



Delta Natural Gas Company, Inc.



3617 Lexington Road
Winchester, Kentucky 40391-9797

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March 18, 2009

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MAR 19 2009

PUBLIC SERVICE
COMMISSION

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

RE: CASE NO. 2009-00066

Dear Mr. Derouen:

Enclosed are the original and five copies of Delta's response to the First Data Request of the Commission Staff in the above styled case.

Please acknowledge receipt of this filing by stamping the extra copy of the cover letter and returning to Delta in the envelope provided.

Sincerely,

Connie King

Connie King
Manager – Corporate & Employee Services

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

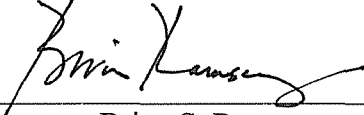
In the Matter of:

APPLICATION OF DELTA NATURAL)	
GAS COMPANY, INC. TO EXTEND ITS)	CASE NO. 2009-00066
NATURAL GAS SUPPLY HEDGING PLAN)	
TO MARCH 31, 2012)	

CERTIFICATION

The undersigned, Brian S. Ramsey, states that he is Vice President – Transmission & Gas Supply of Delta Natural Gas Company, Inc., a corporation, ("Delta") and certifies that he prepared the responses to the First Data Request of Commission Staff to Delta herein and that the responses are true and accurate to the best of the undersigned's knowledge, information and belief formed after a reasonable inquiry.

Dated this 18th day of March, 2009.



Brian S. Ramsey

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DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2009-00066

INITIAL DATA REQUEST OF COMMISSION STAFF
DATED MARCH 3, 2009

1. Explain why Delta did not enter into any forward contracts for the 2007 storage injection season or the 2007-2008 or 2008-2009 winter heating season.

RESPONSE:

At the beginning of the 2007 injection season, the delivered price of gas to Delta was over \$8.25 per Mcf and the NYMEX futures were trading equal to or higher for the remaining months of the injection season. Given that the projected gas prices for the 2007 injection season were above the 2006 injection season average price of \$7.20 per Mcf, Delta did not enter into any forward contracts for the 2007 storage injection season.

The volume of gas injected during the 2007 and 2008 storage injection seasons accounted for approximately 100% of the supply volumes in Delta's southern system for the 2007-2008 and 2008-2009 winter heating seasons and approximately 45% of Delta's total supply volumes. As a result, Delta did not enter into any forward contracts for the 2007-2008 or 2008-2009 winter heating seasons due to the high levels of monthly prices and forward prices during both years.

Responding Witness:

Brian S. Ramsey

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2009-00066

INITIAL DATA REQUEST OF COMMISSION STAFF
DATED MARCH 3, 2009

2. Provide Delta's total supply volumes for the 2006-2007 and 2007-2008 winter heating seasons and the 2008-2009 winter heating season to date:

RESPONSE:

Nov 06 – Mar 07:	1,612,908 Mcf (Excluding Storage)
Nov 07 – Mar 08:	1,744,307 Mcf (Excluding Storage)
Nov 08 – Jan 09:	1,240,195 Mcf (Excluding Storage)

Responding Witness:

Brian S. Ramsey

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2009-00066

INITIAL DATA REQUEST OF COMMISSION STAFF
DATED MARCH 3, 2009

3. Provide the volumes of storage gas withdrawn during the 2006-2007 and 2007-2008 winter heating seasons and the 2008-2009 winter heating season to date:

RESPONSE:

Nov 06 – Mar 07:	1,009,948 Mcf
Nov 07 – Mar 08:	898,158 Mcf
Nov 08 – Jan 09:	760,650 Mcf

Responding Witness:

Brian S. Ramsey

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2009-00066

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DATED MARCH 3, 2009

4. Provide Delta's average price of storage gas for the 2006-2007 and 2007-2008 winter heating season and the 2008-2009 winter heating season to date.

RESPONSE:

Nov 06 – Mar 07: \$ 7.7220 per Mcf

Nov 07 – Mar 08: \$ 8.1344 per Mcf

Nov 08 – Jan 09: \$11.0698 per Mcf

Responding Witness:

Brian S. Ramsey

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2009-00066

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5. Provide the average price that Delta paid for flowing gas for each month of the 2006-2007 and 2007-2008 winter heating seasons and the 2008-2009 winter heating season to date.

RESPONSE:

Nov 06	\$7.35 per Mcf (Commodity component only)
Dec	\$8.55
Jan 07	\$6.00
Feb	\$7.11
Mar	\$7.78
Nov 07	\$7.43
Dec	\$7.41
Jan 08	\$7.42
Feb	\$8.31
Mar	\$9.22
Nov 08	\$6.65
Dec	\$7.13
Jan 09	\$6.38

Responding Witness:

Brian S. Ramsey

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6. Delta's natural gas supply hedging plan consists of the use of forward contracts. Describe the extent to which Delta has considered other forms of hedging such as futures contracts, puts and calls, swap contracts, no-cost collars or option contracts.

RESPONSE:

Delta physically hedges a sizable portion of its wintertime system needs, approximately 100% in its southern system and 45% of its total supply volumes, by purchasing and injecting gas in its underground storage field. Delta considers locking in forward pricing for storage injections or for flowing gas when it deems that that is positive for its customers. The risk is always that future prices may decrease after locking in forward purchases. The higher current and forward prices are, the higher this risk becomes. There is no additional transaction cost to Delta's customers for this amount of hedging using storage and/or forward pricing of purchases. In the past when Delta has looked at other options such as futures contracts or other financial instruments, they have involved transaction costs. Delta believes that its approach of avoiding transaction costs with a mix of storage gas, flowing gas and the option of locking in forward purchases when the markets warrant is a reasonable hedging approach for its system and its customers.

Responding Witness:

Brian S. Ramsey