



Delta Natural Gas Company, Inc.

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August 11, 2009

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PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602-0615

RE: CASE NO. 2008-00408

Dear Mr. Derouen:

Enclosed are the original and ten copies of Delta's supplemental response to the Data Request of the Commission Staff dated March 15, 2009 in the above styled case.

Please acknowledge receipt of this filing by stamping the extra copy of the cover letter and returning to Delta in the envelope provided.

Sincerely,

Connie King

Connie King
Manager – Corporate & Employee Services

cc: All Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

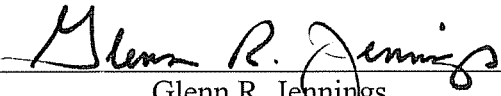
In the Matter of:

CONSIDERATION OF THE NEW FEDERAL)
STANDARDS OF THE ENERGY INDEPENDENCE) CASE NO. 2008-00408
AND SECURITY ACT OF 2007)

CERTIFICATION

The undersigned, Glenn R. Jennings, states that he is Chairman of the Board, President and Chief Executive Officer of Delta Natural Gas Company, Inc., a corporation, ("Delta") and certifies that he prepared the supplemental response to the Request of Commission Staff dated March 16, 2009 to Delta herein and that the response is true and accurate to the best of the undersigned's knowledge, information and belief formed after a reasonable inquiry.

Dated this 11th day of August, 2009.



Glenn R. Jennings

DELTA NATURAL GAS COMPANY, INC.
CASE NO.2008-00408

SUPPLEMENTAL RESPONSE TO REQUEST OF COMMISSION STAFF
DATED MARCH 16, 2009

120. The American Recovery and Reinvestment Act of 2009 ("Stimulus Bill") contains a number of spending and tax measures to inject more aggregate demand into the nation's sagging economy. Some of these measures impact, among other things, energy infrastructure. Certain provisions of EISA 2007 have been amended to reflect the incentives enacted by the Stimulus bill, particularly in the area of smart grid technology. Explain whether or not your opinion on smart grid investments has changed in light of the amendments.

RESPONSE:

Delta Natural Gas Company, Inc. was invited by the Commission Staff to participate in a tour of Duke Energy Kentucky, Inc.'s ("Duke") Envision Center on July 8, 2009. This was very informative and we appreciate Duke arranging for this tour and discussion.

This visit, as well as continuing and developing dialogue in the industry relating to the smart grid concept, is the reason Delta is filing this supplemental response to Item 120 of the Commission's data requests in this case.

There was little if any recognition at Duke's Envision Center given to the inclusion of natural gas in the smart grid or smart house design. It was focused on electric service and electric appliances. We believe that focus is too narrow.

If one objective of our national and state energy policies is the reduction of carbon emissions by reducing the need to build more power plants, then natural gas can help in the solution. Natural gas should be an integral component of smart house and smart grid concepts.

We encourage the Commission to consider the best end use of electricity and natural gas and the total cost to the consumer and the country. The direct use of natural gas in home appliances and distributed generation can be important energy efficiency measures. If electric water heaters were replaced by natural gas water heaters, if electric clothes dryers were replaced with natural gas dryers, if electric stoves were replaced with natural gas stoves and if electric heat pumps were replaced with natural gas furnaces, the need for coal fired power plants could be significantly reduced and it would have a positive impact on carbon emissions. In addition, peak electricity demands would be reduced along with the strains that those peaks place on electricity utilities and their customers.

As set forth in a letter dated June 9, 2009 to The Honorable Jon Wellinghoff, Chairman of the Federal Energy Regulatory Commission from David N. Parker, President and CEO of the American Gas Association, a copy of which is attached to this response, the increased use of natural gas in smart grid or smart house designs can produce benefits in addition to the direct use of natural gas in place of other fuels, including electricity, in residential and commercial space heating and appliance applications. As this letter expresses, natural gas-fueled distributed energy resources, including combined heat-and-power systems, can offer potential benefits to electric system planning and operations and the development of a smart grid. Distributed resources can help to meet peak loads, provide services such as reactive power and voltage support and improve power quality. A smart grid has the potential to increase demand response resources through greater communication between individual residential and commercial meters and appliances and the grid. Natural gas meters and appliances should be integrated into these efforts to promote a Smart Energy Grid. The participation of both electric and gas resources in residential and commercial establishments could enhance reliability, lower costs to consumers and maximize environmental benefits.

Responding Witness:
Glenn R. Jennings



American Gas Association

DAVID N. PARKER
President and CEO

June 9, 2009

The Honorable Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: *Smart Grid Policy*, Docket No. PL09-4-000

Dear Chairman Wellinghoff:

The American Gas Association (AGA), which represents 202 local energy companies that deliver natural gas to more than 65 million customers throughout the United States, supports the Commission's efforts to improve the efficiency of the nation's energy network through the implementation of smart grid policies as proposed by the Commission in its Smart Grid Policy Statement on March 19. In that regard, AGA concurs with other natural gas trade associations that abundant, domestic natural gas resources, along with transmission and distribution networks, can play a significant role in increasing the reliability and efficiency of the nation's energy grid. We ask that the Commission implement policies that promote the role of distributed energy production as an essential resource in the development of a smart approach to energy production and delivery.

Natural gas-fueled distributed energy resources can help achieve several of the broad policy goals identified in the Policy Statement, including enhancing the reliability of the bulk-power system, reducing long-term costs to consumers, and promoting the integration of renewable energy resources into the electric transmission system to meet future energy needs.

Distributed generation and combined-heat-and-power ("CHP") systems offer significant potential benefits to electric system planning and operations. These resources can be used to reduce peak loads, provide ancillary services such as reactive power and voltage support, and improve power quality. The types of services provided by distributed resources may be particularly valuable in integrating intermittent renewable resources because distributed resources could be called upon quickly with little or no ramp-up time required. In addition, CHP systems, some of which operate with as much as 80 percent efficiency, can advance environmental goals by reducing emissions of carbon dioxide and other pollutants.

A key for maximizing the environmental and reliability benefits of distributed generation and CHP systems is the successful integration of these resources with transmission system planning and operations. Smart grid policies to promote the efficient use of the nation's electric grid should foster the development of these resources and provide for their integration into system planning and operations. The communications protocols that allow customers to interface with electric system operations to provide demand response resources should be robust enough to

The Honorable John Wellinohoff
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June 9, 2009

allow distributed generation and CHP systems to provide a variety of demand response and grid reliability services.

The ability of gas transmission and distribution systems to accommodate on short notice the needs of gas-fired electric generators that support renewable resources deserves continued attention. Natural gas distribution utilities play an important role in supporting distributed generation resources and increasing grid reliability and efficiency.

We appreciate your leadership on these issues and look forward to working with the Commission to improve the efficiency, security and reliability of the nation's energy production and delivery network.

Sincerely,

A handwritten signature in black ink that reads "David N. Parker". The signature is written in a cursive style with a large, prominent initial "D".

David N. Parker

cc: Hon. Sudeen Kelly, Commissioner, Federal Energy Regulatory Commission
Hon. Philip D. Moeller, Commissioner, Federal Energy Regulatory Commission
Hon. Marc Spitzer, Commissioner, Federal Energy Regulatory Commission

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