

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC., FOR AN ORDER)
AUTHORIZING THE ISSUANCE OF UP) CASE NO. 9826
TO 300,000 SHARES OF COMMON STOCK)
AND UP TO \$14,000,000 OF LONG-)
TERM DEBT)

O R D E R

On December 23, 1986, Delta Natural Gas Company, Inc., ("Delta") filed an application seeking authority to issue and sell up to 300,000 shares of its common stock and to issue up to \$14 million of long-term debt. The proceeds from the sale of the common stock and for long-term debt would be used to retire all or a portion of 9-3/8 percent Series D first mortgage bonds due through 1992, variable rate Series E first mortgage bonds, maturing serially through 1991, and existing variable short-term bank debt.

The Commission, after considering the application and all evidence of record and being advised, is of the opinion and finds that Delta's proposed issuance and sale of 300,000 shares of its common stock and issuance of up to \$14 million of long-term debt is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not

impair its ability to perform that service and is reasonably necessary and appropriate for such purposes. The Commission will require Delta, when the interest rate on the bonds is determined, to file a statement advising the Commission of the interest rate. In addition, Delta will be required within a reasonable time after the sale of the common stock to notify the Commission of the number of shares sold and the price received.

IT IS THEREFORE ORDERED that:

1. Delta be and it hereby is authorized to issue during 1987 and subsequent years up to an additional 300,000 shares of its common stock pursuant to the provisions set forth in its application.

2. Delta shall within a reasonable time after the sale of its common stock notify the Commission of the number of shares sold, all fees and expenses involved in the sale, and the price received.

3. Delta shall be authorized to issue long-term debt in a principle amount not to exceed \$14,000,000 pursuant to the provisions set forth in its application.

4. Delta shall notify the Commission of the interest rates for the bonds once it is determined and provide all fees and expenses involved in the sale.

5. The proceeds from the sale of the common stock and the long-term bonds authorized herein shall be used only for the lawful purposes as set out in the application.

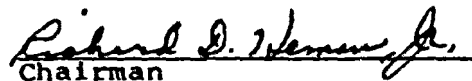
6. Any unamortized premium or discount shall be used to determine the gain or loss of the early extinguishment of debt in this case.

7. Any gain or loss on the early extinguishment of debt may be amortized over the life of the replacement debt.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 26th day of January, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director