



Delta Natural Gas Company, Inc.

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December 28, 2011

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

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PUBLIC SERVICE
COMMISSION

Re: Delta Natural Gas Company, Inc.
Case No. 2011-00409

Dear Mr. Derouen:

Pursuant to ordering paragraph 3 of the Commission's Order in the above-captioned proceeding, Delta Natural Gas Company, Inc. ("Delta") hereby files an original and three copies of information related to an issuance under said Order.

On December 20, 2011, Delta borrowed \$58 million from The Prudential Insurance Company of America and MTL Insurance Company, in accordance with the order issued October 31, 2011, in the above-captioned case. The details of the loan are shown below:

Borrower:	Delta Natural Gas Company, Inc.
Lender:	Prudential Insurance Company of America and MTL Insurance Company
Amount:	\$58 million
Maturity Date:	December 20, 2031
Interest Rate:	4.26% fixed
Price Paid:	100%
Proceeds:	\$58 million
Hedging:	None
Payments:	\$1,500,000 annually on December 20, with \$29,500,000 due at maturity
Fees, Expenses	See below

Fees and Expenses. The table below sets forth the fees and expenses of the transaction, including the cost of calling the existing debt and the cost of issuing the new notes:

Prudential	Structuring Fee	\$ 25,000	
Bank of New York Mellon	Termination Fee	2,000	
Stoll Keenon Ogden	Attorney Fees	45,039	*
Baker Botts	Attorney Fees	35,864	*
	TOTAL	<u>\$ 107,903</u>	

* Estimate

Interest Rate Documentation. On November 17, 2011, Delta locked the interest rate at 4.26%. At the time of the lock, the 10 year U.S. Treasury Yield Curve Rate was 1.96% and the 30 year U.S. Treasury Yield Curve Rate was 2.94%. The calculated “average life” of this debt is 15 years, given the required prepayments. The extrapolated 15 year yield curve rate, therefore, was 2.21%. The spread was 2.05%, totaling a coupon rate of 4.26%.

The preliminary term sheet included as Exhibit C in Delta’s Application in Case No. 2011-00409 was based on pricing as of October 4, 2011. At that time the extrapolated 15 year yield curve rate was 1.98%. While the market increased 23 basis points, the ultimate spread of 2.05% was lower than the range given in the preliminary term sheet of 2.20% to 2.25%.

Attached as Exhibit I is a listing of other transactions that executed on November 17, 2011, and a few days prior. This report, compiled by Prudential Capital Group, indicates an average spread of 219 basis points and further indicates that the spread of 205 basis points on the Delta transaction was reasonable.

Should you have any questions regarding this transaction or this information, please contact me at 859-744-6171, Ext. 109.

Sincerely,



John B. Brown
Chief Financial Officer,
Treasurer and Secretary

Exhibit I

Delta Natural Gas Company, Inc.
 Case No. 2011-00409
 Response to Data Requested in October 31, 2011 Order

New Issue/ Trade Date	Issuer	Issue Size (MM)	Trade Size (MM)	S&P	Moody's	PCIC Rating	Yield	Coupon	Avg Life	Maturity Term	Bond Spread
11/17/2011	AGL CAPITAL CORP	300	1	BBB+ (W-)	BAA1	BBB+ (m)	3.06	5.25	7.75	7.74	150
11/17/2011	APPALACHIAN POWER CO	350	1.5	BBB	BAA2	BBB (m)	3.46	7.95	8.17	8.16	182
11/16/2011	ATMOS ENERGY CORP	400	5	BBB+	BAA1	BBB+ (m)	4.51	5.5	29.6	29.57	151
11/15/2011	CENTERPOINT ENERGY RESOURCES C	593	2	BBB	BAA2	BBB (m)	3.82	4.5	9.18	9.16	196
11/17/2011	EQT CORP	750	2	BBB	BAA2	BBB (m)	4.98	4.88	10	9.99	300
11/16/2011	EXELON CORP	800	1.34	BBB-	BAA1(ON_DNG)	BBB (m)	2.44	4.9	3.58	3.57	190
11/17/2011	FIRSTENERGY SOLUTIONS CORP	480	2	BBB-	BAA3	BBB- (m)	5.75	6.8	27.76	27.74	287
11/9/2011	NISOURCE FINANCE CORP	500	5	BBB-	BAA3	BBB- (m)	4.14	6.13	10.32	10.28	216
11/16/2011	PSEG POWER LLC	250	3	BBB	BAA1	BBB (s)	2.54	2.75	4.84	4.82	168
11/17/2011	PUBLIC SERVICE CO OF NEW MEXIC	350	1.3	BBB-	BAA3	BBB- (m)	4.78	7.95	6.5	6.49	351

Average:

219