

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)	CASE NO. 2017-00406
\$50,499,999.95 OF LONG TERM DEBT)	

* * * * *

APPLICATION

Delta Natural Gas Company, Inc. (“Delta”), pursuant to KRS 278.300 and 807 KAR 5:001, Section 18, and in accordance with Condition No. 27 of the July 13, 2017 order in Case No. 2017-00125, *Electronic Joint Application of PNG Companies LLC, Drake Merger Sub Inc., and Delta Natural Gas Company, Inc. for Approval of an Acquisition of Ownership and Control of Delta Natural Gas Company, Inc.*, respectfully submits its application herein as follows, to-wit:

1. The full name and mailing address of Delta are Delta Natural Gas Company, Inc., 3617 Lexington Road, Winchester, Kentucky 40391. Delta’s electronic mail address is ratereg@deltagas.com. Delta is a Kentucky corporation that was incorporated on October 7, 1949 and is in good standing under the laws of the Commonwealth of Kentucky. The common stock of Delta is held by PNG Companies, LLC pursuant to a merger transaction that was closed on September 20, 2017.

2. Delta is a utility engaged in the natural gas business. Delta purchases, sells, stores and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Fayette, Fleming, Clark, Robertson and Mason Counties, Kentucky.

3. As of June 30, 2017, in order to serve its customers, Delta owned gas gathering, transmission, distribution and service lines ranging in size from one (1) to twelve (12) inches, compressor stations, storage wells, gas mixing equipment, regulating equipment, metering equipment, transportation equipment, maintenance equipment communications equipment, data processing equipment, land and land rights. As of July 31, 2017, the original cost to Delta of its property was \$244,471,018 as shown on Exhibit A attached hereto.

4. There is attached hereto as Exhibit B the financial exhibit of Delta as of July 31, 2017, as required by 807 KAR 5:001, Sections 12 and 18.

5. As of September 20, 2017, the date of the closing of the merger transaction between Delta and PNG Companies LLC (“PNG”), Delta had outstanding \$50,499,999.95 aggregate principal amount of 4.26% Senior Notes, Series A, due December 20, 2031 (the “Existing Delta Notes”). A copy of the Existing Delta Notes is attached hereto as Exhibit C.¹ The Commission authorized the issuance of the long-term debt by order dated October 31, 2011 (amended by order dated November 16, 2011) in Case No. 2011-00409, *Application of Delta Natural Gas Company, Inc. For an Order Authorizing the Issuance of Up To \$75,000,000 of Long-Term Debt*. Coinciding with the merger closing, PNG issued to the holders of the Existing Delta Notes new Series 2017-B Senior Secured Notes (the “New PNG Notes”) with the same terms and conditions as the Existing Delta Notes and Delta was released from its obligations to such holders. Since the New PNG Notes simply replaced the Existing Delta Notes, the obligations were neither discharged nor refunded so the disclosures required by 807 KAR 5:001, Section 18 (f) do not apply.

¹ The Existing Delta Notes were issued in substitution for the notes originally issued due to the assignment and assumption by the holders of the notes to a different affiliate of the holders. No changes in the terms and conditions of the long-term debt have occurred.

6. As to 807 KAR 5:001, Section 18(1)(c), Delta desires to issue \$50,499,999.95 of long term debt to PNG in accordance with the draft promissory note attached hereto as Exhibit D, which provides a full description of all terms and the interest rate (the “New Delta Note”). The New Delta Note is subject to minor changes. The New Delta Note will replace the Existing Delta Notes. The amount and terms of the New Delta Note are the same as those in the Existing Delta Notes and no fees will be incurred by Delta in issuing the New Delta Note.

7. There is no cost of issuance or other debt expenses associated with the proposed issuance of new long term debt. Delta requests that it be allowed to continue amortizing any remaining unamortized debt expense over the life of any new or replacement long term debt.

8. Pursuant to 807 KAR 5:001, Section 18(1)(d) and (e), the debt would be available for the same purposes as the debt that Delta is replacing. Delta does not assign specific financing to any particular capital project or operating or fiscal use and does not project finance.

9. The issuance of the long term debt described herein is for lawful objects within the corporate purposes of Delta and is necessary, appropriate for and consistent with the proper performance by Delta of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purpose.

10. Communications related to this proceeding should be directed to the following persons:

John B. Brown
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

Robert M. Watt, III
Monica H. Braun
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, KY 40507

WHEREFORE, Delta Natural Gas Company, Inc. respectfully prays that the Public Service Commission enter its Order authorizing Delta to issue \$50,499,999.95 of long term debt

and for any and all other relief to which it may appear entitled. For the Existing Delta Notes, Delta requests that it be allowed to amortize any remaining unamortized debt expense over the life of any new or replacement long term debt.

Respectfully submitted,

Robert M. Watt, III
Monica H. Braun
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507
Phone: 859-231-3000
Fax: 859-253-1093
robert.watt@skofirm.com
monica.braun@skofirm.com

Monica H. Braun
Counsel for Delta Natural Gas Company,
Inc.

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

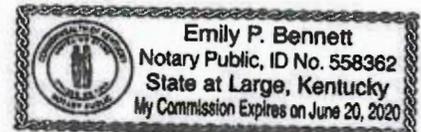
After having been duly sworn, John B. Brown states that he is an executive officer of Delta Natural Gas Company, Inc. having knowledge of the matters set forth in the foregoing Application, that he has been duly designated by Delta Natural Gas Company, Inc. to sign and file the foregoing Application on behalf of Delta Natural Gas Company, Inc., that he has read the statements contained in the foregoing Application and that the same are true.

John B. Brown
John B. Brown

Subscribed and sworn to before me by John B. Brown on the 2nd day October 2017.

My commission expires: 6/20/20

Emily P. Bennett



CERTIFICATE OF COMPLIANCE

In accordance with 807 KAR 5:001, Section 8(7), this is to certify that the Applicant's October 4, 2017, electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on October 4, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; that an original and six (6) copies of the filing are being hand delivered to the Commission within two (2) business days.

/s/ Monica H. Braun
Counsel for Applicant

005522.005777/4703229.3

DELTA NATURAL GAS COMPANY, INC.**DESCRIPTION OF PROPERTY AND ORIGINAL COST
JULY 31, 2017****INTANGIBLE PLANT**

Organization	\$	53,151
Franchise		-

PRODUCTION PLANT

Production Land		-
Production Structures		-
Land & Land Rights		97,038
Compressor Stations & Structures		924,417
Measuring & Regulating Equipment		180,881
Field Line - Gathering		2,120,526

STORAGE & PROCESSING PLANT

Storage Land		74,295
Storage Right-Of-Way		186,821
Gas Rights Wells		1,495
Gas Rights Storage		-
Storage Structures & Improvements		706,162
Storage Wells		4,905,624
Storage Rights		860,396
Storage Reservoirs		1,759,384
Non-Recoverable Natural Gas		294,307
Storage Lines		6,065,712
Storage Compressor Station Equipment		4,411,354
Storage Measuring & Regulating Equipment		1,092,673
Purification Equipment		6,147,769
Storage Other Equipment		109,795

TRANSMISSION PLANT

Land & Land Rights-Of-Way		1,674,622
Land Rights		163,626
Structures & Improvements		257,175
Mains		45,005,946
Compressor Station & Equipment		8,706,852
Regulating Equipment		4,197,264
Other Equipment		441,763

DISTRIBUTION PLANT

Land & Land Rights	342,584
Structure & Improvements	109,015
Mains	80,891,987
Regulating Equipment - General	2,076,942
Regulating Equipment - City Gate	917,230
Services	18,746,679
Meter & House Regulators	13,984,928
Meter & House Regulator Installations	3,519,863
Industrial Regulating Station Equipment	1,666,634

GENERAL PLANT

Land & Land Rights	999,354
Structure & Improvements	5,782,662
Office Furniture & Equipment	180,448
Transportation Equipment	5,030,773
Tools, Shop & Garage Equipment	1,144,128
Laboratory Equipment	293,796
Power Operated Equipment	3,797,302
Communications Equipment	339,748
Miscellaneous Equipment	50,132
Other Tangible Property	6,467,383

GAS STORED UNDERGROUND

4,208,069

CONSTRUCTION WORK IN PROGRESS

4,063,072

PLANT ACQUISITION ADJUSTMENT(580,759)**GAS UTILITY PLANT, AT COST****244,471,018**

ASSET RETIREMENT COSTS

3,341,212**TOTAL GAS UTILITY PLANT****\$ 247,812,230**

DELTA NATURAL GAS COMPANY, INC.

**AMOUNT AND KINDS OF STOCK AUTHORIZED,
ISSUED AND OUTSTANDING
JULY 31, 2017**

Common Stock, par value \$1.00 per share	--	Authorized - 20,000,000 shares Issued and Outstanding – 7,133,148 shares
Cumulative Preferred	--	Authorized - 312,500 shares Issued and Outstanding - 0

DELTA NATURAL GAS COMPANY, INC.

**LONG-TERM DEBT OUTSTANDING
AND MORTGAGE DESCRIPTIONS
JULY 31, 2017**

There are no mortgages outstanding.

The following long-term debt is in existence:

- (1) On December 8, 2011, as authorized by Delta's Board of Directors and approved by an order of the Kentucky Public Service Commission, Delta refinanced its long term debt by obtaining Series A Notes. The Series A Notes are unsecured, bear interest at a rate of 4.26% per annum, which is payable quarterly, and mature on December 20, 2031. Our balance at July 31, 2017 was \$50,500,000. We are required to make an annual \$1,500,000 principal payment on the Series A Notes each December. Any additional prepayment of principal by the Company may be subject to a prepayment premium which varies depending on the yields of United States Treasury securities with a maturity equal to the remaining average life of the Series A Notes. The agreement governing our 4.26% Series A Notes contains a cross-default provision which provides that we will be in default under the 4.26% Series A Notes if we are in default on any other outstanding indebtedness that exceeds \$2,500,000.

DELTA NATURAL GAS COMPANY, INC.

SHORT-TERM DEBT OUTSTANDING

JULY 31, 2017

Delta had outstanding at July 31, 2017 short-term debt as follows:

<u>LENDER</u>	<u>DUE DATE</u>	<u>RATE</u>	<u>AMOUNT</u>
Branch Banking and Trust Company (BB&T)	Demand ⁽¹⁾	2.30889% ⁽²⁾	\$-0-

Short-term interest paid in the 12 months ended July 31, 2017 was \$50,694.45.

⁽¹⁾ This was a demand grid note dated June 30, 2017 with a maturity date of June 30, 2019. It could be increased or decreased daily up to a maximum of \$40,000,000. The bank line of credit was cancelled on September 20, 2017 upon the merger between Delta Natural Gas Company, Inc. and PNG Companies, LLC.

⁽²⁾ The interest on this line was determined monthly at the thirty day LIBOR Rate plus 1.075% on the used line of credit. The cost of the unused line of credit is 0.125%.

DELTA NATURAL GAS COMPANY, INC.

**OTHER INDEBTEDNESS
JULY 31, 2017**

There is no other indebtedness outstanding.

DELTA NATURAL GAS COMPANY, INC.

**DIVIDENDS FOR LAST FIVE YEARS
 JULY 31, 2017**

<u>MONTH AND YEAR PAID</u>	<u>RATE</u>	<u>ON SHARES OR VALUE</u>	<u>PAR VALUE</u>	<u>DIVIDEND AMOUNT</u>
March-12	0.175	6,808,896	6,808,896	\$1,191,557
June-12	0.175	6,820,372	6,820,372	\$1,193,565
September-12	0.18	6,865,960	6,865,960	\$1,235,873
December-12	0.18	6,872,821	6,872,821	\$1,237,108
March-13	0.18	6,879,089	6,879,089	\$1,238,236
June-13	0.18	6,887,699	6,887,699	\$1,239,786
September-13	0.19	6,949,307	6,949,307	\$1,320,368
December-13	0.19	6,957,118	6,957,118	\$1,321,852
March-14	0.19	6,963,190	6,963,190	\$1,323,006
June-14	0.19	6,972,023	6,972,023	\$1,324,684
September-14	0.2	7,039,877	7,039,877	\$1,407,975
December-14	0.2	7,046,268	7,046,268	\$1,409,254
March-15	0.2	7,052,924	7,052,924	\$1,410,585
June-15	0.2	7,059,885	7,059,885	\$1,411,977
September-15	0.205	7,089,481	7,089,481	\$1,453,344
December-15	0.205	7,096,714	7,096,714	\$1,454,826
March-16	0.205	7,104,613	7,104,613	\$1,456,446
June-16	0.205	7,110,454	7,110,454	\$1,457,643
September-16	0.2075	7,115,289	7,115,289	\$1,476,422
December-16	0.2075	7,123,569	7,123,569	\$1,478,141
March-17	0.2075	7,128,472	7,128,472	\$1,479,158
June-17	0.2075	7,133,329	7,133,329	\$1,480,166
July-17	0.2075	7,137,147	7,137,147	\$1,480,958

DELTA NATURAL GAS COMPANY, INC.

**STATEMENT OF INCOME
12 MONTHS ENDED JULY 31, 2017
(UNAUDITED)**

OPERATING REVENUES	<u>\$45,809,369</u>
OPERATING EXPENSES AND TAXES	
Gas Purchased	\$12,610,197
Operations	14,884,213
Maintenance	773,043
Depreciation	6,327,872
Property & Other Taxes	2,846,540
Income Taxes	<u>1,969,277</u>
Total	<u>\$39,411,142</u>
Operating Income	\$ 6,398,227
INTEREST EXPENSES	\$ 2,409,559
NET INCOME	<u>\$ 3,988,668</u>

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
AS OF JULY 31, 2017
(UNAUDITED)

ASSETS

Gas Utility Plant	\$	247,812,230
Less - Reserve for Depreciation		<u>107,776,776</u>
Net Gas Utility Plant	\$	<u>140,035,454</u>
Current Assets		
Cash	\$	8,760,907
Receivables		2,045,123
Deferred Gas Cost		2,278,807
Gas in Storage, at Average Cost		3,669,078
Materials and Supplies, at first-in, first-out cost		650,248
Prepayments		<u>1,206,573</u>
Total Current Assets	\$	<u>18,610,736</u>
Other Assets		
Cash Surrender Value of Life Insurance	\$	466,056
Unamortized Expenses		2,520,594
Receivable/Investment in Subsidiaries		3,243,882
Other		<u>13,508,086</u>
Total Other Assets	\$	<u>19,738,618</u>
TOTAL ASSETS	\$	<u>178,384,808</u>

LIABILITIES

Capitalization		
Common Shareholders' Equity	\$	76,229,873
Long-Term Debt		<u>49,000,000</u>
Total Capitalization	\$	<u>125,229,873</u>
Current Liabilities		
Notes Payable	\$	-
Current Portion of Long-Term Debt		1,500,000
Accounts Payable		2,015,964
Accrued Taxes		(818,398)
Customers' Deposits		584,216
Accrued Interest		289,882
Refunds Due Customers		-
Current Deferred Income Taxes		1,053,443
Other		<u>1,428,974</u>
Total Current Liabilities	\$	<u>6,054,081</u>
Deferred Credits & Others		
Deferred Income Taxes	\$	44,063,437
Regulatory Items		(1,709,588)
Asset Retirement Obligation and Other		<u>4,747,005</u>
Total Deferred Credits and Other	\$	<u>47,100,854</u>
TOTAL LIABILITIES	\$	<u>178,384,808</u>

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED IN ABSENCE OF SUCH REGISTRATION EXCEPT PURSUANT TO AN EXEMPTION THEREFROM UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS.

DELTA NATURAL GAS COMPANY, INC.

4.26% Senior Note, Series A, Due December 20, 2031

No. RA-3
\$47,587,327.58

March 20, 2015
PPN 247748 A@5

FOR VALUE RECEIVED, the undersigned, DELTA NATURAL GAS COMPANY, INC. (the "**Company**"), a corporation organized and existing under the laws of the State of Kentucky, hereby promises to pay to The Prudential Insurance Company of America, or registered assigns, the principal sum of FORTY-SEVEN MILLION FIVE HUNDRED EIGHTY-SEVEN THOUSAND THREE HUNDRED TWENTY-SEVEN DOLLARS AND 58/100 (\$47,587,327.58) (or so much thereof as shall not have been prepaid) on December 20, 2031, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid principal balance hereof at the rate of 4.26% per annum from the date hereof, payable quarterly, on the 20th day of March, June, September and December in each year, commencing with the March, June, September or December next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid principal balance and on any overdue payment of any Make-Whole Amount, at a rate per annum (the "**Default Rate**") from time to time equal to the greater of (i) 6.26% or (ii) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of JPMorgan Chase Bank, N.A. in such jurisdiction or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (the “Notes”) issued pursuant to the Note Purchase and Private Shelf Agreement, dated as of December 8, 2011 (as from time to time amended, the “Note Purchase Agreement”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement, (ii) agreed to the transfer restrictions set forth in Section 13.2 of the Note Purchase Agreement and (iii) made the representations and warranties set forth in Section 6 of the Note Purchase Agreement. Unless otherwise indicated or defined in this Note, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for the unpaid principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

DELTA NATURAL GAS COMPANY, INC.

By 
Name: John B. Brown
Title: CFO, Treasurer
Secretary

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED IN ABSENCE OF SUCH REGISTRATION EXCEPT PURSUANT TO AN EXEMPTION THEREFROM UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS.

DELTA NATURAL GAS COMPANY, INC.

4.26% Senior Note, Series A, Due December 20, 2031

No. RA-4
\$3,145,431.02

March 20, 2015
PPN 247748 A@5

FOR VALUE RECEIVED, the undersigned, DELTA NATURAL GAS COMPANY, INC. (the "**Company**"), a corporation organized and existing under the laws of the State of Kentucky, hereby promises to pay to The Gibraltar Life Insurance Co., Ltd., or registered assigns, the principal sum of THREE MILLION ONE HUNDRED FORTY-FIVE THOUSAND FOUR HUNDRED THIRTY-ONE DOLLARS AND 02/100 (\$3,145,431.02) (or so much thereof as shall not have been prepaid) on December 20, 2031, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid principal balance hereof at the rate of 4.26% per annum from the date hereof, payable quarterly, on the 20th day of March, June, September and December in each year, commencing with the March, June, September or December next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid principal balance and on any overdue payment of any Make-Whole Amount, at a rate per annum (the "**Default Rate**") from time to time equal to the greater of (i) 6.26% or (ii) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of JPMorgan Chase Bank, N.A. in such jurisdiction or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (the “Notes”) issued pursuant to the Note Purchase and Private Shelf Agreement, dated as of December 8, 2011 (as from time to time amended, the “Note Purchase Agreement”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement, (ii) agreed to the transfer restrictions set forth in Section 13.2 of the Note Purchase Agreement and (iii) made the representations and warranties set forth in Section 6 of the Note Purchase Agreement. Unless otherwise indicated or defined in this Note, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for the unpaid principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

DELTA NATURAL GAS COMPANY, INC.

By 
Name: *John B. Brown*
Title: *CFO, Secretary & Treasurer*

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED IN ABSENCE OF SUCH REGISTRATION EXCEPT PURSUANT TO AN EXEMPTION THEREFROM UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS.

DELTA NATURAL GAS COMPANY, INC.

4.26% Senior Note, Series A, Due December 20, 2031

No. RA-5
\$2,689,655.16

December 20, 2015
PPN 247748 A@5

FOR VALUE RECEIVED, the undersigned, DELTA NATURAL GAS COMPANY, INC. (the "**Company**"), a corporation organized and existing under the laws of the State of Kentucky, hereby promises to pay to THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, or registered assigns, the principal sum of TWO MILLION SIX HUNDRED EIGHTY-NINE THOUSAND SIX HUNDRED FIFTY-FIVE DOLLARS AND 16/100 (\$2,689,655.16) (or so much thereof as shall not have been prepaid) on December 20, 2031, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid principal balance hereof at the rate of 4.26% per annum from the date hereof, payable quarterly, on the 20th day of March, June, September and December in each year, commencing with the March, June, September or December next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid principal balance and on any overdue payment of any Make-Whole Amount, at a rate per annum (the "**Default Rate**") from time to time equal to the greater of (i) 6.26% or (ii) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of JPMorgan Chase Bank, N.A. in such jurisdiction or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (the “Notes”) issued pursuant to the Note Purchase and Private Shelf Agreement, dated as of December 8, 2011 (as from time to time amended, the “Note Purchase Agreement”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement, (ii) agreed to the transfer restrictions set forth in Section 13.2 of the Note Purchase Agreement and (iii) made the representations and warranties set forth in Section 6 of the Note Purchase Agreement. Unless otherwise indicated or defined in this Note, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for the unpaid principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

DELTA NATURAL GAS COMPANY, INC.

By *John B. Brown*
Name: *John B. Brown*
Title: *Chief Operating
Officer, Treasurer &
Secretary*

DELTA NATURAL GAS COMPANY, INC., PROMISSORY NOTE

\$50,499,999.95

Date: _____, 2017

FOR VALUE RECEIVED, the undersigned, DELTA NATURAL GAS COMPANY, INC., a corporation formed under the laws of the Commonwealth of Kentucky (the "Borrower"), hereby promises to pay to the order of PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (the "Lender"), or registered assigns, the principal sum of 50,499,999.95 DOLLARS or, if less, the then unpaid principal amount of the loans made by the Lender to the Borrower as set forth in Schedule 1 attached hereto. This note shall be payable in the amounts and on the maturity dates set forth in Schedule 2 attached hereto, and may be prepaid in whole at any time or in part from time to time together with any prepayment premiums as set forth in the Third Supplement to Note Purchase Agreement (the "Third Supplement") dated as of September 20, 2017 between the Lender and the purchaser(s) of the notes issued thereunder (the "Series 2017-B Notes").

This note shall bear interest at a rate per annum equal to the rate applicable to the Series 2017-B Notes (4.26%), but in no event in excess of the maximum rate permitted by law. Interest accruing on this note shall be computed on the basis of a 360-day year of twelve 30-day months and shall be payable quarterly, on the 20th day of March, June, September and December in each year, commencing with the March, June, September or December next succeeding the date hereof, until the principal hereof shall have become due and payable.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Third Supplement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Third Supplement and/or the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

All loans made by the Lender and all repayments of the principal thereof shall be recorded by the Lender on Schedule 1 attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Lender to make any such recordation shall not limit or otherwise affect the obligations of the Borrower hereunder.

All payments hereof shall be made in lawful money of the United States of America and in immediately available funds.

This note, together with all accrued interest hereon, shall become immediately and automatically due and payable, without demand, presentment, protest or notice of any kind, upon the insolvency, general assignment, receivership, bankruptcy or dissolution of the Borrower (or the filing of any petition by or against the Borrower with respect to any of the foregoing). The

Borrower does hereby forever waive presentment, demand, protest, notice of protest and notice of nonpayment or dishonor of this note.

The Borrower hereby agrees to pay all reasonable costs and expenses incurred by the Lender incidental to or in any way relating to the Lender's enforcement of the obligations of the Borrower hereunder or the protection of the Lender's rights hereunder, including but not limited to, reasonable attorneys' fees and expenses incurred by the Lender (whether or not a proceeding has been commenced).

No failure on the part of the Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to the Lender or allowed it by law or other agreement shall be cumulative and not exclusive the one of any other, and may be exercised by the Lender from time to time.

Every provision of this note is intended to be severable; if any term or provision of this note shall be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

THE BORROWER WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF, BASED UPON, OR IN ANY WAY CONNECTED TO, THIS NOTE.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice of law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

DELTA NATURAL GAS COMPANY, INC.

By _____
Name: John B. Brown
Title: President, Treasurer and Secretary

Schedule 2

AMOUNTS / MATURITY DATES

Amount

Maturity Date

\$50,499,999.95

December 20, 2031

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the Undersigned hereby unconditionally sells, assigns and transfers unto _____ (Assignee(s)) the within note and all rights thereunder.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within note in every particular, without alteration or enlargement or any change whatever.