

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELTA NATURAL )  
GAS COMPANY, INC. FOR AN ORDER ) CASE NO. 98-093  
AUTHORIZING THE ISSUANCE OF UP TO )  
\$30,000,000 OF LONG-TERM DEBT )

O R D E R

On February 17, 1998, Delta Natural Gas Company, Inc. ("Delta") filed an application seeking authority to issue up to \$30,000,000 of long-term debt. The proceeds will be used to retire all or a portion of Delta's existing variable rate short-term bank debt and to refinance its 9% Debentures that mature in 2011 of which \$10,000,000 in principal amount are outstanding. On February 13, 1998, Delta had \$17,015,000 in outstanding short-term debt. Delta further requested that it be allowed to amortize any remaining unamortized debt expense or call premium associated with refinancing over the life of the replacement debt.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, find that the issuance and sale of the above securities by Delta are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, are reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Delta is authorized to issue and sell up to \$30,000,000 in long-term debt. The securities will be sold in a public offering with one or more purchasers or on a negotiated or competitive bid basis with one or more underwriters, investment bankers or agents, or in a private placement transaction utilizing proper documentation.

2. Delta shall agree only to such terms and prices that are consistent with the parameters set out in its application.

3. Delta shall, within 30 days after the issuance of the securities referred to herein, file with this Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate(s), the purchasers, and all fees and expenses, including underwriting discounts or commissions or other compensation involved in the issuance and distribution and the use of the proceeds.

4. Delta shall be allowed to amortize any remaining unamortized debt expense or call premium associated with refinancing its 9% Debentures according to the method set out in its application.

5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

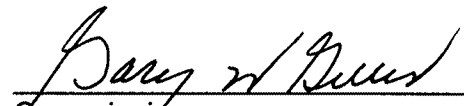
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof to the securities authorized herein.

Done at Frankfort, Kentucky, this 10th day of March, 1998.

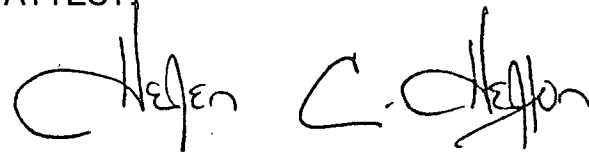
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director