION | AMOUNT |
| | GRAND TOTAL: | <u>\$2,678.60</u> |

ATTORNEY/PARALEGAL SUMMARY

| TIMEKEEPER | RANK | HOURS | RATE | AMOUNT |
|--------------|-----------|-------|--------|------------|
| J. Camenisch | Partner | 3.10 | 315.00 | \$976.50 |
| H. A Ingram | Partner | 0.70 | 235.00 | \$164.50 |
| C. L Thacker | Associate | 8.10 | 175.00 | \$1,417.50 |

01/04/2008 10:45 FAX

STOLL KEENON OGDEN

002

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 December 21, 2007

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 571846
 SKO File No.: 5522/129110

MATTER NAME: Asher Lease Litigation

| | |
|---|-------------------|
| TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED | 12,764.50 |
| <i>COURTESY REDUCTION</i> | <i>(1,276.45)</i> |

| | |
|--|--------------|
| TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED | <u>11.02</u> |
|--|--------------|

| | |
|---------------|---------------------|
| INVOICE TOTAL | <u>\$ 11,499.07</u> |
|---------------|---------------------|

| | |
|-------------------|---------------------------|
| TOTAL BALANCE DUE | <u><u>\$11,499.07</u></u> |
|-------------------|---------------------------|

Ⓟ

1,923.01

PLEASE INDICATE INVOICE NUMBER 571846 ON PAYMENT

01/04/2008 10:45 FAX

STOLL KEENON OGDEN

003

BILL DATE: December 21, 2007

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

LEGAL FEES

| DATE | IND | DESCRIPTION OF SERVICE | HOURS | RATE | AMOUNT |
|----------|-----|--|-------|--------|-----------|
| 11/02/07 | AJD | Reviewing complaint and amended complaint | 2.00 | 180.00 | \$ 360.00 |
| 11/05/07 | AJD | Reviewing and summarizing complaint and amended complaint | 3.80 | 180.00 | 684.00 |
| 11/06/07 | AJD | Revisions to summary of complaint and amended complaint | 0.30 | 180.00 | 54.00 |
| 11/07/07 | JMC | Review Asher Complaint and filings - revise Donovan memo - call with Mann - letter to Mann - call with Billings - conference with firm attorney Ingram - call to Ramsey - review rules | 3.00 | 315.00 | 945.00 |
| 11/07/07 | HAI | Review Asher v. NRC pleadings; conference (x2) with JMC re: same | 2.50 | 235.00 | 587.50 |
| 11/09/07 | HAI | Review contractual history re: Asher matter | 1.50 | 235.00 | 352.50 |
| 11/12/07 | JMC | Review documents - conference with firm attorney Ingram - emails on documents | 0.70 | 315.00 | 220.50 |
| 11/12/07 | HAI | Continue review of Asher/Nami documents | 1.20 | 235.00 | 282.00 |
| 11/13/07 | HAI | Review additional Asher/Nami documents and conference with JMC | 0.70 | 235.00 | 164.50 |
| 11/14/07 | JMC | Review NRC Consent Agreement and prior agreements - email to Ramsey with comments | 1.50 | 315.00 | 472.50 |
| 11/15/07 | JMC | Review assignments on AKS Lease - call to Ramsey - conference with firm attorney Ingram - review filings | 1.20 | 315.00 | 378.00 |
| 11/16/07 | HAI | Review additional Asher/Nami documents; conference with JMC re: same; attention to intervention issues | 2.20 | 235.00 | 517.00 |

01/04/2008 10:45 FAX

STOLL KEENON OGDEN

004

| DATE | IND | DESCRIPTION OF SERVICE | HOURS | RATE | AMOUNT |
|----------|-----|---|-------|--------|----------|
| 11/16/07 | JMC | Call with Jennings on Nami - conference with firm attorney Ingram - review documents for intervention | 1.00 | 315.00 | 315.00 |
| 11/19/07 | RMW | Tel Jennings, Howard; e-mail to Delta folks; examine LG&E DSM filing | 0.80 | 335.00 | 268.00 |
| 11/19/07 | JMC | Conference with firm attorney Ingram on intervention issue - call to Ramsey - review documents | 0.80 | 315.00 | 252.00 |
| 11/19/07 | HAI | Draft Intervening Complaint | 4.50 | 235.00 | 1,057.50 |
| 11/20/07 | HAI | Continue drafting intervening complaint in Asher/Nami matter | 4.80 | 235.00 | 1,128.00 |
| 11/20/07 | JMC | Conference with firm attorney Ingram - review and revise Complaint - review rules | 0.70 | 315.00 | 220.50 |
| 11/21/07 | HAI | Attention to motion to dismiss issues; call with Ben Keller re: same; conference with JMC re: same; draft motion to intervene | 3.50 | 235.00 | 822.50 |
| 11/21/07 | JMC | Conference with firm attorney Ingram - review Motion to Dismiss | 0.50 | 315.00 | 157.50 |
| 11/26/07 | HAI | Attention to royalty provisions and work on draft motion to intervene | 2.20 | 235.00 | 517.00 |
| 11/27/07 | HAI | Complete first draft of motion to intervene | 3.00 | 235.00 | 705.00 |
| 11/27/07 | JMC | Call with Ramsey - call to Mann - conference with firm attorney Ingram on instructions | 1.00 | 315.00 | 315.00 |
| 11/27/07 | JMC | Email to Ramsey and Jennings on NRC | 0.40 | 315.00 | 126.00 |
| 11/30/07 | JMC | Review and revise motion and complaint - conference with firm attorney Ingram - review AKS documents | 1.70 | 315.00 | 535.50 |
| 11/30/07 | HAI | Revise draft Complaint and motion to intervene | 2.00 | 235.00 | 470.00 |
| 12/06/07 | CLT | Discuss litigation with H. Ingram; review draft pleadings. | 2.20 | 175.00 | 385.00 |
| 12/07/07 | CLT | Meeting w/ M. Camenisch re hearing; review email from B. Keller; review case history and pleadings. | 2.70 | 175.00 | 472.50 |

* PLEASE INDICATE INVOICE NUMBER FOR PAYMENT

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

005

| DATE | IND | DESCRIPTION OF SERVICE | HOURS | RATE | AMOUNT |
|-----------------|-----|------------------------|--------------|------|--------------------|
| SUBTOTAL | | | <u>52.40</u> | | <u>\$12,764.50</u> |

EXPENSES AND OTHER SERVICES

| DATE | DESCRIPTION | AMOUNT |
|---------------------|-------------------|---------------------------|
| 10/16/07 | Telephone Expense | 7.98 |
| 12/06/07 | Telephone Expense | 0.76 |
| 12/06/07 | Telephone Expense | 0.38 |
| 12/06/07 | Telephone Expense | 0.38 |
| 12/07/07 | Telephone Expense | 0.76 |
| 12/10/07 | Telephone Expense | 0.76 |
| SUBTOTAL | | <u>11.02</u> |
| GRAND TOTAL: | | <u><u>\$12,775.52</u></u> |

ATTORNEY/PARALEGAL SUMMARY

| TIMEKEEPER | RANK | HOURS | RATE | AMOUNT |
|--------------|-----------|-------|--------|------------|
| J. Caronisch | Partner | 12.50 | 315.00 | \$3,937.50 |
| R. M Watt | Partner | 0.80 | 335.00 | \$268.00 |
| H. A Ingram | Partner | 28.10 | 235.00 | \$6,603.50 |
| A. J Donovan | Associate | 6.10 | 180.00 | \$1,098.00 |
| C. L Thacker | Associate | 4.90 | 175.00 | \$857.50 |

*PLEASE INDICATE INVOICE NUMBER 67164 ON PAYMENT

01/04/2008 10:48 FAX

STOLL KEENON OGDEN

006

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 573000
 SKO File No.: 5522/5777

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
 PLLC
 P.O. Box 11969
 Lexington, Kentucky 40579-1969

Re: General
 Our Reference: 005522/00 5777/RMW/1001

| | |
|--|------------------|
| Fees rendered this bill | \$ 482.40 |
| Total Current Charges This Matter | \$ 482.40 |

192301

PLEASE INDICATE INVOICE NUMBER 573000 ON PAYMENT

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

007

STOLL • KEENON • OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 573000
 SKO File No.: 5522/5777

MATTER NAME: General

TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED 536.00

COURTESY REDUCTION (53.60)

TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED 0.00

INVOICE TOTAL \$ 482.40

TOTAL BALANCE DUE \$482.40

PLEASE INDICATE BANK NUMBER 075000 ON PAYMENT

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

008

BILL DATE: January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

LEGAL FEES

| <u>DATE</u> | <u>IND</u> | <u>DESCRIPTION OF SERVICE</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-----------------|------------|---|--------------|-------------|-----------------|
| 12/05/07 | RMW | Tel Jennings voicemail re amicus brief | 0.30 | 335.00 | \$ 100.50 |
| 12/17/07 | RMW | Tel Hazelrigg and Jennings re collaborative for GCA legislation | 1.00 | 335.00 | 335.00 |
| 12/19/07 | RMW | Tel Hazelrigg re legislation collaborative | 0.30 | 335.00 | 100.50 |
| SUBTOTAL | | | 1.60 | | \$536.00 |

EXPENSES AND OTHER SERVICES

| <u>DATE</u> | <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|---------------------|--------------------|-----------------|
| SUBTOTAL | | 0.00 |
| GRAND TOTAL: | | \$536.00 |

ATTORNEY/PARALEGAL SUMMARY

| <u>TIMEKEEPER</u> | <u>RANK</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-------------------|-------------|--------------|-------------|---------------|
| R. M Watt | Partner | 1.60 | 335.00 | \$536.00 |

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

009

STOLL · KEENON · OGDEN
PLLC
300 West Vine Street
Suite 2100
Lexington, Kentucky 40507-1801
(859) 231-3000
Tax Id # 61-0421389
January 4, 2008

Delta Natural Gas Company, Inc.
Attn: Glenn R. Jennings, President
3617 Lexington Road
Winchester, KY 40391

INVOICE NO.: 573001
SKO File No.: 5522/8341

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
PLLC
P.O. Box 11969
Lexington, Kentucky 40579-1969

Re: Employee Benefits
Our Reference: 005522/001341/RMW/1307

Fees rendered this bill \$ 167.40

Total Current Charges This Matter **\$ 167.40**

PLEASE INDICATE BROKE NUMBER FOR CLOSURE

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

010

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 573001
 SKO File No.: 5522/8341

MATTER NAME: Employee Benefits

TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED 186.00

COURTESY REDUCTION (18.60)

TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED 0.00

INVOICE TOTAL \$ 167.40

TOTAL BALANCE DUE \$167.40

*PLEASE INDICATE INVOICE NUMBER 573001 ON PAYMENT

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

011

BILL DATE: January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

LEGAL FEES

| <u>DATE</u> | <u>IND</u> | <u>DESCRIPTION OF SERVICE</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-----------------|------------|--|--------------|-------------|-----------------|
| 12/05/07 | CJB | Review IRS issues re need for interim amendments to Savings and Retirement Plans | 0.60 | 310.00 | \$ 186.00 |
| SUBTOTAL | | | 0.60 | | \$186.00 |

EXPENSES AND OTHER SERVICES

| <u>DATE</u> | <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|---------------------|--------------------|-----------------|
| SUBTOTAL | | 0.00 |
| GRAND TOTAL: | | \$186.00 |

ATTORNEY/PARALEGAL SUMMARY

| <u>TIMEKEEPER</u> | <u>RANK</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
|-------------------|-------------|--------------|-------------|---------------|
| C. J. Beavin | Partner | 0.60 | 310.00 | \$186.00 |

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

012

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 573002
 SKO File No.: 5522/129048

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
 PLLC
 P.O. Box 11969
 Lexington, Kentucky 40579-1969

Re: 2007 Demand Side Management Tariff
 Our Reference: 005522/129048/RMW/1008

| | |
|--|--------------------|
| Fees rendered this bill | \$ 4,311.45 |
| Disbursements | \$ 56.01 |
| Total Current Charges This Matter | \$ 4,367.46 |

01/04/2008 10:46 FAX

STOLL KEENON OGDEN

013

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 573002
 SKO File No.: 5522/129048

MATTER NAME: 2007 Demand Side Management Tariff

TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED 4,790.50

COURTESY REDUCTION (479.05)

TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED 56.01

INVOICE TOTAL \$ 4,367.46

TOTAL BALANCE DUE \$4,367.46

PLEASE INDICATE INVOICE NUMBER PROMPT ON PAYMENT

01/04/2008 10:48 FAX

STOLL KEENON OGDEN

014

BILL DATE: January 4, 2008

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

| <u>LEGAL FEES</u> | | | | | |
|-------------------|------------|--|--------------|-------------|-------------------|
| <u>DATE</u> | <u>IND</u> | <u>DESCRIPTION OF SERVICE</u> | <u>HOURS</u> | <u>RATE</u> | <u>AMOUNT</u> |
| 12/07/07 | RMW | Travel to Winchester; meet re collaboration with AG; travel to Lexington | 3.00 | 335.00 | \$ 1,005.00 |
| 12/10/07 | RMW | Examine AG comments re DSM | 2.50 | 335.00 | 837.50 |
| 12/11/07 | RMW | Examine AG filing in E.ON case; review file and organize tariff, testimony, etc.; examine spreadsheet from Brown; research | 2.00 | 335.00 | 670.00 |
| 12/12/07 | RMW | Review files; research and prepare for meeting with AG | 2.00 | 335.00 | 670.00 |
| 12/13/07 | RMW | Travel to Frankfort; meet with Delta; meet with Attorney General; travel to Versailles | 3.50 | 335.00 | 1,172.50 |
| 12/14/07 | RMW | Tel Jennings re meeting with AG | 0.30 | 335.00 | 100.50 |
| 12/17/07 | RMW | Examine backup data and send to Howard | 0.50 | 335.00 | 167.50 |
| 12/18/07 | RMW | Tel Howard, Jennings office and Harcliff office re legislation collaborative and re next steps for DSM | 0.50 | 335.00 | 167.50 |
| SUBTOTAL | | | 14.30 | | \$4,790.50 |

EXPENSES AND OTHER SERVICES

| <u>DATE</u> | <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|---------------------|---------------------|-------------------|
| 12/11/07 | Duplicating Charges | 2.50 |
| 12/12/07 | Duplicating Charges | 2.60 |
| 12/21/07 | Travel Expense | 29.10 |
| 12/28/07 | Travel Expense | 21.81 |
| SUBTOTAL | | 56.01 |
| GRAND TOTAL: | | \$4,846.51 |

01/04/2008 10:48 FAX

STOLL KEENON OGDEN

015

ATTORNEY/PARALEGAL SUMMARY

| TIMEKEEPER | RANK | HOURS | RATE | AMOUNT |
|-------------------|-------------|--------------|-------------|---------------|
| R. M Watt | Partner | 14.30 | 335.00 | \$4,790.50 |

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

3. Refer to page 10 of Exhibit 1. KRS 278.285(3) states that "(t)he commission shall assign the cost of demand-side management programs only to the class or classes of customers which benefit from the programs." The proposed tariff addresses changes in only the residential rate schedule yet the description of the Home Energy Audit Program references business owners several times. Is Delta proposing to include both types of customers in one or both programs or will it limit the programs to only residential customers?

RESPONSE:

The Conservation Efficiency Program ("CEP") would only be offered to residential customers. As we gain experience with the program and evaluate its effectiveness as the program matures, we may decide to seek approval from the Commission to include other *classes of customers*.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

4. Refer to page 3 of Exhibit 1.
- a. When did Delta first begin performing home energy audits?
- b. For the 10-year period from 1998 through 2007, provide a schedule listing the number of customers receiving an energy audit and the annual costs of the audits incurred by Delta. Include all workpapers, calculations, and assumptions used by Delta to develop the annual cost information.
- c. Delta refers to local branch offices that have jointly performed home energy audits with Delta for Delta's customers. Identify and provide the location of the branch offices referenced by Delta.

RESPONSE:

- a. Residential Home Energy Audit – February 27, 1998, Commercial Energy Audit – October 25, 1996

b.

| <u>Calendar Year</u> | <u>Number of Audits Performed</u> |
|----------------------|-----------------------------------|
| 1998 | 3 |
| 1999 | 4 |
| 2000 | 0 |
| 2001 | 0 |
| 2002 | 2 |
| 2003 | 7 |
| 2004 | 8 |
| 2005 | 12 |
| 2006 | 6 |
| 2007 | 3 |
| TOTAL | 45 |

Actual costs were not tracked.

Please reference response given to question 7 a.

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

c. Delta branch offices assisting with energy audits include Nicholasville, Berea, London and Corbin.

Sponsoring Witness:

Jeffrey C. Steele

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

5. Refer to pages 7 and 8 of Exhibit 1. The Guidelines state that the installation of the equipment must have occurred after the program inception date of October 1, 2007 in order to receive a rebate.

- a. Has Delta already begun the rebate program?
- b. If yes, when did Delta begin the program?
- c. If yes, provide the number of rebates and the dollar amounts distributed by year.

RESPONSE:

The rebate program has not begun. The CEP was originally filed in our last general rate case (Case No. 2007-00089). All exhibits filed with the current application for the CEP were presented as filed in case 2007-00089. Therefore, the dates have not been revised. We would expect the rebate program to begin upon approval of the CEP from the Commission.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

6. Refer to page 10 of Exhibit 1. Delta proposes to offer the Home Energy Audit for free.

a. Explain whether Delta considered charging a fee for the energy audit service.

b. If yes, explain why no fee was developed.

RESPONSE:

a. Delta did not consider charging a fee for the energy audit service.

b. N/A

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

7. Refer to pages 12 and 13 of Exhibit 1.
 - a. Explain the basis for the projected participation and costs provided.
 - b. Provide any workpapers, calculations and assumptions Delta used to develop its projections.
 - c. Explain in detail how Delta developed its rebate dollar amounts.
 - d. Delta originally submitted its Conservation Efficiency Program in Case No. 2007-00089.¹ Does Exhibit 1 in the current application contain updated participation and cost projections from those presented in the rate case?
 - e. According to the information on page 13, Delta's cost per residential audit will be \$20 per audit each year. Explain why Delta believes that its costs to perform the audit will remain constant.
 - f. Provide in detail what is included in the costs for the Residential Energy Audits
 - g. Provide the type of advertising included in Program Advertising and explain why advertising costs are expected to decrease each year of the program.
 - h. Explain why the costs of the infrared camera is not being depreciated rather than allocated to the first year.
 - i. For the costs included in Labor, provide the number of employees, a description of their duties in the program and an explanation as to why the costs are expected to remain constant.

¹Case No. 2007-00089, Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates (Ky. PSC Oct. 19, 2007)

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

j. Provide in detail what is included in the costs for Office Expenses and an explanation as to why the costs are expected to remain constant.

k. At page 3 of the application, Delta states that the estimated cost for the program in 2008 is \$205,292. However, the budgeted expenditures for 2008 are \$167,120. Provide an explanation for the apparent discrepancy between the two numbers.

RESPONSE:

a-b. Delta has not performed any studies related to the participation levels. The initial participation levels were created based on discussions with our Customer Development and Customer Service Departments based on expected utilization by new and existing customers. It should be noted that virtually all estimated costs associated with the CEP are variable costs which will fluctuate with participation levels. Therefore, there is no detriment to Delta or its customers if actual participation levels are less than budgeted. The assumption that participation will increase is based on our assumption that over time there will be increased awareness of the program by our customer base and therefore increased utilization of the program. The attached KYPSC DR1-7a, as presented in Case No 2007-00089, shows the determination of the budgeted expenditures.

c. The rebate amounts were developed based on the incremental equipment cost associated with the purchase of a high efficiency appliance. These amounts were selected to create the most advantageous assistance to the participant while still ensuring the "California Tests" had a benefit cost ratio greater than one as to not be a detriment to the ratepayers or program administrator. The incremental cost associated with the purchase of a high efficiency appliance is the average incremental cost to purchase an appliance which is deemed to be "high efficiency" as compared to an appliance with "standard efficiency". The attached KYPSC DR1-7c is the cost study performed by Delta which is a comparison of prices for standard efficiency versus high efficiency appliances.

d. No. The current application reflects all participation and cost projections as filed in Case No. 2007-00089. There have been no factors subsequent to case 2007-0089 which lead us to believe we need to revise our participation levels. Additionally, the rebates offered under the Program, which represent the majority of the program expenditures, have not been changed.

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

e. The cost of \$20 per residential audit is for the supplies which will be given to each customer who has an audit performed. This includes outlet gaskets, weather stripping and other winterization supplies. In preparing the budget, most expenditures were held constant. Our analysis was focused primarily on the first year's budget, keeping in mind that it is an estimate and all subsequent years can be better determined once we have actual experience with the CEP. Therefore, we did not adjust any subsequent years.

f. See attached KYPSC DR1-7a, page 3, which details the calculation of the "Residential Energy Audit".

g. See attached KYPSC DR1-7a, page 4, which details the items which comprise "Advertising".

h. The proposed recovery mechanism does not include a component for recovering depreciation, so we allocated the costs of the recovery to the first year of the program when the cost would be incurred. However, if the Commission prefers we could change the recovery mechanism and amortize the cost over three years..

i-j. See attached KYPSC DR1-7a, page 5, which details the calculation of "Labor".

The labor costs are broken down into the following categories:

- **Energy audit** – cost associated with performing an energy audit. This labor will be provided by our Customer Development Supervisor and/or a subordinate.
- **DSM Inspection** – cost associated with going to a customer's house to inspect the newly installed appliance to ensure it qualifies for the rebate. Additionally, the appliance connections will be inspected to ensure it was properly installed. This will be performed by someone from our Customer Development or a Customer Service Representative. The budgeted hours are based on the number of rebates instead of the number of employees.
- **Program Administration** – costs associated with record keeping and reporting for the program. These costs will be incurred by Customer Development and Accounting and are based on expected hours, instead of the number of employees.

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- **Accounting** - costs associated with calculating, implementing and monitoring recovery under the CEP. These costs are based on the number of hours expected per year, instead of the number of employees.

In preparing the budget, expenditures, including labor, were held constant. The only variable from year to year was the change in participation levels. We did not have a specific rationale for making this assumption. Our analysis was focused primarily on the first year's budget, keeping in mind that it is an estimate and all subsequent years can be better determined once we have actual experience with the CEP.

The Office Expenses represent miscellaneous office supplies for program administration. These include, but are not limited to rebate submission forms, flyers and handouts.

k. The \$205,292 represents total amount expected to be recovered from the customers during the first year of the program based on the budget. Per the tariff, recovery under the CEP mechanism is the sum of the following components:

$$\text{CEPRC} = \text{CEPCR} + \text{CEPLS} + \text{CEPI} + \text{CEPBA}$$

In case 2007-00089, KYPSC DR2-2, we submitted an illustrative example of how calculations would be submitted to the Commission on an annual basis. The illustrative example was calculated using the budgeted participation levels and budgeted expenditures for year one of the program. The \$167,120 represents the CEPCR portion of the rate mechanism. However, the total cost of the program includes not just our expenditures for the program, but also includes recovery of lost sales and incentive. The CEPRC for year one is calculated as follows:

| | |
|------------------------------|-------------------|
| Cost Recovery (CEPCR) | \$ 167,120 |
| Lost Sales (CEPLS) | 16,756 |
| Incentive (CEPI) | 21,416 |
| Balancing adjustment (CEPBA) | - |
| Total recovery (CEPRC) | <u>\$ 205,292</u> |

Please see the attached illustrative example.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc.
CEP
Budgeted Expenditures

| | | Schedule |
|--------------------------------------|--------------------------|-----------------|
| Heating Rebates | | |
| Forced Air Furnace | \$ 64,000 | 1 |
| Dual Fuel Units | 6,000 | 1 |
| Gas Space Heating | 2,000 | 1 |
| Gas Logs/Fireplaces | 34,000 | 1 |
| Water Heater Rebates | | |
| Holding Tank | 12,600 | 1 |
| Power Vent | 1,500 | 1 |
| On-Demand | 300 | 1 |
| Residential Energy Audits | 920 | 2 |
| Program Advertising | 25,000 | 3 |
| Infrared Thermal Camera* | 10,000 | |
| Labor | 10,000 | 4 |
| Office Expenses** | 800 | |
| Total Expenses per CEP Budget | <u>\$ 167,120</u> | |

* Pricing based on cost of refurbished thermal imaging camera to be used for energy audits. This is a one-time cost for the program.

** Miscellaneous office supplies purchased for program administration, rebate submission forms, flyers and handouts

Delta Natural Gas Company, Inc.
CEP
Rebate Budget
Schedule 1

| | (1) | (2) | (1) x (2) |
|--|---------------------------------------|--------------------------------|--------------|
| | Program Participants | Rebate Amount | Total |
| <u>A. High Efficiency Heating Savings</u> | | | |
| 1. High Efficiency Forced Air Furnaces | 160 | \$ 400 | \$ 64,000 |
| 2. High Efficiency Dual Fuel Units | 20 | 300 | 6,000 |
| 3. High Efficiency Gas Space Heating | 20 | 100 | 2,000 |
| 4. High Efficiency Gas Logs/Fireplaces | 340 | 100 | 34,000 |
| <u>B. High Efficiency Water Heating Savings</u> | | | |
| 1. High Efficiency Holding Tank Models | 63 | 200 | 12,600 |
| 2. High Efficiency Power Vent Models | 6 | 250 | 1,500 |
| 3. High Efficiency On-Demand Models | 1 | 300 | 300 |
| | | | \$ 120,400 |

(1) Estimated participation in program

(2) Rebate amount, per CEP

Delta Natural Gas Company, Inc.
CEP
Energy Audit Budget
Schedule 2

Energy Audit Supplies

| | Unit Price | Qty | Extended Price |
|------------------------------------|---------------|-------------|-------------------|
| Switch Gasket | \$ 1.97 | 2.0 | \$ 3.94 |
| Outlet gaskets | 1.97 | 3.0 | 5.91 |
| Foam weather stripping | 4.98 | 0.5 | 2.49 |
| Fingertip rubber weather stripping | 5.47 | 0.5 | 2.74 |
| Window and door caulk | 4.97 | 1.0 | 4.97 |
| Brochure, supply bag | 0.85 | 1.0 | 0.85 |
| | | | \$ 20.90 |
| | | Rounded | \$ 20.00 |
| | | # of audits | 46 |
| Total energy audit expense | | | \$ 920.00 |

The above items will be provided to each energy audit participant give them the tools necessary to begin taking steps towards conserving energy.

Delta Natural Gas Company, Inc.
CEP
Advertising Budget
Schedule 3

Advertising

Media:

Newspaper*

| | | | |
|--------------------------------|----|------------|--------|
| Advertising space publications | | 15 | |
| # of ad runs | | 3 | |
| ads | | <u>45</u> | |
| average ad price | \$ | <u>375</u> | 16,875 |

Website

External costs for design and maintenance related to CEP content

| | | | |
|---------------|----|------------|-------|
| hours | | 15 | |
| rate per hour | \$ | <u>150</u> | |
| website cost | | | 2,250 |

Billing Inserts

| | | | |
|-----------------------|----|-------------|-------|
| residential bills | | 30,000 | |
| quarterly insert | | 4 | |
| total inserts | | 120,000 | |
| price, per insert | \$ | <u>0.05</u> | |
| total billing inserts | | | 6,240 |

Total Program Advertising **\$ 25,365**

Rounded \$ 25,000

• The on-going program budget accounts for a decline in the usage of newspaper advertising related to the energy audits, as the program becomes more established through customer referrals.

Delta Natural Gas Company, Inc.
CEP
Labor Budget
Schedule 4

| Labor Costs | | Hours | Hourly Rate | Labor Cost |
|------------------------------------|------------------------|-------|-------------|--------------------|
| (1) | Energy Audit | 69.0 | \$ 20.00 | \$ 1,380.00 |
| (2) | DSM Inspection | 213.5 | 20.00 | 4,270.00 |
| (3) | Program Administration | 52.0 | 20.00 | 1,040.00 |
| (4) | Accounting | 35.0 | 15.00 | 525.00 |
| | | | | \$ 7,215.00 |
| Taxes and Benefits @ 12/31/06 rate | | | 38.3% | \$ 2,763.35 |
| Total labor cost | | | | \$ 9,978.35 |
| Rounded | | | | \$ 10,000.00 |

- (1) Hours calculated based on the following:
- | | |
|----------------------|-----------|
| Hours per audit | 1.5 |
| Budgeted # of audits | 46 |
| | <u>69</u> |
- (2) DSM Inspection (rebate submission review and compliance)
- | | |
|-----------------------------------|--------------|
| Budgeted rebates | 610 |
| Hours to review rebate submission | 0.35 |
| | <u>213.5</u> |
- (3) Represents estimated administrative time for record keeping and reporting
- (4) Accounting time required to prepare CEP filing and adjust billing rates

Delta Natural Gas Company, Inc.
 Conservation Efficiency Program
 Appliance Cost Study
 High Efficiency Natural Gas Furnace Unit Cost Comparison

| Supplier | Equipment Brand | Unit Sizing | Incremental Cost* | | |
|---------------------------------|-----------------|-------------|-------------------|--------|---------|
| | | | Low | High | Average |
| Vendor A London, Kentucky | York | 2,000 sq ft | \$ 384 | \$ 500 | \$ 442 |
| Vendor B Berea, Kentucky | Trane | 2,000 sq ft | 400 | 600 | 500 |
| Vendor C Morehead, Kentucky | Lennox | 2,000 sq ft | 600 | 800 | 700 |
| Vendor D Richmond, Kentucky | Lennox | 2,000 sq ft | 800 | 1,000 | 900 |
| Vendor E Lexington, Kentucky | Tempstar | 2,000 sq ft | 525 | 525 | 525 |
| Average Incremental Cost | | | | | 613 |

*Pricing for incremental cost based comparison of furnace rated with 80% efficiency, as compared to same model with 90% efficiency

For the purposes of determining the incremental costs Delta has assumed the same incremental cost for dual fuel units as a dual fuel unit still requires the purchase of a natural gas furnace

Delta Natural Gas Company, Inc.
 Conservation Efficiency Program
 Appliance Cost Study
 High Efficiency Natural Gas Water Heater Cost Comparison

| HVAC Contractor | Equipment Brand | Unit Sizing | Pricing | |
|---|------------------------|--------------|---------|---------------------|
| | | | Unit | Average Incremental |
| Standard Efficiency Holding Tank | | | | |
| Vendor A | Whirlpool - Flamelock | 30 gallon | \$ 245 | |
| Vendor A | Whirlpool - Flamelock | 40 gallon | 294 | |
| Vendor B | Bradford White | 50 gallon | 269 | |
| | | | \$ 269 | |
| High Efficiency Holding Tank | | | | |
| Vendor A | Whirlpool Energy Smart | 40 gallon | \$ 449 | |
| Vendor A | Whirlpool Energy Smart | 40 gallon | 486 | |
| Vendor A | US Craftmaster | 50 gallon | 434 | |
| | | | \$ 456 | \$ 187 |
| Power Vent | | | | |
| Vendor C | AO Smith Power Vent | 50 gallon | \$ 750 | |
| Vendor A | PowerFlex | 40 gallon | 737 | |
| Vendor A | PowerFlex | 50 gallon | 686 | |
| | | | \$ 724 | \$ 455 |
| On-Demand | | | | |
| Vendor A | Bosch - AquaStar | 175,000 BTUs | \$ 998 | |
| Vendor D | Bosch - AquaStar | 175,000 BTUs | 997 | |
| Vendor D | Paloma - PTG-74PVNH | 199,900 BTUs | 999 | |
| | | | \$ 998 | \$ 729 |

Delta Natural Gas Company, Inc.
Conservation Efficiency Program
Appliance Cost Study
High Efficiency Gas Log Cost Comparison

| Supplier | Brand | Vented | | Un-Vented | | Incremental Cost | |
|---------------------------------|----------|-------------|-----------|-----------|-------------|------------------|------------|
| | | Unit Sizing | Unit Cost | Brand | Unit Sizing | | Unit Cost |
| Vendor A | Eiklor | 24 inch | \$ 603 | Empire | 24 inch | \$ 649 | \$ 46 |
| Vendor B | Peterson | 24 inch | 335 | Monesson | 24 inch | 499 | 164 |
| Vendor C | Peterson | 24 inch | 384 | Peterson | 24 inch | 604 | 220 |
| Average Incremental Cost | | | | | | \$ | 143 |

Natural Gas Space Heating

Pricing for space heating appliances, was not readily available. Since natural gas space heating is often utilized to replace wood burning stoves, wood burning fireplaces and vented fireplaces, the same incremental cost has been assumed. Delta feels this is a conservative estimate since there is no equipment cost associated with wood burning applications

Delta Natural Gas Company, Inc.
Conservation/Efficiency Program
Billing Factor Calculation

Program Begins: November 1, 2007
Program Year End: October 31, 2008
Rate Effective: February 1, 2009

CEPCR - Conservation/Efficiency Program Cost Recovery

| | | |
|------------------------|----|-------------------|
| Program Costs | | |
| Program Rebates | \$ | 120,400 |
| Customer Awareness | \$ | 25,000 |
| Program Administration | \$ | 10,000 |
| Supplies | \$ | 10,920 |
| Program Overhead | \$ | 800 |
| Total Program Costs | | <u>\$ 167,120</u> |
| TOTAL CEPCR | | \$ 167,120 |

CEPLS - Conservation/Efficiency Program Lost Sales

Current Year Program Participation (Schedule A)

| Rate | # of Participants | CCF Conserved | Distribution Charge | Lost Sales |
|---|-------------------|-----------------|---------------------|------------------|
| Residential Furnace | 540 | 35,582.8 | \$ 0.4159 | \$ 14,799 |
| Residential Water Heater | 70 | 3,326.2 | 0.4159 | 1,383 |
| Energy Audit | 46 | 1,380.0 | 0.4159 | 574 |
| Total Current Year Lost Sales | 656 | 40,289.0 | | \$ 16,756 |
| Cumulative Prior Years Participation (Schedule B) | - | - | | \$ - |
| Total CEPLS | 656 | 40,289.0 | | \$ 16,756 |

CEPI - Conservation/Efficiency Program Incentive

| | | |
|-------------------------------|----|------------------|
| Program Benefits (Schedule C) | \$ | 309,891 |
| Less: Program Costs | \$ | <u>(167,120)</u> |
| Net Resource Savings | \$ | 142,771 |
| Incentive Percentage | | 15% |
| CEPI | | \$21,416 |

CEPBA - Conservation/Efficiency Program Balancing Adjustment

Balancing of rate mechanism not effective until the 2009 program year

CEPRC - Conservation/Efficiency Recovery

Estimated Residential Sales 17,800,000 Ccf

| | Recovery Amount | Rate, per Ccf |
|------------------|-------------------|------------------|
| CEPCR | \$ 167,120 | \$ 0.8141 |
| CEPLS | \$ 16,756 | 0.0816 |
| CEPI | \$ 21,416 | 0.1043 |
| CEPBA | \$ - | - |
| TOTAL DSM | \$ 205,292 | \$ 1.0000 |

Estimated Recovery during 2010 Program Year:

| | | |
|-----------------------|-----------|----------------|
| 2/1/9-10/31/9 | \$ | 143,704 |
| 11/1/9-1/31/10 | | 61,588 |
| Total Recovery | \$ | 205,292 |

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Schedule A - Current Year Participation Detail

Program Year End: October 31, 2008

| | (1) | (1) | | (1) | |
|---|--------------|------------------|-----------------|-----------|----------------|
| | Program | CCF Conservation | | Rebate | |
| <u>A. High Efficiency Heating Savings</u> | Participants | Per Participant | Total | Amount | Total |
| 1 High Efficiency Forced Air Furnaces | 160 | 100.02 | 16,003.2 | \$ 400 | \$ 64,000 |
| 2 High Efficiency Dual Fuel Units | 20 | 20.85 | 417.0 | 300 | 6,000 |
| 3 High Efficiency Gas Space Heating | 20 | 16.33 | 326.6 | 100 | 2,000 |
| 4 High Efficiency Gas Logs/Fireplaces | 340 | 55.40 | 18,836.0 | 100 | 34,000 |
| <u>B. High Efficiency Water Heating Savings</u> | | | | | |
| 1 High Efficiency Holding Tank Models | 63 | 45.11 | 2,841.9 | 200 | 12,600 |
| 2 High Efficiency Power Vent Models | 6 | 62.62 | 375.7 | 250 | 1,500 |
| 3 High Efficiency On-Demand Models | 1 | 108.59 | 108.6 | 300 | 300 |
| <u>C. Energy Audits</u> | | | | | |
| 1 Residential Energy Audits | 46 | 30.00 | 1,380.0 | | |
| Total | 656 | | 40,289.0 | \$ | 120,400 |

(1) Amounts based on budget and guidelines in CEP program document, submitted as Exhibit MDW-1

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Schedule B - Cumulative Prior Years Program Participation

Program Year End: October 31, 2008

| Program Participants | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Cumulative Total |
|---|------|------|------|------|------|------|------|------|------|------|------------------|
| A. High Efficiency Heating Savings | | | | | | | | | | | |
| 1. High Efficiency Forced Air Furnaces | - | - | - | - | - | - | - | - | - | - | - |
| 2. High Efficiency Dual Fuel Units | - | - | - | - | - | - | - | - | - | - | - |
| 3. High Efficiency Gas Space Heating | - | - | - | - | - | - | - | - | - | - | - |
| 4. High Efficiency Gas Logs/Fireplaces | - | - | - | - | - | - | - | - | - | - | - |
| B. High Efficiency Water Heating Savings | | | | | | | | | | | |
| 1. High Efficiency Holding Tank Models | - | - | - | - | - | - | - | - | - | - | - |
| 2. High Efficiency Power Vent Models | - | - | - | - | - | - | - | - | - | - | - |
| 3. High Efficiency On-Demand Models | - | - | - | - | - | - | - | - | - | - | - |
| C. Energy Audits | | | | | | | | | | | |
| 1. Residential Energy Audits | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - |
| Total Conservation | | | | | | | | | | | |
| A. High Efficiency Heating Savings | | | | | | | | | | | |
| 1. High Efficiency Forced Air Furnaces | - | - | - | - | - | - | - | - | - | - | - |
| 2. High Efficiency Dual Fuel Units | - | - | - | - | - | - | - | - | - | - | - |
| 3. High Efficiency Gas Space Heating | - | - | - | - | - | - | - | - | - | - | - |
| 4. High Efficiency Gas Logs/Fireplaces | - | - | - | - | - | - | - | - | - | - | - |
| B. High Efficiency Water Heating Savings | | | | | | | | | | | |
| 1. High Efficiency Holding Tank Models | - | - | - | - | - | - | - | - | - | - | - |
| 2. High Efficiency Power Vent Models | - | - | - | - | - | - | - | - | - | - | - |
| 3. High Efficiency On-Demand Models | - | - | - | - | - | - | - | - | - | - | - |
| C. Energy Audits | | | | | | | | | | | |
| 1. Residential Energy Audits | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - |
| Total Lost Sales | - | - | - | - | - | - | - | - | - | - | - |

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Schedule C - Calculation of Program Benefits

Program Year End: October 31, 2008

Current Year Conservation (Ccf) 40,289.0 per Schedule A

| Year | CCF Conserved | Projected Gas Cost* | Commodity Savings |
|---|------------------|---------------------|-------------------|
| 2008 | 40,289.0 | \$ 1.155 | \$ 46,534 |
| 2009 | 40,289.0 | \$ 1.128 | 45,446 |
| 2010 | 40,289.0 | \$ 1.093 | 44,036 |
| 2011 | 40,289.0 | \$ 1.065 | 42,908 |
| 2012 | 40,289.0 | \$ 1.045 | 42,102 |
| 2013 | 40,289.0 | \$ 1.036 | 41,739 |
| 2014 | 40,289.0 | \$ 1.044 | 42,062 |
| 2015 | 40,289.0 | \$ 1.035 | 41,699 |
| 2016 | 40,289.0 | \$ 1.011 | 40,732 |
| 2017 | 40,289.0 | \$ 1.007 | 40,571 |
| Total Commodity Savings | 402,890.4 | | \$ 427,829 |
| Discount Rate | | | 6.50% |
| Program Benefits (present value of commodity savings) | | | \$309,891 |

*Based on Department of Energy "Annual Energy Outlook", converted to per ccf residential cost

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Billing Factor Calculation

Program Year End: October 31 2009
 Rate Effective: February 1 2010

CEPCR - Conservation/Efficiency Program Cost Recovery

| | | |
|------------------------|-----------|----------------|
| Program Costs | | |
| Program Rebates | \$ | 144,050 |
| Customer Awareness | \$ | 20,000 |
| Program Administration | \$ | 10,000 |
| Supplies | \$ | 1,400 |
| Program Overhead | \$ | 800 |
| Total Program Costs | \$ | <u>176,250</u> |
| TOTAL CEPCR | \$ | 176,250 |

CEPLS - Conservation/Efficiency Program Lost Sales

Current Year Program Participation (Schedule A)

| Rate | # of Participants | CCF Conserved | Distribution Charge | Lost Sales |
|---|-------------------|-----------------|---------------------|------------------|
| Residential Furnace | 600 | 40,606.0 | \$ 0.4159 | \$ 16,800 |
| Residential Water Heater | 80 | 3,794.9 | 0.4159 | 1,578 |
| Energy Audit | 70 | 2,100.0 | 0.4159 | 873 |
| Total Current Year Lost Sales | 750 | 46,501.7 | | \$ 19,339 |
| Cumulative Prior Years Participation (Schedule B) | 650 | 40,209.0 | | \$ 16,756 |
| Total CEPLS | 1,400 | 86,790.7 | | \$ 36,095 |

CEPI - Conservation/Efficiency Program Incentive

| | | |
|-------------------------------|----|------------------|
| Program Benefits (Schedule C) | \$ | 352,731 |
| Less: Program Costs | \$ | <u>(176,250)</u> |
| Net Resource Savings | \$ | 176,481 |
| Incentive Percentage | | 15% |
| CEPI | | \$26,472 |

CEPBA - Conservation/Efficiency Program Balancing Adjustment

| | | |
|---|-----------------|--|
| Recovery | | |
| Prior Year | | |
| Amount to be Recovered | 11/1/08-1/31/09 | \$ - |
| Actual | 11/1/08-1/31/09 | - |
| Current Year | | |
| Amount to be Recovered | 2/1/09-10/31/09 | 143,704 |
| Actual | 2/1/09-10/31/09 | <u>(156,845)</u> |
| Under(Over) Recovery | | \$ (13,141) |
| Average 3 month Commercial Paper Rate for year-ended 10/31/09 | | 5.17% (estimated for distribution program) |
| Interest on under(over) recovery | \$ | (679) |
| TOTAL CEPBA | \$ | (13,820) |

CEPRC - Conservation/Efficiency Recovery

| | | |
|-----------------------------|-------------------|------------------|
| Estimated Residential Sales | 17,444,000 Ccf | |
| | Recovery Amount | Rate, per Ccf |
| CEPCR | \$ 176,250 | \$ 0.0101 |
| CEPLS | \$ 36,095 | 0.0021 |
| CEPI | \$ 26,472 | 0.0015 |
| CEPBA | \$ (13,820) | (0.0008) |
| TOTAL DSMRC | \$ 224,997 | \$ 0.0129 |

| | | |
|--|-----------|----------------|
| Estimated Recovery during 2010 Program Year: | | |
| 2/1/10-10/31/10 | \$ | 157,498 |
| 11/1/10-1/31/11 | | 67,499 |
| Total Recovery | \$ | 224,997 |

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Schedule A - Current Year Participation Detail

Program Year End: October 31, 2009

| | (1) | (1) | | (1) | |
|--|--------------|------------------|------------------|-----------|----------------|
| | Program | CCF Conservation | | Rebate | |
| | Participants | Per Participant | Total | Amount | Total |
| <u>A. High Efficiency Heating Savings</u> | | | | | |
| 1. High Efficiency Forced Air Furnaces | 208 | 100.02 | 20,804.16 | \$ 400 | \$ 83,200 |
| 2. High Efficiency Dual Fuel Units | 26 | 20.85 | 542.10 | 300 | 7,800 |
| 3. High Efficiency Gas Space Heating | 26 | 16.33 | 424.58 | 100 | 2,600 |
| 4. High Efficiency Gas Logs/Fireplaces | 340 | 55.40 | 18,836.00 | 100 | 34,000 |
| <u>B. High Efficiency Water Heating Savings</u> | | | | | |
| 1. High Efficiency Holding Tank Models | 72 | 45.11 | 3,247.92 | 200 | 14,400 |
| 2. High Efficiency Power Vent Models | 7 | 62.62 | 438.34 | 250 | 1,750 |
| 3. High Efficiency On-Demand Models | 1 | 108.59 | 108.59 | 300 | 300 |
| <u>C. Energy Audits</u> | | | | | |
| 1. Residential Energy Audits | 70 | 30.00 | 2,100.00 | | |
| Total | 750 | | 46,501.69 | \$ | 144,050 |

(1) Amounts based on budget and guidelines in CEP program document, submitted as Exhibit MDW-1

Delta Natural Gas Company, Inc.
 Conservation/Efficiency Program
 Schedule C - Calculation of Program Benefits

Program Year End: October 31, 2009

Current Year Conservation (Ccf) 46,501.7

| Year | CCF Conserved | Projected Gas Cost* | Commodity Savings |
|--------------------------------|------------------|------------------------|----------------------|
| 2009 | 46,501.7 | 1.128 | \$ 52,454 |
| 2010 | 46,501.7 | 1.093 | 50,826 |
| 2011 | 46,501.7 | 1.065 | 49,524 |
| 2012 | 46,501.7 | 1.045 | 48,594 |
| 2013 | 46,501.7 | 1.036 | 48,176 |
| 2014 | 46,501.7 | 1.044 | 48,548 |
| 2015 | 46,501.7 | 1.035 | 48,129 |
| 2016 | 46,501.7 | 1.011 | 47,013 |
| 2017 | 46,501.7 | 1.007 | 46,827 |
| 2018 | 46,501.7 | 1.030 | 47,897 |
| Total Commodity Savings | 465,016.9 | | \$ 487,988 |

Discount Rate 6.50%

Program Benefits \$352,731
 (present value of commodity savings)

*Based on Department of Energy "Annual Energy Outlook", converted to per ccf residential cost

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

8. Refer to page 14 of Exhibit 1.
 - a. Who performed the conservation estimates?
 - b. Explain how the estimates were developed.

RESPONSE:

- a. The conservation estimates were performed by Delta's Customer Development Department.
- b. Attached is an excerpt from Case No. 2007-00089, the Direct Testimony of Matthew D. Wesolosky, which details how the conservation estimates were calculated.

Sponsoring Witness:

Matthew D. Wesolosky

3 Q. For the purposes of CEP – Lost Sales and CEP-Incentive components of the rate
4 mechanism, what is the basis for the energy savings estimates?

5 A. The energy savings for high efficiency forced air furnaces and water heaters are based on
6 average Ccf savings calculated from engineering estimates:

7

8 Forced air furnaces - based on the average savings of 70% and 80% efficiency furnaces as
9 compared to a high efficiency (90%) furnace.

10

11 Water heaters - based upon a standard efficiency holding tank water heater rated as
12 .52EF. Depending on the high efficiency model installed, the savings are calculated based
13 on a high efficiency holding tank, power vent or on-demand model rated at .62EF, .67EF,
14 and .85EF, respectively.

15

16 Dual fuel furnaces – based upon the Ccf savings for forced air furnaces. However, the
17 savings are prorated for the percent of the time the dual fuel furnace can be expected to
18 operate using natural gas under normal weather conditions.

19

20 Gas logs – based upon a consumption survey performed for a sample of Delta's log-only
21 customers and the average efficiency between vented and un-vented gas logs.

22

1 Gas space heating – Delta does not have historical data on its space heating customer's
2 usage. The basis for the estimate is the survey of usage for log-only customers assuming
3 99% efficiency for a high-efficiency model and the average savings as compared to 70%
4 and 80% efficient models.

5

6 Energy audits – Energy savings which result from an energy audit are dependent upon
7 each individual home (size, insulation, caulking, etc.) and the measures taken by the
8 home owner as a result of the audit. Delta's conservation estimate is based upon the
9 home owner, at a minimum lowering the thermostat by one degree during the heating
10 season, irrespective of any additional conservation steps taken.

11

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

9. Refer to page 15 of Exhibit 1. Explain how Delta determined that is incentive for administering the Conservation and Efficiency Program should be 15 percent.

RESPONSE:

The fifteen percent is based on regulatory precedents. When the CEP was created both Louisville Gas & Electric and Duke Energy – Kentucky were earning a 15% incentive on their DSM programs.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY INC
CASE NO. 2008-0062

FIRST DATA REQUEST OF COMMISSION STAFF
DATED APRIL 8, 2008

10. Refer to the first page of Exhibit 2. Delta's proposed tariff states that the "prices to residential customers shall be increased monthly by an amount hereinafter described as the Conservation/Efficiency Program Cost Recovery Component (CEPRC)..." Explain how Delta proposes to show the CEPRC on a customer's bill.

RESPONSE:

We propose to show the CEPRC as a separate line on the customer's monthly bill.

Sponsoring Witness:

John B. Brown