Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391-9797

DGAS NASDAQ LISTED

www.deltagas.com

PHONE: 859-744-6171
FAX: 859-744-3623

September 10, 2010

RECEIVED
SEP 14 2010
PUBLIC SERVICE COMMISSION

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

RE: APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF RATES – Case No. 2010-00116 (Data Requests from Hearing on August 31, 2010)

Dear Mr. Derouen:

Delta hereby provides an original and ten (10) copies of the responses to the data requests during hearing on August 31, 2010.

We will file the certification of W. Steven Seelye once received.

Please confirm your receipt of these documents by placing the File Stamp of your Office on the enclosed additional copy.

Please contact me if you have any questions about this filing.

Sincerely,

John B. Brown
Chief Financial Officer, Treasurer
and Secretary

Copy: Dennis G. Howard, Assistant Attorney General
Robert M. Watt, Stoll Keenon Ogden PLLC

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 14 2010

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF RATES	)))	**CASE NO. 2010-00116**

* * * * * * * * * *

VERIFICATION

The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is Chief Financial Officer, Treasurer and Secretary of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

John B. Brown

John B. Brown

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2010.

Emily P. Bennett (SEAL)

Notary Public

My Commission Expires:

6/20/12

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT OF RATES	)))	**CASE NO. 2010-00116**

* * * * * * * * * *

VERIFICATION

The undersigned, **Matthew Wesolosky**, being duly sworn, deposes and states that he is Manager – Accounting & IT of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Matthew Wesolosky

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September, 2010.

Emily J. Bennett (SEAL)
Notary Public

My Commission Expires:

6/20/12

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

1. Provide a copy of an actual customer bill, with customer information redacted.

Response:

See attached.

Sponsoring Witness:

Matthew D. Wesolosky

02

DELTA NATURAL GAS COMPANY, INC.

Office Hours: 8:00 A.M. - 4:00 P.M. Monday - Friday

859-986-4291

Service Address

I am voluntarily adding $_______($1.00 or more) to my payment for the Wintercare Program

☐ Check here to indicate address and/or phone number change on back

☐ Check here for automatic bank draft service Complete application on back of this stub

Billing Address

Return Address

DELTA NATURAL GAS CO., INC.
P O BOX 190
BEREA KY 40403

Please return this portion with your payment.
Past Due Amount, if any, is immediately payable. Carrying a Past Due Amount and/or failing to pay the *Total Amount Due in full by the Due Date may result in discontinuance of service and the assessment of collection charges.*

Bill Date	Current Bill Amount	Past Due Amount	Due Date	Account Number	Total Amount Due
8/18/2010	$ 41.26	$	8/30/2010		[redacted]

Rate Code*	Service Period From	To	Read Code*	Meter Reading Previous	Present	CCF Usage	Charges
01	7/08	8/10		4278.0	4298.0	20.0	
Meter # C089992						20.0	38.75
CONSERVATION EFFICIENCY PROGRM							.17
3.00% Franchise Fee-Berea on 38.92							1.17
3.00% Rate Increase Madison Sch Tax on 38.92							1.17

Current Charges	41.26
Previous Amount Due	102.10CR
Payment Received 7/27	116.00CR
Total Amount Due	176.84CR

Please pay your budget amount due of $94.00

This is the beginning of the new budget year. For budget customers, your new budget amount is reflected on this bill. If you are not a budget customer and would like to join the plan, contact your local office.

NOT RESPONSIBLE FOR MAIL DELIVERY - Failure to receive your bill does not exempt you from payment or discontinuation of service.

*Rate Codes and Read Codes are defined on the back side of this statement.

	Avg Temp	Days	CCF Use
Current Month	79.1	33	20.0
Previous Month	77.6	30	19.0
Same Month Last Year	73.3	34	20.0

Account Number:
Bill Date: 8/18/2010

Service Address:

SEE REVERSE SIDE FOR EMERGENCY INFORMATION

Rates are available at your local Delta District Office

The residential customer charge includes $.20 collected under Delta's Energy Assistance Program Tariff Rider. Delta's operating expenses associated with the program were considered in determining rates in Case No. 2007-00089.

Change of Address

New Address ______________________________

City ________________ State____ Zip______

Phone ______________________________

Signature ______________________________

Automatic Bank Draft Service

Please deduct my payment from my:

☐ Checking ☐ Savings

(Please attach a voided check or deposit ticket)

I hereby authorize Delta Natural Gas Company, Inc. to debit my bank account in payment for gas service for the Delta customer shown on the reverse side. This authorization may be terminated up to five working days before the due date upon request of either party.

Signature ________________________ Date________

RATE CODE*		READ CODE*		CHARGES	
01	Residential	A	Actual Meter Reading	Reconnect	$60.00
02CS	Small Non-Residential	E	Estimated Meter Reading**	Collection	$20.00
02C, 02I	Large Non-Residential			NSF	$15.00
04C, 04I	Interruptible				

**Usage is occasionally estimated due to weather conditions or unforeseen circumstances. Any adjustments from an estimated bill will be reflected with the next actual meter reading

WE ARE PROUD TO ANNOUNCE AN AUTOMATED BILL PAYMENT SERVICE.

Pay your bill by electronic check, debit or credit card 24 hours a day, 7 days a week
Pay online at www.deltagas.com or by phone 1-877-762-1261

Payment may be made with the following credit cards: Visa, MasterCard, Discover, and American Express.
A processing fee will be charged when using this service.

FOR YOUR SAFETY

Natural gas has a distinctive odor added for your protection. When you smell it:

Leave the house . . . immediately! Don't light matches or flip an electrical switch.

Call us from a telephone other than your house phone.

EMERGENCY NUMBER **(After Hours/Weekends/Holidays)**

To report an emergency during office hours, please call the number listed on the front of the bill. To report an emergency after normal office hours, weekends or holidays, please call: **1-800-432-0771**

Call Before You Dig

If you are planning a home construction or landscaping project, call Kentucky 811 at least 72 hours before you start to dig. A representative will mark the approximate location of the underground utility lines on your property.

PAYMENT TERMS

Current Month's Bill

The current month's bill due date is shown on the front of this statement. Payment is due in Delta's office on or before the due date.

Previous Amounts Due

The due date indicated on this statement is for the current month's bill only and does not apply to Previous Amounts Due. Previous Amounts Due are past due and may be subject to disconnection. No extension of time for Previous Amounts Due is being authorized by this statement.

DGAS NASDAQ LISTED

www.deltagas.com

Direct email inquiries to:
customerservice@deltagas.com

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

2. Provide, for the last five years, the total revenues, allocated by percentage between regulated and non-regulated activities.

Response:

See attached.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company
Post-Hearing Data Request
Case No. 2009-00116
Item 2
Revenues allocated by Percentage

	Regulated	Non-Regulated	Intersegment Elimination*	Consolidated
2009	70%	34%	-4%	100%
2008	56%	47%	-3%	100%
2007	57%	46%	-4%	100%
2006	62%	41%	-3%	100%
2005	60%	44%	-3%	100%

* Intersegment elimination represents the transportation fee charged by the regulated segment to the non-regulated segment. The transportation fees charged to the non-regulated segment are based on Delta's tariff for transportation services approved by the Kentucky Public Service Commission.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

3. (a) Provide, for the last five years, the number of shutoffs per year.

Response:

See attached.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company
Post-Hearing Data Request
Case No. 2009-00116
3 (a)

Residential Disconnects for Non-Payment per Calendar Year

2009	2,582
2008	2,997
2007	2,773
2006	3,441
2005	3,244

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

3. (b) Provide, by month, the number of accounts paid late during 2009.

Response:

See attached.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company
***Post-Hearing* Data Request**
Case No. 2009-00116
3 (b)
Number of Late Payments - 2009

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Total late payments	9,179	8,233	8,199	8,578	8,020	6,863	6,775	6,754	6,224	6,287	6,258	7,252	**88,622**

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

4. Provide a copy of the letter received in August 2010 from the insurance company regarding the stored gas loss. When Delta's response is drafted, provide a copy of that correspondence as well.

Response:

See attached.

Attached is a letter dated August 19, 2010 from the claims adjuster (Charles Taylor adjusting) on behalf of the insurance company (Chartis) to our insurance broker (Wells Fargo). The letter is in response to a July 12, 2010 letter submitted by our insurance broker to the claims adjuster. A copy of the July 12, 2010 letter is included as it was submitted to the claims adjuster subsequent to Delta's response to Item 15 in the Staff's Third Data Request.

Delta will submit a copy of its rebuttal to the August 19, 2010 letter when it becomes available.

Sponsoring Witness:

Matthew D. Wesolosky

Charles Taylor
adjusting

August 19, 2010

Lori Graham
Vice President
Wells Fargo Insurance Services of West Virginia, Inc.
P O Box 370
Monessen, PA 15062

RE:	Insured	:	Delta Natural Gas Company Inc.
	Loss Location	:	Well #119-Canada Mountain Kentucky
	Type of Loss	:	Escape of Natural Gas
	Loss Date	:	Discovered July, 2007
	Policy No.	:	2610511

Dear Ms. Graham:

We take this opportunity to respond to your letter dated July 12, 2010 (receipt of which was acknowledged in our email to you dated July 13, 2010), the latest in a series of correspondence between Chartis and the Delta Natural Gas Company Inc. We begin by expressing our appreciation of the comments made in the first two sentences of your letter.

Initially, Delta indicated that the escape of gas was likely the result of a failed packer assembly. It did not provide an explanation as to why the packer assembly failed, which was discarded before Chartis could inspect it. Chartis subsequently issued an October 22, 2009 letter, indicating that Delta had not met its burden of showing an "external cause," as required by the Policy, or that any such external cause occurred "during the period of the Policy." Further, Chartis stated that if the claimed loss was confirmed to be the result of faulty or defective material, gradual deterioration, or another excluded cause of loss occurring during the period of the Policy, certain exclusions may apply and exclude coverage under the All Risks section of the Policy. Now, Delta has changed its originally proposed cause of loss and contends that although the packer assembly failed, the actual cause of loss was "highly likely" earth movement acting on Well #119's cement casing. It indicated that the well lies near a geological fault, but has provided no evidence that there was earth movement during the period of the Policy. It is Chartis' position that even if the failed packer assembly was not the reason gas escaped, Delta has still not met its burden of showing a covered loss resulting from an external cause. We take this opportunity to more fully explain Chartis' position.

80 Broad Street, Suite 3210
New York, NY 10004-2209
Tel +1 (212) 809 8082
Fax +1 (212) 968 1978

www.charlestayloradj.com

Delta Has Not Demonstrated a Covered Loss Resulting from an External Cause During the Period of the Policy

The Policy covers insured property against all risks of direct physical loss or damage occurring during the period of the policy, March 9, 2005 through March 9, 2008. It is well settled law that an Insured bears the burden of showing a covered loss under the Policy. Chartis is thus far not aware of any evidence or documentation indicating that the claimed loss was the result of an "external cause," as required by the Policy. Originally, Delta stated that the loss was due to the failure of the packer assembly, but failed to demonstrate the requisite "external cause," or that the loss occurred "during the period of the policy." In its latest letter dated July 12, 2010, after Chartis pointed out such Policy requirement, Delta changed its position regarding cause of loss and now states that the loss was due to the alleged failure of Well #119's seven-inch cement casing. Delta has not demonstrated that the cement casing actually failed, but presumes that to be the case based on the application of Temp Bloc "suggesting that the leak was actually emanating from the bottom of the well's 7 inch casing." *See Delta's July 12, 2010 letter at p.2.* Delta did not remove the alleged failed concrete for inspection. Delta's assumption, without supporting evidence, does not meet its burden under the Policy to show a covered loss.

Further, Delta stated that Well #119 is located close to an internal fault of the earth's Cumberland Thrust Block and that it is "highly likely" that earth movement directly caused and/or causually contributed to the cement failure and resulting gas leak. *Delta's July 12, 2010 letter at p.3.* It states further that such earth movement would clearly meet the "external cause" requirement of the Policy. Chartis agrees that such an event, if it was shown to have occurred, would be considered an "external cause" under the Policy. However, aside from its hypothesis based on the location of the Well #119 in relation to earth's fault, Delta has not provided any geological evidence showing that such earth movement occurred, let alone occurred "during the period of the Policy. As such, Chartis maintains its position that Delta has not demonstrated a covered loss under the terms and conditions of the Policy and that the Policy would not respond to Delta's claim for gas loss.

In addition, in the interest of fully addressing Delta's July 12, 2010 letter, Chartis acknowledges Delta's citations of the Kentucky Supreme Court regarding the Doctrine of Reasonable Expectation and the interpretation of ambiguous policy provisions. However, notwithstanding such settled law, it is Chartis' position that in the present case, there is no ambiguity in the language of the Policy. The Policy's insuring clause clearly requires that Delta demonstrate a "direct physical loss or damage occurring during the period of this policy from any external cause, unless excluded or limited." It is Chartis' position that Delta had failed to do so. Therefore, the Policy would not respond to Delta's claim for gas loss.

Potential Causes of Loss May be Excluded

The potential exclusions raised by Chartis in earlier correspondence, including but not limited to faulty or defective materials, faulty workmanship, and gradual deterioration, even when narrowly interpreted, may apply to exclude Delta's loss. We are informed that the cement casing was installed in 1978. According to Chartis' retained gas well expert, Neal Adams of Neal Adams Services, concrete casings in wells **will** deteriorate over time. Such deterioration could occur in as little as five years. In the present case, the alleged failed concrete was installed 32 years ago.

Further, it is not disputed that the packer assembly failed. According to Mr. Neal Adams, if the packer assembly had not failed gas would not have escaped, regardless of the condition of the cement casing. As you have stated, under normal circumstances, once an Insured demonstrates a covered loss the burden shifts to the insurer to demonstrate the application of an exclusion. Without inspection of the packer assembly, proving one of the above-referenced exclusions would not be possible. However, under Kentucky law regarding the spoliation of evidence, because the packer assembly was discarded it would be subject to a negative inference/"missing evidence instruction" by the Court, lessening Chartis' burden of proof requirement. All else being equal, the only reasonable explanation for the failure of the packer assembly is faulty or defective materials, faulty workmanship, and gradual deterioration. Therefore, it is Chartis' position that even if Delta had shown a covered loss, resulting from an external cause and during the period of the policy; certain exclusions may apply to preclude Delta's recovery.

Coinsurance

Chartis is not clear as to Delta's position on the application of the Policy's Coinsurance provision. Originally, Delta took the position that coinsurance applies only to loss of Real and Personal Property. In its October 22, 2009 letter, Chartis provide a detailed explanation as to why coinsurance applies to the present case. Delta's February 3, 2010, apparently a draft that was inadvertently issued, states that Delta agreed with Chartis. Now, in its July 12, 2010 letter, Delta references verbal discussions regarding coinsurance but does not provide its position in writing. Therefore, Chartis requests that Delta formally state its position as to the application of coinsurance. If Delta is of the opinion that coinsurance does not apply, please provide a detailed rebuttal to Chartis' October 22, 2009 explanation.

Potential Additional Claim

Delta has stated that there may be an additional claim in the amount of $400,000, but that such calculation cannot be complete until the completion of this season's 2010 injection cycle. This loss was discovered in 2007 and the current $1.35 Million claim was calculated following the completion of the 2008 cycle. Chartis was under the impression that any additional claim would have been determined following the 2009 cycle. Please explain why the potential additional claim may not be calculated until the completion of the 2010 cycle.

Conclusion

It is Chartis' position that Delta has not met its burden of demonstrating a loss resulting from an "external cause" and occurring "during the policy period." It has not provided evidence that Well #119's cement casing failed, it has not provided evidence that there was in fact earth movement, and it discarded the packer assembly (the only evidence of the failure) before Chartis could inspect it. Chartis would like to resolve this claim amicably and without resorting to litigation. However, it is not prepared to make payment for a loss that has not been demonstrated to be covered by the Policy, and that may be excluded even if it was demonstrated.

We trust this letter further clarifies the Chartis' position regarding Delta's outstanding claims. ***Please state whether you agree or disagree with the Chartis' positions as set forth in this letter. If you disagree, please explain why and further state your position. If you have any further documentation or information you would like the Insurer to consider, please forward it to our attention.***

Chartis Insurance expressly reserve its rights under the Policy and at law and will continue its investigation and defense under a reservation of all of its rights. Neither this letter nor any other further communications or investigation are intended to, nor shall they be deemed as, a waiver or estoppel to assert any such rights Chartis Insurance may have. Additional investigation may provide other information bearing on the questions of coverage, and Chartis Insurance may choose to rely on such other information as additional grounds to accept or deny coverage.

Finally, please note that the only authorized communications concerning coverage in this matter are those authorized by Chartis Insurance. As independent adjusters, Charles Taylor Adjusting does not have authority to interpret Chartis Insurance's policy or to bind it to coverage. Rather, Charles Taylor Adjusting is responsible for gathering and confirming factual information sufficient to permit Chartis Insurance to evaluate whether coverage is afforded under the policy and to ascertain the amounts that are claimed and can be supported. Chartis Insurance has authorized this coverage communication.

We thank you for your cooperation in this matter and, as always, should you have any questions or concerns, please feel free to contact the undersigned.

Yours sincerely,
CHARLES TAYLOR adjusting

Desmond Sullivan
President, New York

WELLS FARGO

Lori A. Graham , VP
P.O. Box 370
Monessen, PA 15062
Phone: 724.314.3235
Fax: 724.314.3246
Email: lori.graham@wellsfargo.com

Wells Fargo Insurance Services of West Virginia, Inc.

VIA EMAIL AND FIRST CLASS MAIL

July 12, 2010

Charles Taylor Adjusting
Attn: Desmond Sullivan, President
80 Broad Street, Suite 3210
New York, NY 10004-2209

Our Mutual Insured:	**Delta Natural Gas Co., Inc.**
Date of Discovery:	**July, 2007 (reference only)**
Policy Number:	**2610511**
Loss Location:	**Well #119 – Canada Mountain, Kentucky**

Policy Effective Dates: March 9, 2005 to March 9, 2008

Dear Mr. Sullivan,

Please allow me, on behalf of our client and the folks at Wells Fargo, to begin this correspondence by offering you our sincere appreciation for the time you have spent ensuring that the matter in question is adjusted in a fair and equitable manner. We value the opportunity you have given us to further explore all potential factors that may have given rise to this occurrence. This letter will further acknowledge the numerous telephone conversations we have had relative to the outstanding claims being pursued by Delta Natural Gas Company (hereinafter "Delta"). Given the fact that we have addressed our areas of concern on several occasions, I will refrain from reiterating them all at this time. Suffice it to say, Delta is of the opinion that it is imperative for Chartis to revisit their position as to the potential causative factors that lead to a significant gas loss occurrence at determined to be coming from Well #119 commencing in July 2007.

It goes without saying that we have all completed a painstaking review of the details surrounding this loss, including the physical inspection of Well #119, the supporting documents provided by Delta, Paul Dubois, Cambridge Resources, Chartis, Charles Taylor Adjusting, Neal Adams, all previously written correspondence, any applicable insurance policy language, endorsements, etc. In the end, it all comes down to this simple question. What could possibly have caused the gas loss event at Well #119?

Delta acknowledges that they were initially unable to answer this question definitively. Understandably, they were faced with a situation that needed to be rectified immediately so to avoid a future potentially catastrophic incident. They had two choices: 1.) remediate the leaking well or 2.) plug and abandon well 119 and drill a replacement well. For reasons that have been previously addressed, Delta decided on the former. This was a complicated endeavor that took until December 2007 to complete. Fortunately for them and the surrounding community, it was a success. It was only then that they could refocus efforts on other claim related matters such as causation.

At first blush, Delta had originally opined that the gas leak was due to a breach in the packer assembly. However, as relayed to you in our recent teleconference, Delta's consulting geologist, Paul Dubois, advised that if in fact the packer assembly was the culprit, the leak would have immediately ceased once the Temp Bloc that was introduced into the well reached and surpassed the area of the packer assembly leak. As you will also recall from our June 18 teleconference, the leak did not fully cease until the temp bloc was pumped the full length of the well, suggesting that the leak was actually emanating from the bottom of the well's 7 inch casing. We now must ask ourselves, "what caused the cement failure at this particular well, and why has there not been a similar issue at the five (5) other similar wells operated by Delta?

So not to reiterate what has already been written, I refer you to your letter of December 9, 2009. We respectfully disagree with the conclusions relative to the causation, co-insurance and measurement techniques. The co-insurance and measurement method issues were addressed by you and I on several occasions and again during the June teleconference with Delta. Let us therefore focus the remainder of this letter on the all important causation issue.

The "All Risk" policy referenced above was purchased by Delta through the National Union Fire Insurance Company of Pittsburgh, PA, (now Chartis) states as follows:

"This policy covers the property insured hereunder against <u>all</u> <u>risks</u> of direct physical loss or damage occurring during the period of this policy from any external cause, except as hereinafter excluded or limited."

As you are aware, I am a former liability adjuster, having worked for both Travelers and Chubb for over 20 years. Upon becoming involved in this loss, I conducted an investigation identical to that which I undertook while in the employ of these two highly reputable carriers. This included meeting and interviewing the principals at Delta on several occasions, speaking to their geologist and reviewing, among other things, all of the geological documents relative to this particular location. In the end, I/we concluded that there is one very logical explanation as to what may have caused the cement failure at Well #119. In view of the geological setting of the Canada Mountain Field, and in particular well #119, it is highly likely that earth movement directly caused and/or causally contributed to the cement failure and resulting gas leak. It's an explanation that makes geologic sense, and is certainly more plausible than the "wear and tear," "maintenance" and/or "faulty workmanship" conclusions previously asserted as a means for reserving Chartis rights on this claim.

In full support of our causation position, we have determined that the Canada Mountain Field lies on a large faulted block of earth called the Cumberland Thrust Block. This block is some 25 miles wide in the northwest-southeast direction and over 100 miles long in the southwest-northeast direction, being bounded by faults on all sides (see attached Figure 2). In past geologic time, mountain building forces from the southeast pushed this block up, broke it off, and slid it up and overriding the rocks beneath it a lateral distance of over 10 miles.

In addition to the bounding faults, internal faults also occur within the thrust block. These faults represent places where the earth ruptured in order to release built-up stress. One such fault lies on the east side of the Canada Mountain Field (see attached Figure 3). Well 119 is the closest gas storage well to this fault, lying approximately one-half mile away (see attached Figure 4).

Further research also concluded that stress can continue to build up and release periodically, resulting in added earth movement. The longer the stress builds up, the larger the energy release and potential movement that can occur. Small releases are also possible, which may go largely undetected, but which still could result in localized earth movement along faulting and provide the mechanism for fracturing rigid rock and cement

Such an event(s) would clearly meet the "external cause" requirement of the policy. A detailed review of the policy does not contain any exclusionary language for this type of earth movement. As such, the burden of proof under this "All Risk" policy now shifts to Chartis to show any exclusion(s) that would clearly negate coverage in this situation.

We believe it is important at this time to also introduce discussion as to the broad manner in which The Kentucky Supreme Court has qualified an insurer's obligations in a first party claim situation such as the one facing Delta. Given the fact that Chartis is an out of state insurer, we are not certain as to the frequency in which your office receives claims venued in Kentucky. As such, please be advised that Kentucky law is governed by the "Doctrine of Reasonable Expectations." To quote:

"An essential tool in deciding whether an insurance policy is ambiguous, and consequently should be interpreted in favor of the insured, is the so-called 'doctrine of reasonable expectations." That is to say, "[a]n insurance contract must be construed according to its true character and purpose, and in accordance with the intentions and expectation interests of the parties." Therefore, the language of an insurance policy "must be interpreted according to the usage of the average man and as they would be read and understood by him in the light of the prevailing rule that uncertainties and ambiguities must be resolved in favor of the insured."

The Kentucky Supreme Court has held that: "When faced with the necessity of construing statutory and contractual language, we must look to prior pronouncements of any policy by which such insurance contracts will be interpreted by the courts of Kentucky. In so doing, we find that two cardinal principles apply: (1) the contract should be liberally construed and all doubts resolved in favor of the insureds; and (2) exceptions and exclusions should be strictly construed to make insurance effective."

"As such, "Kentucky should adhere to its stated policy of liberally construing insurance contracts in favor of the asserted 'insured' to provide insurance coverage and thereby make insurance effective."

"Kentucky's Supreme Court has not limited its policy disfavoring exclusion clauses to situations where statutes regulate particular types of insurance: "Kentucky law is crystal clear that exclusions are to be narrowly interpreted and all questions resolved in favor of the insured."

The Kentucky Supreme Court has upheld the most basic, fundamental and underlying premise of an insurance contract. Namely, protecting premium paying policyholders by enforcing the Doctrine of Reasonable Expectations which is further clarified as "the objectively reasonable expectations of the applicants and intended beneficiaries regarding the terms of insurance contracts will be honored, even though a painstaking study of the policy provision would have negated those expectations'." The doctrine does not "remove from the insured the responsibility to read the policy but at the same time it does not hold the insured to an unreasonable level of understanding of the policy."

In applying the actual "unambiguous" policy language in conjunction with the Doctrine of Reasonable Expectation, one clearly concludes that the underwriting intent of this policy was to provide coverage for, among other perils, earth movement.

We trust that you and Chartis will find the causation explanation asserted by Delta to be valid, meritorious and compensable and will revisit their claim(s) in a fair manner. We await your response and settlement offer relative to Delta's previously iterated demand of $1,350,000. Given the passage of time since the incident, it is in the best interest of all parties to reach an amicable, non-litigated conclusion to this matter as soon as practicable.

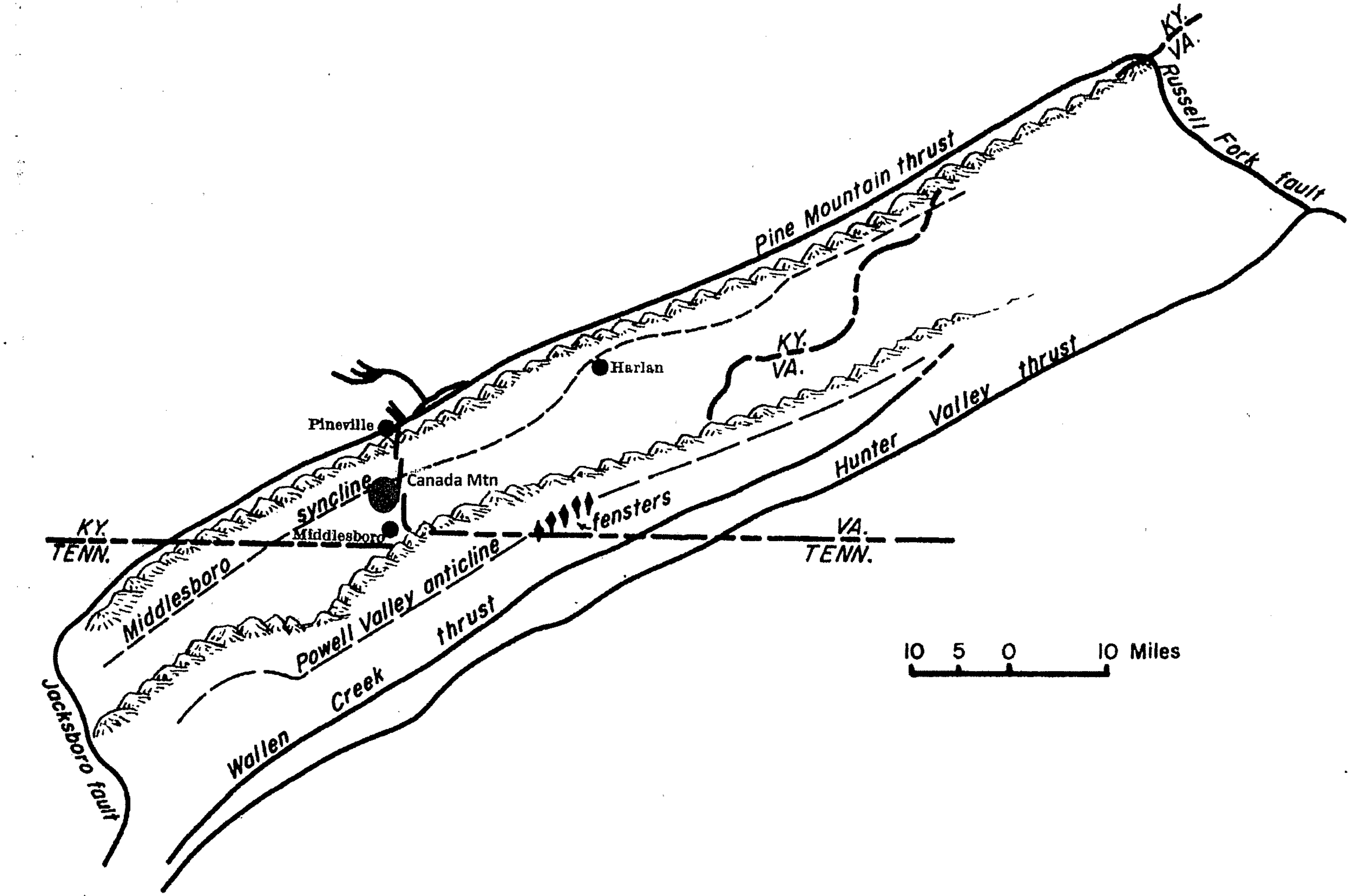
As we also discussed during our recent teleconference, Delta has estimated they may have as much as $400,000 in additional claim. This figure will become more specific as Delta continues to calculate gas loss as shut down data and statistics become available from Well #119. As I understand, another cycle is needed to definitively calculate damages over and above the $1.35 million initially asserted and for which Delta believes they have already verified as a legitimate loss.

The facts and positions stated in this letter are not intended to be an exhaustive statement of Delta Natural Gas Company, Inc. as it represents their knowledge of events at the present time. Delta Natural Gas Company, Inc. does not waive, but fully reserves, all of its rights against National Union Fire Insurance Company of Pittsburgh, PA and or Chartis. Nothing in this letter shall be construed as a waiver of any of Delta's rights nor is it to be construed as an admission against any of Delta's interests in the aforementioned dispute

I thank you for your kind attention to this matter and for your professional courtesies. Please feel free to give me a call should you have any questions regarding our request.

Very truly yours,

Lori A. Graham, VP
Mid-Atlantic Region Claim Manager



SKETCH MAP OF CUMBERLAND THRUST BLOCK

(ADAPTED FROM MCFARLAN AND CAMPBELL, 1955)

Figure 2

Fig. 3

An area of potential reservoirs

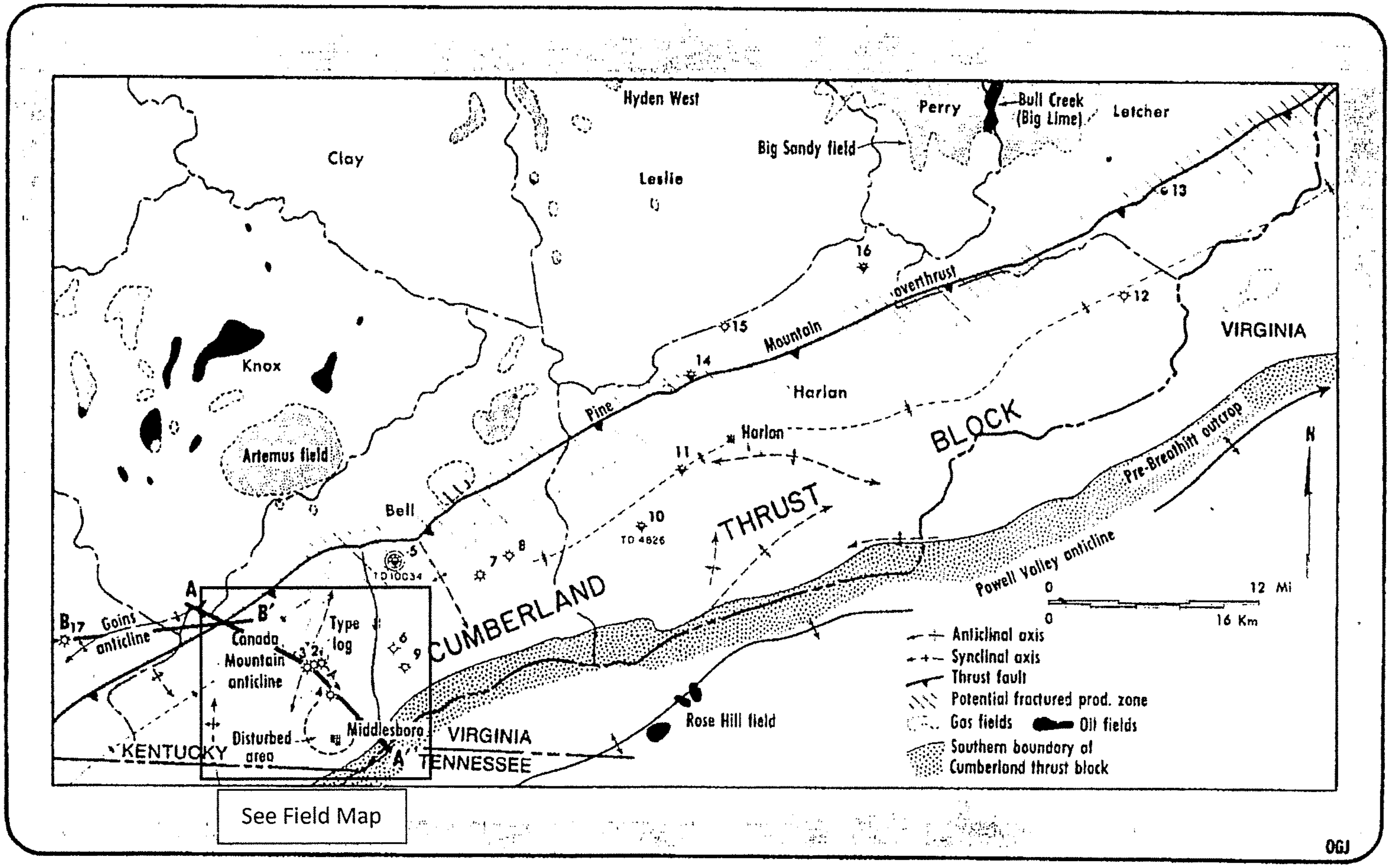
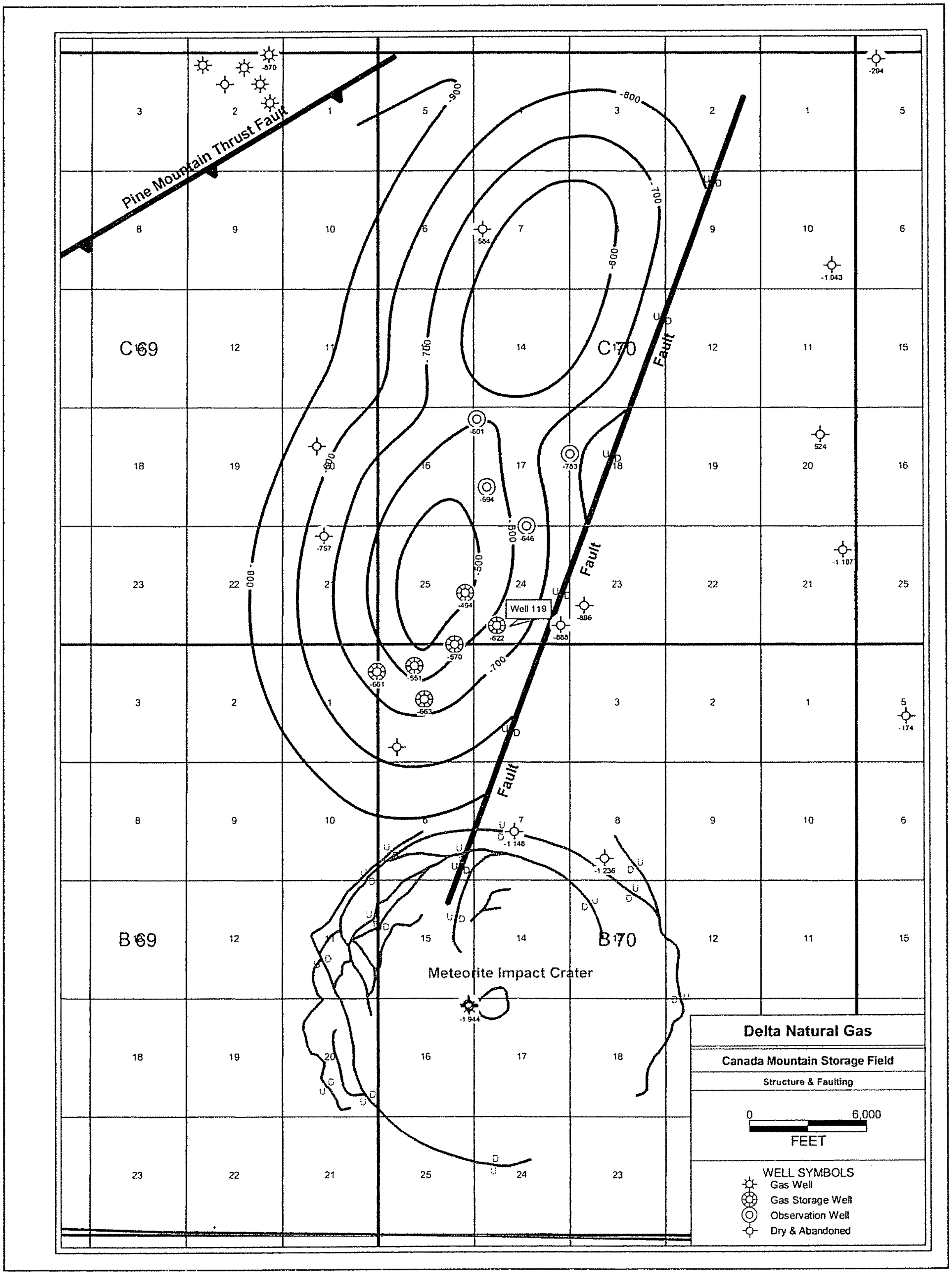


Figure 3



Field Map

Figure 4

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

5. Provide the costs incurred by Delta for services provided by Deloitte and Touche, LLP for tax method changes for the two years prior to the information provided in response to Staff 3-16 (b).

Response:

2008 - $15,481

2007 - $0

Sponsoring Witness:

Matthew D. Wesolosky

6. Provide the impact, on a per-customer basis, on the GCR if a hypothetical $1 million gas loss occurs and Delta is permitted to recover the loss through the GCR as proposed.

Response:

Attached is a copy of Delta's currently effective gas cost recovery filing modified for a hypothetical $1 million storage loss. Delta's proposed tariff includes language in the definition of the EGC component to include "underground storage withdrawals at the average unit cost of working gas inclusive of any storage inventory adjustments." As a storage adjustment of this magnitude is not anticipated, for the purposes of the calculation any EGC related to storage gas adjustments is zero. If an adjustment to our storage inventory became known and measurable, the adjustment would be reflected in the Actual Adjustment as calculated on Schedule IV. The adjustment would then be collected over the next twelve months. Delta's currently effective gas cost recovery rate is $7.4664 per Mcf. After modifying the filing for the hypothetical loss, the gas cost recovery rate increased $.3031 per Mcf to $7.7695.

In 2009, the average monthly usage for Delta's residential customers was 4.49 Mcf per month. Therefore, the average impact of the hypothetical loss per residential customer would be $1.36 per month for the twelve months the Actual Adjustment is effective.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE I

GAS COST RECOVERY CALCULATION

COST RECOVERY RATE EFFECTIVE JULY 26, 2010		
PARTICULARS	UNIT	AMOUNT
EXPECTED GAS COST (EGC)	$/MCF	6.7499
SUPPLIER REFUND (RA)	$/MCF	-
ACTUAL ADJUSTMENT (AA)	$/MCF	1.1957
BALANCE ADJUSTMENT (BA)	$/MCF	(0.1761)
GAS COST RECOVERY RATE (GCR)	$/MCF	7.7695

EXPECTED GAS COST SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
PRIMARY GAS SUPPLIERS (SCHEDULE II)	$	2,392,007
UTILITY PRODUCTION	$	-
INCLUDABLE PROPANE	$	-
	$	2,392,007
TOTAL ESTIMATED SALES FOR QUARTER	MCF	354,377
EXPECTED GAS COST (EGC) RATE	$/MCF	6.7499

SUPPLIER REFUND ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
CURRENT QUARTER (SCHEDULE III)	$/MCF	-
PREVIOUS QUARTER	$/MCF	-
SECOND PREVIOUS QUARTER	$/MCF	-
THIRD PREVIOUS QUARTER	$/MCF	-
SUPPLIER REFUND ADJUSTMENT (RA)	$/MCF	-

ACTUAL ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
CURRENT QUARTER (SCHEDULE IV)	$/MCF	(0.2245)
PREVIOUS QUARTER	$/MCF	1.5112
SECOND PREVIOUS QUARTER	$/MCF	0.0407
THIRD PREVIOUS QUARTER	$/MCF	(0.1317)
ACTUAL ADJUSTMENT (AA)	$/MCF	1.1957

BALANCE ADJUSTMENT SUMMARY CALCULATION

PARTICULARS	UNIT	AMOUNT
BALANCE ADJUSTMENT AMOUNT (SCHEDULE V)	$	(62,422)
ESTIMATED SALES FOR QUARTER	MCF	354,377
BALANCE ADJUSTMENT (BA)	$/MCF	(0.1761)

DELTA NATURAL GAS COMPANY, INC.

MCF PURCHASES FOR THREE MONTHS BEGINNING
August 1, 2010
AT SUPPLIERS COSTS EFFECTIVE
August 1, 2010

Supplier	MCF Purchases	DTH Conv Factor	Rates ($)	Quarterly Cost	Rate Increase (I)/ Reduction (R)
TENNESSEE GAS PIPELINE					
PIPELINE (SCH II, PAGE 2 OF 2)				397,016	
ATMOS ENERGY MARKETING	114,567	1.036	4.8769	578,846	I
COLUMBIA GAS TRANSMISSION					
PIPELINE (SCH II, PAGE 2 OF 2)				97,920	
ATMOS ENERGY MARKETING	53,727	1.029	4.8714	269,316	I
COLUMBIA GULF TRANSMISSION					
M&B GAS SERVICES	184,397	1.035	5.4357	1,037,408	I
KENTUCKY PRODUCERS					
CHESAPEAKE	1,686		6.8216	11,501	I
STORAGE	-			-	
TOTAL	354,377			2,392,007	

COMPANY USAGE 5,316

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2010

Particulars	Unit	Amount
SUPPLIERS REFUNDS RECEIVED (1)	$	0
INTEREST FACTOR (2)		0.9984
REFUND ADJUSTMENT INCLUDING INTEREST	$	0
SALES TWELVE MONTHS ENDED April 30, 2010	MCF	3,299,215
CURRENT SUPPLIER REFUND ADJUSTMENT	$/MCF	0.0000

(1) Suppliers Refunds Received	Date Received	Amount
		-
Total		0.00

(2) Interest Factor			
RESULT OF PRESENT VALUE	0.2069230	-0.5 =	(0.293077)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE IV

ACTUAL ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2010

Particulars	Unit	For the Month Ended Feb-10	Mar-10	Apr-10
SUPPLY VOLUME PER BOOKS				
PRIMARY GAS SUPPLIERS	MCF	562,410	623,846	343,711
UTILITY PRODUCTION	MCF	-	-	-
INCLUDABLE PROPANE	MCF	-	-	-
INVENTORY ADJUSTMENT (SCHEDULE VI)	MCF	-	-	200,000
OTHER VOLUMES (SPECIFY)	MCF	-	-	-
TOTAL	MCF	562,410	623,846	343,711
SUPPLY COST PER BOOKS				
PRIMARY GAS SUPPLIERS	$	3,146,690	3,443,444	1,577,538
UTILITY PRODUCTION	$	-	-	-
INCLUDABLE PROPANE	$	-	-	-
INVENTORY ADJUSTMENT (SCHEDULE VI)	$			1,000,000
OTHER COST (SPECIFY)	$	-	-	-
TOTAL	$	3,146,690	3,443,444	2,577,538
SALES VOLUME				
JURISDICTIONAL	MCF	671,391	680,624	381,260
OTHER VOLUMES (SPECIFY)	MCF	-	-	-
TOTAL	MCF	671,391	680,624	381,260
UNIT BOOK COST OF GAS	$	4.6868	5.0592	6.7606
EGC IN EFFECT FOR MONTH	$	5.7166	5.7166	5.7166
RATE DIFFERENCE	$	(1.0298)	(0.6574)	1.0440
MONTHLY SALES	MCF	671,391	680,624	381,260
MONTHLY COST DIFFERENCE	$	(691,398)	(447,442)	398,035

Particulars	Unit	Three Month Period
COST DIFFERENCE FOR THE THREE MONTHS	$	(740,805)
TWELVE MONTHS SALES FOR PERIOD ENDED	MCF	3,299,215
CURRENT QUARTERLY ACTUAL ADJUSTMENT	$/MCF	(0.2245)

DELTA NATURAL GAS COMPANY, INC.

SCHEDULE V

EXPECTED GAS COST BALANCE ADJUSTMENT
DETAIL FOR THE THREE MONTHS ENDED
April 30, 2010

Particulars	Unit	Amount
COST DIFFERENCE BETWEEN BOOK AND EFFECTIVE EGC AS USED TO COMPUTE AA OF THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	$	6,570,517
LESS: DOLLAR AMOUNT RESULTING FROM THE AA OF 2.0192 $/MCF AS USED TO COMPUTE THE GCR IN EFFECT FOUR QUARTERS PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL SALES OF 3,299,215 MCF FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE	$	6,661,775
BALANCE ADJUSTMENT FOR THE AA	$	(91,258)
DOLLAR AMOUNT OF SUPPLIER REFUND ADJUSTMENT AS USED TO COMPUTE RA OF THE GCR IN EFFECT FOUR QUART-ERS PRIOR TO THE CURRENTLY EFFECTIVE GCR	$	-
LESS: DOLLAR AMOUNT RESULTING FROM THE UNIT RATE FOR SUPPLIER REFUND ADJUSTMENT OF 0.0000 $/MCF AS USED TO COMPUTE RA OF THE JURISDICTIONAL SALES FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CURRENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR RATE IN EFFECT APPROXIMATELY ONE YEAR PRIOR TO THE CURRENT RATE FOR THE MCF TOTAL OF 3,299,215	$	-
BALANCE ADJUSTMENT FOR THE RA	$	-
DOLLAR AMOUNT OF BALANCE ADJUSTMENT AS USED TO COM-PUTE BA OF THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR	$	(127,159)
LESS: DOLLAR AMOUNT RESULTING FROM THE BA OF (0.0900) $/MCF AS USED TO COMPUTE THE GCR IN EFFECT ONE QUARTER PRIOR TO THE CURRENTLY EFFECTIVE GCR TIMES THE JURISDICTIONAL MCF SALES OF 1,733,275 FOR THE PERIOD BETWEEN THE EFFECTIVE DATE OF THE CUR-RENT GCR RATE AND THE EFFECTIVE DATE OF THE GCR RATE IN EFFECT IMMEDIATELY PRIOR TO THE CURRENT RATE	$	(155,995)
BALANCE ADJUSTMENT FOR THE BA	$	28,836
TOTAL BALANCE ADJUSTMENT AMOUNT	$	(62,422)

DELTA NATURAL GAS COMPANY, INC. SCHEDULE VI

INVENTORY ADJUSTMENT DETAILS
April 30, 2010

HYPOTHETICAL EXAMPLE ONLY

$		1,000,000
MCF		200,000
UNIT COST	$	5.00

PERIOD REQUIRING ADJUSTMENT
November 2008 through April 2009

DATE ADJUSTMENT WAS QUANTIFIED
December 2009

REASON FOR ADJUSTMENT

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

7. Provide the amount of dividends paid in March 2010 and June 2010.

Response:

See the attached page 5 of the Financial Exhibit, referred to during the hearing, updated through June, 2010.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.

DIVIDENDS FOR LAST FIVE YEARS
JUNE 30, 2010

MONTH AND YEAR PAID	RATE	ON SHARES OR VALUE	PAR VALUE	DIVIDEND AMOUNT
September 2005	.300	3,233,301	3,233,301	$ 969,990
December 2005	.300	3,238,345	3,238,345	$ 971,504
March 2006	.300	3,246,075	3,246,075	$ 973,823
June 2006	.300	3,251,614	3,251,614	$ 975,484
September 2006	.305	3,257,784	3,257,784	$ 993,319
December 2006	.305	3,263,560	3,263,560	$ 995,386
March 2007	.305	3,268,380	3,268,380	$ 996,857
June 2007	.305	3,273,273	3,273,273	$ 998,349
September 2007	.310	3,277,729	3,277,729	$1,016,096
December 2007	.310	3,282,393	3,282,393	$1,017,542
March 2008	.310	3,287,542	3,287,542	$1,019,138
June 2008	.310	3,291,943	3,291,943	$1,020,502
September 2008	.320	3,297,433	3,297,433	$1,055,178
December 2008	.320	3,302,946	3,302,946	$1,056,943
March 2009	.320	3,308,444	3,308,444	$1,058,702
June 2009	.320	3,313,798	3,313,798	$1,060,415
September 2009	.325	3,319,374	3,319,374	$1,078,797
December 2009	.325	3,324,019	3,325,019	$1,080,307
March 2010	.325	3,327,966	3,327,966	$1,081,590
June 2010	.325	3,331,531	3,331,531	$1,082,748

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

8. (a) Provide an updated response to Staff 2-42(a), for Account 368.

Response:

(a) As stated in response to Staff 2-42(a), one factor that affected the increase in the depreciation rate for Account 368 was the significant plant additions in 2007 and 2009. From 1961 through 2009, average plant additions for Account 368 was $205,657 ($8,020,661 ÷ 39 years = $205,657. *See* Simulated Plant Records analysis for Account 368 included in Appendix C of Seelye Exhibit 11.) The plant additions during 2007 and 2009 were $2,407,136 and $2,475,742, respectively, which are more than ten times the average level of plant additions for this account. The plant additions for these two years also comprise more than 50% of the total additions for Account 368.

Further, the average future accruals as shown in the last column of the Simulated Plant Records analysis for Account 368 that are included in Appendix C of Seelye Exhibit 11 are currently $6,707,974 (which represents the sum of the future accruals for each year of the analysis). This level of future accruals is not a typographical error, as suggested by Mr. Seelye during the hearing. In the Simulated Plant Records analysis submitted in Case No. 2007-00089, which does not include the plant additions for 2007, 2008, and 2009, the average future accruals were only $616,424. Comparing the average future accruals of $6,707,974 in the current Simulated Plant Records analysis to the average future accruals of $616,424 illustrates the impact of the large plant additions that were made in 2007 and 2009 on the analysis. As Mr. Seelye indicated during the hearing, plant additions of this magnitude would have a significant effect on the results of the Simulated Plant Records analysis.

Sponsoring Witness:

W. Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

8. (b) Verify, based upon the response to Staff 2-42(d), that the 2.28 percent for Account 381 was proposed by Mr. Seelye in a prior rate case and provide any updated information; include all reasons for the proposed increase.

Response:

(b) In Case No. 2007-00089, Mr. Seelye proposed a depreciation rate of 2.28% for Account 381. In that proceeding, an average service life of 40 years was selected, which was higher than the average service life for the S1 curve actually indicated by the Simulated Plant Records analysis submitted in that proceeding. In this proceeding, an average service life was selected that directly corresponded to the average service life for the S4 curved indicated by the Simulated Plant Records analysis. Had the S1 curve been selected in the current proceeding, the average service life would have been 35 years. Therefore, the reason for the increase in the depreciation rate in this proceeding is largely because Delta is proposing a dispersion curve that more closely corresponds to the statistical results of the Simulated Plant Records analysis in this filing.

Sponsoring Witness:

W. Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

8. (c) Verify and explain the reasons for the proposed increases in Account 352, Account 376 and Account 380 compared to the rates included in the depreciation study submitted by Delta in Case 2007-00089.

Response:

(c) The increased depreciation rate for Account 352 is a result of the large increase in plant additions since the last rate case. In the depreciation study submitted in Case No. 2007-00089, the net plant balance for Account 252 was $252,152. In the current depreciation study, the net plant balance is $2,661,345, a ten-fold increase. For Account 352, the increase in the depreciation rate is a result of the plant additions and not the result of methodological differences.

The increase in depreciation rates in this proceeding for Account 376 – Distribution Mains and Account 380 -- Distribution Services is largely the result of differences in the methodology used to determine depreciation rates in Delta's last rate case, Case No. 2007-00089, and the methodology used in the current depreciation study. In Case No. 2007-00089, Delta Natural Gas Company, as part of a settlement agreement, accepted the depreciation rates for Account 376 and Account 380 that were proposed by the Attorney General's witness. In the current depreciation study, the Company applied the same statistical methodology to calculate the depreciation rates for these two accounts as employed by the Company in Case No. 2004-00067 and approved by the Commission. In Case No. 2004-00067, the Simulated Plant Records analysis indicated that the best fitting curve was an L3 Iowa Curve with a 34 year average service life. In the current proceeding, the Simulated Plant Records analysis indicates that the best fitting curve is a R2 Iowa Curve with a 34 year average service life. Plant additions and the use of a different dispersion curve also have an effect on the depreciation rate for Account 376. As noted during the hearing, due to the absence of continuous records for Account 380, the depreciation rate calculated for Account 376 is also used for Account 380.

Sponsoring Witness:

W. Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

9. Provide the time period during which all service lines were classified as distribution mains.

Response:

Distribution services were classified in Account 376 – Distribution Mains until December 1989. Since then, distribution services have been classified in Account 380 – Distribution Services.

Sponsoring Witness:

W. Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

HEARING DATA REQUEST
DATED AUGUST 31, 2010

10. Provide a written calculation of the current amount that low income customers subsidize other residential customers each year.

Response:

For 2009, the average monthly usage for Delta's residential customers was 4.49 Mcf per month. During this same time period, the average monthly usage for customers participating in the Low Income Home Energy Assistance Program ("low income customers") was 8.21 Mcf per month. *See* response to Staff 2-24(b). Thus, a low income customer's monthly usage is 3.72 Mcf greater than the average usage by a residential customer.

If the customer charge were to remain at the current level of $15.30 per month, the annual subsidy that would be paid by an average low income customer is $123.48. If the customer charge is increased to $24.00 per month as proposed by Delta, the annual subsidy paid by an average low income customer would be reduced to $36.98. The supporting calculations for these subsidy amounts are attached. Actual individual subsidies will vary from customer to customer, as the calculation provided is an average of all low income customers.

Given the same level of revenue requirement, increasing the monthly customer charge to $24.00 and lowering the volumetric charge will decrease the subsidy paid by an average low income customer by $86.50 per year. Even though a low income customer will see an increase in the customer charge, the corresponding decrease in the volumetric charge will more than offset the increase in the customer charge for low income customers. Under the proposed rates, the average annual billing amount, excluding gas costs, for low income customers would be $715.02 per year, calculated as follows:

Customer Charge	$24.00 x 12 Months	$288.00
Volumetric Charge	$4.3344 x 8.21 Mcf x 12 Months	$427.02
Total Annual Billing		$715.02

However, if the customer charge were to be set at $15.30 rather than $24.00, the volumetric charge would be increased by an additional $1.9376 per Mcf ([$24.00 – $15.30] ÷ 4.49 Mcf). Therefore, if the customer charge were to remain at $15.30, then the average annual billing amount, excluding gas costs, for low income customers would be $801.52 per year, calculated as follows:

Customer Charge	$15.30 x 12 Months	$183.60
Volumetric Charge	$6.2720 x 8.21 Mcf x 12 Months	$617.92
Total Annual Billing		$801.52

Sponsoring Witness:

W. Steven Seelye

Delta Natural Gas Company

Calculation of Annual Subsidies that would be Paid by an average Low Income Customer
With a $15.30 and a $24.00 Monthly Customer Charge

(1)	Usage per month for typical customer	4.49 Mcf	
(2)	Usage per month for low income customer (LIHEAP customer) (See Response to Staff 2-24(b))	8.21 Mcf	
(3)	Average monthly usage of LIHEAP customer in excess of average customer usage [(2) - (1)]	3.72 Mcf	
(4)	Proposed Monthly Customer Charge	$ 24.00	
(5)	Current Monthly Customer Charge	$ 15.30	
(6)	Monthly Customer-related cost from cost of service study	$ 27.72	
	Calculation of Subsidy Paid by a Low Income Customer With a $15.30 Customer Charge		
(7)	Customer-related costs recovered through volumetric charge if current customer charge is maintained [(6) - (5)]		12.42 per Month
(8)	Volumetric charge associated with unrecovered customer-related costs with current customer charge [(7) ÷ (1)]		$ 2.7661 per Mcf
(9)	Annual subsidy paid by a low-income customer if current customer charge is maintained [(8) x (3) x 12 months]		$ 123.48 per Year
	Calculation of Subsidy Paid by a Low Income Customer With a $24.00 Customer Charge		
(10)	Customer-related costs recovered through volumetric charge under proposed rates [(6) - (4)]		$ 3.72 per Month
(11)	Volumetric charge associated with unrecovered customer-related costs under proposed rate [(10) ÷ (1)]		$ 0.8285 per Mcf
(12)	Annual subsidy paid by a low-income customer under the proposed rate [(11) x (3) x 12 months]		$ 36.98 per Year