



Delta Natural Gas Company, Inc.

3617 Lexington Road
Winchester, Kentucky 40391-9797

PHONE: 859-744-6171

FAX: 859-744-3623

June 8, 2010



RECEIVED

JUN 08 2010

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40602-0615

RE: Application of Delta Natural Gas Company, Inc. for
An Adjustment of Rates – Case No. 2010-00116

Dear Mr. Derouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Delta Natural Gas Company, Inc. to the Second Data Request of the Kentucky Public Service Commission Staff dated May 24, 2010 and the Attorney General's Initial Requests for Information dated May 24, 2010, in the above-referenced matter.

Also enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information contained in the enclosed responses.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

John B. Brown

Chief Financial Officer, Treasurer and Secretary

copy: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

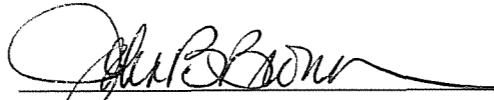
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COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN) CASE NO. 2010-00116
ADJUSTMENT OF RATES)

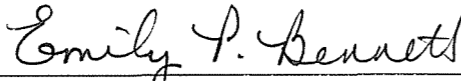
VERIFICATION

The undersigned, **John B. Brown**, being duly sworn, deposes and states that he is Chief Financial Officer, Treasurer and Secretary of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



John B. Brown

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4th day of June, 2010.



Notary Public (SEAL)

My Commission Expires:

6/20/12

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

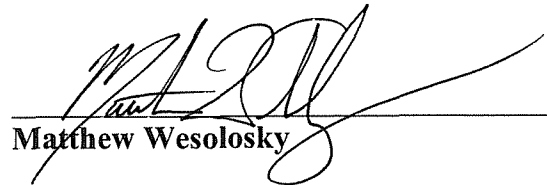
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In the Matter of:

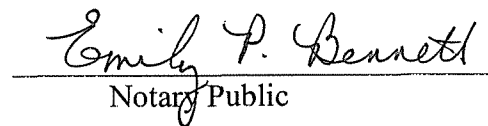
APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN) CASE NO. 2010-00116
ADJUSTMENT OF RATES)

VERIFICATION

The undersigned, **Matthew Wesolosky**, being duly sworn, deposes and states that he is Manager – Accounting & IT of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Matthew Wesolosky

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4th day of June, 2010.

 (SEAL)
Notary Public

My Commission Expires:

6/20/12

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN) CASE NO. 2010-00116
ADJUSTMENT OF RATES)

VERIFICATION

The undersigned, **Martin J. Blake**, being duly sworn, deposes and states that he is a Member and Principal of The Prime Group, LLC, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Martin J. Blake
Martin J. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4 day of June, 2010.

S. Weising (SEAL)
Notary Public

My Commission Expires:

4-21-12

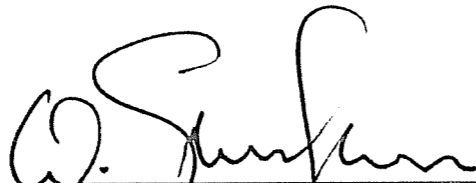
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN) CASE NO. 2010-00116
ADJUSTMENT OF RATES)

VERIFICATION

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Analyst with The Prime Group, LLC, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4th day of June, 2010.



Notary Public (SEAL)

My Commission Expires:

4-25-2013

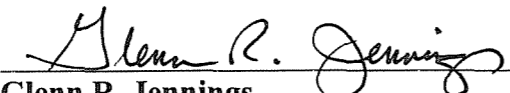
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN) CASE NO. 2010-00116
ADJUSTMENT OF RATES)

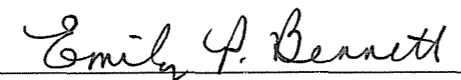
VERIFICATION

The undersigned, **Glenn R. Jennings**, being duly sworn, deposes and states that he is Chairman of the Board, President and CEO of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Glenn R. Jennings

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7th day of June, 2010.



Notary Public (SEAL)

My Commission Expires:

6/20/12

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

1. Refer to Volume 1 of the Application, the Financial Exhibit, page 2 of 7. Has Delta redeemed any of the 7-percent debentures that mature in February 2023 or the 5.75-percent insured quarterly notes that mature in April 2021? If yes, provide full details of the redemption, including the amount redeemed, the date of redemption, and all costs associated with the redemption.

Response:

The only redemptions relate to payments made relating to deceased beneficial owners. These redemptions are detailed on the attached schedules. There were no costs associated with the redemptions.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company, Inc.
Case No. 2010-00116
7% Sinking Fund Debentures

Date of Redemption	Bond Redemption	Interest
	Death Clause	Paid
12/01/2005	\$ 10,000.00	\$ 55.80
06/01/2007	\$ 10,000.00	\$ 58.33
07/01/2007	\$ 48,000.00	\$ 560.00
12/03/2007	\$ 7,000.00	\$ 40.83
05/01/2008	\$ 35,000.00	\$ 612.50
06/01/2008	\$ 14,000.00	\$ 81.67
09/01/2008	\$ 36,000.00	\$ 210.00
10/01/2008	\$ 30,000.00	\$ 350.00
11/01/2008	\$ 40,000.00	\$ 700.00
12/01/2008	\$ 10,000.00	\$ 54.74
01/01/2009	\$ 28,000.00	\$ 319.50
02/01/2009	\$ 43,000.00	\$ 752.50
03/01/2009	\$ 10,000.00	\$ 58.33
05/01/2009	\$ 15,000.00	\$ 262.50
06/01/2009	\$ 5,000.00	\$ 29.17
07/01/2009	\$ 42,000.00	\$ 490.00
08/01/2009	\$ 20,000.00	\$ 350.00
09/01/2009	\$ 10,000.00	\$ 58.33
10/01/2009	\$ 35,000.00	\$ 408.33
11/01/2009	\$ 17,000.00	\$ 297.50
12/01/2009	\$ 25,000.00	\$ 145.83
02/01/2010	\$ 5,000.00	\$ 87.50
03/01/2010	\$ 35,000.00	\$ 204.17
04/01/2010	\$ 10,000.00	\$ 115.57

Delta Natural Gas Company, Inc.
Case No. 2010-00116
5.75% Quarterly Notes

Item 1
Page 2 OF 2

Date of Redemption	Bond Redemption	Interest
	Death Clause	Paid
11/01/2006	\$ 25,000.00	\$ 119.79
12/01/2006	\$ 95,000.00	\$ 910.42
01/02/2007	\$ 25,000.00	\$ 359.38
06/01/2007	\$ 10,000.00	\$ 95.83
08/01/2007	\$ 25,000.00	\$ 119.79
09/04/2007	\$ 45,000.00	\$ 452.81
10/01/2007	\$ 24,000.00	\$ 345.01
11/01/2007	\$ 42,000.00	\$ 201.25
12/03/2007	\$ 32,000.00	\$ 306.67
05/01/2008	\$ 25,000.00	\$ 119.79
06/01/2008	\$ 10,000.00	\$ 95.83
07/01/2008	\$ 15,000.00	\$ 215.62
08/01/2008	\$ 25,000.00	\$ 119.79
10/01/2008	\$ 50,000.00	\$ 718.75
11/03/2008	\$ 27,000.00	\$ 129.38
12/01/2008	\$ 22,000.00	\$ 210.83
01/01/2009	\$ 115,000.00	\$ 1,653.13
02/01/2009	\$ 83,000.00	\$ 397.71
03/01/2009	\$ 75,000.00	\$ 718.75
04/01/2009	\$ 50,000.00	\$ 718.75
05/01/2009	\$ 40,000.00	\$ 191.67
07/01/2009	\$ 74,000.00	\$ 1,063.75
08/01/2009	\$ 32,000.00	\$ 153.33
09/01/2009	\$ 30,000.00	\$ 287.50
10/01/2009	\$ 30,000.00	\$ 431.25
11/01/2009	\$ 25,000.00	\$ 119.79
01/01/2010	\$ 25,000.00	\$ 359.38
03/01/2010	\$ 15,000.00	\$ 143.75
04/01/2010	\$ 4,000.00	\$ 57.50
06/01/2010	\$ 53,000.00	\$ 507.92

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

2. Refer to Volume 1 of the Application, Tabs 7 and 8, Sheet No. 14, Gas Cost Adjustment Clause. Did Delta intend to omit the second sentence in definition (d), "Reporting Period," as well as the provision for Interim Gas Cost Adjustment Filings?

Response:

Delta did not intend to omit the second sentence in (d), "Reporting Period," or the provision for Interim Gas Cost Adjustment Filings. See attached for a revised Sheet 14 for our proposed tariff.

Sponsoring Witness:

Matthew D. Wesolosky

FOR All Service Areas

P.S.C. NO. 12
Original SHEET NO. 14
CANCELLING P.S.C. NO. 11
Original SHEET NO. 14

DELTA NATURAL GAS COMPANY, INC.
Name of Issuing Corporation

CLASSIFICATION OF SERVICE
RATE SCHEDULES

GAS COST ADJUSTMENT CLAUSE

BILLING

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following components:

$$\text{GCR} = \text{EGC} + \text{RA} + \text{AA} + \text{BA}$$

DEFINITIONS

For purposes of this tariff:

- (T) |
- (a) "Average Expected Cost" means the cost of gas supplies, adjusted for injections/withdrawals into storage, storage inventory adjustments and the uncollectible gas costs portion of bad debt. Cost of gas supplies include associated transportation and storage charges, and propane which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes during the twelve month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
 - (b) "GCR" means the quarterly updated gas cost recovery rate applicable to the monthly consumption of customers (sum of the expected gas cost component plus the supplier refund adjustment plus the actual adjustment plus the balancing adjustment; i.e., $\text{GCR} = \text{EGC} + \text{RA} + \text{AA} + \text{BA}$).
 - (c) "Calendar Quarters" means each of the four three-month periods of (1) August, September and October; (2) November, December and January; (3) February, March and April; and (4) May, June and July.
 - (d) "Reporting Period" means the three (3) month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas recovery rates; i.e., the calendar quarter preceding that during which the most recent Quarterly Report was filed.

INTERIM GAS COST ADJUSTMENT FILINGS

The Company may make application for Interim Gas Cost Adjustments subject to the approval of the commission.

DATE OF ISSUE April 23, 2010 DATE EFFECTIVE May 23, 2010
ISSUED BY Glenn R. Jennings TITLE Chairman of the Board
Name of Officer President and CEO
Issued by authority of an Order of the Public Service Commission of KY in
CASE NO. 2010-00116 DATED _____

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

3. Refer to the Application, Tab 24. Provide the calculations used to produce the exhibit.

Response:

See attached.

Sponsoring Witness:

Matthew D. Wesolosky

	Billings @ Current Rate (normalized)	Proposed Increase	Billings Proposed Rate	Number of Bills	Average Bill		Difference	% Change
					Present Rates	Proposed Rates		
Residential	22,327,049	3,538,987	25,866,036	367,703	\$ 60.72	\$ 70.34	\$ 9.62	15.9%
Small Non-Residential	6,465,774	593,145	7,058,919	49,647	\$ 130.23	\$ 142.18	\$ 11.95	9.2%
Large Non-Residential	9,189,981	668,559	9,858,540	10,407	\$ 883.06	\$ 947.30	\$ 64.24	7.3%
Interruptible	223,127	-	223,127	62	\$ 3,598.82	\$ 3,598.82	\$ -	0.0%
On-System Transportation	4,137,780	261,259	4,399,039	2,883	\$ 1,435.23	\$ 1,525.85	\$ 90.62	6.3%
Off-System Transportation	3,415,904	253,030	3,668,934	122	\$ 27,999.21	\$ 30,073.23	\$ 2,074.02	7.4%
Total	45,759,615	5,314,980	51,074,595	430,824	11.62%			
reconciling items:								
gas lights	10,398	448	10,846	308				
misc revenue	302,580	-	302,580	-				
amount to balance to rate calc	2		2					
	46,072,595	5,315,428	51,388,023	431,132	11.54% total increase			

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

4. Refer to Volume 1 of the Application, Tab 27.

a. Refer to Schedule 3, lines 6 and 7. Provide the work papers showing the details of the allocation of lobbying expenses and the calculation of the benefits-and-taxes loading rate as stated on line 15.

b. Refer to Schedule 3.1.

(1) Provide the work papers showing the determination of the annualized salaries and wages and the pro forma capitalized wages and subsidiary allocation as shown on lines 1 and 2. The work papers should indicate whether employees are salaried or hourly and identify those who were employed for only a portion of the test year.

(2) Provide an explanation of how Delta prepared the payroll adjustment proposed in this case and explain why such an approach is reasonable.

(3) Confirm that the text on line 4 should read "Actual 2009 test year . . ."

c. Refer to Schedule 3.3 and page 6 of the Direct Testimony of John B. Brown ("Brown Testimony") regarding Delta's proposed adjustment for bad-debt expense.

(1) It is Staff's understanding that the proposed adjustment is intended to reflect an ongoing level of bad-debt expense recoverable through base rates while shifting the recovery of the portion of bad debts related to gas costs to the Gas Cost Recovery ("GCR") mechanism. If that is correct, explain why the rate-making adjustment for Delta's regulated operations is not limited to the calculation shown on Schedule 3.3, which results in the amount of \$145,581 as the pro forma bad-debt expense.

(2) If not contained in the response to part c.(1) of this request, provide a detailed description of Account 1.904 and explain why it is included in the adjustment.

d. Refer to Schedule 5.

(1) Provide the work papers showing the determination of the amounts of the test-year deductions on line 2.

(2) Provide the calculation used to determine the ratio used in line 9.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

e. Refer to Schedule 8 and Item 10 of Staff's First Request.

(1) The \$4,075,601 of interest expense per books on line 20 of Schedule 8 includes a reduction of \$152,900 for subsidiary interest paid per the trial balance at Item 10, page 4. Provide an explanation of this amount paid by the subsidiary. Provide an estimate of the pro forma amount to be expected from the subsidiary for future interest expense.

(2) Provide the interest rate for Delta's short-term debt as of June 1, 2010.

(3) Reconcile the common equity per Delta's balance sheet with the test-year ending balance provided in the response to Staff's First Request, Item 10, page 2.

Response:

a.

Detail of allocation of lobbying expenses

Employee expenses allocated to lobbying

<u>Date</u>	<u>Hours Worked</u>	<u>Rate</u>	<u>Total</u>
Feb 09	60	\$ 39.42	\$ 2,365.20
March 09	50	\$ 39.42	1,971.00
August 09	<u>10</u>	\$ 40.38	<u>403.80</u>
Total	120		\$ 4,740.00

Non-employee lobbying expenses (direct charge)	<u>\$ 12,212.00</u>
Total lobbying expenses	<u>\$ 16,952.00</u>

Calculation of benefits and taxes loading rate:

Payroll Taxes	\$ 556,598
Employee Benefits	<u>2,989,152</u>
Total	\$ 3,545,750

Annual Salaries \$ 7,486,169

Benefits and taxes loading rate 47.36%
(3,545,750/7,486,169) = 47.36%

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

b.(1) See attached Item 4b(1) Schedule 1 for determination of annualized salaries and wages and Item 4b(1) Schedule 2 for the pro forma capitalized wages and subsidiary allocations.

b.(2) Delta performed a detailed, specific identification analysis based on the status of each full-time (salaried) and part-time (hourly) employee and position, in order to determine annualized salaries and wages for the test year. Delta's test year annualized salaries and wages of \$7,465,704:

Includes

- Annualized regular salary, effective December 31, 2009, for each full-time employee/position.
- Overtime for each full-time employee/position based on actual overtime hours worked during 2009 and annualized regular salary, effective December 31, 2009.
- Wages for each part-time, including seasonal, employee based on actual 2009 compensation.

Excludes

- Salary, overtime and wages for any employee terminated during 2009 with a position that will not be filled by Delta.
- Known and measurable change in salaries for an overall 2% increase to be effective July 1, 2010.

Delta believes that its comprehensive analysis, based on the status of each employee and position, is more (but not totally, because the July 1, 2010 increase has been excluded) reflective of the ongoing level of salaries and wages than a simplistic test-year-end calculation, which ignores the seasonality of its operations.

b.(3) Yes.

c.(1) The Staff's understanding is correct. The pro forma bad-debt expense is \$145,581, which reflects an ongoing level of bad-debt expense recoverable through base rates while shifting the recovery of the portion of bad debts related to gas costs to the Gas Cost Recovery mechanism.

Account 1.904 is Delta's Uncollectible Expense Account. So, given the above, the pro forma test year expense in 1.904 should be \$145,581.

The actual amount in the test year in 1.904 was a CREDIT \$185,412. So, a pro forma adjustment of \$330,993 is necessary to adjust the account from its CREDIT \$185,412 to its pro forma DEBIT \$145,581.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

The reason account 1.904 was a credit during 2009 was due to the decrease of the reserve for uncollectibles from \$851,691 to \$222,143 as detailed on Schedule 3.3 of the Filing Requirements and described in Brown Testimony on page 6.

Note that in preparing these responses, we discovered that the 2009 regulated sales, at retail amount on Schedule 3.3 under tab 27 of the Filing Requirements used in computing the pro forma adjustment was understated by \$66,469. The error on that schedule caused the pro forma adjustment to be understated by \$298.

c.(2) See c.(1) above.

d.(1) The test year deductions on line 2 consist of the Cafeteria Plan benefits.

Insurance Contributions	217,000
Flex Contributions	71,526
Dependent Care	<u>660</u>
	<u>289,186</u>

d.(2) Refer to Second PSC Data Request dated 5/24/10, Item 50, line 13.

e.(1) Delta charges interest to the affiliates based on the average monthly balance of the intercompany payable accounts. The 2011 budget for this amount is \$152,000 (based on 2009 actual).

e.(2) 1.8508%.

e.(3) Per trial balance

1.201	Common stock	3,327,573
1.207	Premiums on common stock	47,346,624
1.214	Capital stock expense	(2,643,354)
1.216	Retained earnings	<u>5,347,923</u>
12.31.09 consolidated net income		5,058,380
Common equity, per balance sheet		58,437,146
Eliminate subsidiaries		(243,912)
Eliminate unbilled impact		<u>(1,700,897)</u>
Common equity, Delta Regulated		<u>56,492,337</u>

Sponsoring Witness:

John B. Brown

EMP NO	SALARIED/HOURLY	NEW HIRE	TERMINATED	ACTUAL HOURS WORKED 01/01/09 - 12/31/09		ACTUAL SALARIES 01/01/09 - 12/31/09		TOTAL GROSS SALARIES	Salaries 12/31/2009	Part-time (Seasonal/Year Round)	Pro Forma Salaries and Wages		
				REGULAR	Overtime	REGULAR	Overtime				Regular	Overtime	Total
60	SALARIED			1,592.00	22.00	30,943.00	646.57	31,589.57	41,000		41,000	650	41,650
70	SALARIED			2,088.00	24.00	37,950.00	662.64	38,612.64	38,400		38,400	665	39,065
100	SALARIED			2,088.00		81,000.00		81,000.00	82,400		82,400		82,400
3378	SALARIED			2,088.00	66.00	33,450.00	1,598.64	35,048.64	34,100		34,100	1,623	35,723
3400	SALARIED			2,088.00	93.00	30,700.00	2,064.38	32,764.38	31,100		31,100	2,086	33,186
3336	SALARIED			2,088.00	36.00	37,600.00	978.16	38,578.16	38,300		38,300	994	39,294
130	SALARIED			2,088.00		53,900.00		53,900.00	55,400		55,400		55,400
3516	HOURLY	X	X	427.00		3,843.00		3,843.00		3,843	3,843		3,843
3518	HOURLY	X		288.00		2,880.00		2,880.00		2,880	2,880		2,880
3331	SALARIED			2,088.00	56.00	32,700.00	1,326.31	34,026.31	33,100		33,100	1,337	34,437
3496	SALARIED			2,088.00		39,200.00		39,200.00	39,700		39,700		39,700
3497	SALARIED			2,088.00	71.00	27,500.00	1,418.43	28,918.43	27,800		27,800	1,423	29,223
200	SALARIED			2,088.00		51,200.00		51,200.00	51,800		51,800		51,800
210	SALARIED			2,088.00		49,850.00		49,850.00	51,200		51,200		51,200
280	SALARIED			2,088.00	96.00	41,000.00	2,838.44	43,838.44	41,000		41,000	2,838	43,838
290	SALARIED			2,088.00	65.00	39,100.00	1,837.47	40,937.47	39,600		39,600	1,856	41,456
3461	SALARIED			2,088.00	113.50	34,150.00	2,795.91	36,945.91	34,600		34,600	2,832	37,432
400	SALARIED			2,088.00	569.00	38,500.00	15,838.30	54,338.30	38,900		38,900	15,962	54,862
405	SALARIED			2,088.00		163,850.00		163,850.00	167,000		167,000		167,000
3475	SALARIED			2,088.00	266.00	28,150.00	5,387.21	33,537.21	28,500		28,500	5,467	33,967
3492	SALARIED			2,008.00	43.50	33,400.00	1,059.69	34,459.69	33,800		33,800	1,060	34,860
420	SALARIED			2,088.00	16.00	46,650.00	535.90	47,185.90	47,200		47,200	545	47,745
440	SALARIED			2,088.00	40.00	39,750.00	1,149.86	40,899.86	40,200		40,200	1,160	41,360
3390	SALARIED			2,088.00	56.00	32,700.00	1,317.06	34,017.06	33,100		33,100	1,337	34,437
3405	SALARIED			2,088.00		27,490.00		27,490.00	28,100		28,100		28,100
3367	SALARIED			2,088.00	401.00	30,400.00	8,764.95	39,164.95	30,800		30,800	8,907	39,707
450	SALARIED			2,088.00	148.00	43,650.00	4,688.57	48,338.57	44,400		44,400	4,739	49,139
3509	HOURLY	X	X	880.00	100.00	8,800.00	1,500.00	10,300.00		10,300	10,300		10,300
3521	SALARIED	X		128.00		1,249.00		1,249.00	25,300		25,300		25,300
3428	HOURLY			957.50		9,575.00		9,575.00		9,575	9,575		9,575
80	SALARIED			2,088.00		49,200.00		49,200.00	49,700		49,700		49,700
3412	HOURLY			932.00		9,320.00		9,320.00		9,320	9,320		9,320
500	SALARIED			2,088.00		80,300.00		80,300.00	81,800		81,800		81,800
518	SALARIED			2,088.00	52.00	31,350.00	1,182.15	32,532.15	32,000		32,000	1,200	33,200
520	SALARIED			2,088.00		177,500.00		177,500.00	180,000		180,000		180,000
3494	SALARIED			1,640.00	168.50	21,541.00	3,328.75	24,869.75	27,900		27,900	3,390	31,290
585	SALARIED			2,088.00	48.00	32,650.00	1,131.08	33,781.08	33,300		33,300	1,153	34,453

EMP NO	SALARIED/HOURLY	NEW HIRE	TERMINATED	ACTUAL HOURS WORKED	REGULAR	Overtime	ACTUAL SALARIES	REGULAR	Overtime	TOTAL GROSS SALARIES	12/31/2009	Salaries	Part-time (Seasonal/Year Round)	Regular	Overtime	Pro Forma Salaries and Wages Total	Item 4b(1) Schedule 1
580	SALARIED			2,088.00	2,088.00		37,500.00	37,500.00		37,500.00	37,900	37,900		37,700	1,060	38,760	
590	SALARIED			2,088.00	2,088.00		37,100.00	37,100.00		37,100.00	37,000	37,000		37,000		37,000	
600	SALARIED			2,088.00	2,088.00		57,250.00	57,250.00		57,250.00	58,000	58,000		58,000		58,000	
620	SALARIED			2,088.00	2,088.00		37,450.00	37,450.00		37,450.00	37,900	37,900		37,900	19	37,900	
6478	SALARIED			2,088.00	2,088.00		25,650.00	25,650.00	18.75	25,668.75	26,000	26,000		26,000		26,019	
620	SALARIED			2,088.00	2,088.00		37,450.00	37,450.00		37,450.00	37,900	37,900		37,900		37,900	
3398	SALARIED			2,088.00	2,088.00		51,750.00	51,750.00		51,750.00	52,400	52,400		52,400		52,400	
700	SALARIED			2,088.00	2,088.00		77,000.00	77,000.00		77,000.00	79,000	79,000		79,000		79,000	
2940	SALARIED			2,088.00	2,088.00		38,500.00	38,500.00		38,500.00	38,900	38,900		38,900		38,900	
720	SALARIED			2,088.00	2,088.00		69,542.00	69,542.00		69,542.00	71,000	71,000		71,000		71,000	
3446	SALARIED			2,088.00	2,088.00		28,450.00	28,450.00	6,369.64	34,819.64	28,800	28,800		28,800	6,490	35,290	
760	SALARIED			1,082.60	1,082.60		35,889.00	35,889.00		35,889.00	31,300	31,300		31,300	1,129	32,429	
3455	SALARIED			2,088.00	2,088.00		30,850.00	30,850.00	1,108.48	31,958.48	39,600	39,600		39,600	2,028	41,628	
800	SALARIED			2,088.00	2,088.00		40,800.00	40,800.00	3,040.93	43,840.93	41,300	41,300		41,300	3,068	44,368	
820	SALARIED			2,088.00	2,088.00		45,950.00	45,950.00		45,950.00	46,500	46,500		46,500		46,500	
850	SALARIED			2,088.00	2,088.00		32,150.00	32,150.00		32,150.00	32,600	32,600		32,600		32,600	
3500	SALARIED			2,088.00	2,088.00		27,550.00	27,550.00	399.62	27,949.62	27,900	27,900		27,900	402	28,302	
3490	SALARIED			2,088.00	2,088.00		27,550.00	27,550.00	8,107.24	35,657.24	27,900	27,900		27,900	8,209	36,109	
880	SALARIED			2,088.00	2,088.00		55,800.00	55,800.00		55,800.00	56,600	56,600		56,600		56,600	
3471	SALARIED			2,088.00	2,088.00		26,700.00	26,700.00		26,700.00	27,000	27,000		27,000		27,000	
3512	SALARIED			2,088.00	2,088.00		30,350.00	30,350.00	1,025.22	31,375.22	30,700	30,700		30,700	1,029	31,729	
965	SALARIED			2,088.00	2,088.00		32,400.00	32,400.00	7,540.18	39,940.18	32,800	32,800		32,800	7,664	40,464	
980	SALARIED			2,088.00	2,088.00		42,000.00	42,000.00		42,000.00	42,500	42,500		42,500		42,500	
1000	SALARIED			2,088.00	2,088.00		39,150.00	39,150.00	1,668.62	40,818.62	39,600	39,600		39,600	1,685	41,285	
1020	SALARIED			2,088.00	2,088.00		43,750.00	43,750.00	3,937.88	47,687.88	44,300	44,300		44,300	3,993	48,293	
1040	SALARIED			2,088.00	2,088.00		41,550.00	41,550.00	148.20	41,698.20	42,000	42,000		42,000	151	42,151	
1060	SALARIED			2,088.00	2,088.00		44,150.00	44,150.00		44,150.00	44,700	44,700		44,700		44,700	
1080	SALARIED			2,088.00	2,088.00		60,600.00	60,600.00		60,600.00	61,400	61,400		61,400		61,400	
1120	SALARIED			2,088.00	2,088.00		36,850.00	36,850.00	2,161.87	39,011.87	37,300	37,300		37,300	2,179	39,479	
1140	SALARIED			2,088.00	2,088.00		37,800.00	37,800.00	9,206.34	47,006.34	38,300	38,300		38,300	9,336	47,636	
3399	SALARIED			2,088.00	2,088.00		36,500.00	36,500.00	7,055.76	43,555.76	37,100	37,100		37,100	7,237	44,337	
3504	HOURLY		X	464.00	464.00		4,640.00	4,640.00		4,640.00	4,640	4,640	4,640	4,640		4,640	
1220	SALARIED			2,088.00	2,088.00		47,600.00	47,600.00	2,375.93	49,975.93	48,200	48,200		48,200	2,398	50,598	
3451	SALARIED			2,088.00	2,088.00		28,150.00	28,150.00	363.88	28,513.88	28,500	28,500		28,500	370	28,870	
1260	SALARIED			2,088.00	2,088.00		38,950.00	38,950.00	678.02	39,628.02	39,400	39,400		39,400	682	40,082	
1320	SALARIED			2,088.00	2,088.00		36,700.00	36,700.00		36,700.00	37,200	37,200		37,200		37,200	
3443	SALARIED			2,088.00	2,088.00		29,400.00	29,400.00	1,431.61	30,831.61	29,900	29,900		29,900	1,434	31,334	

EMP NO	SALARIED/HOURLY	NEW HIRE	TERMINATED	ACTUAL HOURS WORKED 01/01/09 - 12/31/09		ACTUAL SALARIES 01/01/09 - 12/31/09		TOTAL GROSS SALARIES	Salaries 12/31/2009	Part-time (Seasonal/Year Round)	Pro Forma Salaries and Wages		
				REGULAR	Overtime	REGULAR	Overtime				Regular	Overtime	Total
1340	SALARIED			2,088.00		83,000.00		83,000.00	84,000		84,000		84,000
3479	SALARIED			2,088.00	137.50	27,950.00	2,761.46	30,711.46	28,300		28,300	2,806	31,106
3520	SALARIED	X		96.00		1,054.17		1,054.17	25,300		25,300		25,300
1480	SALARIED			2,088.00	6.00	38,750.00	166.37	38,916.37	39,200		39,200	170	39,370
1485	SALARIED			2,088.00	310.00	31,800.00	7,083.55	38,883.55	32,200		32,200	7,198	39,398
3457	SALARIED			1,993.00	4.50	34,200.00	112.24	34,312.24	34,900		34,900	113	35,013
3432	SALARIED			2,088.00	502.00	28,550.00	10,353.62	38,903.62	28,900		28,900	10,462	39,362
3501	SALARIED			2,072.00	255.00	30,065.00	5,539.22	35,604.22	30,600		30,600	5,627	36,227
3324	SALARIED			2,088.00	83.00	37,950.00	2,291.92	40,241.92	38,400		38,400	2,298	40,698
1560	SALARIED			2,088.00		336,500.00		336,500.00	340,000		340,000		340,000
3502	HOURLY	X	X	468.00		4,680.00		4,680.00		4,680	4,680		4,680
1580	SALARIED			2,088.00		41,250.00		41,250.00	41,800		41,800		41,800
3459	SALARIED			2,088.00		39,700.00		39,700.00	40,200		40,200		40,200
3382	SALARIED			2,088.00	87.00	33,500.00	2,102.66	35,602.66	33,900		33,900	2,127	36,027
1590	SALARIED			2,088.00	270.00	41,800.00	8,095.52	49,895.52	42,400		42,400	8,256	50,656
1600	SALARIED			2,088.00		78,250.00		78,250.00	80,000		80,000		80,000
1620	SALARIED			2,088.00		46,250.00		46,250.00	46,900		46,900		46,900
1680	SALARIED			2,088.00	7.00	37,350.00	187.57	37,537.57	37,800		37,800	191	37,991
1750	SALARIED			2,088.00		50,800.00		50,800.00	51,800		51,800		51,800
3517	HOURLY	X	X	872.50		7,852.50		7,852.50		7,852.50	7,853		7,853
3456	SALARIED			2,072.00		25,549.00		25,549.00	26,100		26,100		26,100
1760	SALARIED			2,088.00		41,750.00		41,750.00	42,500		42,500		42,500
1780	SALARIED			2,088.00	58.00	43,100.00	1,810.63	44,910.63	43,600		43,600	1,824	45,424
3411	SALARIED			2,088.00		54,400.00		54,400.00	55,400		55,400		55,400
3397	SALARIED			2,088.00	67.00	31,900.00	1,540.10	33,440.10	32,300		32,300	1,561	33,861
1855	SALARIED			2,088.00	57.50	37,550.00	1,575.50	39,125.50	38,100		38,100	1,580	39,680
3505	SALARIED			2,088.00	41.50	30,350.00	911.26	31,261.26	30,700		30,700	919	31,619
1860	HOURLY	X	X	336.00		3,360.00		3,360.00		3,360	3,360		3,360
3474	SALARIED			2,088.00		40,900.00		40,900.00	41,400		41,400		41,400
1895	SALARIED			2,088.00		42,200.00		42,200.00	43,000		43,000		43,000
1910	SALARIED			2,088.00		69,000.00		69,000.00	70,300		70,300		70,300
3515	HOURLY	X	X	736.00		6,624.00		6,624.00		6,624	6,624		6,624
1925	SALARIED			2,088.00		60,700.00		60,700.00	61,700		61,700		61,700
1940	SALARIED		X	1,854.50	31.00	42,710.00	1,071.17	43,781.17					
1950	SALARIED			2,088.00	96.50	38,150.00	2,678.51	40,828.51	39,000		39,000	2,714	41,714
1970	SALARIED			2,088.00		81,500.00		81,500.00	83,000		83,000		83,000
2005	SALARIED			2,006.00	3.00	37,600.00	80.98	37,680.98	38,100		38,100	82	38,182
2010	SALARIED			2,088.00		49,200.00		49,200.00	49,800		49,800		49,800

EMP NO	SALARIED/HOURLY	NEW HIRE	TERMINATED	ACTUAL HOURS WORKED 01/01/09 - 12/31/09		ACTUAL SALARIES 01/01/09 - 12/31/09		TOTAL GROSS SALARIES	Salaries 12/31/2009	Part-time (Seasonal/Year Round)	Pro Forma Salaries and Wages		
				REGULAR	Overtime	REGULAR	Overtime				Regular	Overtime	Total
2013	SALARIED			2,088.00	85.00	37,650.00	2,310.78	39,960.78	38,100		38,100	2,335	40,435
2030	SALARIED			2,088.00		58,350.00		58,350.00	59,100		59,100		59,100
3349	SALARIED			2,088.00		26,400.00		26,400.00	26,800		26,800		26,800
3427	SALARIED			2,088.00	64.00	31,000.00	1,442.86	32,442.86	31,400		31,400	1,449	32,849
3477	SALARIED			2,088.00	126.50	33,750.00	3,090.66	36,840.66	34,200		34,200	3,120	37,320
3363	SALARIED			2,088.00		41,900.00		41,900.00	42,400		42,400		42,400
2160	SALARIED			2,088.00	48.00	39,250.00	1,354.74	40,604.74	39,700		39,700	1,374	41,074
3485	HOURLY		X	613.00		6,130.00		6,130.00		6,130			
3372	SALARIED			2,088.00	73.50	30,500.00	1,631.75	32,131.75	30,900		30,900	1,638	32,538
3419	SALARIED			2,088.00	30.00	31,700.00	684.38	32,384.38	32,100		32,100	694	32,794
2220	SALARIED			2,088.00		69,000.00		69,000.00	70,100		70,100		70,100
2240	SALARIED			2,088.00		56,050.00		56,050.00	56,700		56,700		56,700
3373	SALARIED			2,088.00	352.00	31,600.00	8,004.11	39,604.11	32,000		32,000	8,123	40,123
2280	SALARIED			2,088.00	323.00	44,750.00	10,401.59	55,151.59	45,300		45,300	10,551	55,851
3468	SALARIED			2,088.00	273.50	27,950.00	5,488.58	33,438.58	28,300		28,300	5,582	33,882
3393	SALARIED			2,088.00		27,150.00		27,150.00	27,500		27,500		27,500
2290	SALARIED			2,088.00	249.50	35,150.00	6,316.36	41,466.36	35,600		35,600	6,405	42,005
2340	SALARIED			2,088.00		128,500.00		128,500.00	132,000		132,000		132,000
3466	SALARIED			2,008.00	2.50	33,550.00	61.30	33,611.30	34,000		34,000	61	34,061
2360	SALARIED			2,088.00	121.50	49,200.00	4,314.10	53,514.10	49,800		49,800	4,363	54,163
2420	SALARIED			2,088.00		81,000.00		81,000.00	82,400		82,400		82,400
3489	HOURLY		X	648.00	159.00	6,480.00	2,385.00	8,865.00		6,480	6,480		6,480
3498	SALARIED			2,088.00	186.50	27,550.00	3,675.47	31,225.47	27,900		27,900	3,752	31,652
3414	SALARIED			2,088.00	61.50	33,400.00	1,502.76	34,902.76	33,900		33,900	1,503	35,403
2450	SALARIED			2,088.00		51,300.00		51,300.00	51,800		51,800		51,800
2460	SALARIED		X	248.00		11,971.00		11,971.00					
2480	SALARIED			2,088.00		49,200.00		49,200.00	49,700		49,700		49,700
3513	HOURLY	X	X	888.00	103.00	7,992.00	1,390.50	9,382.50		7,992	7,992		7,992
3358	SALARIED			2,088.00	78.00	33,150.00	1,873.37	35,023.37	33,700		33,700	1,896	35,596
3480	SALARIED			2,011.00		24,573.00		24,573.00	25,700		25,700		25,700
3458	SALARIED			2,087.00	273.50	33,800.00	6,637.16	40,437.16	34,200		34,200	6,745	40,945
3511	HOURLY	X	X	864.00	1.00	8,640.00	15.00	8,655.00		8,640	8,640		8,640
3495	SALARIED			2,088.00	425.00	27,550.00	8,434.61	35,984.61	27,900		27,900	8,551	36,451
2550	SALARIED			2,088.00	54.00	51,917.00	1,935.42	53,852.42	53,500		53,500		53,500
3507	HOURLY	X	X	848.00		8,480.00		8,480.00		8,480	8,480		8,480
3365	SALARIED			2,088.00		40,900.00		40,900.00	41,400		41,400		41,400
3309	SALARIED			2,088.00	80.50	38,700.00	2,267.18	40,967.18	39,300		39,300	2,281	41,581
2615	SALARIED			2,088.00	95.00	35,050.00	2,399.92	37,449.92	35,500		35,500	2,432	37,932

EMP NO	SALARIED/HOURLY	NEW HIRE	TERMINATED	ACTUAL HOURS WORKED 01/01/09 - 12/31/09		ACTUAL SALARIES 01/01/09 - 12/31/09		TOTAL GROSS SALARIES	Salaries 12/31/2009	Part-time (Seasonal/Year Round)	Pro Forma Salaries and Wages		
				REGULAR	Overtime	REGULAR	Overtime				Regular	Overtime	Total
3454	SALARIED			1,339.50	8.50	18,227.00	176.53	18,403.53	28,800		28,800	177	28,977
3503	HOURLY	X	X	888.00	87.00	8,880.00	1,305.00	10,185.00		8,880	8,880		8,880
2675	SALARIED			2,088.00		31,450.00		31,450.00	31,900		31,900		31,900
3514	HOURLY	X	X	408.00		3,672.00		3,672.00		3,672	3,672		3,672
2720	SALARIED			2,088.00	60.00	40,900.00	1,780.07	42,680.07	41,700		41,700	1,804	43,504
2735	HOURLY			2,088.00		54,400.00		54,400.00	55,400		55,400		55,400
2782	SALARIED			2,088.00		49,150.00		49,150.00	49,900		49,900		49,900
1130	SALARIED			2,088.00		39,800.00		39,800.00	40,100		40,100		40,100
2800	SALARIED			2,088.00	52.00	37,500.00	1,412.58	38,912.58	37,900		37,900	1,421	39,321
2820	SALARIED			2,088.00		60,350.00		60,350.00	61,200		61,200		61,200
2840	SALARIED			2,088.00		48,000.00		48,000.00	48,600		48,600		48,600
2860	SALARIED			2,088.00	4.50	38,500.00	124.79	38,624.79	38,900		38,900		38,900
2865	SALARIED			2,088.00	98.00	33,650.00	2,374.22	36,024.22	34,100		34,100	2,410	36,510
2870	SALARIED			2,088.00	22.00	35,400.00	563.63	35,963.63	36,100		36,100	573	36,673
2880	SALARIED			2,088.00	53.00	40,800.00	1,569.14	42,369.14	41,300		41,300	1,578	42,878
2920	SALARIED			2,088.00	7.00	33,500.00	169.69	33,669.69	33,900		33,900		33,900
2960	SALARIED			2,088.00	40.00	43,050.00	1,241.15	44,291.15	43,500		43,500	1,255	44,755
2980	SALARIED			2,088.00		64,750.00		64,750.00	66,500		66,500		66,500
2985	SALARIED			2,088.00	46.00	36,150.00	1,200.51	37,350.51	36,600		36,600	1,214	37,814
3000	SALARIED			2,088.00		37,550.00		37,550.00	38,000		38,000		38,000
3519	SALARIED	X		232.00		2,692.00		2,692.00	25,300		25,300		25,300
3374	SALARIED			2,088.00		45,150.00		45,150.00	45,700		45,700		45,700
3338	SALARIED			2,088.00		93,250.00		93,250.00	95,500		95,500		95,500
3442	SALARIED			2,088.00	36.00	31,050.00	801.06	31,851.06	31,400		31,400	815	32,215
3465	SALARIED			2,008.00	18.00	33,750.00	440.68	34,190.68	34,200		34,200	444	34,644
3260	SALARIED			2,088.00	211.00	40,400.00	6,109.08	46,509.08	40,900		40,900	6,223	47,123
3323	SALARIED			2,088.00		42,050.00		42,050.00	43,100		43,100		43,100
				335,367.10	11,007.00	7,219,549.67	266,965.50	7,486,515.17	7,208,700	113,349	7,205,219	260,486	7,465,704

	2009 Calendar Actual	Remove Bonus	Recompute Field Vac and Sick (A)	Recompute Admin Salary to Subs (B)	Increase Factor (C)	Pro Forma
Direct payroll charges						
Construction	859,508				(2,350)	857,158
Other accounts						
Merchandising	2,543				(7)	2,536
Miscellaneous non operating	6,730				(18)	6,712
Subsidiaries	4,513				(12)	4,501
CEP Program	6,442				(18)	6,424
Total other accounts	20,228					
Other charges						
Construction	861,733				(2,356)	859,377
Other accounts						
Lobbying	4,740				(13)	4,727
Miscellaneous non operating			2,173		(6)	2,167
Subsidiaries						
Storage allocation	74,436				(203)	74,233
Admin time study	26,245		674	22,853	(136)	49,635
Bonus	406,096	(406,096)				
Total subsidiaries	506,777					
Total other accounts	511,517					
Rounding						4
Total pro forma capitalized wages and subsidiary allocation						1,867,474

			Non-reg	Subs
(A) Vacation and sick allocated to non-reg	Field - vacation and sick	576,451	0.38%	0.12%
			2,173	674
(B) Recompute salaries allocated to subs based on updated time study	Admin payroll	2,543,913		
		2,543,913	1.93%	
	Less actual		49,098	
	Increase		(26,245)	
			22,853	
(C) Pro Forma increase factor	Pro Forma gross salaries		7,465,704	
	Actual gross salaries		7,486,169	
			-0.27%	

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

5. Provide the amount of Delta's minimum pension liability as of the end of the test year.

Response:

Zero, as Delta's Fair Value of Plan Assets, \$13,628,438, exceeds the Plan's Accumulated Benefit Obligation, \$12,682,305, per the June 30, 2009 Actuary Report provided to the Attorney General in response to question 60 of their initial request.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

6. Refer to the pro forma income statement in the Application, Volume 2, Tab 42. Delta's adjusted O&M expenses are \$13.55 million, which is \$2.0 million, or 17.4 percent, greater than the adjusted O&M expenses of \$11.53 million in its last rate case, Case No. 2007-00089. Explain in detail what has caused Delta's O&M expenses to increase by the indicated magnitude in a span of three years.

Response:

The following are the most significant changes in O&M expenses when comparing the 2006 test year to the 2009 test year:

- Labor expense \$ 254,009 – Labor increased 4% (averaging 1% per year) due to merit increases.
- Outside Services Accounting \$ 124,783 – Outside services accounting increased 50% (averaging 16% per year) primarily due to tax planning and consulting services.
- Pension \$ 205,721 – Pension expense increased 30% (averaging 10% per year) due to increased amortization of unrecognized net losses resulting from a decline in the market value of assets.
- Medical Coverage \$ 541,579 – Medical coverage increased 55% (averaging 18% per year) primarily due to an increase in major medical claims incurred (\$408,000) and an increase in our stop loss premiums (\$100,000).
- Storage Gas Losses \$ 867,900 – Please refer to Item #46 of this data request.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

7. Refer to page 15 of the Brown Testimony.
 - a. Provide the calculations producing the example monthly customer charge increases attributable to the Pipe Replacement Program ("PRP") in the amounts of \$.30, \$.44, \$1.89, and \$3.15.
 - b. Explain why Delta is proposing to recover PRP costs strictly through increases to the customer charges.
 - c. For PRPs it has approved, the Commission has required that the costs be identified as a separate item on customers' bills. Explain whether Delta has any reason to oppose similar treatment of its PRP costs.

Response:

- a. See attached.
- b. Delta believes that recovering PRP costs strictly through increases in the customer charge is consistent with cost of service theory because the PRP costs are related to the overall number of customers, not to the specific consumption of any customer in a given billing period. Recovering these costs solely via the customer charge rather than through a combination of fixed and variable rates is also less complicated to administer and review.
- c. Delta has no reason to oppose similar treatment.

Sponsoring Witness:

John B. Brown

	(A)	(B)	(C) [(B) - (H) - (I)] x 37.96%	(D) (A) + (B) + (C)	(E)	(F)	(G)	(H) (H) x [(A) + (J)]	(I) (A) x 90%
	Expenditures	Accum. Depr.	Acc. Def Income Taxes	Net Rate Base	Book Rate	Avg Book Dist & Trans	Tax Depr Rate Yr 1 MACRS	Tax Accum Depr	90% Qualifying Repairs Expense IRC 162
1 Distribution Mains	1,500,000	(16,500)	(509,044)	974,456	2.20%	2.36%	5%	(7,500)	(1,350,000)
2 Transmission Mains	-	-	-	-	2.52%		5%		
3 Services	-	-	-	-	3.07%		3.75%		
4 Other									
5	1,500,000	(16,500)	(509,044)	974,456					
6 Net PRP Rate Base (5D)		974,456							
7 WACOC, per case no 2010-00116		8.677%							
8 Allowed Return (6 x 7)		84,552							
9 Tax expansion factor, w PSC		1.6159							
10 Return, grossed up for income taxes (8 x 9)		136,625							
11 Depreciation, yr 1 1/2 Yr (A x F x .5)		16,500							
12 Annual PRP Adjustment (10+11)		\$ 153,125							

	Customer Charge Revenue per Case No. 2010-00116	Class Allocation	Monthly Customer Charge per Case No. 2010- 00116	Allocated PRP Adjustment	# Customers per Case No. 2010-00116	Increase	Revised Monthly Customer Charge w PRP
Residential	8,824,872	72.7%	24	\$ 111,319	367,703	\$ 0.30	\$ 24.30
Small Non-Residential	1,737,645	14.3%	35	\$ 21,919	49,647	\$ 0.44	\$ 35.44
Large Non-Residential	1,561,050	12.9%	150	\$ 19,691	10,407	\$ 1.89	\$ 151.89
Interruptible	15,500	0.1%	250	\$ 196	62	\$ 3.15	\$ 253.15
	12,139,067	100.0%		\$ 153,125	427,819		

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

8. Refer to page 17 of the Brown Testimony, lines 15 through 17. Explain how Delta proposes to estimate quarterly uncollectible gas cost.

Response:

Each month-end, the Company will be calculating the uncollectible gas cost portion of uncollectible expense and booking that amount to the unrecovered gas cost account on the balance sheet.

When preparing Schedule II of the GCR filing, the Company will use as an estimate the amounts calculated in the previous year for the months corresponding to the months the rates will be in effect.

So for example, when preparing Schedule II for the GCR to be effective November 1, 2010, the amount of Uncollectible Gas Cost booked in November 2009, December 2009 and January 2010 will be included as the estimate of Uncollectible Gas Cost on Schedule II.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

9. Provide the amounts of Delta's uncollectible expense per year for the last five years, broken down between gas cost and base rate revenue.

Response:

See attached schedule.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
Uncollectible Base Revenue and Gas Cost By Year
2009 Test Year

PSC 2 Item 9

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
Regulated sales, at retail	52,946,019	60,316,581	47,630,276	57,838,406	53,163,563	(1)
Purchased gas expense	<u>33,029,799</u>	<u>41,730,337</u>	<u>29,088,042</u>	<u>37,052,730</u>	<u>32,945,385</u>	
Base revenue	<u>19,916,220</u>	<u>18,586,244</u>	<u>18,542,234</u>	<u>20,785,676</u>	<u>20,218,178</u>	
% of base to total	<u>37.6%</u>	<u>30.8%</u>	<u>38.9%</u>	<u>35.9%</u>	<u>38.0%</u>	
Regulated bad debt expense (2)	601,623	484,710	195,093	516,945	383,588	
% of base to total	<u>37.6%</u>	<u>30.8%</u>	<u>38.9%</u>	<u>35.9%</u>	<u>38.0%</u>	
Uncollectible base revenue	<u>226,307</u>	<u>149,361</u>	<u>75,949</u>	<u>185,777</u>	<u>145,879</u>	(1)
Uncollectible gas cost	<u>375,316</u>	<u>335,349</u>	<u>119,144</u>	<u>331,168</u>	<u>237,709</u>	

(1) The 2009 regulated sales, at retail amount on schedule 3.3 under tab 27 of the Filing Requirements used in computing the pro forma adjustment was understated by \$66,469. The error on that schedule caused the pro forma adjustment to be understated by \$298. See Item 4 e. (1) for a corrected schedule 3.3.

(2) note that regulated bad debt expense is the amount booked to account 1.904 during the year except for in 2008 and 2009. In 2008 and 2009, the amounts filed on schedule 3.3 under tab 27 of the Filing Requirements were used.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

10. Refer to page 6 of the Direct Testimony of Martin J. Blake ("Blake Testimony"). Provide a copy of the Edward Jones Company report "Natural Gas Industry Summary Quarterly Financial & Common Stock Information."

Response:

A copy of the Edward Jones Report is attached.

Sponsoring Witness:

Martin J. Blake

NATURAL GAS INDUSTRY SUMMARY

Quarterly Financial and Common Stock Information

December 31, 2009

www.edwardjones.com

Edward Jones[®]
MAKING SENSE OF INVESTING[™]

INV-1641H-A JAN 2009

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Source: SNL Energy

Edward Jones

COMMON STOCK INFORMATION ON 12/31/09

COMBINATION GAS & ELECTRIC COMPANIES

Company	Ticker	Market Cap (0,000)	Total Shares (0,000)	Volume (0,000)	Closing Price	52-Week Range	% 52-Week High	5-Yr Total Return	Dividend Yield	P/E	Market to Book
Alliant Energy Corporation	LNT	3,347,793	110,634	989	\$30.26	20.46 - 31.19	97%	29.7%	4.96%	17.4	121
Ameren Corporation	AEE	6,621,942	236,921	1,776	\$27.95	19.76 - 34.92	80%	-26.7%	5.51%	10.3	84
Avista Corporation	AVA	1,182,685	54,779	246	\$21.59	12.77 - 22.28	97%	43.9%	3.89%	13.7	114
CenterPoint Energy, Inc.	CNP	5,664,289	390,371	3,406	\$14.51	8.88 - 14.81	98%	61.2%	5.24%	13.4	219
CH Energy Group, Inc.	CHG	672,020	15,805	80	\$42.52	38.36 - 52.06	82%	12.2%	5.08%	16.0	128
CMS Energy Corporation	CMS	3,595,645	229,607	3,999	\$15.66	10.09 - 16.04	98%	62.2%	3.19%	12.7	135
DTE Energy Company	DTE	7,189,214	164,928	1,351	\$43.59	23.61 - 44.64	98%	30.3%	4.86%	13.4	115
Integrus Energy Group, Inc.	TEG	3,208,881	76,420	360	\$41.99	19.99 - 44.44	94%	9.8%	6.48%	17.9	111
MGE Energy, Inc.	MGEE	826,081	23,114	62	\$35.74	27.59 - 37.70	95%	22.1%	4.12%	16.5	166
NiSource Inc.	NI	4,241,106	275,755	2,059	\$15.38	7.86 - 15.71	98%	-12.6%	5.98%	14.5	89
NorthWestern Corporation	NWE	936,280	35,983	203	\$26.02	18.49 - 26.82	97%	16.5%	5.15%	13.3	121
NSTAR	NST	3,930,548	106,808	507	\$36.80	27.62 - 37.57	98%	67.2%	4.35%	15.4	210
PG&E Corporation	PCG	16,563,373	370,960	3,918	\$44.65	34.82 - 45.60	98%	60.3%	3.76%	14.1	170
PNM Resources, Inc.	PNM	1,096,416	86,673	1,211	\$12.65	6.20 - 12.88	98%	-39.1%	3.95%	15.5	65
Public Service Enterprise Group Incorporated	PEG	16,823,849	505,980	3,170	\$33.25	24.02 - 33.86	98%	53.3%	4.00%	10.7	194
SCANA Corporation	SCG	4,639,637	123,133	670	\$37.68	26.37 - 38.44	98%	20.6%	4.99%	13.4	139
Sempra Energy	SRE	13,795,871	246,443	3,162	\$55.98	36.72 - 56.88	98%	74.1%	2.79%	11.8	157
TECO Energy, Inc.	TE	3,467,307	213,767	3,811	\$16.22	8.60 - 16.61	98%	36.0%	4.93%	15.1	168
Unitil Corporation	UTL	248,800	10,827	39	\$22.98	17.93 - 23.46	98%	6.8%	6.01%	13.9	130
Vectren Corporation	VVC	2,002,780	81,150	244	\$24.68	18.27 - 26.72	92%	17.1%	5.51%	14.5	147
Wisconsin Energy Corporation	WEC	5,825,676	116,911	826	\$49.83	36.55 - 50.42	99%	67.2%	2.71%	16.2	167
Xcel Energy Inc.	XEL	9,690,020	456,646	3,250	\$21.22	16.19 - 21.77	97%	46.7%	4.62%	14.6	135
Mean		5,253,192	178,801	1,606	\$30.51		96%	29.9%	4.64%	14.3	140
Median		3,763,096	120,022	1,100	\$29.11		98%	30.0%	4.90%	14.3	135
Max		16,823,849	505,980	3,999	\$55.98		99%	74.1%	6.48%	17.9	219
Min		248,800	10,827	39	\$12.65		80%	-39.1%	2.71%	10.3	65

Source: SNL Energy

COMMON STOCK INFORMATION ON 12/31/09

GAS DISTRIBUTION COMPANIES

Company	Ticker	Market Cap (0,000)	Total Shares (0,000)	Volume (0,000)	Closing Price	52-Week Range	% 52-Week High	5-Yr Total Return	Dividend Yield	P/E	Market to Book
AGL Resources Inc.	AGL	2,822,732	77,399	157	\$36.47	24.18 - 37.48	97%	37.1%	4.72%	12.9	164
Atmos Energy Corp.	ATO	2,732,200	92,932	346	\$29.40	20.20 - 30.06	98%	35.9%	4.56%	13.2	125
Delta Natural Gas Company, Inc.	DGAS	94,171	3,323	1	\$28.34	18.83 - 29.50	96%	32.5%	4.59%	NA	164
Energy, Inc.	EGAS	44,915	4,361	14	\$10.30	7.02 - 10.75	96%	173.7%	5.24%	NA	142
Laclede Group, Inc. (The)	LG	751,390	22,250	95	\$33.77	29.50 - 47.58	71%	34.6%	4.68%	13.0	145
New Jersey Resources Corporation	NJR	1,555,109	41,580	263	\$37.40	30.65 - 41.47	90%	52.4%	3.64%	14.5	225
Northwest Natural Gas Company	NWN	1,194,342	26,517	139	\$45.04	38.50 - 46.19	98%	59.3%	3.69%	16.1	186
Piedmont Natural Gas Company, Inc.	PNY	1,962,917	73,380	630	\$26.75	21.25 - 31.67	84%	39.6%	4.04%	16.5	211
RGC Resources, Inc.	RGCO	65,014	2,243	3	\$28.98	23.05 - 30.55	95%	41.4%	4.55%	NA	145
South Jersey Industries, Inc.	SJI	1,137,620	29,796	193	\$38.18	32.66 - 39.94	96%	69.9%	3.46%	16.3	216
WGL Holdings, Inc.	WGL	1,685,870	50,264	284	\$33.54	28.72 - 35.04	96%	35.3%	4.38%	14.4	153
Mean		1,276,935	38,550	193	\$31.65		92%	55.6%	4.32%	14.6	171
Median		1,194,342	29,796	157	\$33.54		96%	39.6%	4.55%	14.5	164
Max		2,822,732	92,932	630	\$45.04		98%	173.7%	5.24%	16.5	225
Min		44,915	2,243	1	\$10.30		71%	32.5%	3.46%	12.9	125

DIVERSIFIED NATURAL GAS COMPANIES

Company	Ticker	Market Cap (0,000)	Total Shares (0,000)	Volume (0,000)	Closing Price	52-Week Range	% 52-Week High	5-Yr Total Return	Dividend Yield	P/E	Market to Book
Chesapeake Utilities Corporation	CPK	221,149	6,900	38	\$32.05	22.38 - 34.63	93%	46.2%	3.93%	15.7	171
Energen Corporation	EGN	3,358,042	71,753	214	\$46.80	23.57 - 48.26	97%	67.8%	1.07%	13.6	168
EQT Corporation	EQT	5,749,973	130,919	807	\$43.92	27.77 - 45.74	96%	61.2%	2.00%	32.7	272
MDU Resources Group, Inc.	MDU	4,430,883	187,749	610	\$23.60	13.04 - 24.13	98%	50.3%	2.67%	17.6	177
National Fuel Gas Company	NFG	4,028,033	80,561	321	\$50.00	27.06 - 51.64	97%	107.4%	2.68%	19.8	253
Nicor Inc.	GAS	1,904,239	45,231	441	\$42.10	27.65 - 43.39	97%	43.4%	4.42%	15.3	190
ONEOK, Inc.	OKE	4,701,715	105,491	534	\$44.57	18.19 - 44.57	100%	90.2%	3.77%	16.5	220
Questar Corporation	STR	7,248,436	174,367	1,216	\$41.57	25.27 - 43.03	97%	73.5%	1.25%	16.4	217
Southern Union Company	SUG	2,816,397	124,070	245	\$22.70	11.99 - 23.03	99%	9.1%	2.64%	12.6	122
Southwest Gas Corporation	SWX	1,282,575	44,955	253	\$28.53	17.28 - 29.27	97%	31.1%	3.33%	14.6	120
UGI Corporation	UGI	2,631,563	108,787	574	\$24.19	21.31 - 27.23	89%	36.9%	3.31%	10.7	165
Mean		3,488,455	98,253	477	\$36.37		96%	56.1%	2.82%	16.9	189
Median		3,358,042	105,491	441	\$41.57		97%	50.3%	2.68%	15.7	177
Max		7,248,436	187,749	1,216	\$50.00		100%	107.4%	4.42%	32.7	272
Min		221,149	6,900	38	\$22.70		89%	9.1%	1.07%	10.7	120

Source: SNL Energy

QUARTERLY FINANCIAL STATISTICS

COMBINATION GAS & ELECTRIC COMPANIES

Company	12 Months Ending	Total Cap (0,000)	ST + Curr LT Debt (0,000)	Common Equity / Total Cap	EPS	EPS Growth	Return on Common Equity	Annualized Dividend as of 12/31/09	1-Yr Div Growth Rate	5-Yr Div Growth Rate	Dividend Payout	Interest Coverage
Alliant Energy Corporation	09/30/09	5,433,000	271,500	50.8	0.98	-74.9%	3.8	1.50	7.1%	7.4%	151	2.73
Ameren Corporation	09/30/09	15,930,000	563,000	49.2	2.74	-12.5%	8.3	1.54	-39.4%	-9.5%	65	2.76
Avista Corporation	09/30/09	2,220,309	60,606	46.7	1.51	16.2%	8.1	0.84	16.7%	10.1%	52	2.87
CenterPoint Energy, Inc.	09/30/09	12,015,000	600,000	21.5	0.99	-27.7%	16.3	0.76	4.1%	13.7%	76	1.73
CH Energy Group, Inc.	09/30/09	1,052,839	41,000	49.9	2.42	8.0%	7.2	2.16	0.0%	0.0%	89	3.37
CMS Energy Corporation	09/30/09	9,794,000	712,000	26.9	1.17	192.5%	10.8	0.50	38.9%	NM	40	1.84
DTE Energy Company	09/30/09	14,521,000	375,000	42.9	3.35	-18.3%	9.0	2.12	0.0%	0.6%	63	2.32
Integrus Energy Group, Inc.	09/30/09	5,681,300	357,000	50.6	-0.91	NA	-2.3	2.72	1.5%	4.1%	NM	0.33
MGE Energy, Inc.	09/30/09	869,280	100,000	57.2	2.12	-11.3%	10.0	1.47	1.9%	1.5%	69	3.63
NiSource Inc.	09/30/09	11,934,300	633,800	39.7	1.06	NA	6.1	0.92	0.0%	0.0%	87	2.08
NorthWestern Corporation	09/30/09	1,703,106	7,310	45.5	1.91	12.4%	9.0	1.34	1.5%	NM	70	2.34
NSTAR	09/30/09	4,757,762	1,144,511	39.3	2.31	5.5%	13.7	1.60	6.7%	6.6%	65	3.86
PG&E Corporation	09/30/09	22,405,000	1,224,000	45.4	3.87	37.7%	14.8	1.68	7.7%	NM	43	3.06
PNM Resources, Inc.	09/30/09	3,621,201	195,004	46.8	0.79	NA	4.5	0.50	0.0%	-7.5%	63	0.53
Public Service Enterprise Group Incorporated	09/30/09	17,232,000	891,000	50.4	2.91	25.4%	18.2	1.33	3.1%	3.9%	45	5.28
SCANA Corporation	09/30/09	7,965,000	341,000	42.0	2.96	-0.3%	11.2	1.88	2.2%	5.2%	63	2.70
Sempra Energy	09/30/09	17,380,000	1,473,000	50.3	4.66	9.9%	13.9	1.56	11.4%	9.3%	33	NA
TECO Energy, Inc.	09/30/09	5,435,400	167,900	38.0	0.85	-43.0%	8.9	0.80	0.0%	1.0%	94	1.85
Unitil Corporation	09/30/09	497,000	54,400	38.6	1.64	2.5%	7.6	1.38	0.0%	0.0%	84	1.71
Vectren Corporation	09/30/09	3,165,000	171,700	43.1	1.43	-16.4%	8.5	1.36	1.5%	2.9%	94	2.75
Wisconsin Energy Corporation	09/30/09	8,399,000	1,250,500	41.5	3.09	3.7%	10.7	1.35	25.0%	10.0%	42	2.76
Xcel Energy Inc.	09/30/09	15,920,094	678,534	45.2	1.47	4.3%	9.6	0.98	3.2%	3.4%	66	2.59
Mean		8,542,345	514,217	43.7	1.97	6.0%	9.4	1.38	4.2%	3.3%	69	2.53
Median		6,823,150	366,000	45.3	1.78	3.7%	9.0	1.37	2.0%	3.4%	65	2.70
Max		22,405,000	1,473,000	57.2	4.66	192.5%	18.2	2.72	38.9%	13.7%	151	5.28
Min		497,000	7,310	21.5	-0.91	-74.9%	(2.3)	0.50	-39.4%	-9.5%	33	0.33

Source: SNL Energy

QUARTERLY FINANCIAL STATISTICS

GAS DISTRIBUTION COMPANIES

Company	12 Months Ending	Total Cap (0,000)	ST + Curr LT Debt (0,000)	Common Equity / Total Cap	EPS	EPS Growth	Return on Common Equity	Annualized Dividend as of 12/31/09	1-Yr Div Growth Rate	5-Yr Div Growth Rate	Dividend Payout	Interest Coverage
AGL Resources Inc.	09/30/09	4,032,000	310,000	42.6	2.94	8.1%	13.2	1.72	2.4%	8.2%	58	4.63
Atmos Energy Corp.	09/30/09	4,419,790	72,867	49.3	2.08	4.0%	8.9	1.34	1.5%	1.6%	63	2.84
Delta Natural Gas Company, Inc.	09/30/09	125,675	10,796	45.7	1.33	-44.8%	7.5	1.30	1.6%	2.0%	97	2.54
Energy, Inc.	09/30/09	54,172	9,950	57.6	0.76	NA	10.4	0.54	12.5%	NM	68	5.83
Laclede Group, Inc. (The)	09/30/09	1,036,070	129,800	49.9	2.92	-18.4%	12.4	1.58	2.6%	3.0%	53	4.20
New Jersey Resources Corporation	09/30/09	1,295,128	149,910	53.3	0.64	-75.3%	3.7	1.36	9.7%	8.4%	194	1.98
Northwest Natural Gas Company	09/30/09	1,349,764	71,890	47.5	2.90	16.9%	12.0	1.66	5.1%	5.0%	54	3.99
Piedmont Natural Gas Company, Inc.	10/31/09	2,026,460	366,000	45.8	1.67	12.1%	13.0	1.08	3.8%	4.7%	64	4.52
RGC Resources, Inc.	09/30/09	72,800	0	61.5	2.18	14.1%	10.9	1.32	3.1%	2.3%	59	5.13
South Jersey Industries, Inc.	09/30/09	1,042,124	180,912	50.6	1.90	-20.2%	10.7	1.32	10.9%	9.2%	63	5.02
WGL Holdings, Inc.	09/30/09	1,954,144	266,443	56.2	2.39	2.6%	10.8	1.47	3.5%	2.5%	61	5.31
Mean		1,582,557	142,597	50.9	1.97	-10.1%	10.3	1.34	5.2%	4.7%	76	4.18
Median		1,295,128	129,800	49.9	2.08	3.3%	10.8	1.34	3.5%	3.9%	63	4.52
Max		4,419,790	366,000	61.5	2.94	16.9%	13.2	1.72	12.5%	9.2%	194	5.83
Min		54,172	0	42.6	0.64	-75.3%	3.7	0.54	1.5%	1.6%	53	1.98

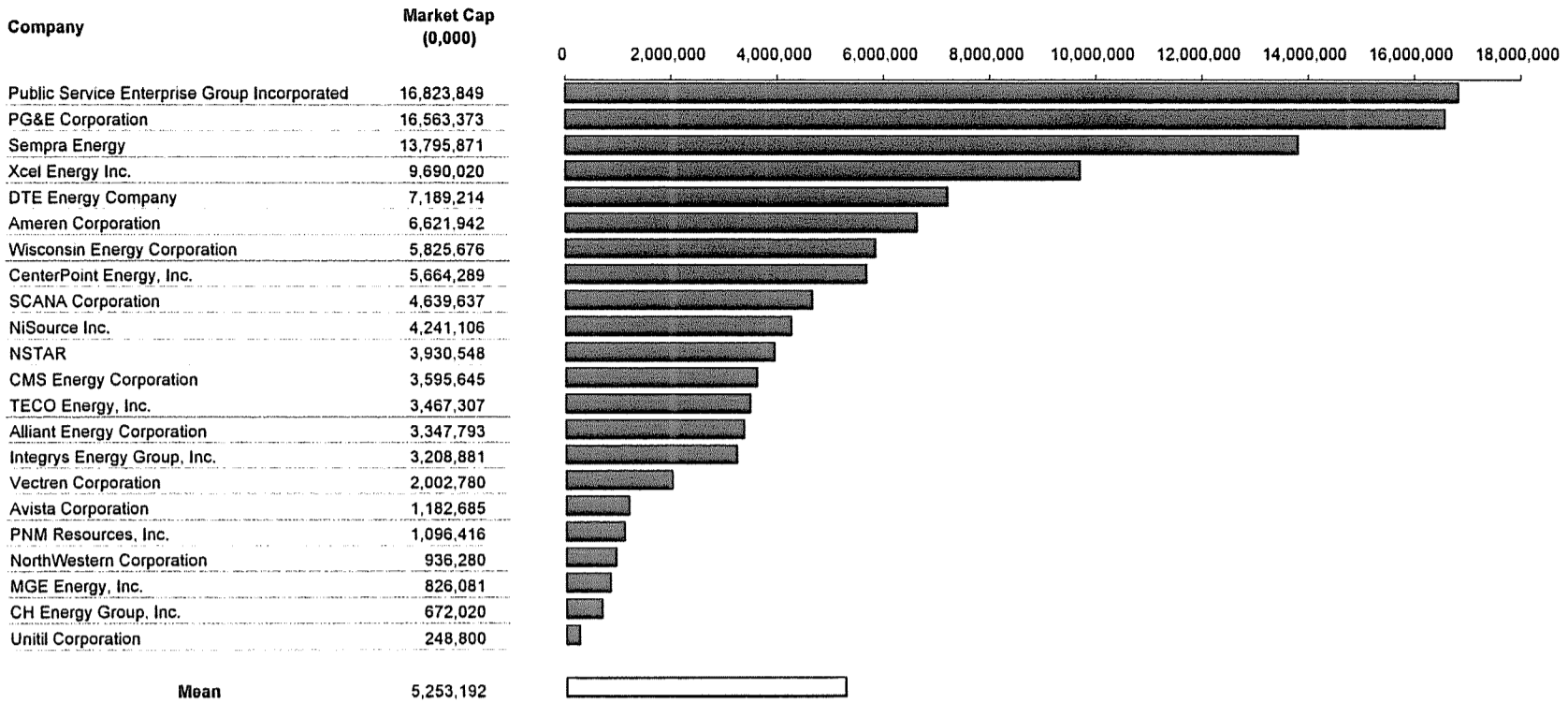
DIVERSIFIED NATURAL GAS COMPANIES

Company	12 Months Ending	Total Cap (0,000)	ST + Curr LT Debt (0,000)	Common Equity / Total Cap	EPS	EPS Growth	Return on Common Equity	Annualized Dividend as of 12/31/09	1-Yr Div Growth Rate	5-Yr Div Growth Rate	Dividend Payout	Interest Coverage
Chesapeake Utilities Corporation	09/30/09	232,029	16,740	55.6	2.04	5.2%	11.1	1.26	3.3%	2.4%	61	4.66
Energen Corporation	09/30/09	2,554,958	5,000	77.9	3.65	-21.7%	13.6	0.50	4.2%	5.4%	14	NM
EQT Corporation	09/30/09	4,063,532	2,300	52.0	1.03	-53.8%	6.4	0.88	0.0%	3.0%	85	3.40
MDU Resources Group, Inc.	09/30/09	4,015,900	27,790	62.3	-1.13	NA	-8.2	0.63	1.6%	5.6%	NM	-3.45
National Fuel Gas Company	09/30/09	2,838,236	0	56.0	1.25	-60.7%	6.2	1.34	3.1%	3.7%	106	2.55
Nicor Inc.	09/30/09	1,864,600	365,000	53.7	2.81	0.4%	13.0	1.86	0.0%	0.0%	66	5.31
ONEOK, Inc.	09/30/09	8,832,196	1,092,210	24.2	2.65	-19.2%	13.1	1.68	5.0%	10.9%	61	2.75
Questar Corporation	09/30/09	5,582,200	80,500	59.9	2.07	-47.3%	10.7	0.52	4.0%	3.9%	24	7.41
Southern Union Company	09/30/09	6,062,314	220,500	38.1	1.94	14.8%	10.6	0.60	0.0%	NM	31	1.99
Southwest Gas Corporation	09/30/09	2,292,875	1,307	46.5	1.64	-3.5%	6.8	0.95	5.6%	3.0%	57	2.35
UGI Corporation	09/30/09	4,113,000	257,600	38.7	2.36	18.6%	17.1	0.80	3.9%	5.1%	33	4.86
Mean		3,859,258	188,086	51.3	1.85	-16.7%	9.1	1.00	2.8%	4.3%	54	3.18
Median		4,015,900	27,790	53.7	2.04	-11.4%	10.7	0.88	3.3%	3.8%	59	3.08
Max		8,832,196	1,092,210	77.9	3.65	18.6%	17.1	1.86	5.6%	10.9%	106	7.41
Min		232,029	0	24.2	-1.13	-60.7%	(6.2)	0.50	0.0%	0.0%	14	-3.45

Source: SNL Energy

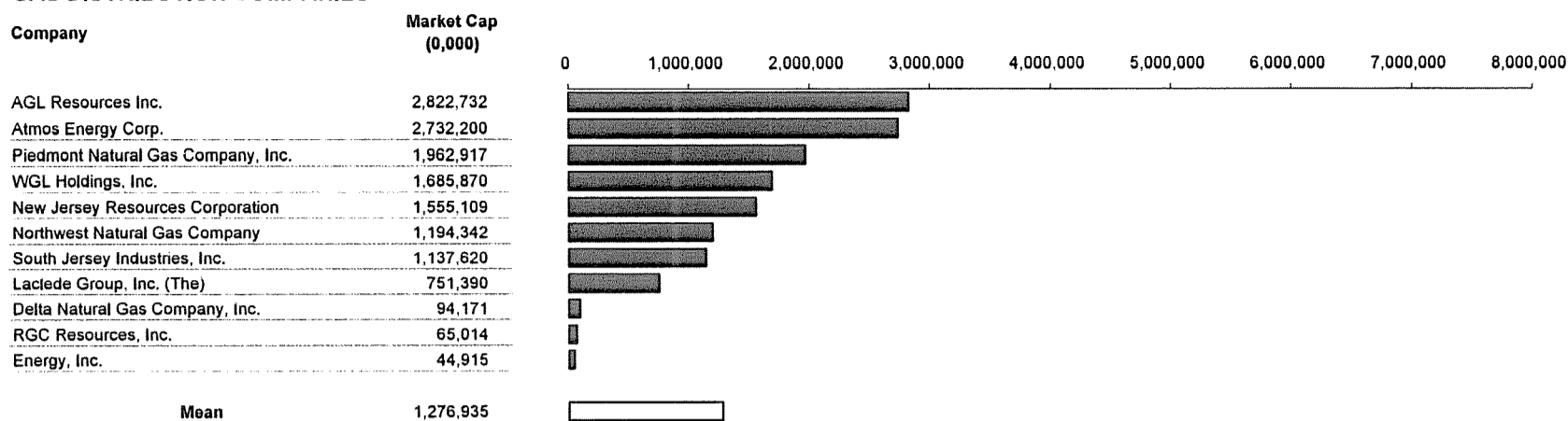
RANKING BY MARKET CAPITALIZATION

COMBINATION GAS & ELECTRIC COMPANIES

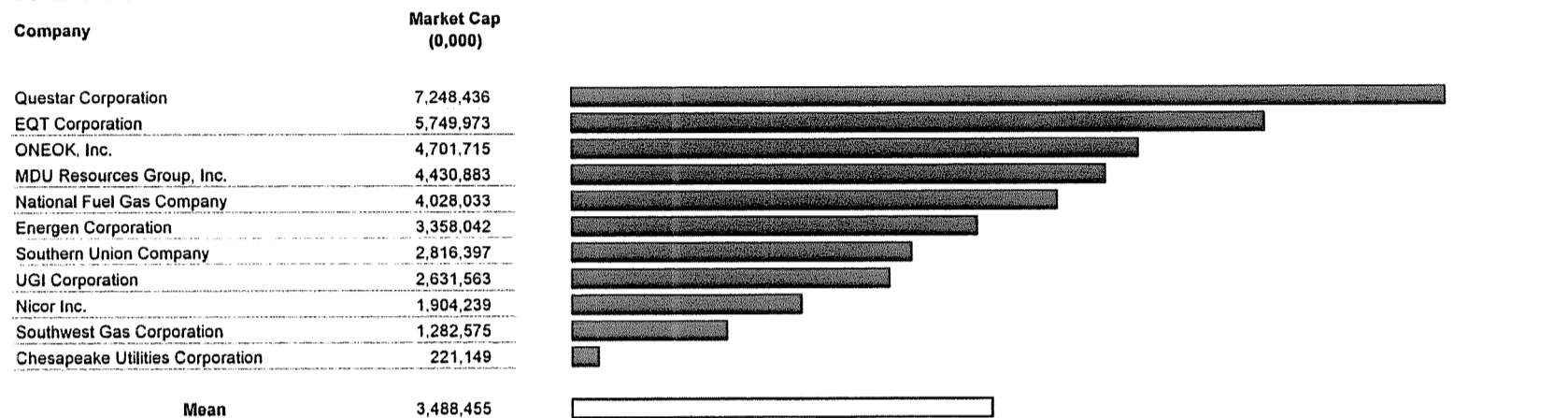


RANKING BY MARKET CAPITALIZATION

GAS DISTRIBUTION COMPANIES

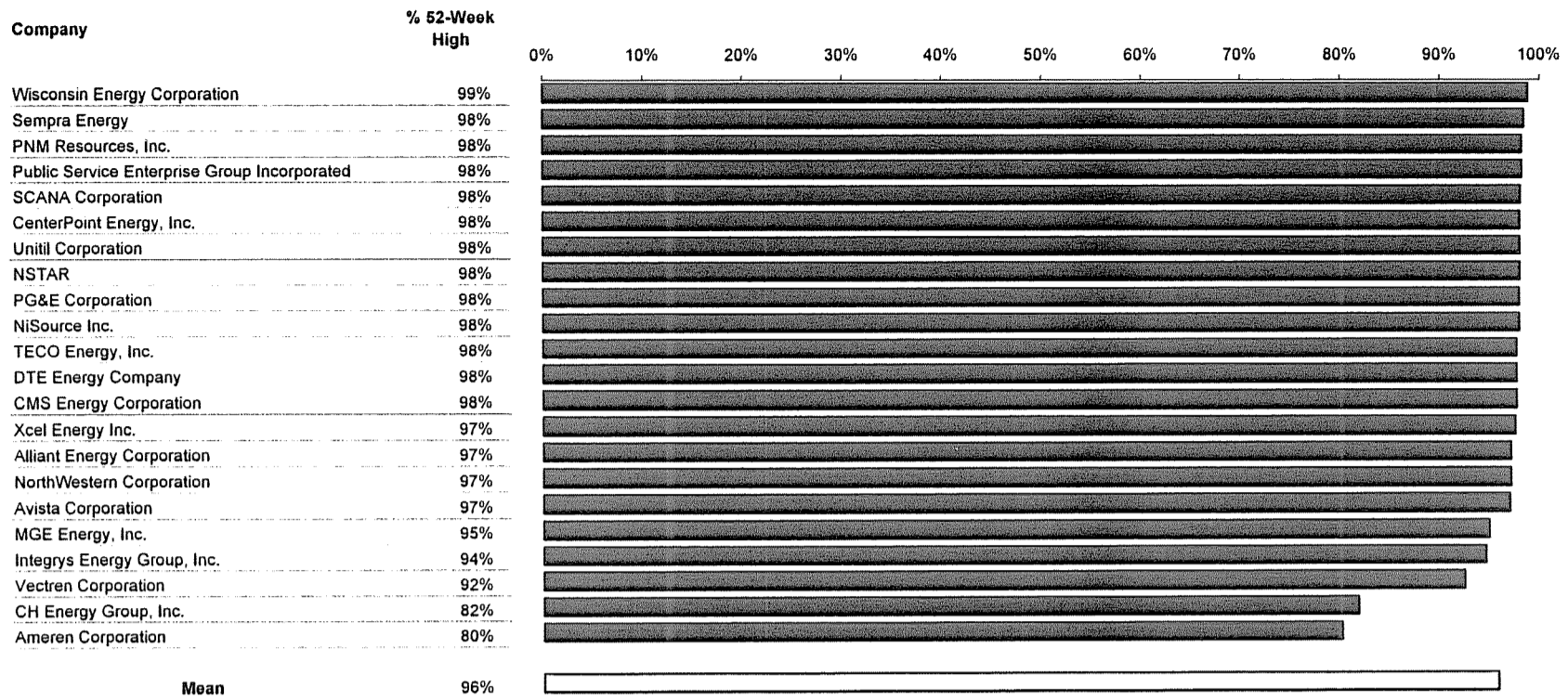


DIVERISIFIED NATURAL GAS COMPANIES



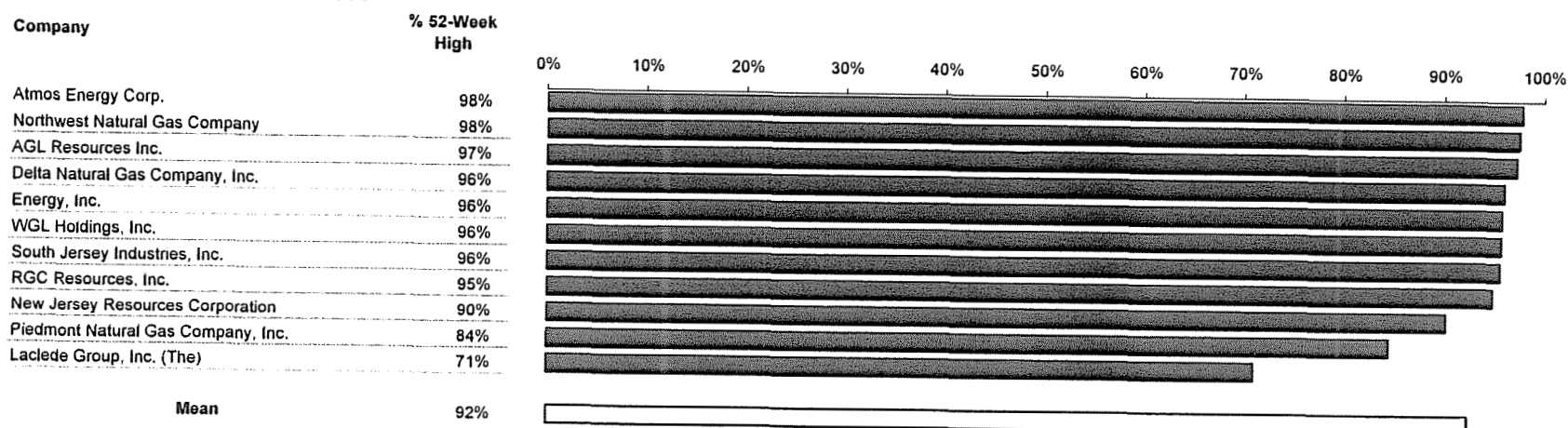
RANKING BY PERCENT OF 52-WEEK HIGH

COMBINATION GAS & ELECTRIC COMPANIES

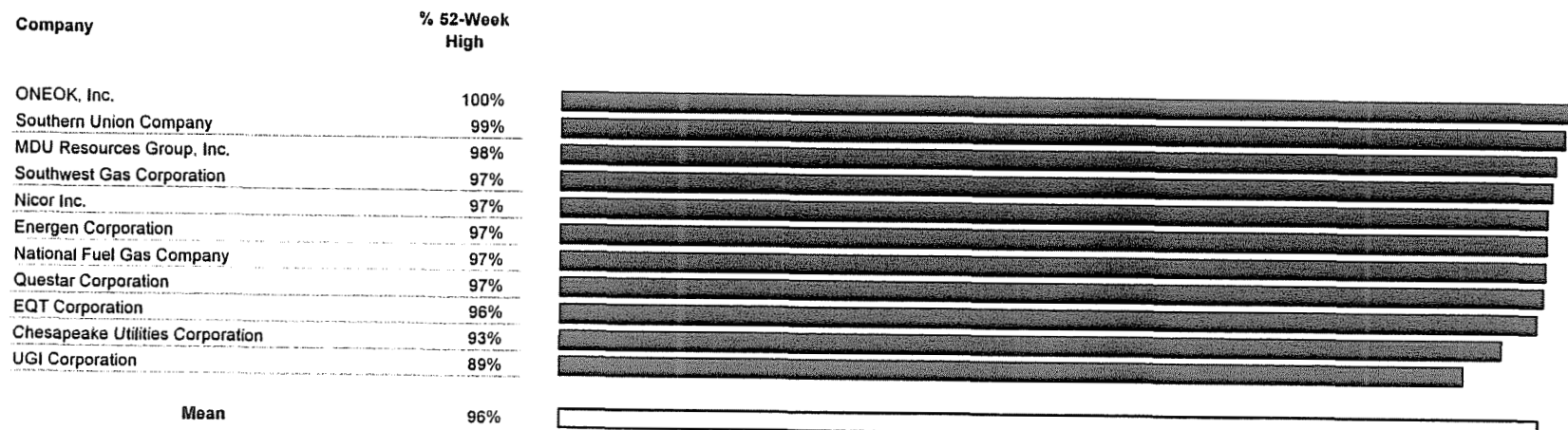


RANKING BY PERCENT OF 52-WEEK HIGH

GAS DISTRIBUTION COMPANIES



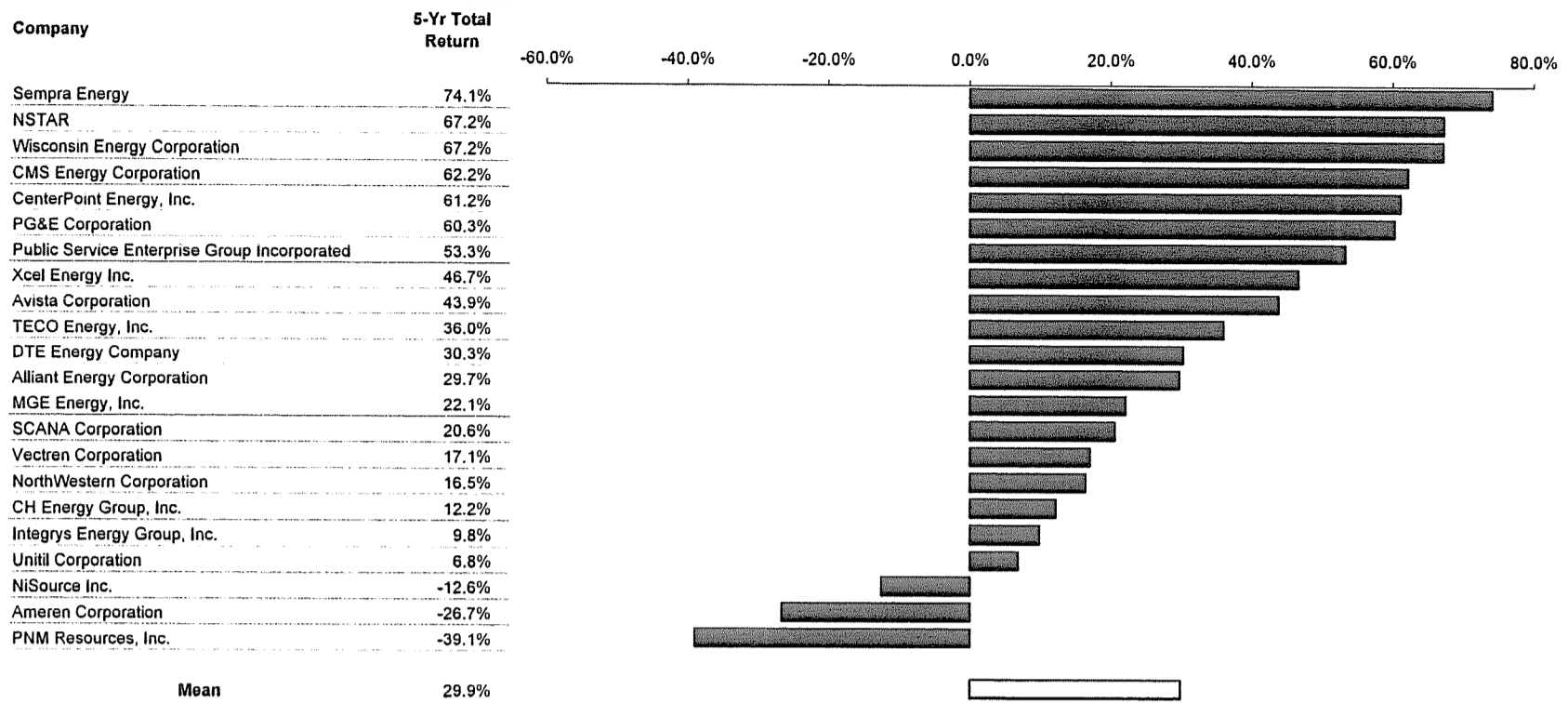
DIVERSIFIED NATURAL GAS COMPANIES



Source: SNL Energy

RANKING BY 5-YEAR TOTAL RETURN

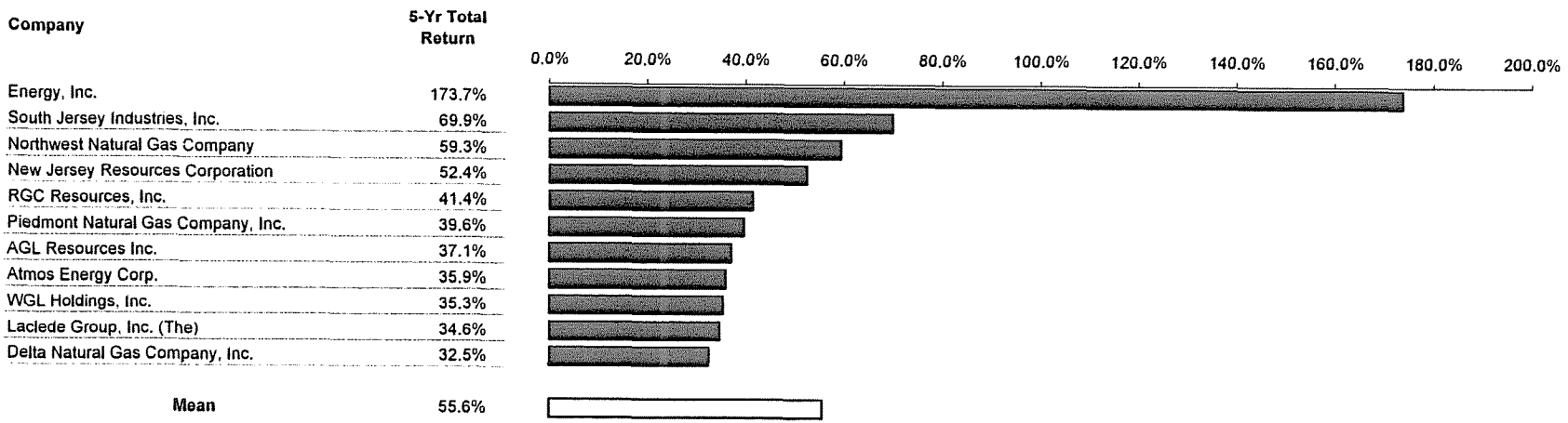
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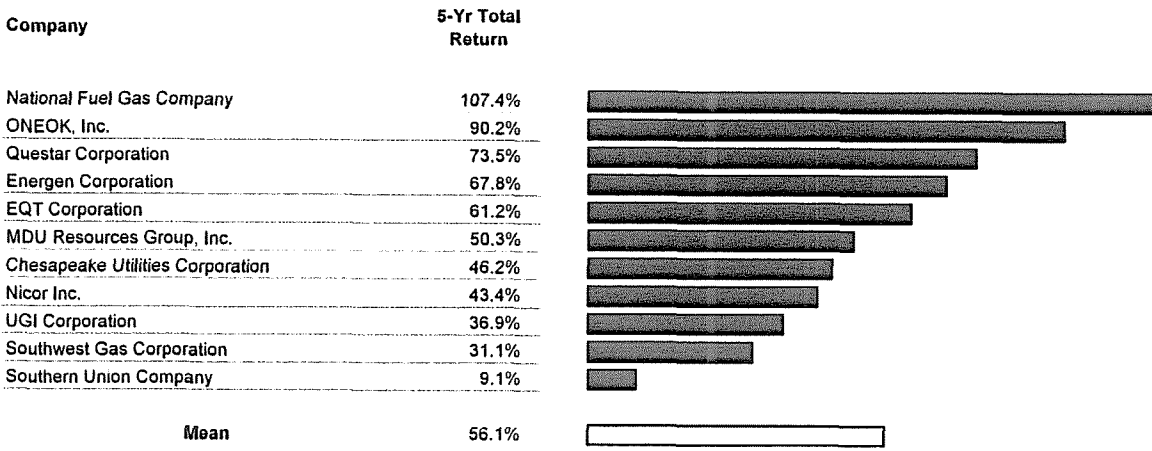
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RANKING BY 5-YEAR TOTAL RETURN

GAS DISTRIBUTION COMPANIES



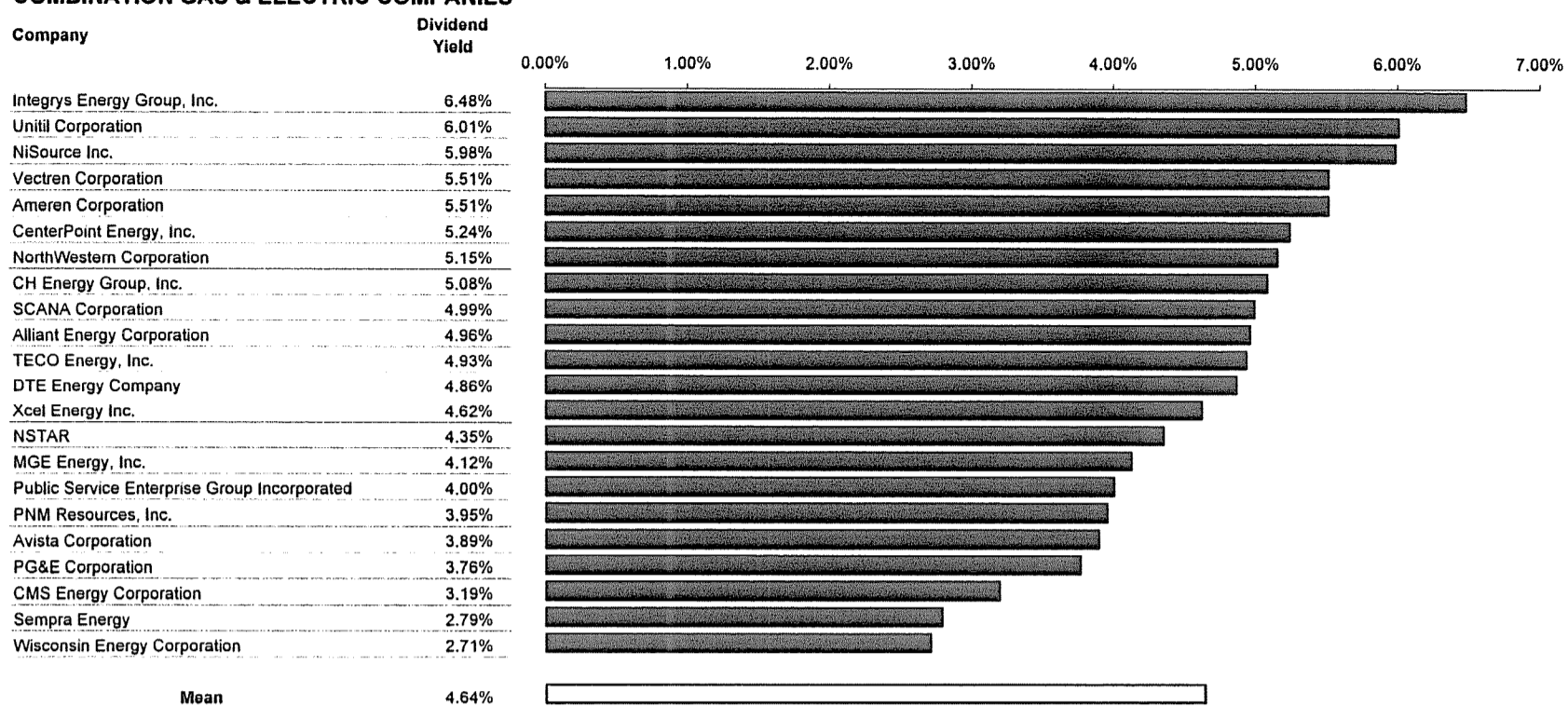
DIVERSIFIED NATURAL GAS COMPANIES



Source: SNL Energy

RANKING BY DIVIDEND YIELD

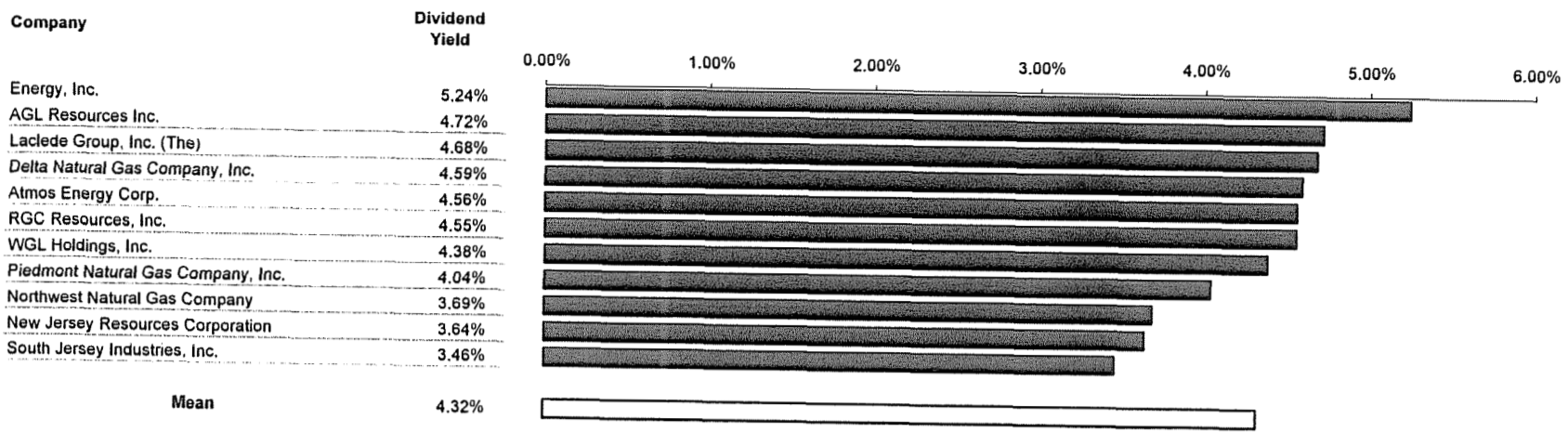
COMBINATION GAS & ELECTRIC COMPANIES



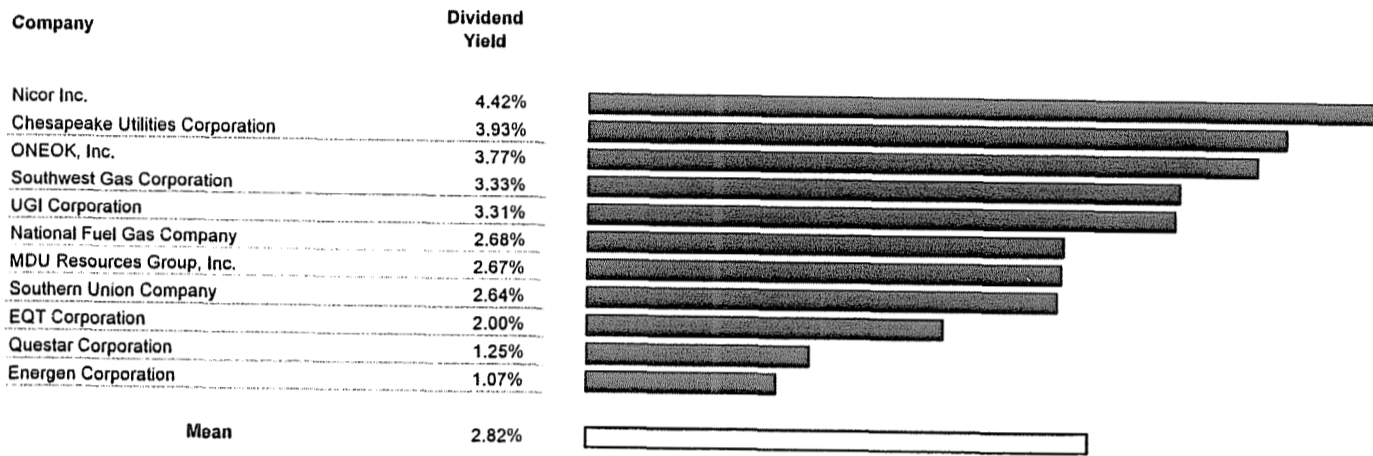
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RANKING BY DIVIDEND YIELD

GAS DISTRIBUTION COMPANIES



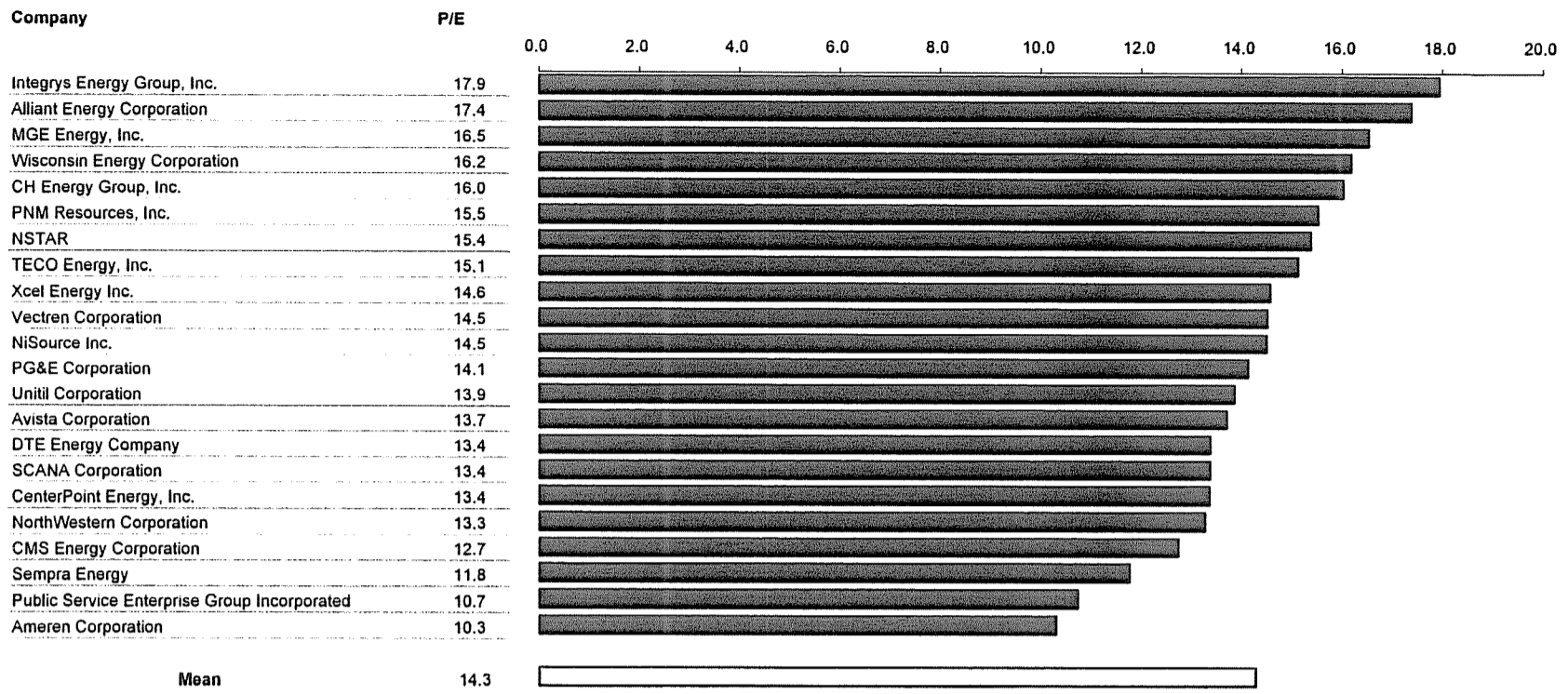
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Source: SNL Energy

RANKING BY P/E

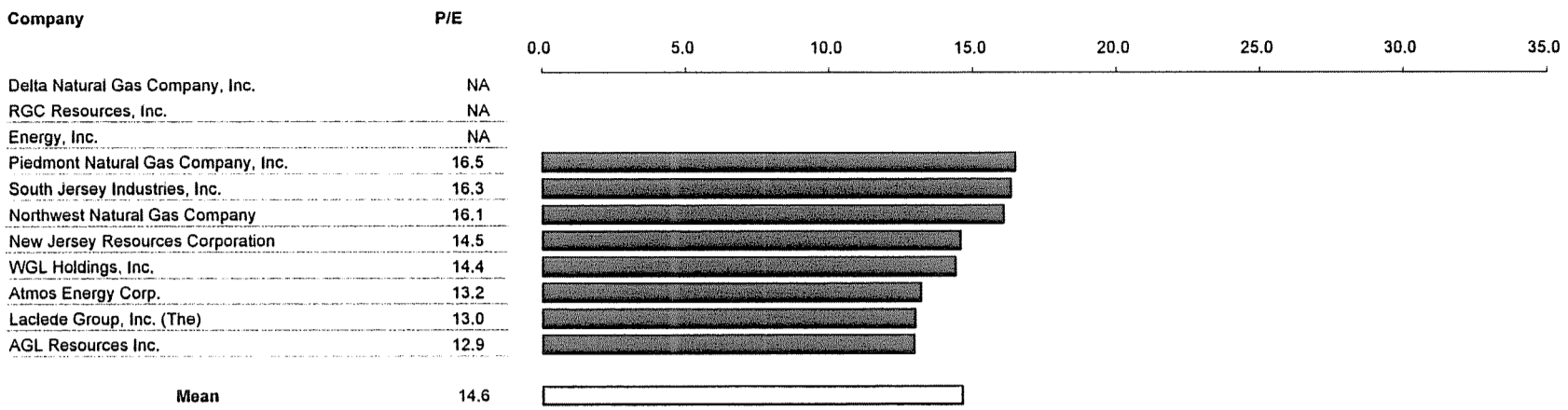
COMBINATION GAS & ELECTRIC COMPANIES



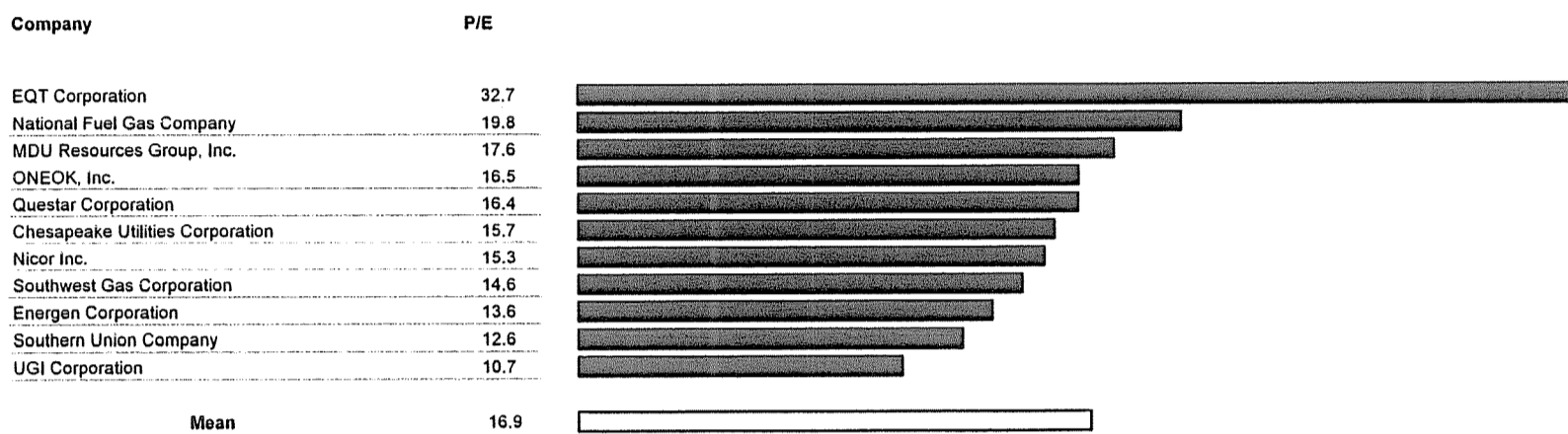
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RANKING BY P/E

GAS DISTRIBUTION COMPANIES



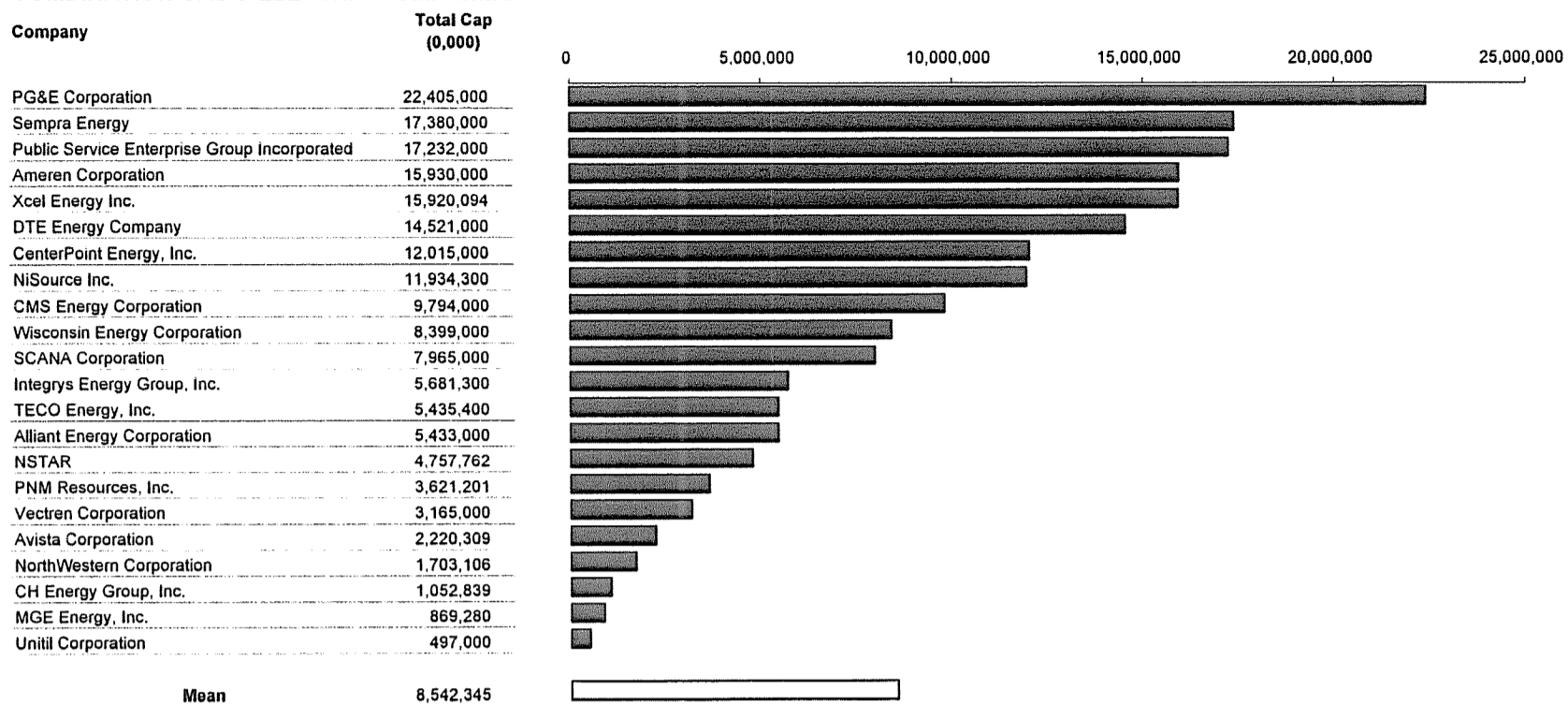
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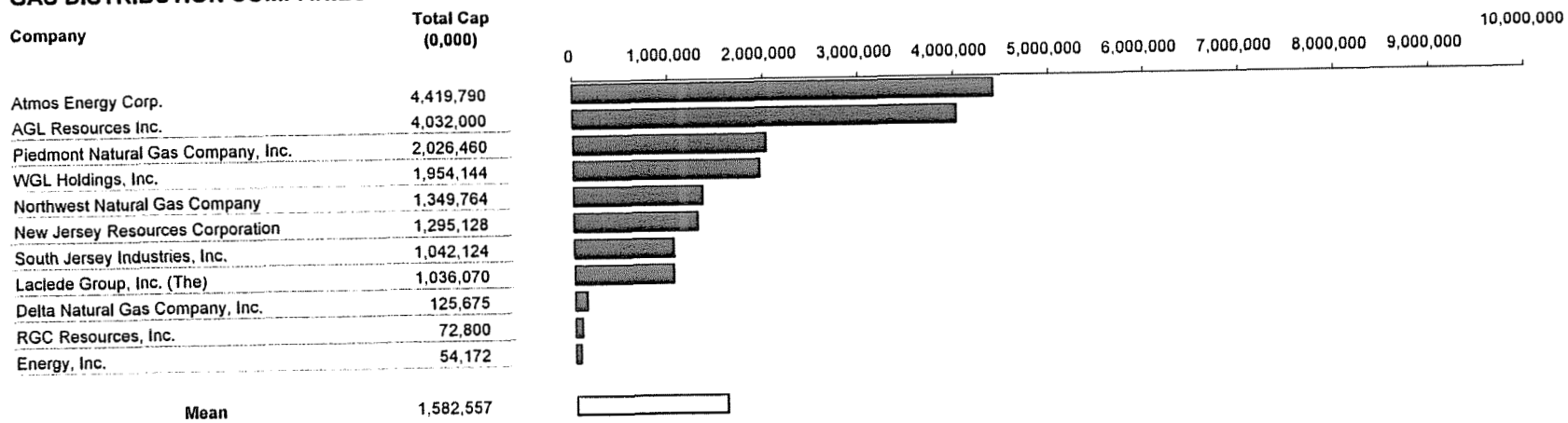
RANKING BY TOTAL CAPITALIZATION

COMBINATION GAS & ELECTRIC COMPANIES

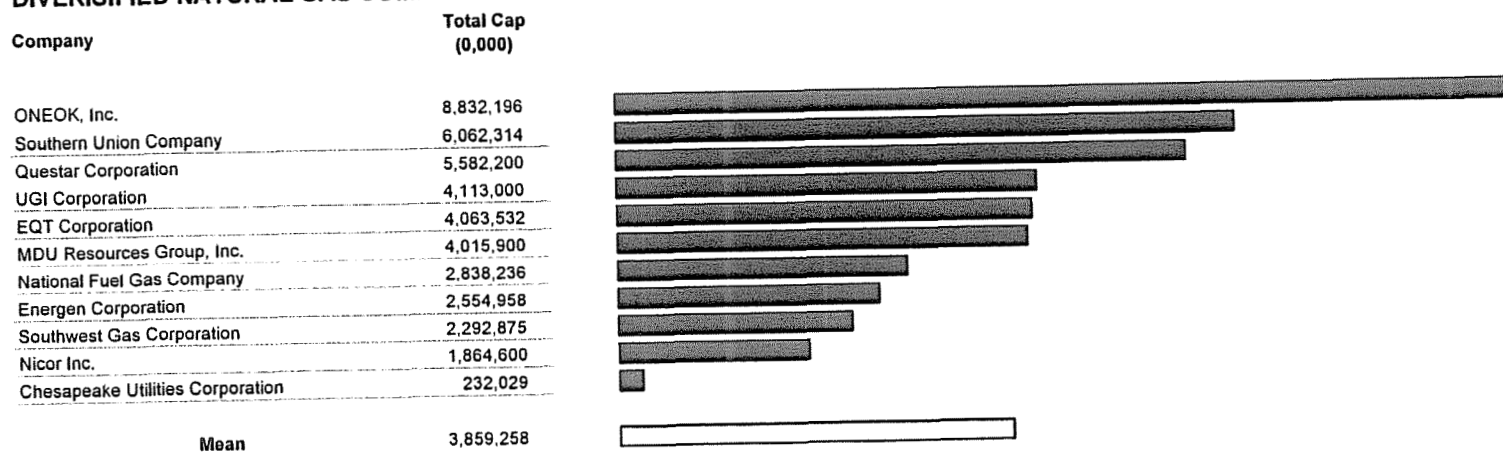


RANKING BY TOTAL CAPITALIZATION

GAS DISTRIBUTION COMPANIES



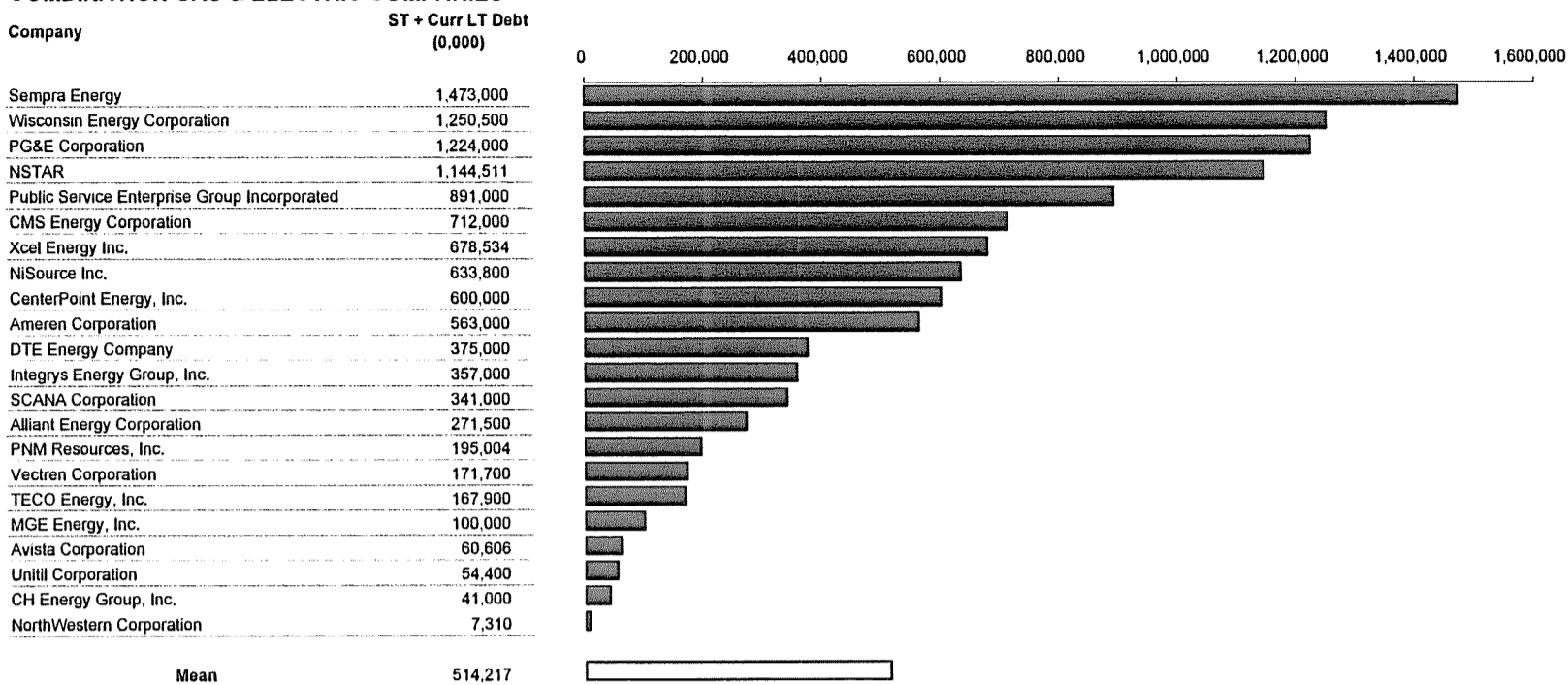
DIVERSIFIED NATURAL GAS COMPANIES



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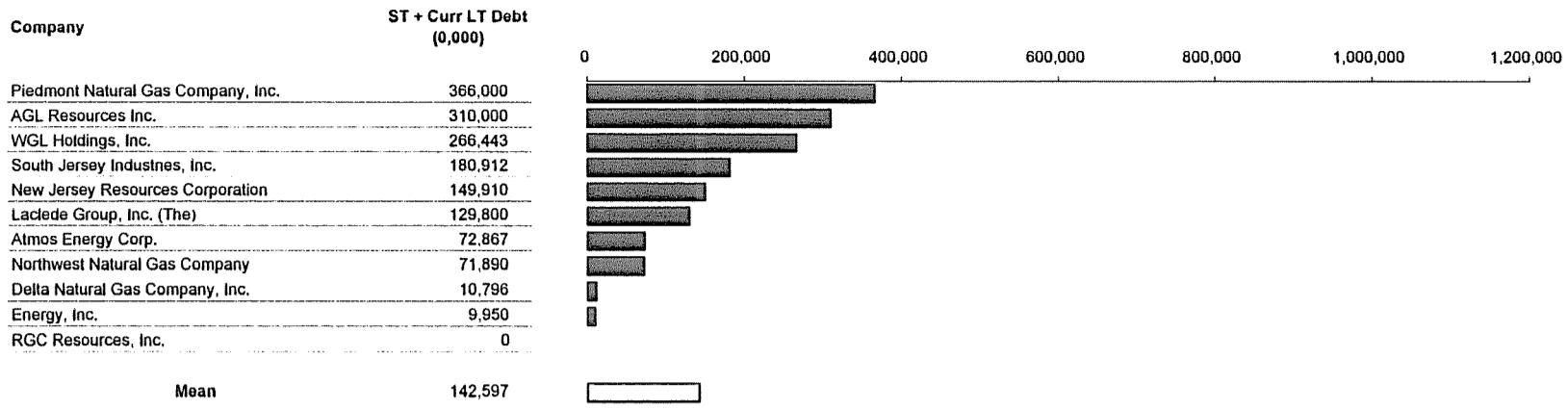
RANKING BY SHORT TERM & CURRENT MATURITIES OF LONG TERM DEBT

COMBINATION GAS & ELECTRIC COMPANIES

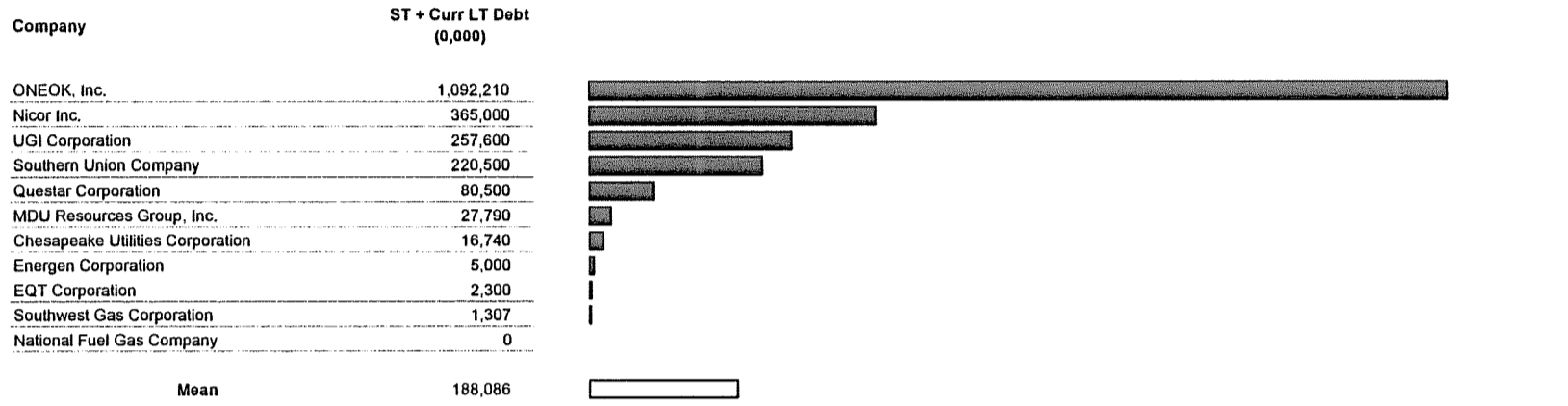


RANKING BY SHORT TERM & CURRENT MATURITIES OF LONG TERM DEBT

GAS DISTRIBUTION COMPANIES

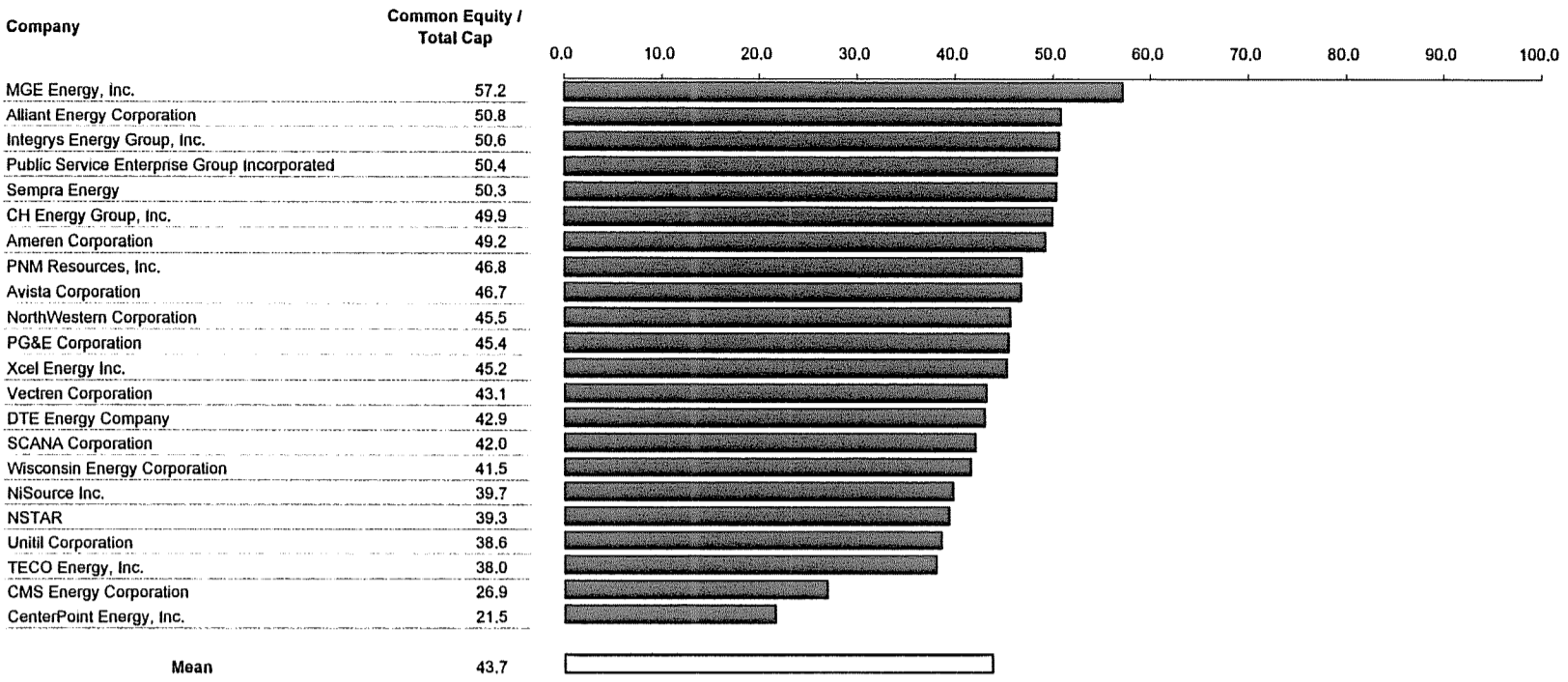


DIVERSIFIED NATURAL GAS COMPANIES



RANKING BY COMMON EQUITY TO TOTAL CAPITALIZATION

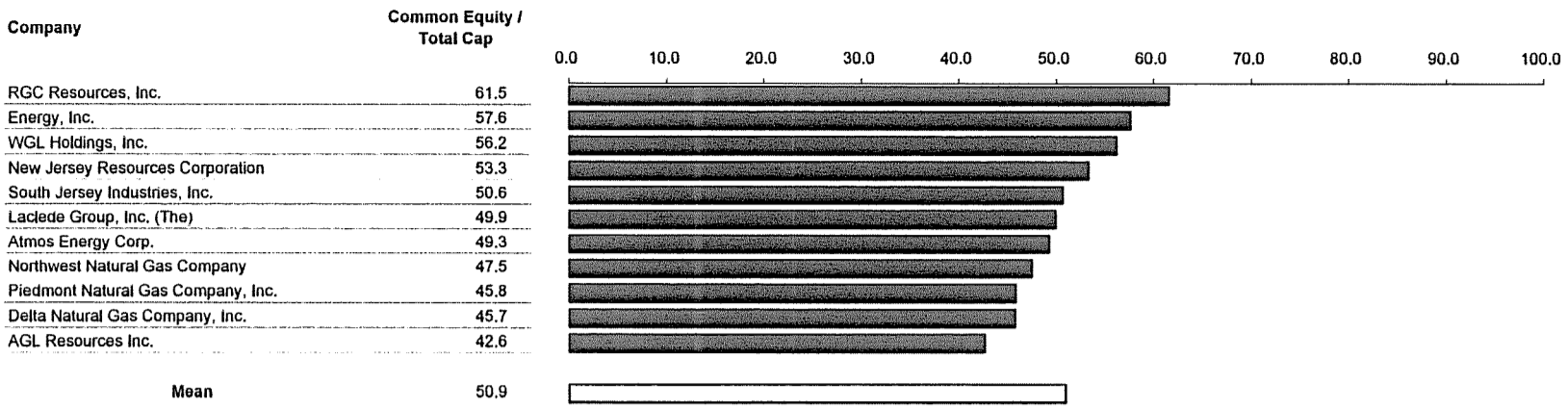
COMBINATION GAS & ELECTRIC COMPANIES



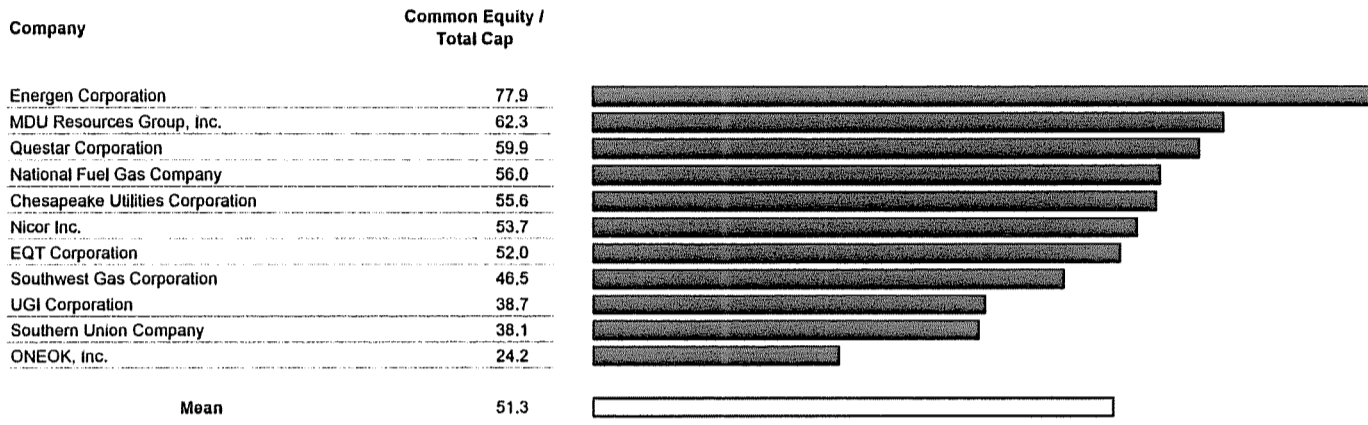
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RANKING BY COMMON EQUITY TO TOTAL CAPITALIZATION

GAS DISTRIBUTION COMPANIES



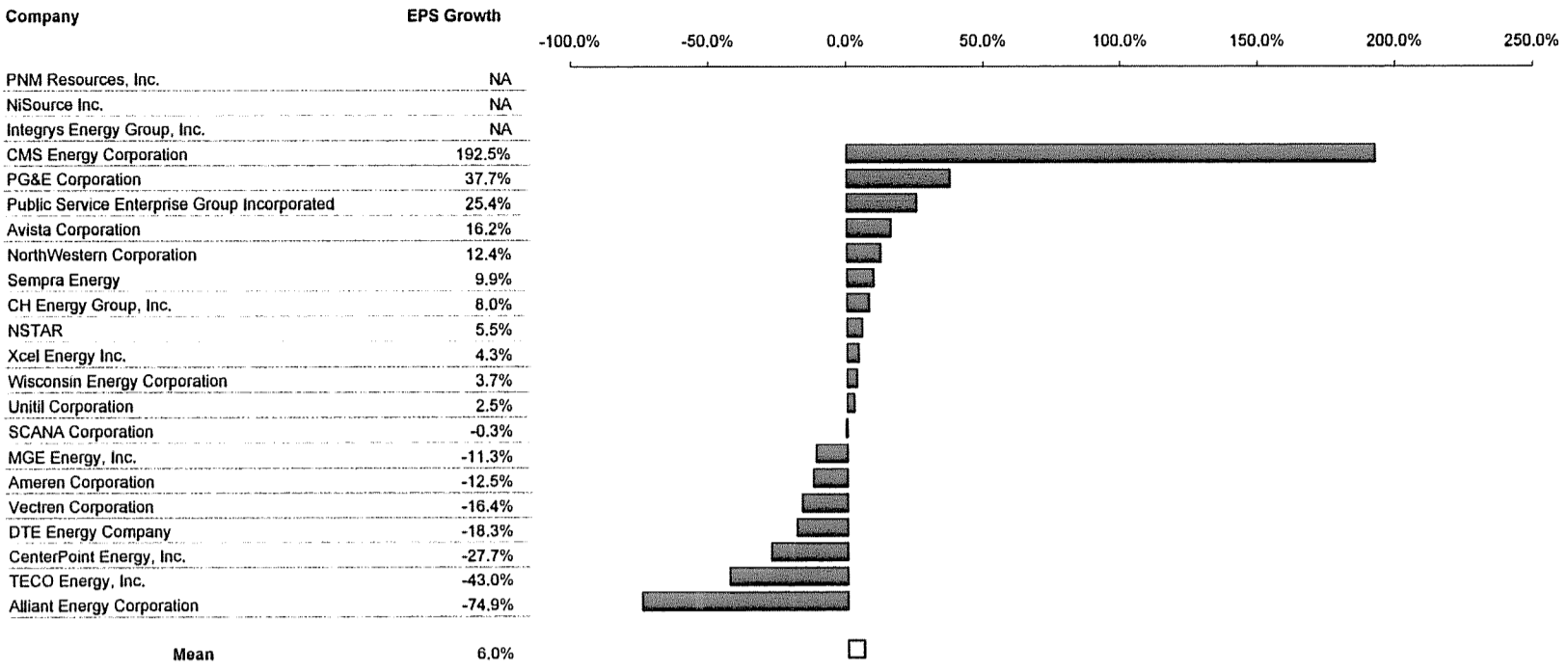
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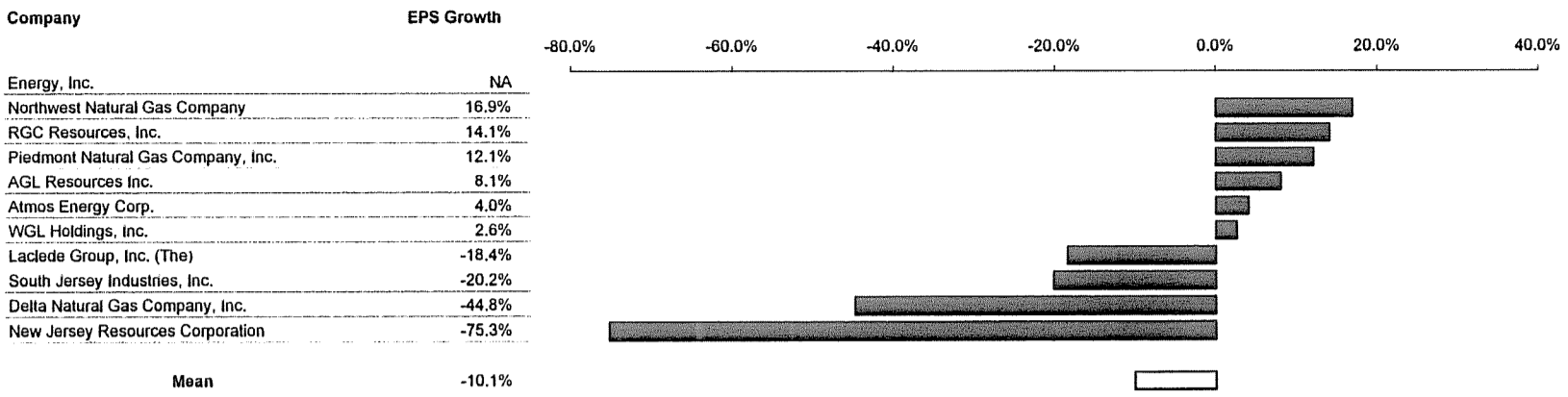
RANKING BY EPS GROWTH

COMBINATION GAS & ELECTRIC COMPANIES

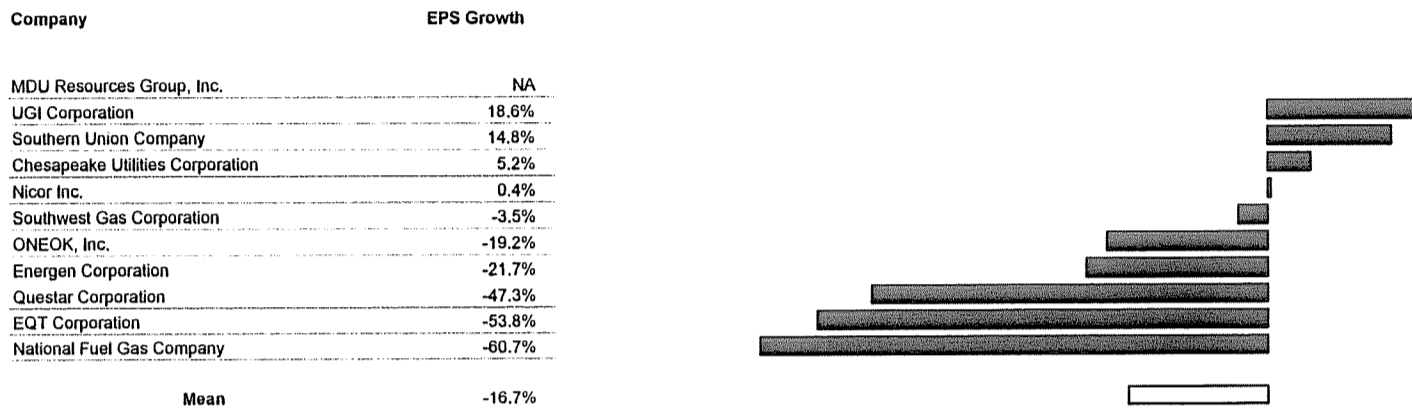


RANKING BY EPS GROWTH

GAS DISTRIBUTION COMPANIES

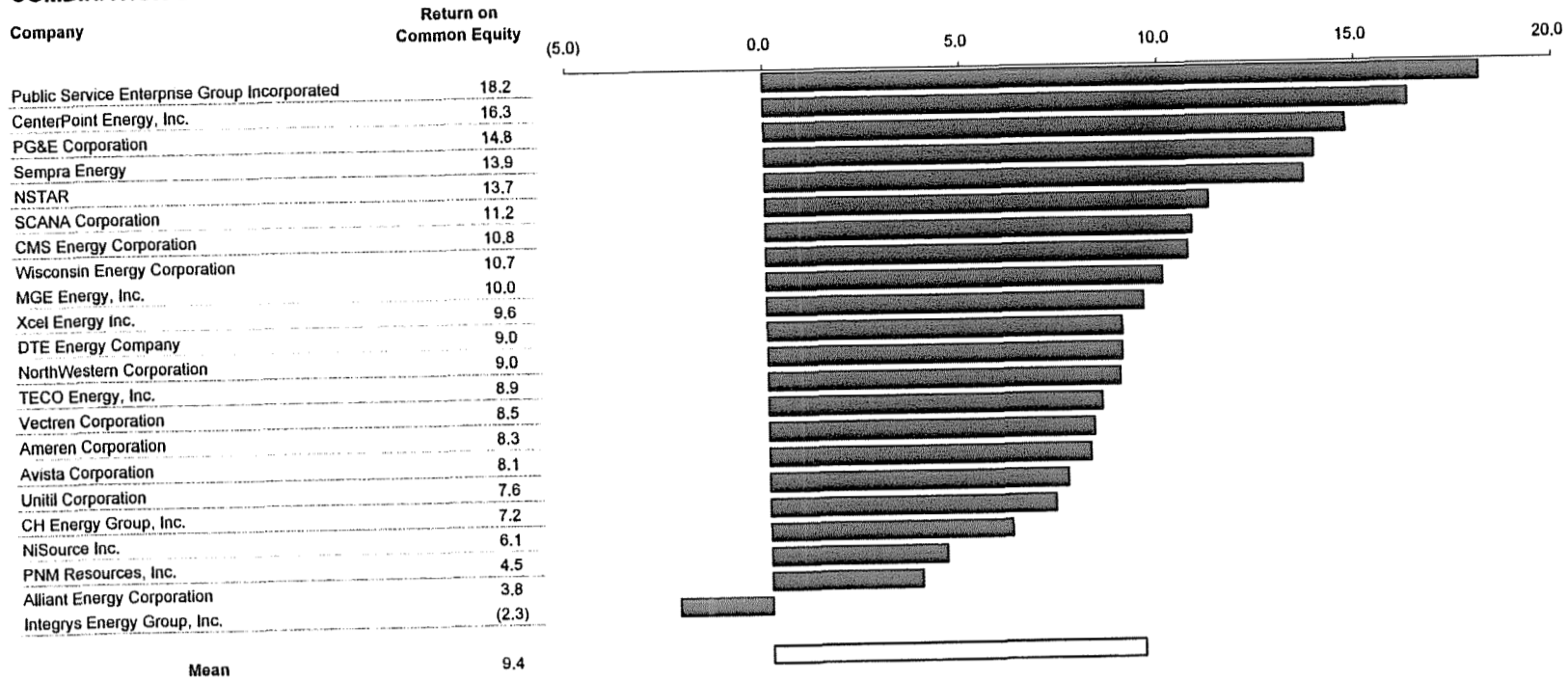


DIVERSIFIED NATURAL GAS COMPANIES



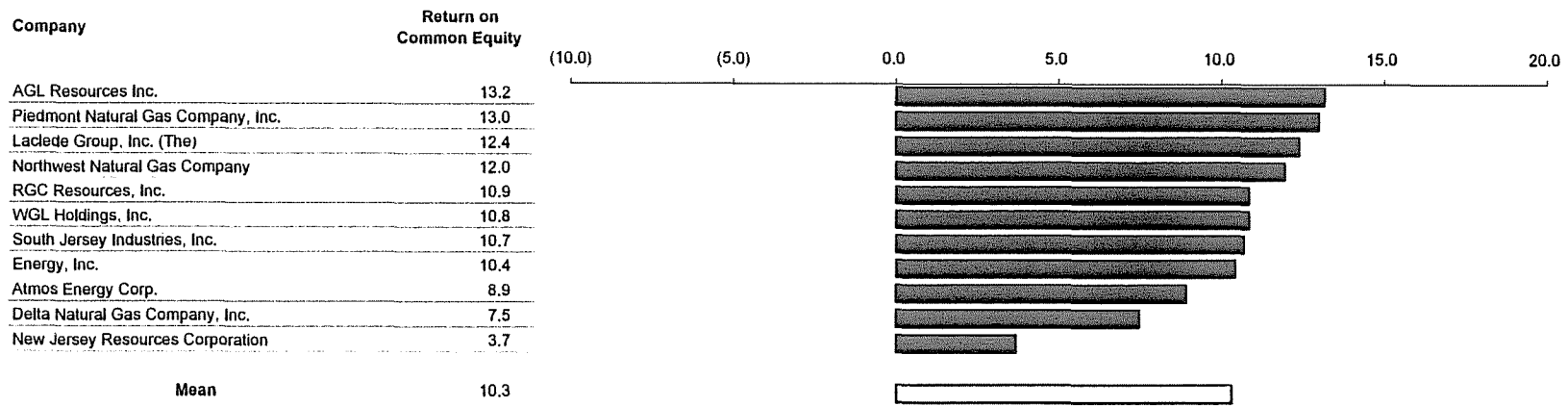
RANKING BY RETURN ON COMMON EQUITY

COMBINATION GAS & ELECTRIC COMPANIES

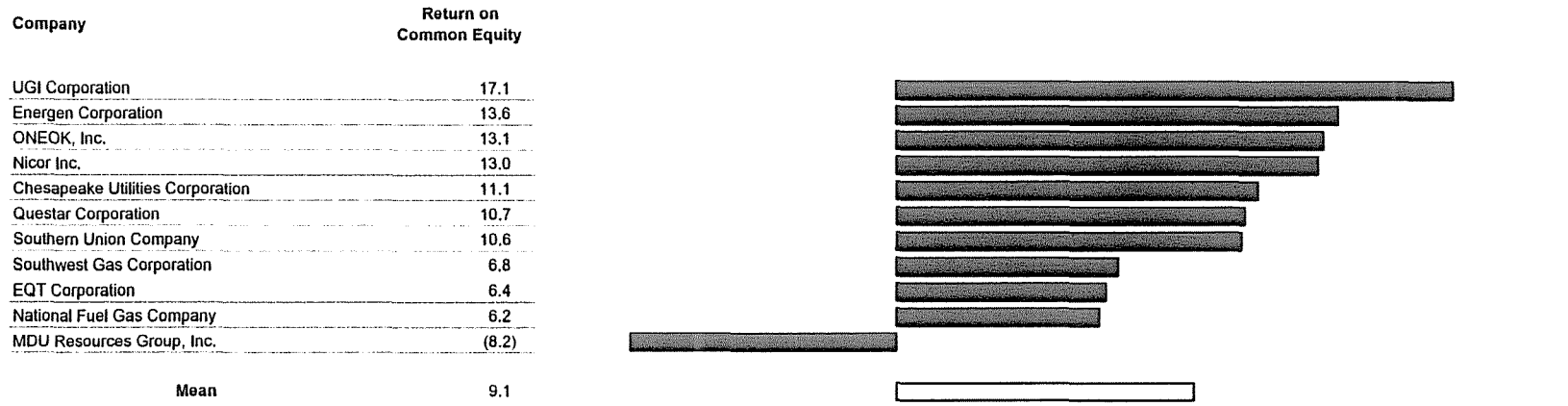


RANKING BY RETURN ON COMMON EQUITY

GAS DISTRIBUTION COMPANIES

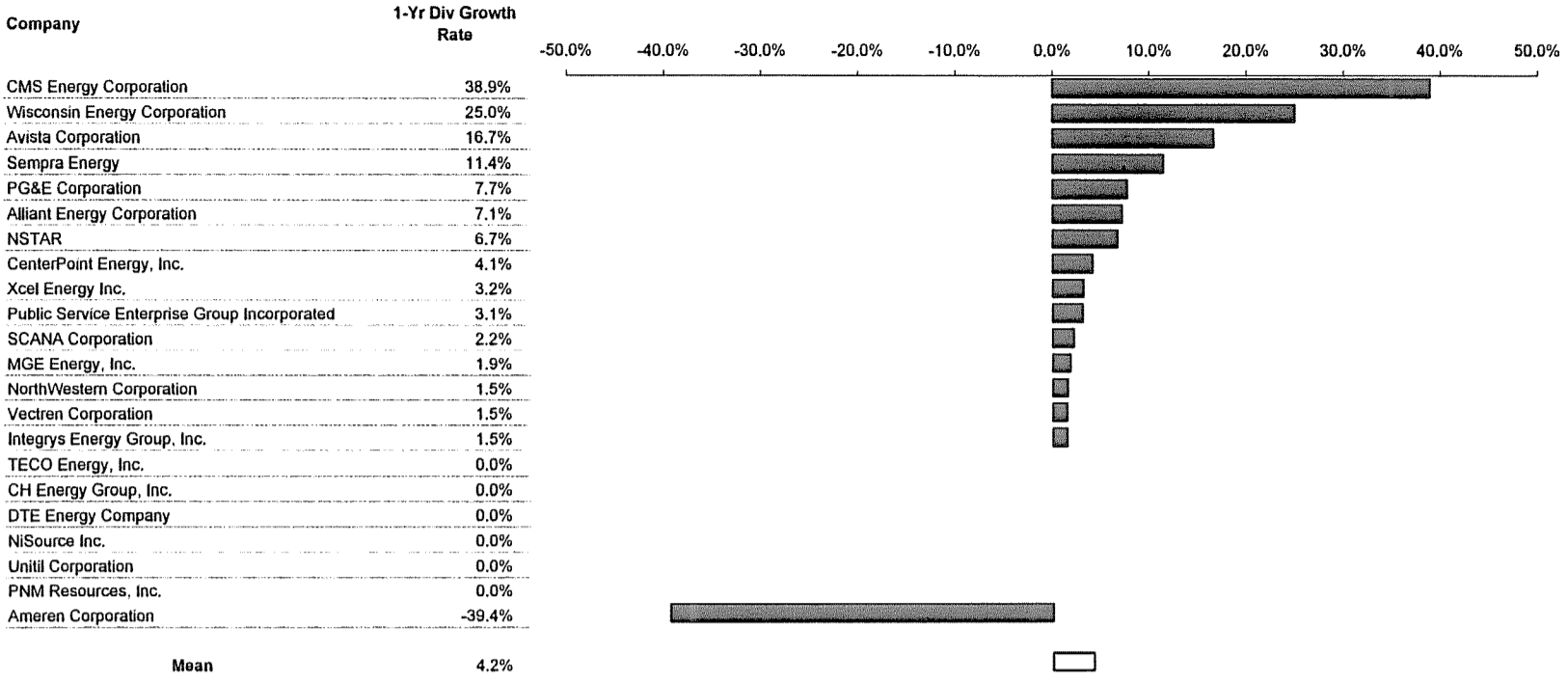


DIVERSIFIED NATURAL GAS COMPANIES



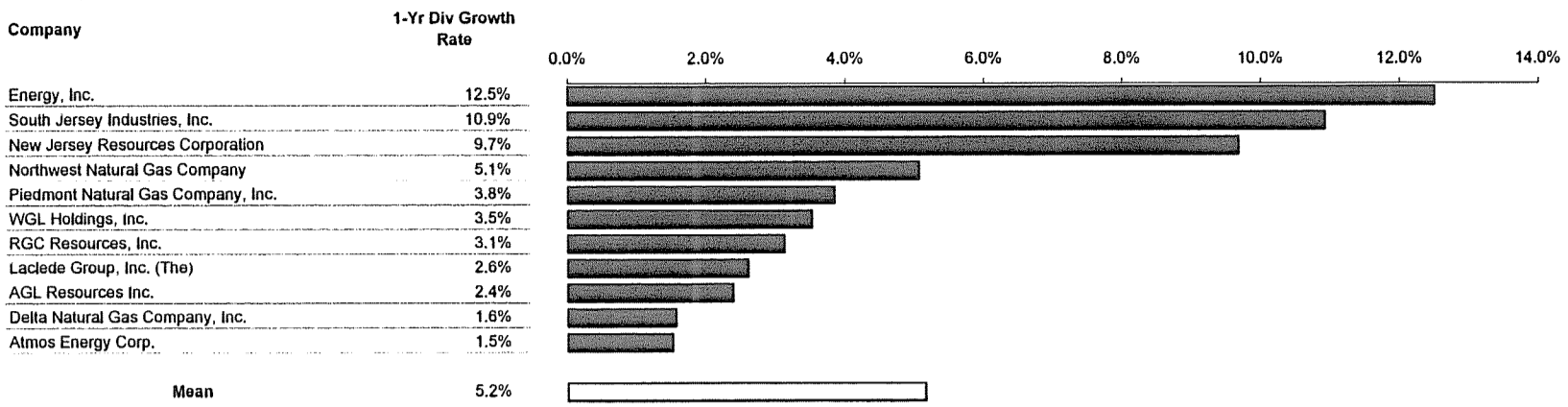
RANKING BY 1-YEAR DIVIDEND GROWTH

COMBINATION GAS & ELECTRIC COMPANIES

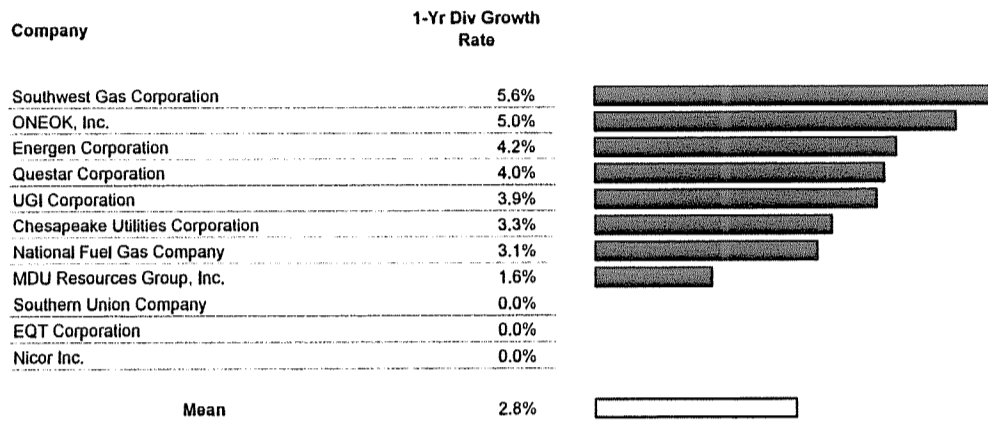


RANKING BY 1-YEAR DIVIDEND GROWTH

GAS DISTRIBUTION COMPANIES

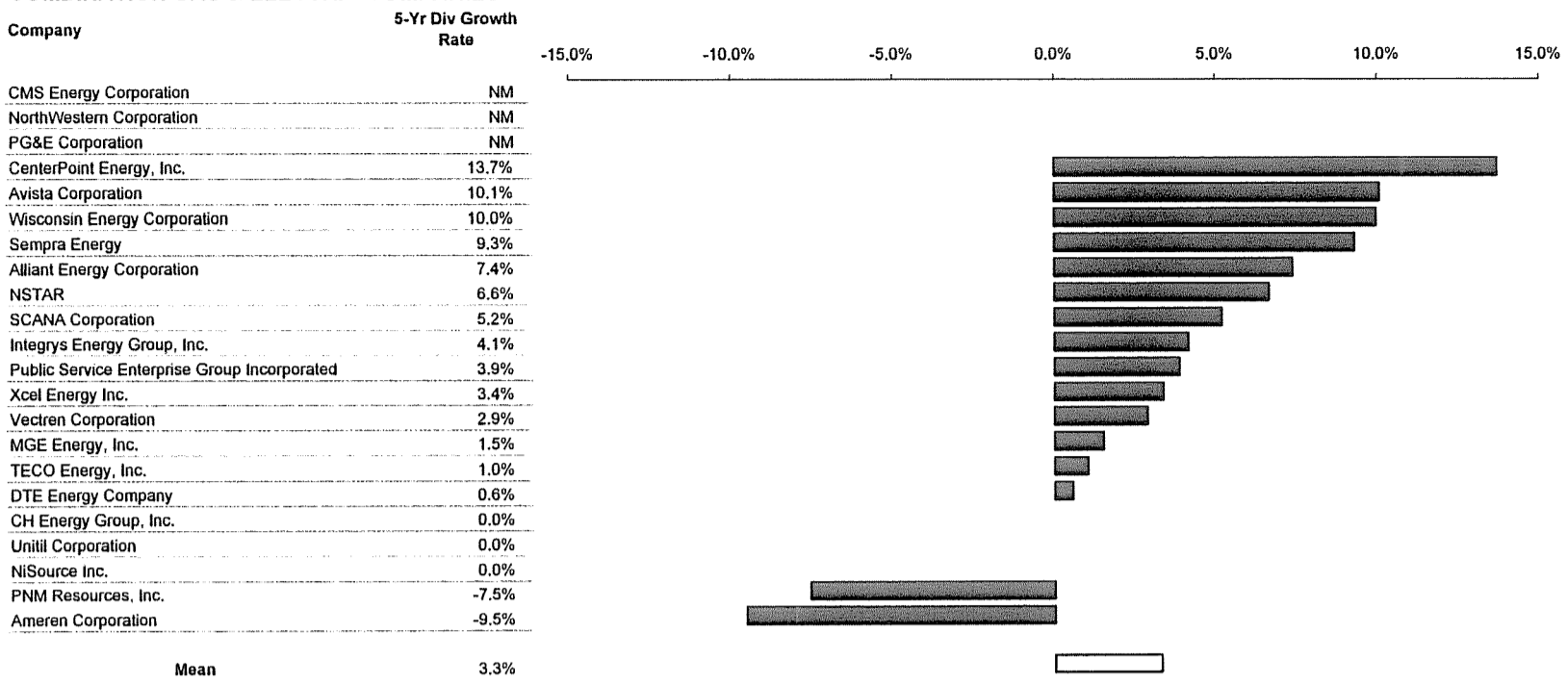


DIVERSIFIED NATURAL GAS COMPANIES



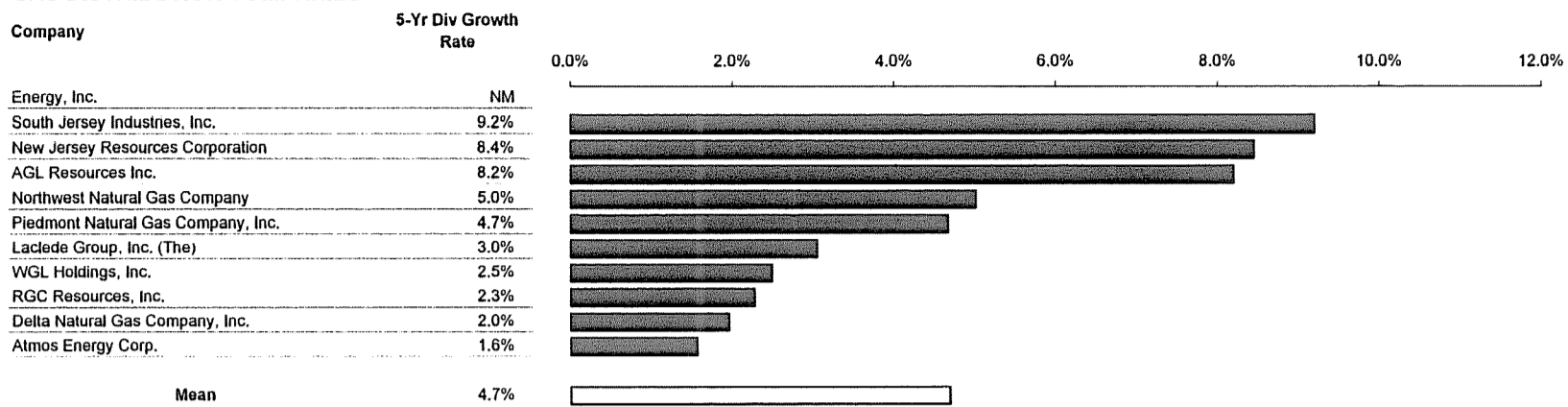
RANKING BY 5-YEAR DIVIDEND GROWTH

COMBINATION GAS & ELECTRIC COMPANIES

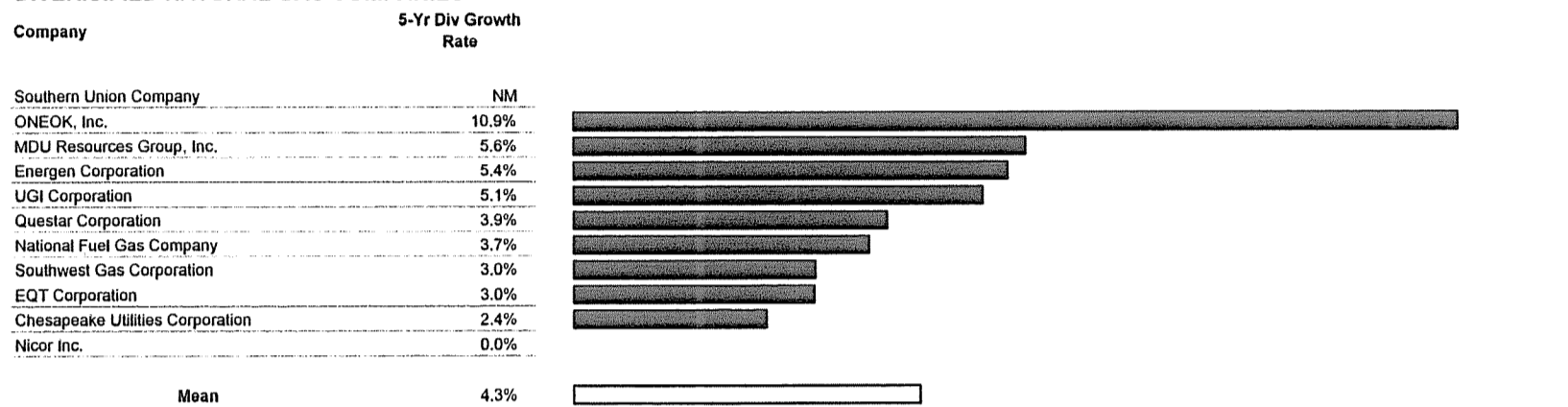


RANKING BY 5-YEAR DIVIDEND GROWTH

GAS DISTRIBUTION COMPANIES

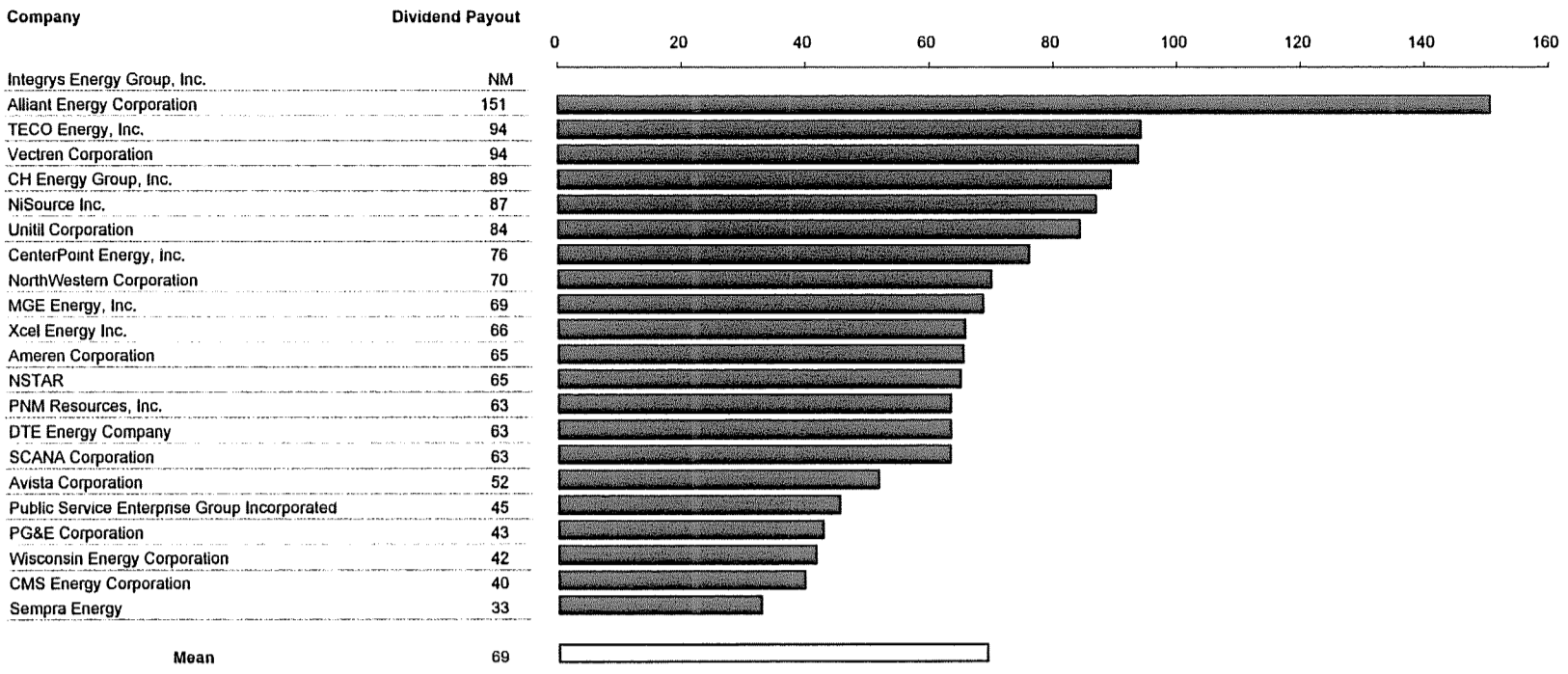


DIVERISIFIED NATURAL GAS COMPANIES



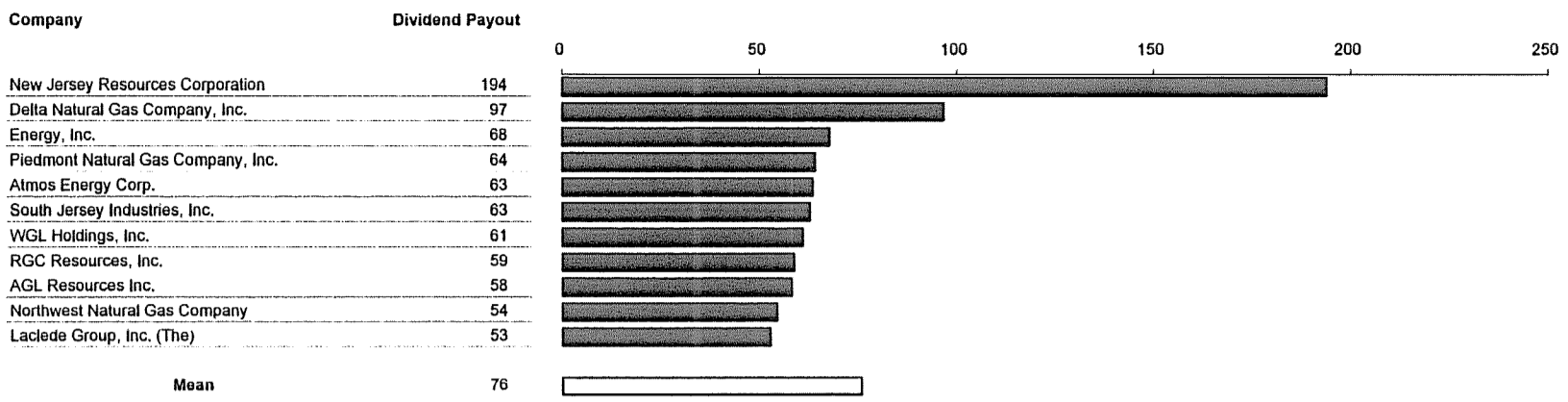
RANKING BY DIVIDEND PAYOUT

COMBINATION GAS & ELECTRIC COMPANIES

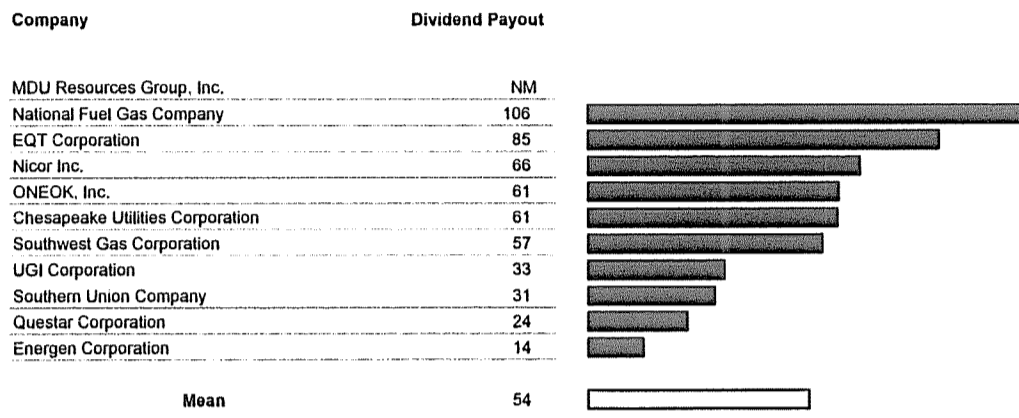


RANKING BY DIVIDEND PAYOUT

GAS DISTRIBUTION COMPANIES

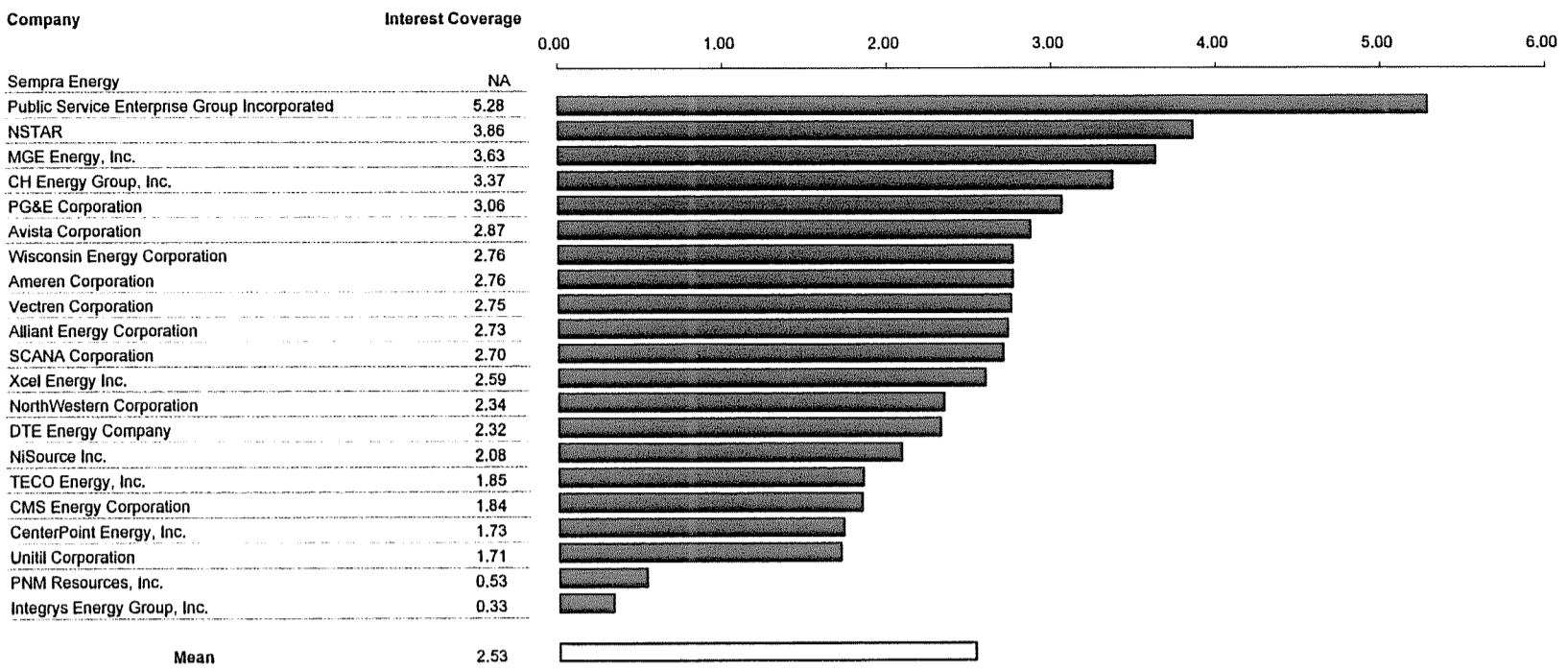


DIVERSIFIED NATURAL GAS COMPANIES



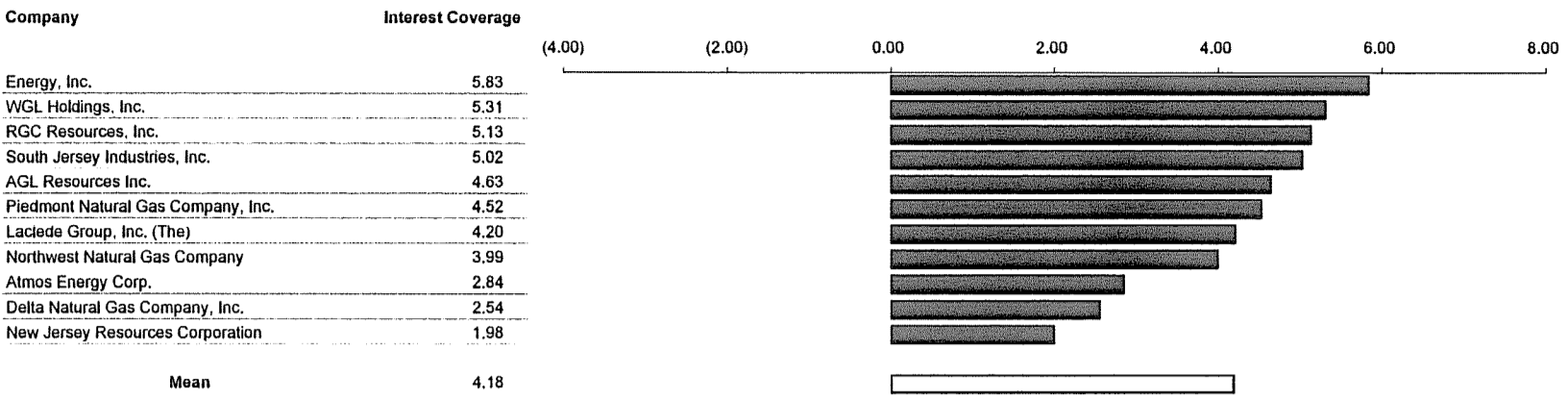
RANKING BY PRE-TAX INTEREST COVERAGE

COMBINATION GAS & ELECTRIC COMPANIES

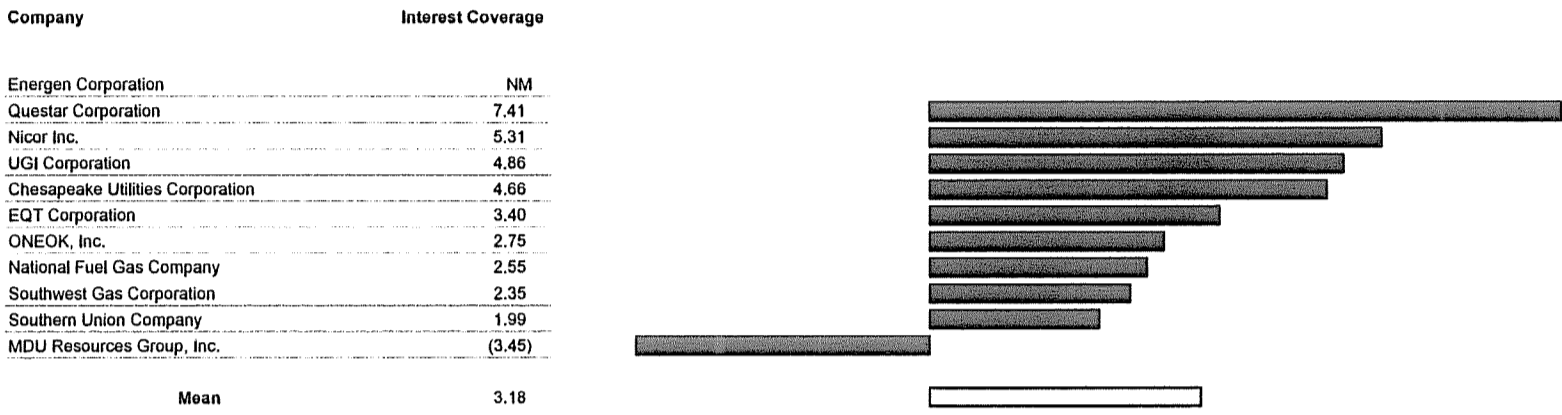


RANKING BY PRE-TAX INTEREST COVERAGE

GAS DISTRIBUTION COMPANIES



DIVERSIFIED NATURAL GAS COMPANIES



DEFINITIONS

Common Stock Information

Market Capitalization	Stock price on 12/31/09 times most recently reported shares outstanding.
Daily Volume	Average number of shares traded per day.
52-Week Range	High and Low closing prices during the previous 12 months.
% 52-Week High	End of period closing stock price divided by the high closing price during the most recent 12 months.
5-Yr Total Return	Total return with dividends reinvested during the previous 5 years.
P/E	Current stock price divided by estimated EPS (if unavailable, trailing 12 month EPS) for the current year.
Dividend Yield	Dividend rate as a percent of current stock price.
Market to Book	Current stock price as a percent of book value.

Financial Information

12 Months Ended	Twelve month period on which financial information is based.
Total Capitalization	Company's complete capital structure, composed of long-term debt and all forms of equity.
ST Debt & Current Maturities of LT Debt	Includes short-term debt and borrowings, short-term portion of long-term borrowings and current obligations under capital leases, bank overdrafts, repurchase agreements, reverse repos and LT debt maturing within 12 months.
Common Equity / Total Capitalization	Common stockholders' equity as a percent of total capitalization.
EPS	Present trailing 12-month diluted earnings per share from continuing operations. Excludes the effects of all one-time and extraordinary gains and losses.
% EPS Change	Increase or decrease in last 12 months' EPS versus the prior 12-month period.
Return on Common Equity	Net income as a percent of common stockholders' equity.
Annualized Dividend	Annualized dividend declared as of 12/31/09
1-Yr Dividend Growth Rate	Change in the annualized dividend declared as of 12/31/09 versus 12/31/08
5-Yr Dividend Growth Rate	Compounded annual increase in the annualized dividend declared as of 12/31/09 versus 12/31/04
Dividend Payout	Dividends paid as a percent of EPS.
Pre-Tax Interest Coverage	Pre-tax reported operating income as a multiple of interest expense, excluding capitalized interest expense and allowances for borrowed construction funds.

Notes

Our new data source is SNL Energy (www.SNL.com)

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

11. Refer to page 7 of the Blake Testimony, which discusses customers' ability to switch between natural gas and electricity, and to page 17, lines 19 through 22. If Delta's proposed \$24.20 customer charge is approved by the Commission, will customers be more or less likely to choose electricity as their sole fuel source in order to minimize their monthly expenses, especially given the fact that Delta's service territory substantially overlaps that of Kentucky Utilities Company, whose electric rates are some of the lowest in the nation?

Response:

For the average customer, the total bill will be the same regardless of rate design. Delta needs to collect an amount sufficient to cover its costs and margins and any proposed rate design should do this. Some provide more surety of recovery, such as collecting revenue through the customer charge but the total bill for the average customer is about the same. By increasing its customer charge to \$24.60, Delta can remove the fixed costs from the volumetric charge that are currently being recovered in the volumetric charge. Removing fixed cost recovery from the volumetric charge will make Delta more competitive at the margin against other energy sources. Because Delta provides natural gas service in a service territory that substantially overlaps the electric service territory of Kentucky Utilities Company, which has some of the lowest electric rates in the nation, it is essential that Delta make its rates as competitive as possible. Collecting fixed costs through the customer charge rather than through the volumetric charge will help Delta to compete for marginal energy usage, which is where the competition among competing fuels occurs.

Sponsoring Witness:

Martin J. Blake

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

12. Refer to page 8 of the Blake Testimony. To what does Dr. Blake attribute the negative 44.8-percent earnings-per-share growth in 2009; the 32.5-percent five-year return on investment; and the 2-percent five-year dividend growth rate?

Response:

The data regarding earnings-per-share growth in the December 31, 2009 Edward Jones Co. Natural Gas Industry Summary Quarterly Financial & Common Stock Information is based on Delta's September 30, 2009 financials. The negative 44.8-percent earnings-per-share growth in 2009 was due to a decrease in consolidated gross margins of \$4,644,000 (13%) due to decreased non-regulated and regulated gross margins of \$4,507,000 (39%) and \$137,000 (1%), respectively. Delta's non-regulated gross margins decreased due to a 31% decrease in volumes sold and a 20% decline in sales prices. The non-regulated volumes sold decreased due to a decrease in Delta's non-regulated customers' gas requirements, attributed primarily to economic conditions. In addition, operation and maintenance expense increased \$1,313,000 (9%). The increase was primarily due to an inventory adjustment for gas in storage (\$1,350,000).

The 32.5-percent five-year return on investment is based on the stock price used in the calculation, which is variable and dependent on many factors out of the Company's control. The unusual market conditions during the five years ending December 31, 2009 impacted Delta's five-year return on investment. The stock price in 2009 may have been influenced by the decreased earnings per share as discussed above.

The five-year dividend growth rate is a reflection of the Board of Directors' declaration of dividends. The Board believes that the dividend increase rate has been commensurate with the performance of the Company.

Sponsoring Witness:

John B. Brown

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

13. Refer to page 14 of the Blake Testimony, lines 8 through 10, which reference Delta's being below the average percentage equity for natural gas distribution companies of similar size. Provide a comparison of Delta's equity percentage, total capitalization, number of customers, and service area to the referenced natural gas distribution companies of similar size, or indicate where in the record such comparison is provided.

Response:

Exhibit MJB-2 of my Direct Testimony shows Delta's total capitalization and the percentage of equity in its capital structure. I did not collect and do not have in my possession the number of customers for the utilities in Exhibit MJB-2 other than Delta nor do I have a description of their service territories.

Sponsoring Witness:

Martin J. Blake

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

14. Refer to page 17 of the Blake Testimony, lines 2 through 4.
- a. Provide any data or studies available to support the statements that:
 - (1) Rural customers tend to have lower annual usage than urban customers;
and
 - (2) Rural customers have a larger proportion of temperature-sensitive load
than urban customers.
 - b. If these statements were based on personal observation of other utilities in other jurisdictions only, provide the names of the utilities, service area characteristics, numbers of customers, usage per customer, and temperature-sensitive usage per customer over the last five years.

Response:

This statement was not based on a study, and there is no study that I am aware of that shows this. This statement was based on my observations from working with other natural gas companies that have a more urban customer base compared to Delta. Additionally, this is not a key assumption in supporting my recommendation regarding the return on equity that Delta should be allowed to earn in this proceeding. I was sharing an observation with the Commission to help them understand why Delta may not be like other natural gas companies that the Commission currently regulates.

Sponsoring Witness:

Martin J. Blake

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

15. Provide a copy of Delta's equity management plan.

Response:

Delta does not have a formal equity management plan.

Sponsoring Witness:

Martin J. Blake

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

16. Provide copies of Board minutes where equity levels were discussed and determined to be too low, as well as copies of any resolutions passed concerning equity levels and the need to raise them.

Response:

The financial presentation that is made to the Board by the CFO each quarter includes a discussion of the current debt/equity ratio. This discussion has not led to the passing of any resolutions concerning equity levels and the need to raise them.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

17. Refer to page 19 of the Blake Testimony, which discusses Delta's GCR mechanism, as well as significant under-recoveries of gas cost and deferred gas cost due to increased gas price volatility. Delta's GCR mechanism includes a provision for Interim Gas Cost Adjustment Filings on page 14 of its tariff on file with the Commission. This provision allows Delta to file more frequently than quarterly in order to respond more quickly to price volatility. Commission records indicate that, during the calendar years 2005 through 2009, for which Dr. Blake has provided the amounts of under-recovered and deferred gas cost, Delta filed with the Commission only its scheduled quarterly GCR filings and no interim filings. Why did Delta choose to forego the opportunity to file interim GCR filings so as to minimize its under-recovered gas cost?

Response:

Delta had not previously considered interim filings for its GCR mechanism, but will consider going forward.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

18. Has Delta considered proposing any changes to its GCR mechanism that would minimize its under-recovery of gas cost?

Response:

Through the years, Delta has considered proposing changes to its GCR mechanism that would do a better job of reducing the levels of unrecovered gas costs that the Company carries. However, any changes contemplated would result in the GCR mechanism placing greater reliance on estimated values rather than actual values for its inputs. Delta believes the use of actual values better serves its customers as the inputs are more transparent and reproducible.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

20. Refer to Exhibit MJB-14 of the Blake Testimony. Provide earnings-per-share growth rates, as well as monthly high and low stock prices for the six months ending April 2010 for the companies in the Edward Jones Natural Gas Distribution Utility Panel.

Response:

The Value Line Reports that contain the earnings per share growth rates and the high and low stock prices for the panel of natural gas distribution companies used in my testimony are attached as an Adobe file.

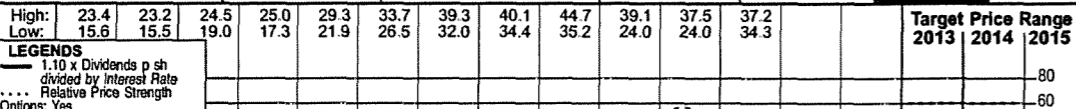
Sponsoring Witness:

Martin J. Blake

AGL RESOURCES NYSE-AGL

RECENT PRICE **37.00** P/E RATIO **12.5** (Trailing: 12.8 Median: 14.0) RELATIVE P/E RATIO **0.74** DIV'D YLD **4.8%** VALUE LINE

TIMELINESS 3 Raised 2/12/10
SAFETY 2 New 7/27/90
TECHNICAL 3 Lowered 2/12/10
BETA .75 (1.00 = Market)



2013-15 PROJECTIONS

Price	Gain	Ann'l Total Return
High 60	(+60%)	13%
Low 45	(+20%)	5%

LEGENDS
 --- 1.10 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 Options: Yes
 Shaded area: prior recession
 Latest recession began 12/07

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	0	1	1	2
to Sell	0	2	0	0	1	0	0	2	1

Institutional Decisions

	10/2009	2/2009	3/2009
to Buy	110	124	112
to Sell	107	96	99
Net (000)	45714	45662	45741

Percent shares traded

Percent	18
traded	6

% TOT. RETURN 2/10

	THIS STOCK	VL ARITH. INDEX
1 yr.	37.9	101.8
3 yr.	3.3	0.8
5 yr.	31.6	30.1

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB., INC. 13-15	
23.59	19.32	21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	29.90	34.35	36.10	Revenues per sh ^A	40.35
2.24	2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	5.95	5.05	5.30	"Cash Flow" per sh	5.75
1.17	1.33	1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.89	2.95	3.10	Earnings per sh ^{A,B}	3.40
1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.68	1.72	1.76	1.80	Div'ds Decl'd per sh ^C	1.92
2.37	2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	6.15	4.45	4.50	Cap'l Spending per sh	5.30
10.19	10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	22.95	24.10	25.45	Book Value per sh ^D	29.95
50.86	55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	77.50	78.50	79.00	Common Shs Outst'g ^E	80.50
15.1	12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	11.1	11.1	11.1	Avg Ann'l P/E Ratio	15.0
.99	.84	.86	.85	.72	1.22	.88	.75	.68	.71	.76	.76	.73	.78	.74	.73	.73	.73	Relative P/E Ratio	1.00
5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	5.4%	5.4%	5.4%	Avg Ann'l Div'd Yield	3.8%

CAPITAL STRUCTURE as of 12/31/09
 Total Debt \$2576.0 mill. Due in 5 Yrs \$543.0 mill.
 LT Debt \$1974.0 mill. LT Interest \$90.0 mill.
 (Total interest coverage: 4.5x)

	2007	2008	2009	2010	2011
607.4	1049.3	868.9	983.7	1832.0	2718.0
71.1	82.3	103.0	132.4	153.0	193.0
34.3%	40.7%	36.0%	35.9%	37.0%	37.7%
11.7%	7.8%	11.9%	13.5%	8.4%	7.1%
45.9%	61.3%	58.3%	50.3%	54.0%	51.9%
48.3%	38.7%	41.7%	49.7%	46.0%	48.1%
1286.2	1736.3	1704.3	1901.4	3008.0	3114.0
1637.5	2058.9	2194.2	2352.4	3178.0	3271.0
7.4%	6.5%	8.1%	8.9%	6.3%	7.9%
10.2%	12.3%	14.5%	14.0%	11.0%	12.9%
11.5%	12.3%	14.5%	14.0%	11.0%	12.9%

Leases, Uncapitalized Annual rentals \$28.0 mill.
Pension Assets-12/09 \$303.0 mill.
Obliq. \$463.0 mill.

	2007	2008	2009	2010	2011
1286.2	1736.3	1704.3	1901.4	3008.0	3114.0
1637.5	2058.9	2194.2	2352.4	3178.0	3271.0
7.4%	6.5%	8.1%	8.9%	6.3%	7.9%
10.2%	12.3%	14.5%	14.0%	11.0%	12.9%
11.5%	12.3%	14.5%	14.0%	11.0%	12.9%

Pfd Stock None
Common Stock 77,543,821 shs.
 as of 1/29/10
MARKET CAP: \$2.9 billion (Mid Cap)

	2007	2008	2009	2010	2011
3.2%	4.2%	7.0%	6.6%	5.6%	6.2%
72%	65%	52%	53%	49%	52%

CURRENT POSITION (\$MILL.)

	2007	2008	12/31/09
Cash Assets	21.0	16.0	26.0
Other	1790.0	2026.0	1974.0
Current Assets	1811.0	2042.0	2000.0
Accts Payable	172.0	202.0	237.0
Debt Due	580.0	866.0	602.0
Other	893.0	915.0	933.0
Current Liab.	1645.0	1983.0	1772.0
Fix. Chg. Cov.	391%	416%	472%

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '13-'15
Revenues	4.0%	15.5%	2.5%
"Cash Flow"	6.0%	6.5%	3.0%
Earnings	7.0%	8.5%	3.5%
Dividends	4.0%	8.0%	2.5%
Book Value	7.0%	10.0%	5.0%

BUSINESS: AGL Resources Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas and Virginia Natural Gas. The utilities have more than 2.3 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in non-regulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. Franklin Resources owns 7.7% of common stock; off/dir., less than 1.0% (3/09 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

AGL Resources reported better-than-anticipated fourth quarter profit. Earnings of \$0.92 a share topped our estimate of \$0.78 a share. A good performance in the company's unregulated businesses offset disappointing results in AGL's gas utility operations. For the full year, the utility posted a solid bottom-line showing (\$2.89 a share), thanks to strong results in the March period. However, a year-over-year decline in customers weighed on the top line (\$2.3 billion). **The company provided positive guidance for 2010.** Management expects share net to come in between \$2.95 and \$3.05 this year. We have increased our estimate by a nickel, matching the low end of this range. We look for results across AGL's operations to perform mostly in line with 2009's showing except at the company's wholesale services business, which should post improved results. Moreover, AGL will probably focus on new projects to offset the decline in customers due to the weak residential real estate market. Furthermore, the company recently added two new pipeline projects that began commercial operation recently, which should provide a boost to results over the coming months.

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	973	467	369	685	2494
2008	1012	444	539	805	2800
2009	995	377	307	638	2317
2010	1020	450	475	750	2695
2011	1075	475	500	800	2850

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	1.29	.40	.17	.86	2.72
2008	1.16	.30	.28	.97	2.71
2009	1.55	.26	.16	.92	2.89
2010	1.50	.30	.25	.90	2.95
2011	1.41	.36	.33	1.00	3.10

EARNINGS PER SHARE

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.37	.37	.37	.37	1.48
2007	.41	.41	.41	.41	1.64
2008	.42	.42	.42	.42	1.68
2009	.43	.43	.43	.43	1.72
2010	.44				

QUARTERLY DIVIDENDS PAID

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.37	.37	.37	.37	1.48
2007	.41	.41	.41	.41	1.64
2008	.42	.42	.42	.42	1.68
2009	.43	.43	.43	.43	1.72
2010	.44				

CLUSES INTANGIBLES. In 2009: \$418 million, \$5.44/share. (E) In millions.

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 75
Earnings Predictability 95

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
 (B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, (\$0.83); '99, \$0.39; '00, \$0.13; '01, \$0.13; '03, (\$0.07); '08, \$0.13. Next earnings report due late April. (C) Dividends historically paid early March, June, Sept., and Dec. * Div'd reinvest. plan available. (D) Includes intangibles. In 2009: \$418 million, \$5.44/share. (E) In millions.

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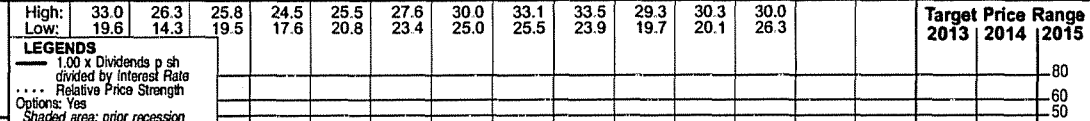
Richard Gallagher March 12, 2010

To subscribe call 1-800-833-0046.

ATMOS ENERGY CORP. NYSE:ATO

RECENT PRICE **28.05** P/E RATIO **12.5** (Trailing: 13.1 Median: 15.0) RELATIVE P/E RATIO **0.74** DIV'D YLD **4.8%** VALUE LINE

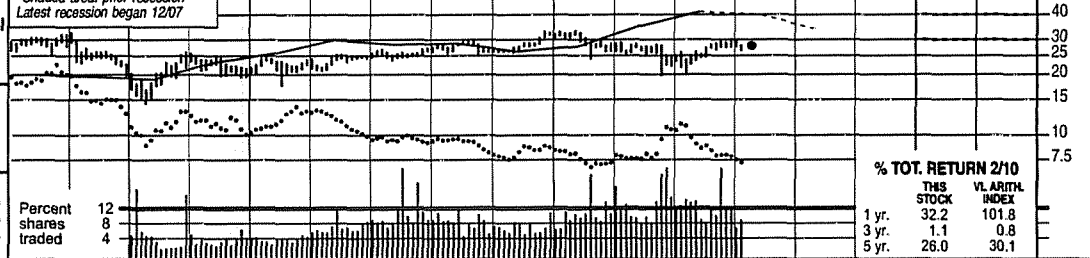
TIMELINESS 3 Lowered 9/11/09
SAFETY 2 Raised 12/16/05
TECHNICAL 3 Raised 10/16/09
BETA .65 (1.00 = Market)



2013-15 PROJECTIONS
 Ann'l Total
 High 40 (+45%) 13%
 Low 30 (+5%) 6%

Insider Decisions
 A M J J A S O N D
 to Buy 0 0 0 0 0 0 0 0 0 0
 to Sell 0 0 0 0 1 0 0 1 0
 Options 0 0 0 0 3 0 0 1 1

Institutional Decisions
 1Q2009 2Q2009 3Q2009
 to Buy 108 107 79
 to Sell 122 115 124
 Hd's(000) 53874 54285 55892



Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	13-15
Revenues per sh ^A	26.61	35.36	22.82	54.39	46.50	61.75	75.27	66.03	79.52	53.69	48.95	50.00	68.20
"Cash Flow" per sh	3.01	3.03	3.39	3.23	2.91	3.90	4.26	4.14	4.19	4.29	4.70	4.90	5.40
Earnings per sh ^{A,B}	1.03	1.47	1.45	1.71	1.58	1.72	2.00	1.94	2.00	1.97	2.25	2.35	2.70
Div'ds Decl'd per sh ^C	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	1.36	1.45
Cap'l Spending per sh	2.36	2.77	3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.51	5.60	5.70	6.70
Book Value per sh	12.28	14.31	13.75	16.66	18.05	19.90	20.16	22.01	22.60	23.52	24.50	24.95	27.80
Common Shs Outst'g ^D	31.95	40.79	41.68	51.48	62.80	80.54	81.74	89.33	90.81	92.55	94.00	96.00	110.00
Avg Ann'l P/E Ratio	18.9	15.6	15.2	13.4	15.9	16.1	13.5	15.9	13.6	12.5	13.0	13.0	13.0
Relative P/E Ratio	1.23	.80	.83	.76	.84	.86	.73	.84	.82	.82	.85	.85	.85
Avg Ann'l Div'd Yield	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.8%	5.3%	4.1%	4.1%	4.1%
Revenues (\$mill) ^A	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	4969.1	4600	4800	7500
Net Profit (\$mill)	32.2	56.1	59.7	79.5	86.2	135.8	162.3	170.5	180.3	179.7	210	225	300
Income Tax Rate	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	34.4%	38.5%	38.5%	40.5%
Net Profit Margin	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.6%	4.6%	4.7%	4.0%
Long-Term Debt Ratio	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	49.9%	49.0%	49.0%	49.0%
Common Equity Ratio	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.1%	51.0%	51.0%	51.0%
Total Capital (\$mill)	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4346.2	4520	4700	6000
Net Plant (\$mill)	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4439.1	4745	5050	6100
Return on Total Cap'l	6.5%	5.9%	6.8%	6.2%	5.8%	6.1%	5.9%	5.9%	5.9%	5.9%	6.0%	6.5%	6.5%
Return on Shr. Equity	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.0%	9.5%	10.0%
Return on Com Equity	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.0%	9.5%	10.0%
Retained to Com Eq	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	2.7%	3.5%	4.0%	4.5%
All Div'ds to Net Prof	112%	79%	82%	70%	77%	73%	63%	65%	65%	68%	60%	58%	53%

CAPITAL STRUCTURE as of 12/31/09
 Total Debt \$2349.3 mill. Due in 5 Yrs \$685.0 mill.
 LT Debt \$2159.5 mill. LT Interest \$130.0 mill.
 (LT interest earned: 2.8x; total interest coverage: 2.8x)
 Leases, Uncapitalized Annual rentals \$17.8 mill.
 Pfd Stock None
 Pension Assets-9/09 \$301.1 mill.
 Oblig. \$380.0 mill.
 Common Stock 93,054,189 shs.
 as of 1/28/10
MARKET CAP: \$2.6 billion (Mid Cap)

CURRENT POSITION	2008	2009	12/31/09
Cash Assets (\$MILL)	46.7	111.2	174.8
Other	1238.4	717.7	1111.8
Current Assets	1285.1	828.9	1286.6
Accts Payable	395.4	207.4	578.8
Debt Due	351.3	72.7	189.8
Other	460.4	457.3	413.8
Current Liab.	1207.1	737.4	1182.4
Fix. Chg. Cov.	450%	416%	435%

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '07-'09 to '13-'15
of change (per sh)			
Revenues	9.5%	10.0%	.5%
"Cash Flow"	3.5%	6.0%	4.5%
Earnings	4.0%	4.5%	5.5%
Dividends	2.0%	1.5%	2.0%
Book Value	7.0%	7.0%	3.5%

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2007	1602.6	2075.6	1218.2	1002.0	5898.4
2008	1657.5	2484.0	1639.1	1440.7	7221.3
2009	1716.3	1821.4	780.8	650.6	4969.1
2010	1292.9	1650	900	757.1	4600
2011	1065	1835	1045	855	4800

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2007	.97	1.20	d.15	d.05	1.94
2008	.82	1.24	d.07	.02	2.00
2009	.83	1.29	.02	d.17	1.97
2010	1.00	1.32	.05	d.12	2.25
2011	.97	1.36	.03	d.01	2.35

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.315	.315	.315	.32	1.27
2007	.32	.32	.32	.325	1.29
2008	.325	.325	.325	.33	1.31
2009	.33	.33	.33	.335	1.33
2010	.335				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined 2009 gas volumes: 282 MMcf. Breakdown: 57%, residential; 32%, commercial; 7%, industrial; and 4% other. 2009 depreciation rate 3.6%. Has around 4,700 employees. Officers and directors own approximately 1.6% of common stock (12/09 Proxy). Chairman and Chief Executive Officer: Robert W. Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy got off to a strong start in fiscal 2010, which ends on September 30th, as first-quarter earnings per share were around 20% higher than the year-earlier tally. For one thing, the natural gas marketing segment enjoyed a substantial increase in unrealized margins, brought about, to a certain extent, by a narrowing of spreads between current cash prices and forward natural gas prices. Furthermore, results for the natural gas utility were aided partially by higher rates in the Mid-Tex, Louisiana, and West Texas service areas. That unit also benefited from a 7% rise in throughput, as colder temperatures boosted consumption. Finally, the regulated transmission and storage operation experienced a drop in operating expenses because of a decreased level of pipeline maintenance activity.

We expect the momentum to continue during the remaining three quarters. As a result, the bottom line stands to advance about 14%, to \$2.25 a share, in fiscal 2010. Assuming further expansion in operating margins, share net may reach \$2.35 next year. That would be a much slower

rate of growth due to the difficult comparison. **Steady, though unexciting, earnings gains appear to be in store for the company in the next three to five years.** The utility is one of the nation's largest natural gas-only distributors, now serving over three million customers across 12 states. Moreover, the unregulated segments (contributing between 15% and 35% to net income annually on a historical basis) possess healthy prospects. Lastly, management may return to its successful strategy of purchasing less-efficient utilities and shoring up their profitability through expense-reduction initiatives, rate relief, and aggressive marketing. (Future acquisitions are excluded from our figures, however.) In Atmos' current configuration, annual share-net growth could be in the mid-single-digit range over the 2013-2015 period. **On a risk-adjusted basis, total return potential is appealing.** Meanwhile, these good-quality shares are ranked to perform in line with the broader market in the year ahead.

Frederick L. Harris, III March 12, 2010

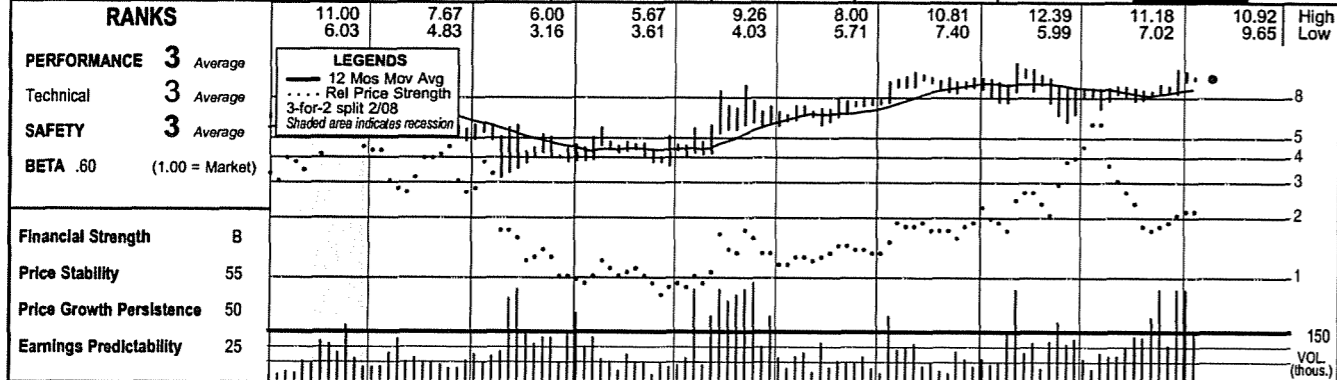
(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '00, 12g; '03, d17g; '06, d18g; '07, d2g; '09, 12g. Next egs. rpt. due early May. (C) Dividends historically paid in early March, June, Sept., and Dec. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength B+
 Stock's Price Stability 100
 Price Growth Persistence 50
 Earnings Predictability 90

To subscribe call 1-800-833-0046.

ENERGY INC. NDC-EGAS

RECENT PRICE **10.05** TRAILING P/E RATIO **18.3** RELATIVE P/E RATIO **1.01** DIV'D YLD **5.4%** VALUE LINE



© VALUE LINE PUBLISHING, INC.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
SALES PER SH	31.81	25.82	20.33	18.80	17.56	19.15	13.84	17.67	-	-
"CASH FLOW" PER SH	1.36	.97	.64	.46	.85	1.02	.92	1.19	-	-
EARNINGS PER SH	.73	.37	d.02	d.14	.35	.53	.51	.77	NA	NA/NA
DIV'D DECL'D PER SH	.34	.35	.27	-	-	.11	.34	.22	-	-
CAP'L SPENDING PER SH	.87	1.67	1.06	.59	.64	.56	.89	-	-	-
BOOK VALUE PER SH	4.14	4.22	3.93	3.44	3.93	4.35	5.20	7.05	-	-
COMMON SHS OUTST'G (MILL)	3.77	3.86	3.89	3.90	4.37	4.40	4.29	4.35	-	-
AVG ANN'L P/E RATIO	8.5	20.2	-	-	13.0	12.3	16.1	12.2	NA	NA/NA
RELATIVE P/E RATIO	.44	1.10	-	-	.69	.66	.85	.73	-	-
AVG ANN'L DIV'D YIELD	5.4%	4.7%	5.0%	-	-	1.7%	4.2%	2.3%	-	-
SALES (\$MILL)	119.9	99.6	79.1	73.3	76.7	84.3	59.4	76.8	-	-
OPERATING MARGIN	7.6%	6.6%	5.9%	6.5%	10.9%	10.8%	14.8%	12.2%	-	-
DEPRECIATION (\$MILL)	2.4	2.3	2.6	2.3	2.3	2.2	1.7	1.9	-	-
NET PROFIT (\$MILL)	2.8	1.4	d.1	d.6	1.4	2.3	2.3	3.3	-	-
INCOME TAX RATE	36.3%	38.4%	-	-	35.3%	37.2%	36.1%	28.7%	-	-
NET PROFIT MARGIN	2.3%	1.4%	NMF	NMF	1.8%	2.7%	3.8%	4.3%	-	-
WORKING CAP'L (\$MILL)	2.2	d.8	d3.4	.0	3.9	4.4	10.1	4.3	-	-
LONG-TERM DEBT (\$MILL)	15.9	15.4	14.8	21.7	18.7	17.6	13.0	13.0	-	-
SHR. EQUITY (\$MILL)	15.6	16.3	15.3	13.4	17.2	19.2	22.3	30.6	-	-
RETURN ON TOTAL CAP'L	10.7%	6.3%	1.6%	1.2%	7.0%	9.1%	9.4%	8.8%	-	-
RETURN ON SHR. EQUITY	17.7%	8.6%	NMF	NMF	8.0%	12.1%	10.1%	10.8%	-	-
RETAINED TO COM EQ	10.9%	.2%	NMF	NMF	8.0%	9.5%	3.3%	4.2%	-	-
ALL DIV'DS TO NET PROF	39%	97%	NMF	-	-	21%	67%	61%	-	-

Note: No analyst estimates available.

ANNUAL RATES			ASSETS (\$mill.)		
of change (per share)	5 Yrs.	1 Yr.	2007	2008	9/30/09
Sales	-8.5%	27.5%	7.0	1.7	6.2
"Cash Flow"	1.0%	29.5%	4.5	6.4	3.5
Earnings	11.0%	52.0%	5.9	6.5	8.1
Dividends	-7.0%	-37.0%	.4	1.7	2.8
Book Value	6.0%	35.5%	17.8	16.3	20.6

Fiscal Year	QUARTERLY SALES (\$mill.)	Full Year
	1Q 2Q 3Q 4Q	Year
06/30/07	8.5 18.0 21.5 11.4	59.4
06/30/08	7.5 20.8 30.9 17.6	76.8
12/31/09	31.3 12.2 8.3	-

Fiscal Year	EARNINGS PER SHARE	Full Year
	1Q 2Q 3Q 4Q	Year
06/30/06	d.13 .25 .37 .04	.53
06/30/07	- .25 .29 d.03	.51
06/30/08	.02 .25 .53 d.03	.77
12/31/09	.46 .16 d.04	-

Cal-endar	QUARTERLY DIVIDENDS PAID	Full Year
	1Q 2Q 3Q 4Q	Year
2007	.093 .10 .107 .143	.44
2008	.108 .112 .12 .12	.46
2009	.12 .09 .18 .135	.53
2010	.135	-

LIABILITIES (\$mill.)		
Property, Plant & Equip. at cost	61.5	64.1
Accum Depreciation	31.0	31.6
Net Property	30.5	32.5
Other	3.5	11.0
Total Assets	51.8	59.8

LONG-TERM DEBT AND EQUITY as of 9/30/09		
Accts Payable	4.5	8.0
Debt Due	.0	5
Other	3.2	3.5
Current Liab	7.7	12.0

LONG-TERM DEBT AND EQUITY as of 9/30/09

Total Debt \$23.8 mill. Due in 5 Yrs. NA
 LT Debt \$13.0 mill.
 Including Cap. Leases NA (29% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability None in '08 vs. None in '07

Pfd Stock None Pfd Div'd Paid None

Common Stock 4,303,208 shares (71% of Cap'l)

TOTAL SHAREHOLDER RETURN				
Dividends plus appreciation as of 2/28/2010				
3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
14.03%	20.68%	18.88%	23.76%	195.30%

INSTITUTIONAL DECISIONS			
	1Q'09	2Q'09	3Q'09
to Buy	3	-	10
to Sell	5	9	-
Hkd's(000)	439	410	474

BUSINESS: Energy, Inc., through its subsidiary, Energy West, Inc., engages in the distribution and sale of natural gas to residential, commercial, and industrial customers in Maine, Montana, North Carolina, and Wyoming. The company distributes approximately 26 billion cubic feet (bcf) of natural gas to approximately 37,000 customers through regulated utilities operating in and around Bangor, Maine; Great Falls and West Yellowstone, Montana; Elkin, North Carolina, and Cody, Wyoming. It also markets approximately 2.3 bcf of natural gas to commercial and industrial customers in Montana and Wyoming, and manages mid-stream supply and production assets for transportation customers and utilities. In addition, the company has an ownership interest in 160 natural gas producing wells and gas gathering assets. Further, it owns the Shoshone interstate and the Glacier gathering natural gas pipelines in Montana and Wyoming. Has 116 employees. Chairman & C.E.O.: Richard M. Osborne. Address: 1 First Avenue South, Great Falls, MT 59401. Tel.: (406) 791-7500. Internet: <http://www.ewst.com>.

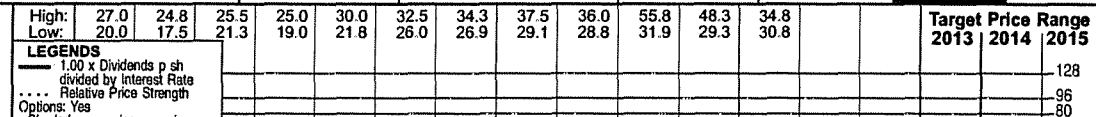
E.B.

March 12, 2010

LACLEDE GROUP NYSE-LG

RECENT PRICE **33.81** P/E RATIO **13.8** (Trailing: 13.4 Median: 14.0) RELATIVE P/E RATIO **0.81** DIV'D YLD **4.7%** VALUE LINE

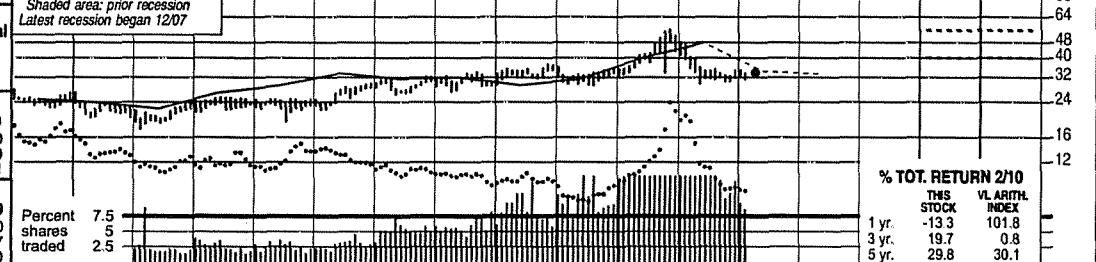
TIMELINESS 5 Lowered 2/5/10
SAFETY 2 Raised 6/20/03
TECHNICAL 1 Raised 2/5/10
BETA .60 (1.00 = Market)



2013-15 PROJECTIONS
 Ann'l Total
 High Price 55 (+65%)
 Low Price 40 (+20%)
 Return 16%
 8%

Insider Decisions
 A M J J A S O N D
 to Buy 0 2 1 0 0 0 0 0 0 0
 Options 0 0 0 0 0 0 0 0 0 0
 to Sell 0 1 0 0 0 0 0 0 0 1

Institutional Decisions
 1Q2009 2Q2009 3Q2009
 to Buy 70 81 60
 to Sell 81 67 67
 Net (100) 11043 10569 10660



1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	VALUE LINE PUB., INC.	13-15	
33.43	24.79	31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	85.49	72.90	76.10	Revenues per sh	96.15	
2.65	2.55	3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.56	4.15	4.35	"Cash Flow" per sh	5.20	
1.42	1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	2.92	2.45	2.60	Earnings per sh A B	3.00	
1.22	1.24	1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	1.53	1.57	1.61	Div'ds Decl'd per sh C	1.75	
2.50	2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.36	2.45	2.55	Cap'l Spending per sh	3.15	
12.44	13.05	13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.32	23.90	24.30	Book Value per sh D	27.70	
15.67	17.42	17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.17	22.50	23.00	Common Shs Outs't'g E	26.00	
16.4	15.5	11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	13.4	13.4	13.4	Bold figures are Value Line estimates	16.0	
1.08	1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.86	.88	.88	.88	Avg Ann'l P/E Ratio	1.05	
5.3%	6.3%	5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.4%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	3.9%	3.9%	3.9%	Relative P/E Ratio	1.05	
																			Avg Ann'l Div'd Yield	3.7%

CAPITAL STRUCTURE as of 12/31/09
 Total Debt \$509.5 mill. Due in 5 Yrs \$180.0 mill.
 LT Debt \$364.3 mill. LT Interest \$20.0 mill.
 (Total interest coverage: 4.3x)

2008	2009	12/31/09	2010	2011
566.1	1002.1	755.2	1050.3	1250.3
26.0	30.5	22.4	34.6	36.1
35.2%	32.7%	35.4%	35.0%	34.8%
4.6%	3.0%	3.0%	3.3%	2.9%
45.2%	49.5%	47.5%	50.4%	51.6%
54.5%	50.2%	52.3%	49.4%	48.3%
519.2	574.1	546.6	605.0	737.4
575.4	602.5	594.4	621.2	646.9
6.7%	6.9%	6.0%	7.4%	6.6%
9.1%	10.5%	7.8%	11.5%	10.1%
9.1%	10.5%	7.8%	11.6%	10.1%
2%	1.8%	NMF	3.1%	2.7%
98%	83%	113%	74%	73%

Leases, Uncapitalized Annual rentals \$9 mill.
Pension Assets-9/09 \$223.7 mill.
Pfd Stock None
Common Stock 22,262,436 shs. as of 1/28/10
MARKET CAP: \$750 million (Small Cap)

2008	2009	12/31/09
14.9	74.6	80.0
547.0	294.2	395.7
561.9	368.8	475.7
159.6	72.8	135.1
216.1	129.8	145.2
103.5	96.5	127.5
479.2	299.1	407.8
377%	420%	400%

ANNUAL RATES of change (per sh)
 Past 10 Yrs. Past 5 Yrs. Est'd '07-'09 to '13-'15
 Revenues 12.0% 12.5% .5%
 "Cash Flow" 3.5% 8.5% 3.5%
 Earnings 5.0% 10.5% 2.5%
 Dividends 1.0% 2.0% 2.5%
 Book Value 4.0% 6.5% 4.0%

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 630,000 customers. Purchased S&M&P Utility Resources, 1/02; divested, 3/08. Therms sold and transported in fiscal 2009: 1.07 mill. Revenue mix for regulated operations: residential, 65%; commercial and industrial, 24%; transportation, 1%; other, 10%. Has around 1,762 employees. Officers and directors own approximately 8% of common shares (1/10 proxy). Chairman, Chief Executive Officer, and President: Douglas H. Yaeger. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2007	539.6	700.8	457.9	323.3	2021.6
2008	504.0	747.7	505.5	451.8	2209.0
2009	674.3	659.1	309.9	251.9	1895.2
2010	491.2	550	350	248.8	1640
2011	460	625	410	255	1750

Laclede Group's share net plummeted 27% in the opening quarter of fiscal 2010, compared to the same period a year earlier. (Years end September 30th.)
 The shortfall occurred primarily because Laclede Energy Resources suffered from a substantial reduction in margins on sales of natural gas, reflecting narrower price differentials. On a positive note, results for Laclede Gas were boosted nicely by the sale of propane in the wholesale market, and, to a lesser degree, higher net investment income.

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2007	.89	.97	.43	.03	2.31
2008	.99	1.39	.41	d.14	2.64
2009	1.42	1.40	.31	d.22	2.92
2010	1.03	1.30	.35	d.23	2.45
2011	1.00	1.41	.41	d.22	2.60

We expect more of the same during the remainder of the year. Consequently, the company's bottom line for fiscal 2010, as a whole, stands to drop about 16%, to \$2.45 a share. But assuming a better performance from Laclede Energy Resources, share net may advance 6%, to \$2.60, the following year. Note that our figures do not include a pending rate case (discussed below).

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.345	.355	.355	.355	1.41
2007	.365	.365	.365	.365	1.46
2008	.375	.375	.375	.375	1.50
2009	.385	.385	.385	.385	1.54
2010	.395				

A rate case was filed with the Missouri Public Service Commission. Laclede seeks a net revenue increase of \$52.6 million annually, to help offset the rising costs of providing natural gas service to its customers. Of course, there is no guarantee that the measure will be approved, or that the full amount requested will be received.

(A) Fiscal year ends Sept. 30th.
 (B) Based on average shares outstanding thru '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late April. (C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred

charges. In '09: \$488.3 mill., \$22.03/sh. (E) In millions. (F) Qty. eggs. may not sum due to rounding or change in shares outstanding.

To subscribe call 1-800-833-0046.

NEW JERSEY RES. NYSE-NJR

RECENT PRICE **37.33** P/E RATIO **14.4** (Trailing: 16.4 Median: 15.0) RELATIVE P/E RATIO **0.85** DIV'D YLD **3.6%** VALUE LINE

TIMELINESS 4 Lowered 10/9/09
SAFETY 1 Raised 9/15/06
TECHNICAL 2 Raised 2/12/10
BETA 65 (1.00 = Market)

High: 18.3 19.8 21.7 22.4 26.4 29.7 32.9 35.4 37.6 41.1 42.4 38.6
 Low: 14.9 16.1 16.6 16.2 20.0 24.3 27.1 27.7 30.3 24.6 30.0 33.5

2013-15 PROJECTIONS
 High 50 (+35%) 11%
 Low 40 (+5%) 6%

Insider Decisions
 to Buy 0 1 0 0 0 0 0 0 0 0
 Options 0 0 0 0 3 0 0 0 1
 to Sell 0 0 0 0 4 0 0 0 1

Institutional Decisions
 to Buy 87 89 71
 to Sell 88 88 76
 Hld's (000) 23324 24695 24351

Percent shares traded
 12
 8
 4

1Q2009 2Q2009 3Q2009
 to Buy 87 89 71
 to Sell 88 88 76
 Hld's (000) 23324 24695 24351

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

12.81 11.36 13.48 17.31 17.73 22.65 29.42 51.22 44.11 62.29 60.89 76.19 79.63 72.62 90.74 62.34 65.50 73.15
 1.54 1.42 1.48 1.63 1.74 1.86 1.99 2.12 2.14 2.38 2.50 2.62 2.73 2.44 3.62 3.16 3.50 3.75
 .84 .86 .92 .99 1.04 1.11 1.20 1.30 1.39 1.59 1.70 1.77 1.87 1.55 2.70 2.40 2.60 2.75
 .68 .68 .69 .71 1.03 .75 .76 .78 .80 .83 .87 .91 .96 1.01 1.11 1.24 1.36 1.45
 1.40 1.18 1.19 1.15 1.07 1.21 1.23 1.10 1.02 1.14 1.45 1.28 1.28 1.46 1.72 1.81 1.80 1.95
 6.43 6.47 6.73 6.92 7.26 7.57 8.29 8.80 8.71 10.26 11.25 10.60 15.00 15.50 17.28 16.59 17.50 17.65
 38.93 40.03 40.69 40.23 40.07 39.92 39.59 40.00 41.50 40.85 41.61 41.32 41.44 41.61 42.06 41.59 42.00 41.00
 13.0 11.8 13.6 13.5 15.3 15.2 14.7 14.2 14.7 14.0 15.3 16.8 16.1 21.6 12.3 14.9 14.9 14.9
 .85 .79 85 .78 80 87 .96 .73 .80 80 81 .89 .87 1.15 .74 .98
 6.2% 6.7% 5.6% 5.3% 4.6% 4.5% 4.4% 4.2% 3.9% 3.7% 3.3% 3.1% 3.2% 3.0% 3.3% 3.5%

CAPITAL STRUCTURE as of 12/31/09
 Total Debt \$666.4 mill. Due in 5 Yrs \$157.7 mill.
 LT Debt \$438.4 mill. LT Interest \$15.8 mill.
 Incl. \$9.9 mill. capitalized leases.
 (LT interest earned: 7.5x; total interest coverage: 7.5x)
 Pension Assets-9/08 \$100.6 mill. Oblig. \$133.8 mill.
 Pfd Stock None
 Common Stock 41,417,220 shs. as of 2/2/10
 MARKET CAP: \$1.5 billion (Mid Cap)

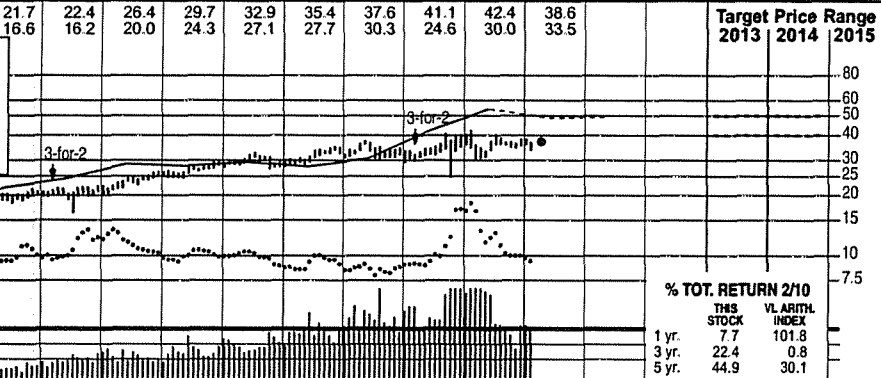
CURRENT POSITION 2008 2009 12/31/09 (\$MILL.)
 Cash Assets 42.6 36.2 10.3
 Other 1067.1 648.0 777.9
 Current Assets 1109.7 684.2 788.2
 Accts Payable 61.7 44.4 34.8
 Debt Due 238.3 149.9 228.0
 Other 594.0 361.9 373.6
 Current Liab. 894.0 556.2 636.4
 Fix. Chg. Cov. 780% 711% 700%

ANNUAL RATES of change (per sh)
 Revenues 14.5% 6.0% 1.5%
 "Cash Flow" 6.0% 5.5% 5.5%
 Earnings 8.0% 7.5% 6.5%
 Dividends 4.5% 6.0% 5.5%
 Book Value 8.5% 10.5% 4.5%

QUARTERLY REVENUES (\$ mill.)
 2007 737.4 1029 662.2 593.2 3021.8
 2008 811.1 1178 1000 827.1 3816.2
 2009 801.3 937.5 441.1 412.6 2592.5
 2010 609.6 925 615.4 600 2750
 2011 670 990 680 660 3000

QUARTERLY EARNINGS PER SHARE
 2007 .70 .19 .60 .06 1.55
 2008 1.31 1.86 d.10 d.39 2.70
 2009 .77 1.71 .03 d.12 2.40
 2010 .66 1.85 .10 d.01 2.60
 2011 .70 1.90 .15 Nil 2.75

QUARTERLY DIVIDENDS PAID
 2006 .24 .24 .24 .24 .96
 2007 .253 253 253 253 1.01
 2008 .267 28 28 28 1.11
 2009 .31 .31 .31 .31 1.24
 2010 .34



Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues per sh	12.81	11.36	13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	62.34	65.50	73.15
"Cash Flow" per sh	1.54	1.42	1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	3.16	3.50	3.75
Earnings per sh	.84	.86	.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.40	2.60	2.75
Div'ds Decl'd per sh	.68	.68	.69	.71	1.03	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	1.36	1.45
Cap'l Spending per sh	1.40	1.18	1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	1.81	1.80	1.95
Book Value per sh	6.43	6.47	6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	16.59	17.50	17.65
Common Shs Outs't'g	38.93	40.03	40.69	40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	41.59	42.00	41.00
Avg Ann'l P/E Ratio	13.0	11.8	13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	14.9	14.9	14.9
Relative P/E Ratio	.85	.79	85	.78	80	87	.96	.73	.80	80	81	.89	.87	1.15	.74	.98		
Avg Ann'l Div'd Yield	6.2%	6.7%	5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	3.5%		

Revenues (\$mill) 3185
 Net Profit (\$mill) 125
 Income Tax Rate 40.0%
 Net Profit Margin 4.0%
 Long-Term Debt Ratio 42.5%
 Common Equity Ratio 57.5%
 Total Capital (\$mill) 1350
 Net Plant (\$mill) 1150
 Return on Total Cap'l 10.5%
 Return on Shr. Equity 16.5%
 Return on Com Equity 16.5%
 Retained to Com Eq 8.5%
 All Div'ds to Net Prof 48%

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had about 486,529 customers at 9/30/09 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2009 volume: 133 bill. cu. ft. (5% firm, 95% interruptible industrial and electric utility, 3% off-system and capacity release). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2009 dep. rate: 2.2%. Has 613 empl. Off/dir. own about 1.5% of common (12/09 Proxy). Chmn., CEO, & Pres.: Laurence M. Downes, Inc.: NJ Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources posted lower-than-expected top-and bottom-line results for the December interim. Both the utility and nonutility operations experienced declining revenues. This stemmed from lower transportation volumes, and weak demand as a result of oversupply, particularly in the Northeast. However, strategic initiatives helped to reduce expenses and moderate the effects of diminished volumes on profitability. Those cost cuts boosted contributions from the New Jersey Natural Gas (NJNG) unit. And the mid-stream asset division got a significant boost in earnings, reflecting the commencing of operations at the Steckman Ridge facility. Still, coupled with a weak showing at the NJR Energy Services unit, the bottom line fell 14.3% during the first fiscal quarter of 2010. However, **We have left our 2010 earnings estimate unchanged for the time being.** Solid contributions from NJNG as a result of new customer accounts (about 1,440 so far this year) and benefits from the Steckman Ridge storage facility are anticipated, putting our earnings target within reach. Also, we have introduced a 2011 share-net

estimate of \$2.75 a share. **The balance sheet is supportive.** Cash reserves fell almost 72% during the December period. This was likely a result of stock and debt repurchases. Over that timeframe, the board of directors voted to increase the existing share-repurchase agreement by two million shares, bringing the total authorization to 8.75 million. Since the inception of the plan in 1996, NJR has bought back about 6.5 million shares. Meantime, the company trimmed its debt load roughly 4%. This move should help to minimize interest expenses. **These shares may appeal to income-seeking accounts,** due to a recent dividend hike. Too, the top rank for Safety and high mark for Price Stability will probably appease even the most conservative investors. However, the recent sideways price movement and lackluster earnings figures have resulted in a below-average Timeliness rank. Thus, we look for NJR to lag the broader market in the year ahead. Growth in new hook-ups is still positive, but is slower than it was during last decade's real estate boom.

Bryan J. Fong *March 12, 2010*

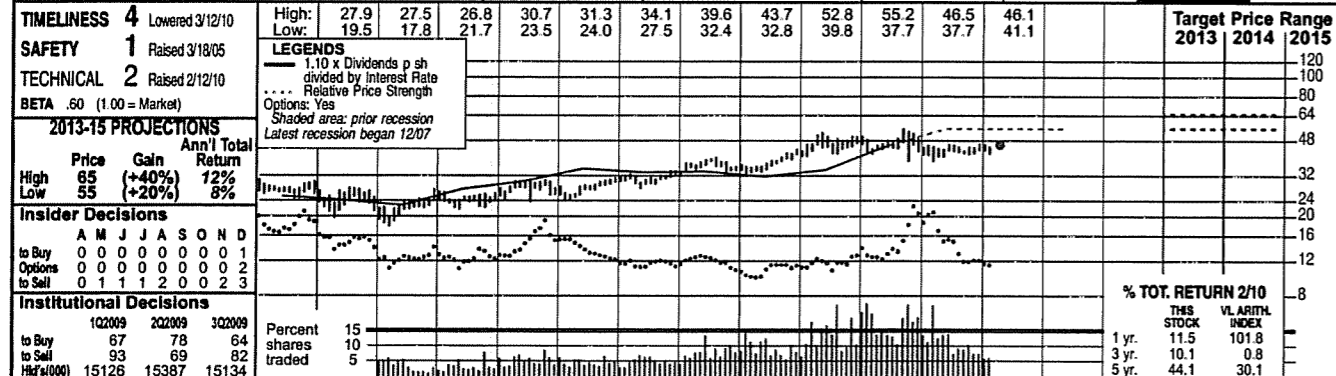
(A) Fiscal year ends Sept. 30th. (B) Diluted earnings. Qty eggs may not sum to total due to change in shares outstanding. Next earnings report due late April. (C) Dividends historically paid in early January, April, July, and October. * Dividend reinvestment plan available. (D) Includes regulatory assets in 2009: \$391.0 million, \$9.21/share. (E) In millions, adjusted for splits. (F) Restated.

Company's Financial Strength A
 Stock's Price Stability 100
 Price Growth Persistence 65
 Earnings Predictability 45

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N.W. NAT'L GAS NYSE: NWN

RECENT PRICE **45.85** P/E RATIO **17.0** (Trailing: 16.6) (Median: 16.0) RELATIVE P/E RATIO **1.00** DIV'D YLD **3.7%** VALUE LINE



Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Value Line Pub. Inc.	13-15
High	18.30	16.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	38.18	35.85	35.55	Revenues per sh	48.20
Low	3.50	3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.12	5.25	5.45	"Cash Flow" per sh	6.40
Dividend	1.63	1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.77	2.80	2.95	Earnings per sh ^A	3.50
Options	1.17	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	1.78	Div'ds Decl'd per sh ^{Bm}	2.16
Capex	4.23	3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	5.09	7.70	6.20	Cap'l Spending per sh	4.50
Book Value	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.88	26.10	27.45	Book Value per sh	31.75
Common Shares	20.13	22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.53	26.60	26.60	Common Shs Outst'g ^C	28.00
P/E Ratio	13.0	12.9	11.7	14.4	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	15.0	15.0	14.5	14.5	Avg Ann'l P/E Ratio	17.0
Dividend Yield	8.5%	8.6%	7.3%	8.3%	8.3%	8.1%	6.6%	9.4%	9.0%	8.8%	9.1%	8.6%	8.9%	1.09	1.02	1.02	1.02	1.02	Relative P/E Ratio	1.15
Return on Equity	5.5%	5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.7%	3.7%	Avg Ann'l Div'd Yield	3.6%

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Value Line Pub. Inc.	13-15
Total Debt	532.1	650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1012.7	950	1025	Revenues (\$mill)	1350						
LT Debt	47.8	50.2	43.8	46.0	50.6	58.1	65.2	74.5	68.5	73.5	74.5	80.0	Net Profit (\$mill)	98.0						
LT Interest	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	38.3%	37.0%	37.0%	Income Tax Rate	37.0%						
Interest Coverage	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.0%	7.9%	7.8%	Net Profit Margin	7.3%						
Pension Assets	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47.7%	50%	51%	Long-Term Debt Ratio	50%						
Obliq.	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	52.3%	50%	49%	Common Equity Ratio	50%						
Pfd Stock	887.8	880.5	937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1261.8	1400	1500	Total Capital (\$mill)	1800						
Common Stock	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1670.1	1800	1900	Net Plant (\$mill)	2200						
Market Cap	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	7.0%	8.0%	8.0%	Return on Total Cap'l	8.0%						
Capex	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.1%	11.0%	11.0%	Return on Shr. Equity	9.0%						
Dividend	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.1%	11.0%	11.0%	Return on Com Equity	9.0%						
Retention	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	4.7%	4.5%	4.5%	Retained to Com Eq	3.5%						
All Div'ds	70%	67%	79%	72%	69%	63%	59%	52%	59%	58%	60%	60%	All Div'ds to Net Prof	62%						

CAPITAL STRUCTURE as of 12/31/09
 Total Debt \$738.7 mill. Due in 5 Yrs \$145 mill.
 LT Debt \$601.7 mill. LT Interest \$34.0 mill.
 (Total interest coverage: 3.9x)

Pension Assets-12/08 \$201 mill.
 Obliq. \$308 mill.
 Pfd Stock None

Common Stock 26,533,028 shares as of 2/23/10
MARKET CAP \$1.2 billion (Mid Cap)

Year	2007	2008	2009
Cash Assets	6.1	6.9	8.4
Other	268.8	474.1	319.8
Current Assets	274.9	481.0	328.2
Accts Payable	119.7	94.4	123.7
Debt Due	148.1	248.0	137.0
Other	122.1	208.9	131.9
Current Liab.	389.9	551.3	392.5
Fx. Chg. Cov.	408%	393%	395%

Year	2007	2008	2009	2010	2011
Revenues	394.1	183.2	124.2	331.7	1033.2
"Cash Flow"	387.7	191.3	109.7	349.2	1037.9
Earnings	437.3	149.3	116.8	309.3	1012.7
Dividends	375	135	110	330	950
Book Value	400	145	125	355	1025

Year	2007	2008	2009	2010	2011
Earnings	1.77	.10	d.22	1.11	2.76
Dividends	1.62	.08	d.38	1.25	2.57
Book Value	1.72	.12	d.25	1.18	2.77
Dividend Yield	1.70	.11	d.29	1.28	2.80
Retention	1.77	.11	d.27	1.34	2.95

Year	2006	2007	2008	2009	2010
Dividends	.345	.345	.345	.355	1.39
Retention	.355	.355	.355	.375	1.44
Book Value	.375	.375	.375	.395	1.52
Retention	.395	.395	.395	.415	1.60
Retention	.415				

Business: Northwest Natural Gas Co. distributes natural gas to 90 communities, 668,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system.

Steady growth is likely next year. We expect the recovery in customer growth and industrial gas use to continue. Polls indicate that gas is favored over electricity for home heating by a three to one margin in Portland, and returning prosperity should increase conversions to gas from other fuels. Costs should remain moderate, as last year's new union contract provides for more workforce flexibility and caps payroll and healthcare costs at 3% annually depending on inflation. Finally, the Gill Ranch gas storage project in California is scheduled to open late this year and ought to contribute to results in 2011.

A new pipeline could boost earnings noticeably by 2013-2015. Northwest owns half of the proposed Palomar pipeline, which would provide Portland a needed second source of gas. If both halves are built, the company's investment would be around \$400 million. Though that would entail raising some equity, it would lift earnings beyond our forecast, which excludes the project for now.

These high-quality shares offer good risk adjusted total-return potential.

Sigourney B. Romaine March 12, 2010

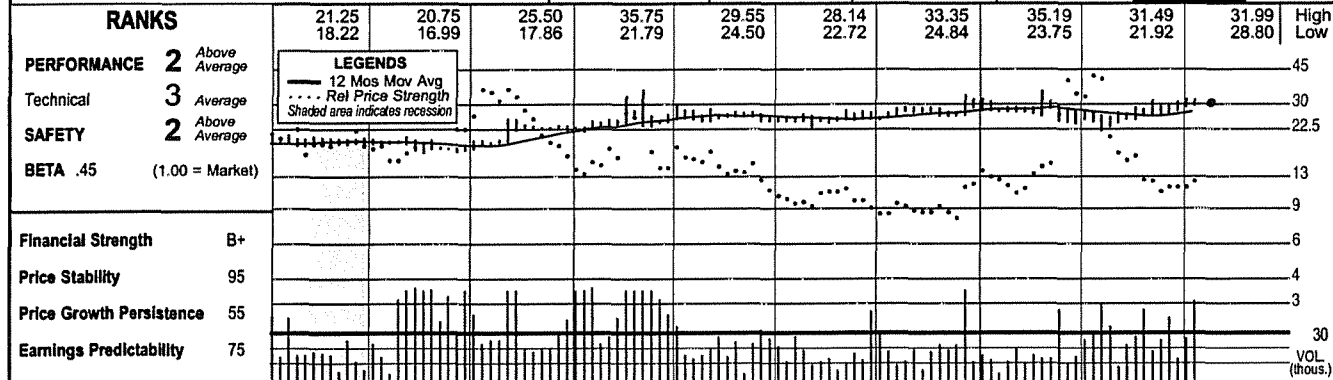
(A) Diluted earnings per share. Excludes non-recurring items: '95, \$0.15; '00, \$0.11; '06, (\$0.06); '08, (\$0.03); '09, 6¢. Next earnings report due early May.
 (B) Dividends historically paid in mid-February, May, August, and November.
 (C) In millions, adjusted for split.
 ■ Dividend reinvestment plan available.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	90

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RGC RESOURCES INC NDQ-RGCO

RECENT PRICE **30.51** TRAILING P/E RATIO **14.4** RELATIVE P/E RATIO **0.80** DIV'D YLD **4.3%** VALUE LINE



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
SALES PER SH	61.34	40.92	52.10	49.94	57.96	50.41	41.12	42.83	36.71	
"CASH FLOW" PER SH	3.80	3.97	4.47	3.00	3.65	3.63	3.69	3.98	3.88	
EARNINGS PER SH	1.21	1.28	1.77	1.01	1.62	1.54	1.73	1.93	2.18	NA/NA
DIV'DS DECL'D PER SH	1.12	1.14	1.14	1.17	1.18	1.20	1.22	1.25	1.28	
CAP'L SPENDING PER SH	4.19	4.39	4.17	3.84	3.54	3.65	2.75	2.96	2.57	
BOOK VALUE PER SH	16.05	16.36	16.90	17.73	18.18	18.94	19.38	19.79	20.01	
COMMON SHS OUTST'G (MILL)	1.91	1.96	2.00	2.07	2.10	2.14	2.19	2.21	2.24	
AVG ANN'L P/E RATIO	16.2	15.0	11.5	24.0	16.2	16.6	15.5	14.8	11.9	NA/NA
RELATIVE P/E RATIO	.83	.82	.66	1.27	.86	.90	.82	.89	.79	
AVG ANN'L DIV'D YIELD	5.7%	5.9%	5.6%	4.8%	4.5%	4.7%	4.5%	4.4%	4.9%	
SALES (\$MILL)	117.4	80.2	104.4	103.1	121.6	107.8	89.9	94.6	82.2	<i>Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.</i>
OPERATING MARGIN	12.6%	16.2%	14.5%	10.5%	11.0%	12.9%	14.9%	15.4%	18.1%	
DEPRECIATION (\$MILL)	5.0	5.3	5.4	4.1	4.3	4.5	4.3	4.5	3.8	
NET PROFIT (\$MILL)	2.3	2.5	3.5	2.1	3.4	3.3	3.8	4.3	4.9	
INCOME TAX RATE	40.3%	37.9%	37.8%	37.2%	37.6%	37.2%	37.3%	37.7%	38.0%	
NET PROFIT MARGIN	2.0%	3.1%	3.4%	2.0%	2.8%	3.0%	4.2%	4.5%	5.9%	
WORKING CAP'L (\$MILL)	d8.2	d1.6	d3.0	3.0	6.4	5.3	8.5	6.8	12.8	
LONG-TERM DEBT (\$MILL)	22.5	30.4	30.2	26.0	30.0	30.0	23.0	23.0	28.0	
SHR. EQUITY (\$MILL)	30.7	32.1	33.9	36.6	38.2	40.5	42.4	43.7	44.8	
RETURN ON TOTAL CAP'L	5.8%	5.3%	6.7%	4.3%	6.2%	6.1%	7.0%	7.3%	7.9%	
RETURN ON SHR. EQUITY	7.5%	7.8%	10.4%	5.6%	8.9%	8.1%	8.9%	9.7%	10.9%	
RETAINED TO COM EQ	.6%	.9%	3.8%	NMF	8.9%	1.8%	2.7%	3.5%	4.6%	
ALL DIV'DS TO NET PROF	92%	88%	64%	113%	--	77%	70%	64%	58%	

Note: No analyst estimates available.

ANNUAL RATES		
of change (per share)	5 Yrs.	1 Yr.
Sales	-3.5%	-14.5%
"Cash Flow"	--	-2.5%
Earnings	7.5%	13.0%
Dividends	1.5%	2.5%
Book Value	3.0%	1.0%

Fiscal Year	QUARTERLY SALES (\$mill.)				Full Year
	1Q	2Q	3Q	4Q	
09/30/07	26.4	37.6	15.1	10.8	89.9
09/30/08	25.7	39.6	20.2	9.1	94.6
09/30/09	28.5	34.3	10.7	8.7	82.2
09/30/10	23.2				

Fiscal Year	EARNINGS PER SHARE				Full Year
	1Q	2Q	3Q	4Q	
09/30/06	.65	.98	--	d.09	1.54
09/30/07	.70	1.05	.11	d.13	1.73
09/30/08	.71	1.10	.16	d.04	1.93
09/30/09	.87	1.19	.06	.06	2.18
09/30/10	.81				

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	1Q	2Q	3Q	4Q	
2007	.305	.305	.305	.305	1.22
2008	.313	.313	.313	.313	1.25
2009	.32	.32	.32	.32	1.28
2010	.33				

INSTITUTIONAL DECISIONS			
	1Q'09	2Q'09	3Q'09
to Buy	5	4	2
to Sell	9	6	5
Hld's(000)	261	251	244

ASSETS (\$mill.)	2008	2009	12/31/09
Cash Assets	1.4	7.4	5.1
Receivables	5.2	3.7	12.9
Inventory (Avg cost)	26.7	16.7	15.3
Other	5.1	6.3	6.0
Current Assets	38.4	34.1	39.3

LIABILITIES (\$mill.)	2008	2009	12/31/09
Property, Plant & Equip, at cost	114.6	119.6	--
Accum Depreciation	39.0	41.1	--
Net Property	75.6	78.5	79.4
Other	4.1	6.2	6.1
Total Assets	118.1	118.8	124.8

LONG-TERM DEBT AND EQUITY as of 12/31/09	2008	2009	12/31/09
Accts Payable	8.2	4.5	9.8
Debt Due	14.0	2.5	15.0
Other	9.4	14.3	15.8
Current Liab	31.6	21.3	40.6

Total Debt \$28.0 mill. Due in 5 Yrs. NA
 LT Debt \$13.0 mill. Including Cap. Leases NA
 Leases, Uncapitalized Annual rentals NA
 Pension Liability \$8.0 mill. in '09 vs. \$4.8 mill. in '08
 Pfd Stock None Pfd Div'd Paid None
 Common Stock 2,244,743 shares (78% of Cap'l)

INDUSTRY: Natural Gas Utility

BUSINESS: RGC Resources, Inc. operates as an energy services company. It primarily engages in the regulated sale and distribution of natural gas in Virginia, which is provided at rates and for the terms and conditions set forth by the Virginia State Corporation Commission. It also provides certain unregulated services through Roanoke Gas Co. and information system services to software providers in the utility industry through RGC Ventures, Inc. of Virginia, which operates as Application Resources. These operations represent less than 2% of total revenues and margin. The company distributes natural gas to residential, commercial, and industrial users through underground mains and service lines. RGC has approximately 1,025 miles of transmission and distribution pipeline serving 55,689 customers. RGC Resources, through its operating subsidiaries, provides services to approximately 57,000 customers. Has 122 employees. Chairman, C.E.O. & President: John B. Williamson III. Address: 519 Kimball Ave., N.E., Roanoke, VA 24016. Tel.: (540) 777-4427. Internet: <http://www.roanokegas.com>.

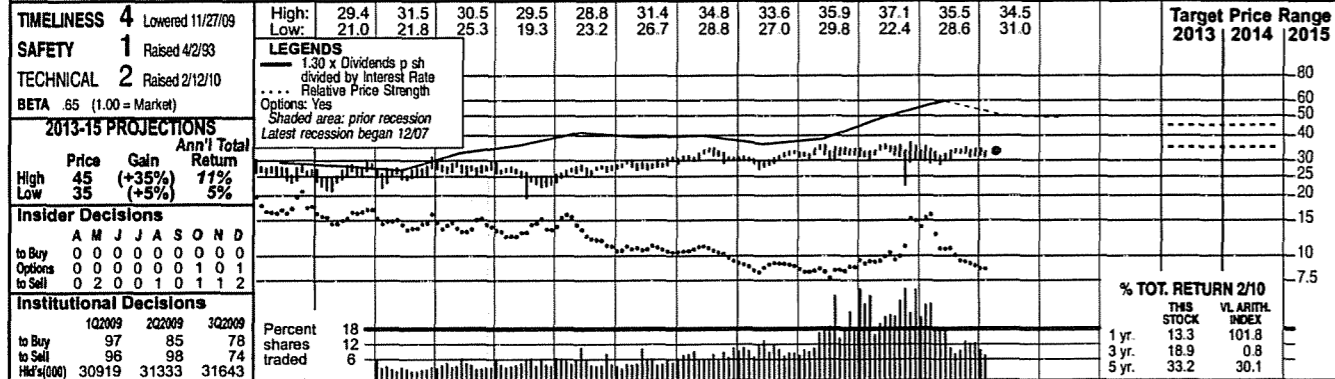
March 12, 2010

TOTAL SHAREHOLDER RETURN				
Dividends plus appreciation as of 2/28/2010				
3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
11.85%	10.36%	32.54%	33.14%	43.77%

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WGL HOLDINGS NYSE-WGL

RECENT PRICE **33.53** P/E RATIO **14.6** (Trailing: 13.7 Median: 15.0) RELATIVE P/E RATIO **0.86** DIVD YLD **4.4%** VALUE LINE



1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB., INC.	13-15
21.69	19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.98	53.00	54.00	Revenues per sh ^A	57.30
2.43	2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.84	3.89	4.34	4.44	4.20	4.35	"Cash Flow" per sh	4.70
1.42	1.45	1.85	1.85	1.54	1.47	1.79	1.79	1.14	2.30	1.98	2.13	1.94	2.09	2.44	2.53	2.30	2.45	Earnings per sh ^B	2.70
1.11	1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.51	1.55	Div'ds Decl'd per sh ^C	1.67
2.84	2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	2.77	3.00	2.50	Cap'l Spending per sh	2.50
11.51	11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	21.89	22.65	23.55	Book Value per sh ^D	26.75
42.19	42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.14	50.00	50.00	Common Shs Outstg ^E	50.00
14.0	12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	12.6	12.6	12.6	Avg Ann'l P/E Ratio	15.0
.92	.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.83	.82	.83	.83	.83	Relative P/E Ratio	1.00
5.6%	6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.8%	4.2%	4.5%	4.2%	4.2%	4.6%	4.6%	4.6%	Avg Ann'l Div'd Yield	4.1%

CAPITAL STRUCTURE as of 12/31/09
 Total Debt \$871.9 mill. Due in 5 Yrs \$256.7 mill.
 LT Debt \$612.8 mill. LT Interest \$40.4 mill.
 (LT interest earned: 6.2x; total interest coverage: 5.7x)
 Pension Assets-9/09 \$550.0 mill. Oblig. \$678.1 mill.
 Preferred Stock \$28.2 mill. Pfd. Div'd \$1.3 mill.

2008	2009	12/31/09	2008	2009	12/31/09
1031.1	1446.5	1584.8	2064.2	2089.6	2186.3
84.6	89.9	55.7	112.3	98.0	104.8
36.1%	39.6%	34.0%	38.0%	38.2%	37.4%
8.2%	6.2%	3.5%	5.4%	4.7%	4.8%
43.1%	41.7%	45.7%	43.8%	40.9%	39.5%
54.8%	56.3%	52.4%	54.3%	57.2%	58.6%
1299.2	1400.8	1462.5	1454.9	1443.6	1478.1
1460.3	1519.7	1606.8	1874.9	1915.6	1969.7
7.9%	7.9%	5.3%	9.1%	8.2%	8.5%
11.4%	11.0%	7.0%	13.7%	11.5%	11.7%
11.7%	11.2%	7.2%	14.0%	11.7%	12.0%
3.7%	3.8%	NMF	6.2%	4.1%	4.6%
69%	67%	112%	56%	65%	62%

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '07-'09	to '13-'15
Revenues	9.0%	6.5%	1.0%	1.0%
"Cash Flow"	4.0%	4.0%	2.0%	2.0%
Earnings	4.0%	5.5%	2.5%	2.5%
Dividends	1.5%	2.0%	3.0%	3.0%
Book Value	4.0%	5.0%	4.0%	4.0%

QUARTERLY REVENUES (\$ mill.)^A

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2007	732.9	1119.9	467.5	325.7	2646.0
2008	751.6	1020.0	464.7	391.9	2628.2
2009	826.2	1040.9	427.0	412.8	2706.9
2010	727.4	1050	455	417.6	2650
2011	740	1060	465	435	2700

EARNINGS PER SHARE^{A,B}

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2007	.92	1.27	.22	d.31	2.10
2008	.96	1.66	.06	d.24	2.44
2009	1.03	1.65	.11	d.25	2.53
2010	1.01	1.55	.05	d.31	2.30
2011	1.05	1.58	.07	d.25	2.45

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.33	.33	.33	.33	1.35
2007	.34	.34	.34	.34	1.36
2008	.34	.36	.36	.36	1.42
2009	.36	.37	.37	.37	1.47
2010	.37				

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to residential and comm'l users (1,064,071 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. American Century Inv. own 7.7% of common stock; Off/dir. less than 1% (1/10 proxy). Chrmn. & CEO: Terry D. McCallister, Inc.: D.C. and VA. Addr.: 1100 H St., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings is off to a so-so start in fiscal 2010 (began October 1st). Revenues declined 12% in the first quarter. This stemmed from diminished volumes at the regulated utility business due to soft pricing and customer conservation. But this was partially offset by rising volumes at the non-utility operations. Meantime, the design-build unit did not make meaningful contributions to the bottom line this past quarter as profitability fell into negative territory. Still, decreases in the cost of gas minimized the bottom-line decline to roughly 2%, which was better than we had expected. Nonetheless, **For the time being, we have left our 2010 earnings estimate unchanged.** We look for the top line to register a low single-digit decline this year. This ought to stem from the continued depressed natural gas prices. Still, despite weak revenue volumes, the regulated utility segment has seen a 10,300 increase in active meters over the past 12 months. Meantime, the retail energy marketing segment has been experiencing higher realized margins and more-favorable weather patterns. On balance, we expect share net to contract about 9% this year.

WGL's balance sheet and overall financial position appear to be improving. The company's cash reserves increased approximately 74% so far this year, giving way to a nice financial cushion. Meantime, the debt levels remain at easily serviceable levels. **We have introduced our 2011 top- and bottom-line estimates of \$2.7 billion and \$2.45 a share, respectively.** The regional economy is starting to show initial signs of a recovery. As the company continues on that road, efficiency initiatives, additional customers, and clean energy programs will only help to bolster its profitability and send earnings higher. **These shares are ranked to lag the broader market in the coming year.** However, the stock price has remained stable throughout the financial market turmoil and all-but-officially ended recession. This bears out its Above-Average Safety rank and high mark for Price Stability. These features, coupled with an attractive dividend yield, may appeal to conservative income-oriented accounts.

Bryan J. Fong
 March 12, 2010

(A) Fiscal years end Sept. 30th.
 (B) Based on diluted shares. Excludes non-recurring losses: '01, (13¢); '02, (34¢); '07, (4¢); '08, (14¢) discontinued operations; '06, (15¢). Qly. egs. may not sum to total, due to change in shares outstanding. Next earnings report due late April. (C) Dividends historically paid early February, May, August, and November. (D) Includes deferred charges and intangibles. '09: \$386.7 million, \$7.71/sh. (E) In millions, adjusted for stock split.

Company's Financial Strength A
Stock's Price Stability 100
Price Growth Persistence 50
Earnings Predictability 95

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21. Provide all calculations and work papers used in producing the Discounted Cash Flow analysis.

Response:

The calculations for the discounted cash flow analysis are contained in Exhibits MJB-14 and MJB-15 and are described on pages 22 and 23 of my Direct Testimony. I have attached the EXCEL spreadsheets that were used to prepare Exhibits MJB-14 and MJB-15.

Sponsoring Witness:

Martin J. Blake

		Variable Name	
2009 Annual Dividend	\$1.28	D	1
High Price During 2009	\$29.80	P	1
Low Price During 2009	\$18.46	P	1
Avg. 5- Year Dividend Growth Rate of Edward Jones Panel	4.70%	g	2
Shares Outstanding	3,327,573		1
Earnings per Share in 2009	\$1.58		1
Book Equity	\$ 59,164,248		1

Using the DCF formula:

$$ROE = D/P + g$$

ROE Based on the 2009 High Stock Price

$$ROE = (1.28 / 29.80) + .047 =$$

9.00%

Market Capitalization 2009 High Stock Price

$$3,327,573 \times 29.80 = \$99,161,675$$

Expected Shareholder Returns High Stock Price

$$\$99,161,675 \times .0900 = \$8,919,892$$

ROE Based on the 2009 Low Stock Price

$$ROE = (1.28 / 18.46) + .047 =$$

11.63%

Market Capitalization 2009 Low Stock Price

$$3,327,573 \times 18.46 = \$61,426,998$$

Expected Shareholder Returns Low Stock Price

$$\$61,426,998 \times .1163 = \$7,146,362$$

Return on Book Equity 2009 High Stock Price

$$\$8,919,892 / \$59,164,248 =$$

15.08%

Return on Book Equity 2009 Low Stock Price

$$\$7,146,362 / \$59,164,248 =$$

12.08%

1. The Value Line Investment Survey - Small and Mid-Cap Edition, March 12, 2010

2. Natural Gas Industry Summary Quarterly Financial & Common Stock Information, Edward Jones Co., December 31, 2009, p. 29

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22. Refer to Exhibit MJB-18 to the Blake Testimony. Provide Data Sources 2, 3, and 4.

Response:

The Value Line Report for Delta cited as Source 3 is provided as Exhibit MJB-16 to my Direct Testimony. Sources 2 and 4 are Pages 59 and 92 of the Ibbotson 2010 SBBI Valuation Yearbook and are attached to this response. Source 4 is from page 92 of the Ibbotson 2010 SBBI Valuation Yearbook rather than from Value Line as incorrectly cited in my Direct Testimony.

Sponsoring Witness:

Martin J. Blake

2010 Ibbotson® Stocks, Bonds, Bills, and Inflation® Valuation Yearbook

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Finnerty and Leistikow perform more econometrically sophisticated tests of mean reversion in the equity risk premium. Their tests demonstrate that—as we suspected from our simpler tests—the equity risk premium that was realized over 1926 to the present was almost perfectly free of mean reversion and had no statistically identifiable time trends.⁴ Lo and MacKinlay conclude, “the rejection of the random walk for weekly returns does not support a mean-reverting model of asset prices.”

Choosing an Appropriate Historical Period

The estimate of the equity risk premium depends on the length of the data series studied. A proper estimate of the equity risk premium requires a data series long enough to give a reliable average without being unduly influenced by very good and very poor short-term returns. When calculated using a long data series, the historical equity risk premium is relatively stable.⁵ Furthermore, because an average of the realized equity risk premium is quite volatile when calculated using a short history, using a long series makes it less likely that the analyst can justify any number he or she wants. The magnitude of how shorter periods can affect the result will be explored later in this chapter.

Some analysts estimate the expected equity risk premium using a shorter, more recent time period on the basis that recent events are more likely to be repeated in the near future; furthermore, they believe that the 1920s, 1930s, and 1940s contain too many unusual events. This view is suspect because all periods contain “unusual” events. Some of the most unusual events of the last hundred years took place quite recently, including the inflation of the late 1970s and early 1980s, the October 1987 stock market crash, the collapse of the high-yield bond market, the major contraction and consolidation of the thrift industry, the collapse of the Soviet Union, the development of the European Economic Community, the attacks of September 11, 2001 and the more recent liquidity crisis of 2008 and 2009.

It is even difficult for economists to predict the economic environment of the future. For example, if one were analyzing the stock market in 1987 before the crash, it would be statistically improbable to predict the impending short-term volatility without considering the stock market crash and market volatility of the 1929–1931 period.

Without an appreciation of the 1920s and 1930s, no one would believe that such events could happen. The 84-year period starting with 1926 is representative of what can happen: it includes high and low returns, volatile and quiet markets, war and peace, inflation and deflation, and prosperity and depression. Restricting attention to a shorter historical period underestimates the amount of change that could occur in a long future period. Finally, because historical event-types (not specific events) tend to repeat themselves, long-run capital market return studies can reveal a great deal about the future. Investors probably expect “unusual” events to occur from time to time, and their return expectations reflect this.

A Look at the Historical Results

It is interesting to take a look at the realized returns and realized equity risk premium in the context of the above discussion. Table 5-5 shows the average stock market return and the average (arithmetic mean) realized long-horizon equity risk premium over various historical time periods. Similarly, Graph 5-5 shows the average (arithmetic mean) realized equity risk premium calculated through 2009 for different ending dates. The table and the graph both show that using a longer historical period provides a more stable estimate of the equity risk premium. The reason is that any unique period will not be weighted heavily in an average covering a longer historical period. It better represents the probability of these unique events occurring over a long period of time.

Table 5-5: Stock Market Return and Equity Risk Premium Over Time

Length (Yrs.)	Period Dates	Large Company Stock Arithmetic Mean Total Return (%)	Long-Horizon Equity Risk Premium (%)
84	1926–2009	11.8	6.7
70	1940–2009	12.2	6.7
60	1950–2009	12.6	6.4
50	1960–2009	10.9	4.1
40	1970–2009	11.5	4.1
30	1980–2009	12.8	5.4
20	1990–2009	10.1	4.2
15	1995–2009	10.4	5.0
10	2000–2009	1.2	-3.7
5	2005–2009	3.1	-1.3

Data from 1926–2009

Overlapping Size Categories

A common question among valuation practitioners is about how to use the various size premium metrics that Morningstar provides when size-based category break-points overlap. This issue is magnified now that we have published even more granularly for the 10th decile.

There are going to be cases when the estimated equity value for a subject could categorize it in a number of size premium buckets. This range of potential size premium choices would have a tremendous effect on the firm's enterprise value. There are two decision paths when making this choice. The improper path is to choose the size premium that achieves the self-serving goal of influencing the enterprise value in the direction most desired. In many cases this leads to choosing the highest size premium number (12.06% in Table 7-7), because this will lead to the lowest enterprise value for tax purposes, marital dissolution, acquisition valuation, etc. The proper path is to choose the size premium that is most statistically relevant for your application.

Choosing the Right Size Premium

There are two primary factors in determining which size premium to use. First, identify how close to a size category boundary your subject company falls. Second, determine how confident you are in your estimate of equity value.

Let's say you have an example where the estimated equity value is close to the top breakpoint of the 10b category, toward the middle of the 10th decile, and toward the bottom of the Micro-cap. In this case, the statistically conservative choice is the 10th decile. We need to balance the confidence that our subject firm actually falls within a particular size category with the need to tailor that size grouping as tight as possible to make the peers relevant to our analysis. The Micro-cap category is too broad for this case, since the subject firm falls in the lower range of the category, and 10b is too narrow since our subject company would barely squeeze in under the top breakpoint before sliding into 10a. We can say with confidence that the 10th decile puts our company among the most peers of similar size.

Since estimating equity value for the purpose of size premium categorization is a circular challenge, it makes sense to use as many quality metrics that are available to perform this estimate. In doing so, you may find that the equity estimates cross a number of size premium categories. In this case, it is advisable to sacrifice granularity for statistical confidence. For example, if you have three equity estimates indicating that your firm would fall in the middle of 10x, bottom of 10x, and middle of 10y categories, the overall 10th decile size premium would be the best category to capture the size of similar peer companies while acknowledging that the imperfections and circular nature of the size bucketing process.

Table 7-7: Long-Term Returns in Excess of CAPM Estimation for Decile Portfolios of the NYSE/AMEX/NASDAQ, with 10th Decile Split

	Beta*	Arith- metic Mean Return (%)	Realized Return in Excess of Riskless Rate** (%)	Estimated Return in Excess of Riskless Rate ¹ (%)	Size Premium (Return in Excess of CAPM) (%)
1	0.91	10.90	5.72	6.09	-0.37
2	1.03	12.81	7.64	6.90	0.74
3	1.10	13.36	8.18	7.33	0.85
4	1.12	13.82	8.65	7.50	1.15
5	1.16	14.59	9.41	7.72	1.69
6	1.18	14.81	9.63	7.90	1.73
7	1.24	15.19	10.01	8.28	1.73
8	1.30	16.33	11.15	8.67	2.49
9	1.35	17.01	11.84	8.99	2.85
10a	1.42	19.10	13.92	9.47	4.45
10w	1.39	18.33	13.15	9.30	3.85
10x	1.45	19.78	14.60	9.69	4.91
10b	1.38	24.39	19.21	9.20	10.01
10y	1.40	23.58	18.40	9.35	9.05
10z	1.35	26.23	21.05	8.99	12.06
Mid-Cap, 3-5	1.12	13.71	8.54	7.45	1.08
Low-Cap, 6-8	1.23	15.20	10.03	8.18	1.85
Micro-Cap, 9-10	1.36	18.23	13.06	9.07	3.99

Data from 1926-2009. Source: Morningstar and CRSP. Calculated (or Derived) based on data from CRSP US Stock Database and CRSP US Indices Database ©2010 Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business. Used with permission.

*Betas are estimated from monthly portfolio total returns in excess of the 30-day U.S. Treasury bill total return versus the S&P 500 total returns in excess of the 30-day U.S. Treasury bill, January 1926-December 2009.

**Historical riskless rate is measured by the 84-year arithmetic mean income return component of 20-year government bonds (5.18 percent).

¹Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (11.85 percent) minus the arithmetic mean income return component of 20-year government bonds (5.18 percent) from 1926-2009.

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23. Explain how the 6.7-percent equity risk premium was calculated.

Response:

The 6.7% risk premium was obtained from page 59 of the Ibbotson 2010 SBBI Valuation Yearbook which was provided in response to item 22 above.

Sponsoring Witness:

Martin J. Blake

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24. Refer to page 5 of the Direct Testimony of William Steven Seelye ("Seelye Testimony") beginning on line 14.
- a. Provide support for the statement that many environmental and conservation advocates consider Straight Fixed Variable rate design to be a cornerstone to the implementation of comprehensive energy conservation programs.
 - b. Provide support specific to Delta's service area for the statement that low-income customers typically use more gas than the average customer.

Response:

- a. The statement that many environmental and conservation advocates consider Straight Fixed Variable ("SFV") rate design to be a cornerstone to the implementation of comprehensive energy conservation programs is not based on a specific single source. Rather, it is a conclusion drawn from close involvement in rate design matters with gas and electric investor-owned utilities, cooperatives, and municipal utilities across the country. Particularly, Mr. Seelye has observed an interest by environmentalists around the country in support of SFV rate designs and/or other forms of decoupling.

For example, in a recent public meeting for a rate case filed by an electric utility in Kentucky, a self-described environmentalist explained the concept this way:

"One of the unintended side effects of the traditional rate structure that has been in effect in Kentucky and several other states for decades now...is the phenomenon that the more electricity the utility company sells, the higher its revenue and the higher its net income...that just falls out from the tariff sheets. But that phenomenon is not inevitable, it's not set in stone. Other states have altered their rate structures to recover the same amount of money but in a manner that gives the utility company a financial incentive to help customers use energy more efficiently. That's the problem. In the traditional rate structure, when the utility makes an effort and succeeds in helping its customers save large amounts of energy, the company is financially penalized by lower revenue and lower net income. Again, it doesn't have to be that way. Kentucky environmentalists have been aware of this phenomenon for at least twenty years now."

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The view is supported by several documents available to the public on the internet. Support exists both specifically with respect to SFV rate design and broadly with respect to rate decoupling methods (of which SFV rate design is one example). The following sources describe how utilities under traditional ratemaking do not have an economic incentive to provide programs to help their customers be more energy efficient, and how the use of SFV and/or decoupling may remove disincentives and provide positive incentives for utilities to promote and assist customers in achieving greater energy efficiency:

1. American Council for an Energy Efficient Economy ("ACEEE"), *Aligning Utility Interests with Energy Efficiency Objectives: A Review of Recent Efforts at Decoupling and Performance Initiatives*, October 2006:
www.aceee.org/pubs/u061.htm
2. *A Rate Design to Encourage Energy Efficiency and Reduce Revenue Requirements*, David M. Boonin, Principal, Electricity Research & Policy, National Regulatory Research Institute ("NRRI"), July 2008.
www.nrri.org/pubs/electricity/rate_des_energy_eff_SVF_REEF_jul08--08.pdf
3. *Policy Options for Energy Efficiency Programs: Decoupling and Other Innovative Rates*, Cynthia J. Marple, AGA, Joint Meeting of NARUC Committees on Gas, Electricity, Consumer Affairs, and Energy Resources and the Environment, July 17, 2007:
www.narucmeetings.org/Presentations/Decoupling%20and%20Other%20Innovative%20Rates.ppt

Copies of these sources have been included on the CD which accompanies this data request.

- b. Delta collected sales data on customers who meet the state standards for participating in the Low Income Home Energy Assistance Program ("LIHEAP"). For 2009, the average monthly usage for Delta's total residential customer base is 4.49 Mcf per month while the average monthly usage for Delta's low income customer segment (i.e. on accounts with LIHEAP payments) is 8.21 Mcf per month. Thus the statement that low income customers typically use more gas than the average customer is supported using 2009 data specific to the Delta service area.

Sponsoring Witness:

William Steven Seelye

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25. Refer to page 12 of the Seelye Testimony. Table 1 shows percentage increases for all affected customer classes; however, the increases for on- and off-system transportation classes necessarily are exclusive of gas commodity costs. Provide a revised Table 1 showing the percentage increases for all classes net of gas commodity costs.

Response:

Please see the table below:

TABLE 1		
Proposed Gas Increase		
Customer Class	Proposed Increase	Percentage Increase
Residential	\$ 3,538,987	28.19%
Small Non-Residential	593,145	17.46%
Large Non-Residential	668,559	16.15%
Unmetered Gas Lights	448	10.57%
On-System Transportation	261,259	6.31%
Off-System Transportation	253,030	7.41%
Total Sales and Transportation	\$ 5,315,428	19.19%

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

26. Provide electronic copies of Seelye Testimony Exhibits 2 through 11 with all formulas intact and unprotected.

Response:

Please see CD which accompanies this data request.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

27. Refer to the Seelye Testimony, page 1 of Exhibit 2. Provide detailed calculations supporting the miscellaneous revenues of \$302,580.

Response:

Please see the attached.

Sponsoring Witness:

William Steven Seelye

Delta Natural Gas Company, Inc.

<u>Current Year Actual</u>	<u>Total</u>
1.488.010 COLLECTION REVENUE	-177,360.00
1.488.020 RECONNECT REVENUE	-111,420.00
1.488.030 METER TEST REVENUE	0.00
1.488.040 BAD CHECK REVENUE	-13,800.00
1.488.100 OTHER OPERATING REVENUE	0.00
Miscellaneous Operating Revenue	-302,580.00

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

28. Refer to the Seelye Testimony, Exhibit 4. Page 15 of 15 is not included, which may be the "Calculated Increase in Revenue under Revision of Rates" for off-system transportation which is not included elsewhere in the Exhibit. Please provide this page.

Response:

Please see the attached.

Sponsoring Witness:

William Steven Seelye

Delta Natural Gas Company, Inc.

Calculated Increase in Revenue under Revision of Rates

Based on the adjusted sales for the 12 months Ended December 31, 2009

Off System Transportation

	<i>DDTH</i>	<i>Present Rate per DDTH</i>	<i>Calculated Net Revenue@ Present Rates</i>	<i>Proposed Rate Per DDTH</i>	<i>Calculated Net Revenue@ Proposed Rates</i>
Commodity Charge					
Dekatherms	12,327,353	\$ 0.2700	\$ 3,328,385.31	\$ 0.2900	3,574,932.37
Calculated Billings at Base Rates			\$ 3,328,385.31		3,574,932.37
<i>Correction Factor -(Calculated / Actual)</i>		<i>0.97438</i>		<i>0.97438</i>	
Total After Application of Correction Factor			\$ 3,415,904.00		\$ 3,668,933.93
Temperature Normalization					
		\$ -	-	\$ -	-
Adjusted Billings at Base Rates			\$ 3,415,904.00		\$ 3,668,933.93
Increase in Revenue					\$ 253,029.93 7.4%

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
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29. Refer to Seelye Testimony Exhibit 4, pages 3 through 6. No volumes over 5,000 Mcf were used by the Large Non-Residential General Service or by the Interruptible Commercial and Industrial Service classes. Similarly, in Delta's last rate case, Case No. 2007-00089, there were no volumes over the first blocks containing 5,000 Mcf. Has Delta considered simplifying its rate structure for these classes by eliminating the over-5,000 Mcf rate blocks and associated rates?

Response:

Delta has given general consideration to the simplification of its rate structure for large customers, as noted in the question. While there were no volumes over the first blocks containing 5,000 Mcf for the classes noted, either in this test period or in the test period in Case No. 2007-00089, the Company suggests that this does not in and of itself warrant a revision to the rate structure. For example, retaining the tail block could be useful in the future for supporting economic development, i.e. for potentially attracting a new manufacturing customer to Delta's service territory. However, Delta remains open to further consideration of this particular issue within the context of the overall proceeding.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

30. Has Delta considered eliminating its declining block rate structure for relatively larger volume users as part of its energy conservation efforts? Explain.

Response:

Delta has considered its rate structure for large customers. The Company did not propose the elimination of its declining block rate structure because at present that structure is a vehicle for accounting for the difference in cost of service between smaller customer classes and larger customer classes. While the elimination of the declining block would provide customers with a greater incentive to conserve, the Company also recognizes the significance of customer rate impact and is sensitive to the mitigating rate shock for the relatively larger volume customers. Furthermore, retaining the declining block structure could support economic development, e.g. by potentially helping to attract new manufacturing customer to Delta's service territory. However, Delta remains open to further consideration of this particular issue, so long as any elimination of the declining block rate structure is coupled with the appropriate revisions to the balance of rates in a fair, just and reasonable manner.

Sponsoring Witness:

William Steven Seelye

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

31. Refer to Seelye Testimony Exhibit 9.
- a. How were Heating Degree Days (“HDD”) determined? Is it the variance from 65 degrees Fahrenheit?
 - b. Explain why industrial loads are temperature-normalized.
 - c. Provide monthly Mcf sales for all classes for the test year as well as calendar years 2007 and 2008.
 - d. Provide monthly actual and normal HDD.
 - e. Provide calculations supporting “Non-Temp Mcf” in column 2.

Response:

- A. Heating degree days are determined as the difference between the average daily temperature and 65 degrees Fahrenheit.
- B. The industrial load was temperature normalized because it exhibits a correlation to temperature. As demonstrated in the attached table, Mcf consumption increases with numbers of heating degree days increases and conversely falls as the number of heating degree days decreases.
- C. Please see the attached.
- D. Please see the attached.
- E. Please see the attached.

Sponsoring Witness:

William Steven Seelye

Delta Natural Gas Company, Inc.
Natural Gas Use by Class in MCF

Calendar Year 2007

	Total MCF												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Residential	236,532	407,297	362,953	153,403	122,061	41,310	23,592	22,712	25,864	23,198	85,521	185,545	1,689,988
Small Non-Residential General Service	71,072	132,076	112,444	44,492	34,122	13,287	8,783	8,692	10,239	8,727	23,859	53,940	521,733
Large Non-Residential GS - Commercial	92,310	160,867	134,362	63,174	51,991	32,120	22,213	21,486	25,434	22,327	45,642	76,617	748,543
Large Non-Residential GS - Industrial	13,817	20,127	20,531	9,038	6,275	3,536	2,459	2,334	2,217	1,551	3,873	7,906	93,664
Interruptible Service - Commercial	285	561	539	310	366	17	0	0	0	0	196	431	2,705
Interruptible Service - Industrial	4,516	6,823	4,963	1,928	1,523	1,177	897	802	1,011	902	2,163	3,698	30,403
Transportation Firm Residential	236	277	114	96	16	7	6	6	9	34	123	178	1,102
Transportation Firm Small NR	6,683	7,996	4,138	3,285	393	207	1,032	-708	233	960	4,606	6,321	35,146
Transportation Firm Large NR	149,993	162,524	120,843	104,754	89,553	71,412	69,578	76,600	77,350	92,084	114,157	123,662	1,252,510
Transportation Interruptible	<u>103,055</u>	<u>113,816</u>	<u>87,151</u>	<u>90,192</u>	<u>92,047</u>	<u>79,320</u>	<u>82,272</u>	<u>83,623</u>	<u>85,589</u>	<u>108,949</u>	<u>123,057</u>	<u>116,002</u>	<u>1,165,073</u>
TOTAL	678,499	1,012,364	848,038	470,672	398,347	242,393	210,832	215,547	227,946	258,732	403,197	574,300	5,540,867

Calendar Year 2008

	Total MCF												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Residential	279,019	377,302	305,047	209,717	109,671	45,612	22,836	26,460	20,835	22,817	93,423	223,880	1,736,619
Small Non-Residential General Service	86,408	121,686	97,296	60,981	30,623	13,041	8,604	10,115	8,047	8,858	26,789	69,678	542,126
Large Non-Residential GS - Commercial	112,699	147,757	119,414	81,544	53,337	28,433	21,129	25,671	20,899	22,642	52,930	95,785	782,240
Large Non-Residential GS - Industrial	14,195	20,176	16,329	10,618	5,491	2,611	1,751	2,186	1,638	1,733	4,278	8,882	89,888
Interruptible Service - Commercial	504	479	549	421	161						288	393	2,795
Interruptible Service - Industrial	5,074	7,004	4,881	2,148	1,442	944	796	1,001	805	773	1,124	3,070	29,062
Transportation Firm Residential	255	183	150	63	30	10	12	11	13	61	171	205	1,164
Transportation Firm Small NR	8,358	6,863	5,789	2,996	1,046	180	128	167	193	1,768	5,348	7,037	39,873
Transportation Firm Large NR	164,618	135,641	125,714	96,095	88,735	70,746	62,395	72,197	71,621	88,976	113,065	116,412	1,206,215
Transportation Interruptible	<u>125,652</u>	<u>105,888</u>	<u>105,190</u>	<u>97,598</u>	<u>90,515</u>	<u>98,608</u>	<u>78,759</u>	<u>77,136</u>	<u>88,173</u>	<u>102,546</u>	<u>108,170</u>	<u>94,178</u>	<u>1,172,413</u>
TOTAL	796,782	922,979	780,359	562,181	381,051	260,185	196,410	214,944	212,224	250,174	405,586	619,520	5,602,395

Delta Natural Gas Company, Inc.
 2009-12 Rate Case
 # 22 - Monthly Heating Degree Days

Month Year	Month Ended						Fiscal Year Ended				12 Months Ended				Latest 30 Years		
	Days in Period	Avg Read Date	Degree Days			Degree Days		% of Normal		Degree Days		% of Normal		Normal Degree Days			
			Calendar	Billed	Un-billed	Calendar	Billed	Calendar	Billed	Calendar	Billed	Calendar	Billed	Month	YTD	Year Ended	
Jan-09	33	2-Jan-09	1,126	60	1,066	959	2,959	1,893	107.1%	68.5%	4,897	4,701	105.3%	101.1%	1,001	2,764	4,650
Feb-09	30	1-Feb-09	757	20	737	1,086	3,716	2,979	103.8%	83.2%	4,805	4,823	103.9%	104.3%	816	3,580	4,625
Mar-09	28	1-Mar-09	521	34	487	771	4,237	3,750	101.0%	89.4%	4,688	4,799	101.4%	103.8%	614	4,194	4,625
Apr-09	28	29-Mar-09	316	-	316	487	4,553	4,237	101.0%	94.0%	4,692	4,688	101.4%	101.4%	312	4,506	4,625
May-09	35	3-May-09	89	20	69	336	4,642	4,573	100.6%	99.1%	4,642	4,694	100.4%	101.5%	109	4,615	4,625
Jun-09	28	31-May-09	9	-	9	69	4,651	4,642	100.6%	100.4%	4,651	4,642	100.6%	100.4%	10	4,625	4,625
Jul-09	28	28-Jun-09	3	-	3	9	3	9	0.0%	0.0%	4,654	4,651	100.6%	100.6%	-	-	4,625
Aug-09	35	2-Aug-09	3	-	3	3	6	12	0.0%	0.0%	4,657	4,654	100.7%	100.6%	-	-	4,625
Sep-09	28	30-Aug-09	27	-	27	3	33	15	67.3%	30.6%	4,682	4,657	101.2%	100.7%	49	49	4,625
Oct-09	33	2-Oct-09	364	16	348	43	397	58	124.8%	18.2%	4,772	4,698	103.3%	101.7%	269	318	4,619
Nov-09	30	1-Nov-09	502	21	481	369	899	427	102.3%	48.6%	4,616	4,774	99.8%	103.2%	561	879	4,627
Dec-09	28	29-Nov-09	919	-	919	481	1,818	908	103.2%	51.6%	4,636	4,616	100.3%	99.8%	882	1,761	4,623
			4,636			4,616									4,623		

3,639 WNA Months	3,784 WNA Months	3,625 WNA Months
997 Non- WNA Months	832 Non- WNA Months	998 non WNA months
4,636	4,616	4,623

Delta Natural Gas Company, Inc.
 2009-12 Rate Case
 # 22 - Monthly Heating Degree Days

Delta Natural Gas Company, Inc.

Gas Cost Adjustment (GCA) Clause
 For the 12 months Ended December 31, 2009

Customer Class	Rate Code	July	August	Total
Mcf Sales				
Residential		23,168.0	26,706.9	49,874.9
Small Non-Residential General Service		8,442.1	10,352.0	18,794.1
Large Non-Residential GS - Commercial		19,714.8	23,904.4	43,619.2
Large Non-Residential GS - Industrial		1,457.5	1,673.0	3,130.5
Interruptible - Commercial				-
Interruptible - Industrial		731.2	992.5	1,723.7
Small Non Residential General Service -Transportation		270.4	99.0	369.4
Large Non Residential General Service -Transportation		63,918.5	72,642.3	136,560.8
Residential - Transportation		6.8	8.0	14.8
Total		117,709.3	136,378.1	254,087.4

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

32. Refer to Seelye Testimony Exhibit 10, Year-End Customer Adjustment, which is not proposed.
- a. Provide the number of customers in each rate class for each month of the test year as well as for calendar years 2007 and 2008.
 - b. Provide calculations supporting "Average Number of Customers" in column 1.
 - c. Reconcile the number of customers in column 1 with the number of customer bills in Seelye Testimony Exhibit 4.

Response:

- A. Please see the response contained in the First Data Request of Commission Staff dated March 31, 2010, Question No. 45.
- B. Please see the attached.

Sponsoring Witness:

William Steven Seelye

	Average Number of Customers (1)	Page 2	Page 2	Page 2	Total	Total / 12
Residential	30,660	367,703	211		367,914	30,660
Small Non-Residential GS	4,233	49647	1147		50,794	4,233
Large Non-Residential GS - Retail	955	9891	516	1053	11,460	955
Interruptible	43	7	55	451	513	43
On System Transportation Special	4	48			48	4

Delta Natural Gas Company, Inc.

Calculations to Verify Test Period Billing Determinants
For the 12 months Ended December 31, 2009

Residential (01)

	<i>Customers</i>	<i>Present Rate</i>	<i>Net Revenue@</i>
Customer Charge	367,703	\$ 15.30	\$ 5,625,855.90
Commodity Charge		<i>Mcf Present Rate</i>	
All Mcf	1,650,148	\$ 4.1580	6,861,316.55
Calculated Billings at Base Rates			<u>\$ 12,487,172.45</u>

Small Non-Residential General Service (02CS)

	<i>Customers</i>	<i>Present Rate</i>	<i>Net Revenue@</i>
Customer Charge	49,647	\$ 25.00	\$ 1,241,175.00
Commodity Charge		<i>Mcf Present Rate</i>	
All Mcf	515,460	\$ 4.1580	2,143,283.10
Calculated Billings at Base Rates			<u>\$ 3,384,458.10</u>

Large Non-Residential General Service - Commercial (02C)

	<i>Customers</i>	<i>Present Rate</i>		<i>Net Revenue@ Present Rates</i>
Customer Charge	9,891	\$ 100.00		\$ 989,100.00
Commodity Charge	Mcf	Present Rate		
First 200 Mcf	577,069	\$ 4.1580	\$	2,399,450.82
Next 800 Mcf	162,413	\$ 2.5091	\$	407,510.46
Next 4,000 Mcf	14,691	\$ 1.7130	\$	25,166.20
Next 5,000 Mcf	-	\$ 1.3130	\$	-
Over 10,000 Mcf	-	\$ 1.1130	\$	2,832,127.48
	754,173			
Calculated Billings at Base Rates				<u>\$ 3,821,227.48</u>

Large Non-Residential General Service - Industrial (02I)

	<i>Customers</i>	<i>Present Rate</i>		<i>Net Revenue@ Present Rates</i>
Customer Charge	516	\$ 100.00		\$ 51,600.00
Commodity Charge	Mcf	Present Rate		
First 200 Mcf	37,318	\$ 4.1580	\$	155,167.83
Next 800 Mcf	32,729	\$ 2.5091	\$	82,119.83
Next 4,000 Mcf	11,176	\$ 1.7130	\$	19,143.63
Next 5,000 Mcf	-	\$ 1.3130	\$	-
Over 10,000 Mcf	-	\$ 1.1130	\$	256,431.29
	81,222			
Calculated Billings at Base Rates				<u>\$ 308,031.29</u>

Interruptible Service - Commercial (04C)

	<i>Customers</i>	<i>Present Rate</i>		<i>Net Revenue@ Present Rates</i>
Customer Charge	7	\$ 250.00		\$ 1,750.00
Commodity Charge	Mcf	Present Rate		
First 1,000 Mcf	2,210	\$ 1.6000	\$	3,535.52
Next 4,000 Mcf	-	\$ 1.2000	\$	-
Next 5,000 Mcf	-	\$ 0.8000	\$	-
Over 10,000 Mcf	-	\$ 0.6000	\$	3,535.52
	<hr/> 2,210			
Calculated Billings at Base Rates				<u>\$ 5,285.52</u>

Interruptible Service - Industrial (04I)

	<i>Customers</i>	<i>Present Rate</i>		<i>Net Revenue@ Present Rates</i>
Customer Charge	55	\$ 250.00		\$ 13,750.00
Commodity Charge	Mcf	Present Rate		
First 1,000 Mcf	19,191	\$ 1.6000	\$	30,705.92
Next 4,000 Mcf	6,074	\$ 1.2000	\$	7,288.56
Next 5,000 Mcf	-	\$ 0.8000	\$	-
Over 10,000 Mcf	-	\$ 0.6000	\$	37,994.48
	<hr/> 25,265			
Calculated Billings at Base Rates				<u>\$ 51,744.48</u>

Unmetered Gas Lights - Residential (GASLT)

	<i>Lights</i>			<i>Net Revenue@ Present Rates</i>
	248			
Commodity Charge	Mcf Present Rate			
All Mcf	372 \$ 4.1580		\$	1,546.78
Calculated Billings at Base Rates			\$	<u>1,546.78</u>

Unmetered Gas Lights - Commercial (GASC)

	<i>Lights</i>			<i>Net Revenue@ Present Rates</i>
	24			
Commodity Charge	Mcf Present Rate			
All Mcf	270 \$ 3.7950		\$	1,024.65
Calculated Billings at Base Rates			\$	<u>1,024.65</u>

Unmetered Gas Lights - Small Commercial (GASSC)

	<i>Lights</i>			<i>Net Revenue@ Present Rates</i>
Customer Charge	36 \$ -			
Commodity Charge	Mcf Present Rate			
All Mcf	378 \$ 3.7950		\$	1,434.51
Calculated Billings at Base Rates			\$	<u>1,434.51</u>

On System Transportation

Special Contracts (4)

	<i>Customers</i>	<i>Mcf</i>		<i>Net Revenue@ Present Rates</i>
	36	1,955,008		
Calculated Billings at Base Rates			\$	309,427.56

Small Non Residential General Service -Transportation (10S)

	<i>Customers</i>	<i>Present Rate</i>		<i>Net Revenue@ Present Rates</i>
Customer Charge	1,147	\$ 25.00		\$ 28,675.00
Commodity Charge		<i>Present Rate</i>		
All Mcf	37,952	\$ 4.1580		\$ 157,806.08
Calculated Billings at Base Rates				<u>\$ 186,481.08</u>

Large Non Residential General Service -Transportation (10)

	<i>Customers</i>	<i>Present Rate</i>		<i>Net Revenue@ Present Rates</i>
Customer Charge	1,053	\$ 100.00		\$ 105,300.00
Commodity Charge		<i>Present Rate</i>		
First 200 Mcf	100,565	\$ 4.1580	\$ 418,150.52	
Next 800 Mcf	212,444	\$ 2.5091	\$ 533,042.74	
Next 4,000 Mcf	453,128	\$ 1.7130	\$ 776,207.41	
Next 5,000 Mcf	170,468	\$ 1.3130	\$ 223,823.83	
Over 10,000 Mcf	132,104	\$ 1.1130	147,032.09	\$ 2,098,256.59
	1,068,708			
Calculated Billings at Base Rates				<u>\$ 2,203,556.59</u>

**On System Transportation
Residential (15)**

	<i>Customers</i>	<i>Present Rate</i>		<i>Net Revenue@ Present Rates</i>
Customer Charge	211	\$ 15.30		\$ 3,228.30
Commodity Charge		<i>Mcf Present Rate</i>		
All Mcf	1,261	\$ 4.1580		5,242.82
Calculated Billings at Base Rates				<u>\$ 8,471.12</u>

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

33. Provide calculations supporting "Weather Normalized Mcf" in column 6.

Response:

The attached file contains a corrected version of Seelye Exhibit10. The numbers in column 6 have been revised to reflect the correct weather normalized Mcf. All figures came from Seelye Exhibit 4. The electronic version contains comments that trace the source of each number in Column 6 to the applicable numbers in Exhibit 4.

Sponsoring Witness:

William Steven Seelye

	Average Number of Customers (1)	Customers Served at 12/31/09 (2)	Year-End Over (Under) Average (Col. 2 - 1) (3)	Customer Charge (4)	Additional Customer Charge Revenue (Col. 3 x 4) (5)	Weather Normalized Mcf (6)	Average Mcf per Customer (COL. 6 / 1) (7)	Year -End Mcf Adjustment (COL. 7 x 3) (8)	Net Revenue per Mcf Commodity (9)	Additional Revenue Commodity (COL. 8 x 9) (10)	Year-End Revenue Adjustment (COL. 5 + 10) (11)
Residential	30,660	30,826	166	\$ 15.30	\$ 2,539.80	1,620,653	52.9	8,775	\$ 4.1580	\$ 36,486.45	\$ 39,026.25
Small Non-Residential GS	4,233	4,295	62	\$ 25.00	\$ 1,550.00	546,872	129.2	8,010	\$ 4.1580	\$ 33,305.58	\$ 34,855.58
Large Non-Residential GS - Retail	955	963	8	\$ 100.00	\$ 800.00	1,906,300	1,996.1	15,969		\$ 41,611.22	\$ 42,411.22
First 200 Mcf						717,147		5,470	\$ 4.1580	\$ 22,744.26	
Next 800 Mcf						407,586		3,056	\$ 2.5091	\$ 7,667.81	
Next 4,000 Mcf						478,995		4,305	\$ 1.7130	\$ 7,374.47	
Next 5,000 Mcf						170,468		1,666	\$ 1.3130	\$ 2,187.46	
Over 10,000 Mcf						132,104		1,471	\$ 1.1130	\$ 1,637.22	
Interruptible	43	41	(2)	\$ 250.00	\$ (500.00)	1,074,885	24,997.3	(49,995)		\$ (60,427.80)	\$ (60,927.80)
						323,076		(13,010)	\$ 1.6000	\$ (20,816.00)	
						599,092		(26,183)	\$ 1.2000	\$ (31,419.60)	
						142,299		(8,552)	\$ 0.8000	\$ (6,841.60)	
						10,418		(2,251)	\$ 0.6000	\$ (1,350.60)	
On System Transportation Special	4	4	-	\$ -	\$ -	1,955,008	488,752.0	-	\$ -	\$ -	\$ -
	35,895	36,129	234	\$ -	\$ 4,389.80	7,103,718		(17,241)		\$ 50,975.45	\$ 55,365.25
Expenses at an Operating Ratio of -					0.3191						17,665
ADJUSTMENT TO NET OPERATING INCOME BEFORE TAXES											\$ 37,700

CALCULATION OF GAS OPERATING RATIO

TOTAL GAS OPERATING EXPENSES	51,967,303
LESS GAS SUPPLY EXPENSES	32,945,385
LESS WAGES AND SALARIES	6,907,866
LESS PENSIONS AND BENEFITS	2,989,151
LESS REGULATORY COMMISSION EXPENSE	189,509
NET EXPENSES	<u>8,935,392</u>

TOTAL GAS OPERATIONS REVENUES (AS BILLED)	60,950,552
LESS GSC REVENUE	<u>32,945,718</u>
NET REVENUE	28,004,834

OPERATING RATIO	<table border="1"><tr><td>0.3191</td></tr></table>	0.3191
0.3191		

DELTA NATURAL GAS COMPANY, INC.
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34. Pages 17 and 18 of the Seelye Testimony state that Mr. Seelye participated in the preparation of the cost-of-service ("COS") studies filed in prior Delta rate cases. The COS study filed in Case No. 2004-000671 calculated the customer-related portion of distribution mains to be 56.5 percent.² In Case No. 2007-00089, the customer-related portion was calculated to be 65.813 percent, and in the present case it is 66.79 percent. Provide in detail the reasons for this upward trend.

Response:

Insight into the reasons for the upward trend in the customer-related portion of total distribution main costs can be gained by comparing the data for each test period that was used to determine the distribution main cost allocation. Recall that the costs related to distribution mains were classified as demand-related or customer-related using the zero-intercept methodology, which I described in my Direct Testimony on pages 23-25.

Recall that the theory behind the zero-intercept methodology is that there is a linear relationship between the unit cost (\$/ft) of mains and the gas flow capability of the pipe, which is proportionate to its diameter. After establishing a linear relation, which is given by the equation:

$$y = bx + a$$

where:

y is the unit cost of the pipe,

x is the size of the pipe, and

a, b are the coefficients representing the intercept and slope, respectively

it can be determined that, theoretically, the unit cost of a pipe with zero diameter (or pipe with zero load carrying capability) is a , the zero intercept. The zero intercept is essentially the cost component of mains that is invariant to the size (and load carrying capability) of the pipe.

An increase in the customer-related portion of total distribution main costs is equivalent to an increase in the zero intercept over the three rate cases noted. The zero intercepts in each of the three cases are tabulated below.

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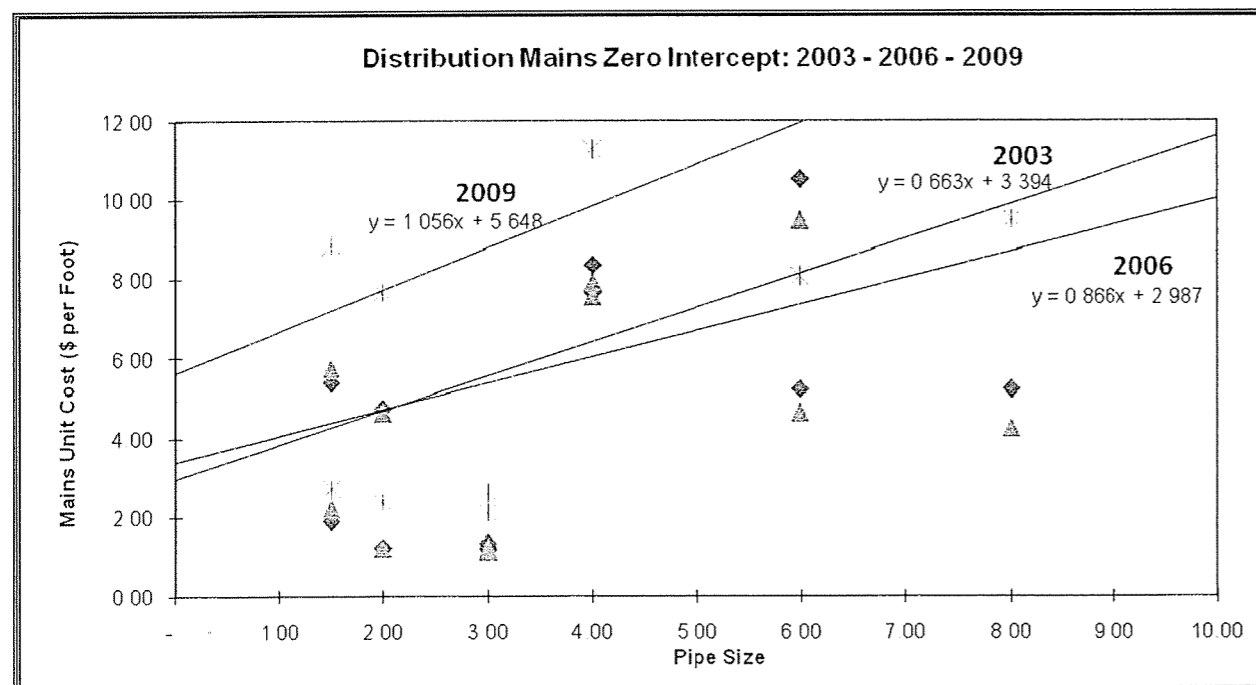
Zero Intercept Data: 2003 - 2006 - 2009

Year	Zero Intercept	Zero Intercept Cost	Total Cost of Sample	% Customer Related
2003	2.987	22,201,886	39,264,434	53.54%
2006	3.394	26,158,290	39,749,126	65.81%
2009	5.648	44,065,615	65,974,747	66.79%

For the overall percentage to increase, the zero intercept cost (which is the zero intercept multiplied by the total number of feet of pipe) must increase at a rate greater than that of the total cost of the sample (total net cost of plant for distribution mains).

The fixed costs include the cost of the pipe itself along with the cost of installation. The data used in the zero intercept analysis does not distinguish between the two, instead using the total costs for each pipe size in the weighted regression analysis.

The chart below depicts the zero intercept graph for all three rate case analyses superimposed on the same set of axes. For each year, the linear equation is shown in the form $y = bx + a$ where a is the zero intercept.



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For the customer portion of total main costs to increase, the zero intercept has to increase. Numerically, the zero intercept increases when the per unit cost of the smaller mains increases at a greater rate than does the per unit cost of the larger pipe (steel or plastic). Changes in the per unit cost of mains are driven by changes to the net plant cost (measured in \$) or to the quantity of pipe (total length of pipeline measured in ft). Visually on the graph, this means that either (a) the left-hand side of the line is raised and the right-hand side of the line is lowered, or (b) the line is raised in its entirety.

The data which drives the zero intercept is tabulated to help illustrate this more clearly. See attached.

For 2006 relative to 2003, the driver is the increase in the unit cost per foot of 1.5 inch pipe and the total quantity (and thus net cost of plant) of the 2 inch pipe. Both of these increase significantly relative to the same measures for the larger pipe sizes.

For 2009 relative to 2006, the driver is the increase in total quantity (and the corresponding increase in net cost of plant) of 2 inch plastic pipe relative to the same measures for the larger pipe sizes.

These increases drive an increase in the weighted regression analysis, which drives an increase in the zero intercept, which drives an increase in the portion of total distribution main costs (as a percentage of total) that are attributed to customer rather than demand over the course of the three rate case filings.

Sponsoring Witness

William Steven Seelye

Zero Intercept Data: 2003 - 2006 - 2009

Description	Pipe Size	Pipe Size	2009			2006			2003		
			Net Cost of Plant	Quantity (Feet)	Unit Cost (\$ per Foot)	Net Cost of Plant	Quantity (Feet)	Unit Cost (\$ per Foot)	Net Cost of Plant	Quantity (Feet)	Unit Cost (\$ per Foot)
Distribution Main Pipe, Under 2" Plastic	1.5	1.5	\$ 4,526,325	511,979	8.84084	\$ 2,931,080	508,866	5.76002	\$ 2,680,237.57	497,888	5.38321
Distribution Main Pipe, 2" Plastic	2.0	2.0	35,810,174	4,656,267	7.69075	20,799,781	4,504,311	4.61775	20,104,430.25	4,261,667	4.71750
Distribution Main Pipe, 3" Plastic	3.0	3.0	233,177	89,043	2.61870	101,306	89,043	1.13772	118,869.31	89,393	1.32974
Distribution Main Pipe, 4" Plastic	4.0	4.0	17,279,740	1,425,318	12.12343	10,735,972	1,353,891	7.92972	10,794,416.15	1,289,179	8.37309
Distribution Main Pipe, 6" Plastic	6.0	6.0	925,501	59,768	15.48489	558,228	58,933	9.47225	619,866.07	58,933	10.51815
Distribution Main Pipe, Under 2" Steel	1.5	1.5	212,739	78,268	2.71808	188,710	85,824	2.19880	179,796.34	95,274	1.88715
Distribution Main Pipe, 2" Steel	2.0	2.0	685,650	287,587	2.38415	462,919	379,832	1.21875	504,942.71	414,290	1.21881
Distribution Main Pipe, 3" Steel	3.0	3.0	110,787	52,022	2.12962	73,752	61,367	1.20182	83,446.38	68,844	1.21211
Distribution Main Pipe, 4" Steel	4.0	4.0	3,093,182	274,404	11.27236	2,211,801	291,928	7.57653	2,358,537.03	307,346	7.67388
Distribution Main Pipe, 6" Steel	6.0	6.0	2,194,153	272,503	8.05185	1,281,750	277,138	4.62495	1,402,551.18	267,813	5.23705
Distribution Main Pipe, 8" Steel	8.0	8.0	903,319	94,863	9.52235	403,827	94,863	4.25695	417,340.51	80,054	5.21324

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35. Refer to Seelye Testimony Exhibit 6. Pages 1, 7, and 19 are not included in the exhibit.
Provide the missing pages.

Response:

Please see the attached.

Sponsoring Witness:

William Steven Seelye

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2009

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Plant in Service										
Gas Supply Costs										
Demand	PTIS	PTISGSD	DEM01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commodity	PTIS	PTISGSC	COM01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Procurement Expenses				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storage										
Demand	PTIS	PTISSD	DEM02	\$ 20,978,780	\$ 9,970,366	\$ 3,289,889	\$ 7,718,525	\$ -	\$ -	\$ -
Commodity	PTIS	PTISSC	COM02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Storage				\$ 20,978,780	\$ 9,970,366	\$ 3,289,889	\$ 7,718,525	\$ -	\$ -	\$ -
Transmission										
Demand	PTIS	PTISTD	TDEM	\$ 64,707,343	\$ 16,771,340	\$ 5,514,969	\$ 12,017,862	\$ 2,554,420	\$ 4,352,115	\$ 23,496,637
Commodity	PTIS	PTISTC	COM03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Transmission				\$ 64,707,343	\$ 16,771,340	\$ 5,514,969	\$ 12,017,862	\$ 2,554,420	\$ 4,352,115	\$ 23,496,637
Distribution Expenses										
Commodity	PTIS	PTISDEC	COM04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution Structures & Equipment										
Demand	PTIS	PTISDSD	DEM04	\$ 2,667,331	\$ 1,209,402	\$ 397,691	\$ 866,623	\$ 184,202	\$ 9,413	\$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2009

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Payroll Expenses										
Gas Supply Costs										
Demand	LBTOT	LBGSD	DEM01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commodity	LBTOT	LBGSC	COM01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Procurement Expenses		LBGST		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storage										
Demand	LBTOT	LBSD	DEM02	\$ 198,473	\$ 94,326	\$ 31,124	\$ 73,022	\$ -	\$ -	\$ -
Commodity	LBTOT	LBSC	COM02	\$ 43,634	\$ 19,667	\$ 6,708	\$ 17,259	\$ -	\$ -	\$ -
Total Storage		LBST		\$ 242,107	\$ 113,993	\$ 37,833	\$ 90,281	\$ -	\$ -	\$ -
Transmission										
Demand	LBTOT	LBTD	TDEM	\$ 1,974,261	\$ 511,704	\$ 168,265	\$ 366,672	\$ 77,937	\$ 132,786	\$ 716,897
Commodity	LBTOT	LBTC	COM03	\$ 258,699	\$ 24,030	\$ 8,056	\$ 27,704	\$ 15,637	\$ 28,441	\$ 154,831
Total Transmission		LBTRT		\$ 2,232,960	\$ 535,734	\$ 176,322	\$ 394,377	\$ 93,574	\$ 161,227	\$ 871,728
Distribution Expenses										
Commodity	LBTOT	LBDEC	COM04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution Structures & Equipment										
Demand	LBTOT	LBSDS	DEM04	\$ 81,653	\$ 37,023	\$ 12,174	\$ 26,529	\$ 5,639	\$ 288	\$ -

DELTA NATURAL GAS COMPANY

Cost of Service Study
12 Months Ended December 31, 2009

Class Allocation

Description	Ref	Name	Allocation Vector	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans
Allocation Factors Continued										
Taxable Income Actual										
Net Income Before Income Tax		NIBIT		\$ 7,377,653	\$ 1,503,027	\$ 1,207,794	\$ 2,798,738	\$ 983,531	\$ (146,505)	1,031,069
Interest Expense		INT	PLT	\$ 4,075,601	\$ 2,217,571	\$ 482,534	\$ 699,824	\$ 101,345	\$ 92,292	\$ 482,035
Interest Adjustment			PLT	\$ 224,173	\$ 121,975	\$ 26,541	\$ 38,493	\$ 5,574	\$ 5,076	\$ 26,514
Taxable Income		TXINC		\$ 3,077,879	\$ (836,518)	\$ 698,718	\$ 2,060,421	\$ 876,612	\$ (243,874)	522,520
Meter Allocation										
Number of Customers				36,128	30,826	4,295	963	41	3	-
Average Cost Per Service					399.11	641.37	2914.27	8506	13700	-
Meter Cost				18,253,935	12,302,965	2,754,684	2,806,440	348,746	41,100	-
Service Line Allocation										
Number of Customers				36,128	30,826	4,295	963	41	3	-
Average Cost Per Service					764.11	711.98	1972.99	1972.99	1972.99	0
Service Cost				28,599,210	23,554,455	3,057,954	1,899,989	80,893	5,919	-
Collection Fees		COLL		1.00000	0.89073	0.00925	0.10002			
Reconnect Revenue		RCNCT		1.00000	0.8266	0.01508	0.15832			
Bad Check Fees		BDCK		1.00000	0.86196	0.01630	0.12174			
Customer Deposits		CSTDEP		1.00000	0.84150	0.13542	0.01061	0.01248		
Transmission Allocator										
Transmission Demand Allocator				80,256	20,813	6,844	14,914	3,170	5,356	29,159
Transmission Plant				\$ 64,707,343						
Specific Assignment				\$ 36,192.40				\$ 36,192.40		
Residual Transmission Plant		DEM03		\$ 64,671,150	\$ 16,771,340	\$ 5,514,969	\$ 12,017,862	\$ 2,554,420	\$ 4,315,923	\$ 23,496,637
Total Allocation of Transmission Plant				\$ 64,707,343	\$ 16,771,339.87	\$ 5,514,969.01	\$ 12,017,862.05	\$ 2,554,420.19	\$ 4,352,114.96	\$ 23,496,636.68
Transmission Allocator		TDEM		1.000000	0.259187584	0.085229416	0.185726403	0.039476512	0.067258441	0.363121644

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36. Refer to Seelye Testimony Exhibit 6, page 3 of 20. Provide a narrative explanation for the allocation vector TDEM and state where in the COS study it is calculated.

Response:

The calculation of this allocator is on in Exhibit 3 Page 19 of 20. This age was inadvertently omitted from the filing and is found in the response to Question No. 35 of this data request.

TDEM is the allocation of Gas Transmission plant. Gas Transmission plant has been allocated to each rate class by the transmission demand found on Page 18 of the same exhibit. A description of the development of this allocator can be found in my Direct Testimony on Page 21 beginning on Line 21. A specific assignment of transmission related plant has been made to the Special Contract class.

Sponsoring Witness:

William Steven Seelye

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37. Refer to Seelye Testimony Exhibit 6, page 15 of 20. Reconcile the temperature-normalization class allocations shown in this exhibit with the temperature-normalization class allocations shown in Seelye Testimony Exhibit 9.

Response:

Please see the attached.

Sponsoring Witness:

William Steven Seelye

	Total System	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off Sys Trans	Total
<i>Seeley Exhibit 6 Page 15 of 20</i>	\$ (63,111)	\$ (57,963)	\$ (13,206)	\$ 8,004	\$ 53	\$ -	\$ -	\$ (63,111)
Total Seeley Exhibit 9								
Residential *	\$ (57,963)	\$ (57,963)						
Small Non-Residential General Service *	\$ (13,572)		\$ (13,572)					
Large Non-Residential GS - Commercial	\$ 4,894			\$ 4,894				
Large Non-Residential GS - Industrial	\$ 640			\$ 640				
Interruptible Service - Commercial	\$ -							
Interruptible Service - Industrial	\$ 53			\$ -	\$ 53			
Small Non Residential General Service -Transportation	\$ 366		\$ 366					
Large Non Residential General Service -Transportation	\$ 2,470			\$ 2,470				
Total	\$ (63,111)	\$ (57,963)	\$ (13,206)	\$ 8,004	\$ 53	\$ -	\$ -	\$ (63,111)

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38. Refer to Seelye Testimony Exhibit 6, page 16 of 20.
- a. Explain why the pro forma adjustments for lobbying expenses, community relations, and elimination of advertising expenses are allocated to the customer classes based on allocation vector OTTT.
 - b. Explain how the allocation vector TXINC is calculated.

Response:

- A.** The pro forma adjustments for lobbying expenses, community relations and elimination of advertising expenses were inadvertently allocated by OTTT. These should have, in fact, been allocated by REVUC as they have been in the past. The impact of this change on Proposed Rate of Return is small and is summarized below:

	Total	Residential	Small Non-Res	Large Non-Res	Interruptible	Special	Off System
Filed	8.66%	8.19%	9.21%	10.64%	15.08%	0.79%	7.26%
Corrected	8.66%	8.19%	9.21%	10.65%	15.10%	0.78%	7.26%

- B.** TXING is calculated on Exhibit 6 page 19 of 20. This page was inadvertently left out of the filing. TXINC is relationship of each class's taxable income to total taxable income. Taxable income is defined as Net income before tax plus interest expense and the interest adjustment.

Sponsoring Witness:

William Steven Seelye

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39. Refer to Seelye Testimony Exhibit 6, page 18 of 20. For CUST02 and CUST03, provide the work papers supporting the calculations.

Response:

CUSTO02 and CUSTO3 are developed on Page 19 of Exhibit 6. This page was inadvertently omitted from the filing. Please see the response to Question No. 35.

Sponsoring Witness:

William Steven Seelye

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40. Refer to Seelye Testimony Exhibit 7, page 1 of 5. Confirm that withdrawals are totaled only through February 9, 2009 because that is the date of the last storage withdrawal. If this is not the case, explain the significance of the date.

Response:

Peak day was February 9, 2009 and April 14, 2009 was the last day of storage withdrawals.

Sponsoring Witness:

William Steven Seelye

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41. Refer to pages 2 through 11 of Seelye Testimony Exhibit 11 – Depreciation Study.
- a. Explain why it is relevant, as mentioned in the discussion of several of Delta’s plant accounts, that “[t]he recommended accrual rate is consistent with other utilities in the region” or that the “[r]ecommended accrual rate is reasonable compared with other gas distribution utilities in the region.”
 - b. Identify the “other utilities in the region” or “other gas distribution utilities in the region” to which the depreciation rates proposed for Delta have been compared.

Response:

- a. The comparison of accrual rates proposed for Delta with the rates of other utilities in the region is offered only as a broad device for cross-checking the general validity of the proposed rates. It is relevant to the extent that the Commission or other parties find such comparisons to be reasonable and useful.
- b. The other utilities to which the depreciation rates proposed for Delta have been compared include Louisville Gas & Electric Company, Duke Energy, and Southern Indiana Gas & Electric Company.

Sponsoring Witness:

William Steven Seelye

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42. Refer to pages 31 and 32 of the Seelye Testimony, which discuss the methodology used to develop the proposed depreciation accrual rates and state that it is the same methodology used in depreciation studies filed in Delta's two most recent rate cases. The depreciation study submitted in Delta's most recent rate case, Case No. 2007-00089, contained proposed accrual rates for some plant accounts that were significantly lower than the accrual rates contained in the study filed in this case. Explain why the accrual rates for the following accounts have increased since they were developed in the prior study:
- a. Account 368, Compressor Station Equipment, Transmission, has increased from 2.00 percent to 3.43 percent;
 - b. Account 369, Measuring and Regulator Station Equipment, Transmission, has increased from 3.14 percent to 4.30 percent;
 - c. Account 378, Measuring and Regulator Station Equipment, Distribution, has increased from 3.27 percent to 3.98 percent;
 - d. Account 381, Meters, increased from 2.28 percent to 3.14 percent; and
 - e. Account 382, Meters and Regulator Installations, increased from 4.50 percent to 5.08 percent.

Response:

When developing this response, an error in Appendix A, Proposed Depreciation Rates, in Seelye Exhibit 11, Depreciation Study was identified. The values for several Accounts in the Proposed Rates column were not updated due to an inadvertent oversight. The data in Appendix B from which this column in Appendix A was derived is correct. Please see the attached Updated Appendix A; the values that were updated are highlighted in italics.

The responses below address the questions for each account with the Updated Proposed Rates taken into consideration.

- a. Delta experienced significant additions to Account 368, Compressor Station Equipment, Transmission, since the last rate case. Specifically, Delta had \$2,407,136 added in 2007, \$242,933 added in 2008, and \$2,475,742 added in 2009 (the two largest additions to the account since its inception in 1961). The average future accruals grew from 616,424 in 2006 to 6,707,974 in this study. These additions altered the best curve fit (from curve S4 in 2006 to curve L2 in this study) and thus resulted in a rate of 3.26% (originally filed as 3.43%).

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- b. Delta experienced additions to Account 369, Measuring and Regulator Station Equipment, Transmission, since the last rate case. Specifically, Delta had \$409,207 added in 2007, \$103,098 added in 2008, and \$207,408 added in 2009. The average future accruals grew from 1,946,582 in 2006 to 2,654,219 in this study. These additions altered the best curve fit (from curve S3 in 2006 to curve L0 in this study) and thus resulted in a rate of 3.53% (originally filed as 4.30%).
- c. With the Updated Proposed rate for Account 378, Measuring and Regulator Station Equipment, Distribution, the accrual rate since the last rate case actually decreases, from 3.27% to 3.18% (originally filed as 3.98%).
- d. With the Updated Proposed rate for Account 381, Meters, the accrual rate since the last rate case increases from 2.28% to 2.90% (originally filed as 3.14%). This is driven by additions to the account of \$275,722 in 2007, \$149,376 in 2008, and \$82,941 in 2009.
- e. With the Updated Proposed rate for Account 382, Meters and Regulator Installations, the accrual rate since the last rate case actually decreases, from 4.50% to 4.00% (originally filed as 5.08%).

Sponsoring Witness:

William Steven Seelye

Delta N Gas Company
 Depreciation Study

Updated Proposed Depreciation Rates

Account	Current Accrual Rate	Updated Proposed Accrual Rate	
305	Structures & Improvements - Manufactured Gas Plant	2.20%	2.20%
325	Gathering Land & Rights	3.00%	3.00%
327	Comp Station Structures	3.00%	3.00%
331	Producing Gas Wells -- Well Equipment	4.00%	4.00%
332	Gathering Lines	2.25%	2.25%
333	Gathering Compressor Stations	4.00%	4.00%
334	Gathering Measuring and Regulator Station Equipment	2.72%	2.72%
339	Gathering Asset Retirement Cost		
350.06	Gas Rights Storage	5.00%	5.00%
351	Storage Structures and Improvements	2.20%	2.58%
352	Storage Wells	2.19%	3.19%
3521	Storage Rights	1.85%	1.85%
3522	Storage Reservoirs	1.78%	1.83%
3523	Storage Nonrec Natural Gas	1.75%	1.75%
353	Storage Lines	2.05%	2.05%
354	Storage Compressor Stations	1.90%	1.96%
355	Storage Measuring and Regulator Equipment	2.41%	2.59%
356	Purification Equipment	1.91%	3.19%
357	Storage Other Equipment	0.53%	0.51%
358	Storage Asset Retirement Cost		
3651	Transmission Land & Rights		
3652	Rights of Way		
3653	Land Rights	2.50%	2.50%
366	Structures & Improvements - Transmission	2.00%	2.30%
367	Mains -- Transmission	2.24%	2.35%
368	Compressor Station Equipment -- Transmission	2.00%	3.26%
369	Measuring and Regulator Station Equipment -- Transmission	2.22%	3.53%
371	Other Equipment -- Transmission	2.00%	2.19%
372	Transmission Asset Retirement Cost		
374	Distribution Rights of Way		
3741	Distribution Land		
375	Structures and Improvements -- Distribution	2.67%	2.34%
376	Mains -- Distribution	1.41%	3.11%
378	Measuring and Regulator Station Equipment -- Distribution	3.28%	3.18%
379	Measuring and Regulator Station Equipment -- City Gate	3.01%	2.17%
380	Services -- Distribution	1.41%	3.11%
381	Meters	2.28%	2.90%
382	Meter & Regulator Installations	2.33%	4.00%
383	Hous Regulators	3.80%	4.13%
385	Industrial Measuring and Regulator Station Equipment -- Distribution	2.31%	2.15%
388	Distribution Asset Retirement Cost		
389	Land and Land Rights		
390	Structures and Improvements -- General Plant	2.00%	2.00%
391	Office Furniture and Equipment -- General Plant	1.00%	1.00%
392	Transportation Equipment	8.14%	8.14%
393	Stores Equipment	2.00%	2.00%
394	Tools & Equipment	4.00%	4.00%
39401	Comp Nat Gas Stat		
395	Laboratory Equipment	5.00%	5.00%
396	Power Operated Equipment	2.00%	2.00%
397	Communication Equipment	5.00%	5.00%
398	Miscellaneous Equipment	2.00%	2.00%
399.1	Other Tangible Property -- Mapping Costs	4.00%	4.00%
399.2	Other Tangible Property -- Computer Software	10.00%	10.00%
399031	Computerized Office Equipment	10.00%	10.00%
39903	Computer Hardware	10.00%	10.00%

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43. Refer to Appendix B to the Seelye Testimony. Explain how the estimated salvage percentages were developed and provide the work papers, calculations, etc. that contain the salvage data on which they are based.

Response:

The estimated salvage percentages were based on a visual review of the retirements for each account. They are also consistent with the salvage percentages employed for each of the accounts in the 2006 depreciation study submitted in Delta's most recent rate case, Case No. 2007-00089.

Sponsoring Witness:

William Steven Seelye

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44. Refer to Delta's response to Item 2 of Commission Staff's Initial Data Request ("Staff's First Request"). Explain why none of the subsidiaries sell gas to Delta.

Response:

KRS 278.2207 (1) (b) states that "Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC or FERC approved cost allocation methodology". Delta decided that rather than risk violating the affiliate rules in the event that the market price of gas drops below the affiliate's fully distributed cost, the Company would not sell gas from the affiliates to the regulated company.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
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45. Refer to the response to Item 3 of Staff's First Request. For the five years preceding the calendar year 2009 test year, Delta's short-term debt balance averaged roughly 18 percent of its total capitalization. For the test year, it averaged one-half as much at 9 percent. Explain why short-term debt, which is typically the lowest-cost form of capital, has declined by this magnitude.

Response:

The reduction in the market price of natural gas is primarily responsible for the decline in Delta's balance in its short term bank line of credit. In addition, with gas prices being less volatile, Delta has collected more of its unrecovered gas cost. Construction expenditures were also down during the test year.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

46. Refer to Staff's First Request, Item 10, page 5 of 7.
- a. Provide an explanation for the amount of \$867,900 in Account 1.823.0000, Storage Gas Losses. Include in the explanation why this amount should be allowed for rate-making purposes, given the fact that there is no amount in this account for the previous five years, as shown in Item 20 of Staff's First Request, page 1 of 3.
 - b. Confirm that this gas storage loss has not been passed through the GCR mechanism.

Response:

- a. During the period from around October 2006 to October 2007, the Company experienced losses of natural gas due to a leak in one of our storage wells at our Canada Mountain storage facility. The source of the leak was a failure in the cement approximately 2,800 ft below the surface of the well. The amount of \$867,900 associated with these gas storage losses was originally booked in Miscellaneous Non-Operating Expenses in December of 2008. This entry was corrected in April of 2009 when the expense was properly booked in Gas Storage Losses and thus is included in test year expenses.

In January, 2008 the Company filed an insurance claim seeking reimbursement for the \$867,900 expense, fully expecting recovery through insurance. The claim was not approved; over the months that followed, the Company engaged in a protracted exchange with the insurance carrier over the claim. Delta's insurance broker has advised Delta the claim is not covered under the policy as no external factors gave rise to cause the storage leak. As of the submission of the current data request, no insurance reimbursement has been paid for the gas storage loss expense.

When the Company concluded that the expense would not be fully reimbursed via insurance during the test period, and recognizing that the expense was the result of a gas storage loss -- a legitimate above-the-line expense for ratemaking purposes -- the Company had few options for cost recovery at its disposal. One option was the GCR mechanism. Another option was to propose that the expense be included in the revenue requirement in the retail rate case under development. Given the timing of the base rate case, Delta elected to include the expense in the rate case filing -- thus securing full transparency and ensuring that the expense is considered along with other Company expenses and revenues in their entirety.

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The Commission should allow the expense for ratemaking purposes because Storage Gas Losses are legitimate above-the-line expenses. As the Commission pointed out in the question, this is an unprecedented situation for Delta, explaining why there are no expenses in this account for the previous five years. Delta is seeking the Commission's preference in how to recover this expense. The Company expects that while future inventory adjustments will occur, they likely will not recur at the level experienced due to this leak. If the Commission agrees to leave an amount for Gas Storage Losses in this case, as we have proposed, perhaps the appropriate treatment would be to amortize the full amount over a three year period and recover from customers in this manner rather than incorporate the full amount into the revenue requirement.

- b. This gas storage loss has not been passed through the GCR mechanism.

Sponsoring Witness:

Matthew D. Wesolosky

**DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116**

**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

47. Refer to the response to Staff's First Request, Item 9.
- a. Concerning the reference to the 2009 Federal Energy Regulatory Commission Form 2, do the financial statements contained in that report incorporate the operational results from Delta's three subsidiaries – Delta Resources, Inc.; Delgasgo, Inc.; and Enpro, Inc.?
 - b. Provide an income statement and balance sheet for the test year that reflect only Delta's regulated operations, excluding the financial information associated with the three subsidiaries.

Response:

- a. Yes
- b. See income schedules:
 - 1. Income statement – (additionally refer to Item 37 in Volume 2 of the Filing Requirements)
 - 2. Balance sheet

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.

STATEMENT OF INCOME
12 MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

OPERATING REVENUES	\$	<u>57,837,027</u>
OPERATING EXPENSES AND TAXES		
Gas Purchased	\$	29,826,554
Operations		12,679,727
Maintenance		645,054
Depreciation		3,792,258
Property & Other Taxes		1,904,879
Income Taxes		2,057,971
Total	\$	<u>50,906,443</u>
OPERATING INCOME	\$	6,930,584
INTEREST EXPENSES	\$	4,075,601
NET INCOME	\$	<u><u>2,854,983</u></u>

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
12 MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

ASSETS

Gas Utility Plant, at Cost	\$	199,165,770
Less - Reserve for Depreciation		<u>70,176,977</u>
Net Gas Plant	\$	<u>128,988,793</u>
Current Assets		
Cash	\$	138,146
Receivables		7,884,455
Deferred Gas Cost		1,573,758
Gas in Storage, at Average Cost		3,450,410
Materials and Supplies, at first-in, first out cost		525,775
Prepayments		<u>1,885,545</u>
Total Current Assets	\$	<u>15,458,089</u>
Other Assets		
Cash Surrender Value of Life Insurance	\$	440,746
Unamortized Expenses		4,542,382
Receivable/Investment in Subsidiaries		11,047,667
Other		<u>9,524,947</u>
Total Other Assets	\$	<u>25,555,742</u>
TOTAL ASSETS	\$	<u>170,002,624</u>

LIABILITIES

Capitalizations		
Common Shareholders' Equity	\$	58,437,146
Long-term Debt		<u>57,259,000</u>
Total Capitalization	\$	<u>115,696,146</u>
Current Liabilities		
Notes Payable	\$	12,015,728
Current Portion of Long-Term Debt		1,200,000
Accounts Payable		5,165,194
Accrued Taxes		(2,166,119)
Customers' Deposits		641,019
Accrued Interest		854,189
Current Deferred Income Taxes		374,495
Other		<u>1,134,905</u>
Total Current Liabilities	\$	<u>19,219,411</u>
Deferred Credits & Others		
Deferred Income Taxes	\$	31,130,136
Deferred Investment Tax Credit		129,200
Regulatory Items		1,419,468
Advances for Construction and Other		1,957,985
Accumulated Provision for Pensions		<u>450,278</u>
Total Deferred Credits and Other	\$	<u>35,087,067</u>
TOTAL LIABILITIES	\$	<u>170,002,624</u>

**DELTA NATURAL GAS COMPANY, INC.
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**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

48. Refer to the response to Staff's First Request, Item 16. Delta was requested to provide schedules, in comparative form, showing by month for the test year, and the year preceding the test year, the total company balance in each gas plant and reserve account or subaccount included in Delta's chart of accounts as shown in Format 16. The response did not provide the requested information for the subaccounts of Account No. 108 or the account information for Account Nos. 301 through 399. Provide the originally requested information for Account Nos. 108 and 301 through 399.

Response:

In the response to Staff's First Request, Item 16, Delta provided the schedule, in comparative form, showing by month for the test year and the year preceding the test year, the total company balance in Accounts 1.108.01 and 1.108.80, on page 2 of 2 of the attached schedule. These are the only 108 Accounts with a monthly ending balance.

The data in similar format is provided for Account Nos. 301 through 399 in the attached schedule.

Sponsoring Witness:

Matthew D. Wesolosky

Comparison of Total Company 2009 Account Balances With
Those of the Preceding Year

"000
Omitted"

Line No.	A/C 381 Distribution Meters	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
1	2009	9,264	9,263	9,289	9,287	9,307	9,311	9,308	9,310	9,309	9,322	9,317	9,303	111,590
2	2008	9,148	9,169	9,198	9,203	9,218	9,231	9,236	9,250	9,246	9,243	9,242	9,269	110,653
3	Increase	116	94	91	84	89	80	72	60	63	79	75	34	937
4	(Decrease)	0	0	0	0	0	0	0	0	0	0	0	0	0

Line No.	A/C 382 Dist Meter & Reg Installation	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
5	2009	3,188	3,189	3,190	3,189	3,188	3,183	3,183	3,179	3,180	3,178	3,180	3,186	38,213
6	2008	3,189	3,191	3,192	3,192	3,188	3,189	3,189	3,183	3,175	3,176	3,180	3,184	38,228
7	Increase	0	0	0	0	0	0	0	0	5	2	0	2	9
8	(Decrease)	(1)	(2)	(2)	(3)	0	(6)	(6)	(4)	0	0	0	0	(24)

Line No.	A/C 383 Dist Regulators	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
9	2009	3,408	3,417	3,425	3,431	3,456	3,465	3,467	3,468	3,468	3,468	3,477	3,479	41,429
10	2008	3,277	3,291	3,298	3,305	3,315	3,319	3,319	3,321	3,327	3,364	3,382	3,402	39,920
11	Increase	131	126	127	126	141	146	148	147	141	104	95	77	1,509
12	(Decrease)	0	0	0	0	0	0	0	0	0	0	0	0	0

Line No.	A/C 385 Dist Industrial Meter Set	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
13	2009	1,574	1,574	1,574	1,574	1,574	1,574	1,574	1,574	1,570	1,580	1,580	1,597	18,919
14	2008	1,535	1,537	1,537	1,537	1,537	1,546	1,546	1,574	1,571	1,571	1,577	1,574	18,642
15	Increase	39	37	37	37	37	28	28	0	0	9	3	23	278
16	(Decrease)	0	0	0	0	0	0	0	0	(1)	0	0	0	(1)

Line No.	A/C 389 Gen Land & Land Rights	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
17	2009	999	999	999	999	999	999	999	999	999	999	999	999	11,988
18	2008	1,006	1,006	1,006	1,006	1,006	1,006	1,006	999	999	999	999	999	12,037
19	Increase	0	0	0	0	0	0	0	0	0	0	0	0	0
20	(Decrease)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	0	0	0	0	0	(49)

Comparison of Total Company 2009 Account Balances With
 Those of the Preceding Year

"000
 Omitted"

Line No.	A/C 39401 Compressed Nat Gas Stat & Equip	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
1	2009	283	283	283	283	283	283	283	283	283	283	283	283	3,396
2	2008	283	283	283	283	283	283	283	283	283	283	283	283	3,396
3	Increase	0	0	0	0	0	0	0	0	0	0	0	0	0
4	(Decrease)	0	0	0	0	0	0	0	0	0	0	0	0	0

Line No.	A/C 395 Laboratory Equipment	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
5	2009	215	215	231	231	231	231	231	231	238	238	238	238	2,768
6	2008	170	170	170	170	170	170	170	170	215	215	215	215	2,220
7	Increase	45	45	61	61	61	61	61	61	23	23	23	23	548
8	(Decrease)	0	0	0	0	0	0	0	0	0	0	0	0	0

Line No.	A/C 396 Power Operated Equipment	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
9	2009	3,241	3,241	3,264	3,260	3,260	3,283	3,295	3,295	3,295	3,295	3,295	3,295	39,319
10	2008	2,833	2,829	2,829	2,829	3,074	3,229	3,241	3,241	3,241	3,241	3,243	3,241	37,071
11	Increase	408	412	435	431	186	54	54	54	54	54	52	54	2,248
12	(Decrease)	0	0	0	0	0	0	0	0	0	0	0	0	0

Line No.	A/C 397 Communication Equipment	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
13	2009	438	437	437	437	437	437	386	386	386	386	386	386	4,939
14	2008	441	441	441	441	441	441	441	438	438	438	438	438	5,277
15	Increase	0	0	0	0	0	0	0	0	0	0	0	0	0
16	(Decrease)	(3)	(4)	(4)	(4)	(4)	(4)	(55)	(52)	(52)	(52)	(52)	(52)	(338)

Line No.	A/C 398 Miscellaneous Equipment	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
17	2009	45	45	45	45	45	45	45	45	45	44	44	44	537
18	2008	49	49	49	49	49	49	49	49	45	45	45	45	572
19	Increase	0	0	0	0	0	0	0	0	0	0	0	0	0
20	(Decrease)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0	(1)	(1)	(1)	(35)

DELTA NATURAL GAS COMPANY, INC.
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49. Refer to the response to Staff's First Request, Item 20(a). For each account listed below, explain the reason(s) for the change in the total account balance between the test year and the previous 12-month period:
- a. Account 821.02 – CM Purification of Natural Gas-Misc;
 - b. Account 832.02 – CM Maintenance of Reservoirs and Wells-Misc.;
 - c. Account 887.02 – Mnt. Trans & Dist Mains Other;
 - d. Account 900.02 – Opr. Transportation Expenses;
 - e. Account 903.02 – Customer Collections & Records;
 - f. Account 920.02 – Adm Transportation Expenses;
 - g. Account 923.02 – Outside Services Accounting;
 - h. Account 923.04 – Outside Services Other;
 - i. Account 926.01 – Time Off Payroll;
 - j. Account 926.04 – Medical Coverage;
 - k. Account 926.1 – Supplemental Retirement Plan; and
 - l. The response did not provide the requested information for Account 803 and its subaccounts. Provide the originally requested information for Account 803.

Response:

See attached schedules.

Sponsoring Witness:

Matthew D. Wesolosky

Item #49

- a Account 821.02 - (CM Purification of Natural Gas-Misc) decreased (\$219,264) compared to the previous 12 months due to due to scavenger chemicals purchased to treat the wells at Canada Mountain. These are recurring expenses for routine maintenance, however sufficient quantities were purchased in 2008, so that Delta did not need to purchase additional chemicals during 2009.
- b Account 832.02 - (CM Maintenance of Reservoirs and Wells - Misc) decreased (\$144,147) compared to the previous 12 months due to biocide chemicals purchased to treat the wells at Canada Mountain. These are recurring expenses for routine maintenance, however sufficient quantities were purchased in 2008, so that Delta did not need to purchase additional chemicals during 2009.
- c Account 887.02 - (Maintenance of Transmission and Distribution Mains and Other) decreased (\$61,467) compared to the previous 12 months due \$14,000 less spent on leak repair in 2008 as compared to 2009 and the remainder due to lower mowing expenses for right-of-ways.
- d Account 900.02 - (Oper. Transportation Expenses) decreased (\$124,760) due a decrease in gasoline prices as compared to 2008.
- e Account 903.02 - (Customer Collections and Records) increased \$46,091 compared to 2008. Prior to June 30, 2008, billing statements and envelopes were included in 1.921.04 and 1.921.05, however in 2009 these expenses were included in 1.903.02. Additionally, we did not purchase billing statements in August and September 2008 as we utilized surplus inventory provided by our printer.
- f Account 920.02 - (Adm. Transportation Expenses) increased \$6,000 compared to 2008 due to an additional administrative vehicle in 2009.
- g Account 923.02 - (Outside Services Accounting) increased \$138,935 compared to additional professional services performed by Deloitte, as further described in Item 52.
- h Account 923.04 - (Outside Services Other) increased \$105,500 compared to 2008 due to consulting services performed by Mercer, A. Heath and C. Russell, as further described in Item 52.
- i Account 926.01 - (Time Off Payroll) decreased (\$302,996) due to a decrease in bonuses paid in 2009 as compared to 2008. However, bonuses are removed from Delta's regulated operations by an offsetting credit in 922.01, and therefore excluded from this case. The decrease was partially offset by an increase in time off used by employees.
- j Account 926.04 - (Medical Coverage) increased \$100,191 compared to 2008 due to a increased stop-loss premiums, network access fees and insurance claims. These increases were partially offset by a 15% increase in insurance premiums charged to employees.
- k Account 926.10 - (Supplemental Retirement Plan) increased \$94,855 due to market performance of the underlying investments.

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	1	2	3	4	5	6	7	8	9	10	11	12	Total
2009 1.803.00 - Purchased Gas Cost													
L	7,472,209	8,143,508	6,003,243	3,531,956	2,093,263	697,489	509,752	578,744	461,186	606,248	1,158,984	1,688,804	32,945,385
2008 1.803.00 - Purchased Gas Cost													
	4,944,735	7,040,363	5,673,981	3,814,849	2,869,972	1,295,994	788,068	1,126,085	898,792	977,941	2,347,975	5,273,976	37,052,730
Increase(Decrease)	2,527,474	1,103,145	329,262	(282,893)	(776,709)	(598,505)	(278,317)	(547,341)	(437,607)	(371,693)	(1,188,991)	(3,585,171)	(4,107,345)

**DELTA NATURAL GAS COMPANY, INC.
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**SECOND PSC DATA REQUEST
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50. Refer to the response to Staff's First Request, Item 20(c). Delta was requested to provide a schedule of the total company and Kentucky jurisdictional operations salaries and wages for the test year and each of the three calendar years preceding the test year as shown in Format 20c. Delta was also requested to show for each time period the amount of overtime pay. The response to Item 20(c) contains none of the detail requested and does not conform to Format 20(c). Provide the originally requested information in the format requested.

Response:

See attached. Line 9 and 10 represents total salaries and wages on a regulated operations basis. Line 12 represents total salaries and wages on a total company basis.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc. Case No. 2010-00116 Analysis of Salaries and Wages For the Calendar Years 2006 through 2008 and the Test Year									
Line No.	Item (a)	Calendar Years Prior to Test Year						Test Year	
		3rd		2nd		1st		Amount (h)	% (i)
		Amount (b)	%	Amount (d)	% (e)	Amount (f)	% (g)		
1.	Wages charged to expense								
2.	Production, Natural Gas Storage, Terminating Processing Expense	168,979	6.7%	226,644	34.1%	235,947	4.1%	248,705	5.4%
3.	Transmission Expense								
4.	Distribution Expense	3,175,422	5.8%	3,231,319	1.8%	3,389,671	4.9%	3,374,720	-0.4%
5.	Customer Accounts Expense	404,578	3.4%	412,416	1.9%	419,947	1.8%	439,440	4.6%
6.	Sales Expense								
7.	Administrative and General Expenses:								
	(a) Administrative and General Salaries	1,612,517	7.9%	1,526,037	-5.4%	1,629,619	6.8%	1,576,759	-3.2%
	(b) Office Supplies and Expense								
	(c) Administrative Expense transferred - credit								
	(d) Outside services employed								
	(e) Property insurance								
	(f) Injuries and damages								
	(g) Employee pensions and benefits								
	(h) Franchise requirements								
	(i) Regulatory commission expense								
	(j) Duplicate charges - credit								
	(k) Miscellaneous general expense								
	(l) Maintenance of general plant								
8.	Total Administrative and General Expenses - L7(a) through L7(l)	1,612,517	7.9%	1,526,037	-5.4%	1,629,619	6.8%	1,576,759	-3.2%
9.	Total Salaries and Wages charged expense (L2 through L6 + L8)	5,361,496	6.3%	5,396,416	0.7%	5,675,184	5.2%	5,639,624	-0.6%
10.	Wages Capitalized	1,536,825	-3.0%	1,786,803	16.3%	1,603,591	-10.3%	1,721,241	7.3%
11.	Other Accounts	69,003	-28.3%	96,077	39.2%	97,453	1.4%	125,649	28.9%
12.	Total Salaries and Wages	6,967,324	3.6%	7,279,296	4.5%	7,376,228	1.3%	7,486,514	1.5%
13.	Ratio of salaries and wages charged expense to total wages (L9/L12)	0.77		0.74		0.77		0.75	
14.	Ratio of salaries and wages capitalized to total wages (L10/L12)	0.22		0.25		0.22		0.23	
	Overtime	166,373	-21.8%	254,295	52.8%	192,990	-24.1%	266,966	38.3%

**DELTA NATURAL GAS COMPANY, INC.
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**SECOND PSC DATA REQUEST
DATED MAY 24, 2010**

51. Refer to the response to Staff's First Request, Item 27(b).

a. Concerning Account No. 930.01, the director fees and expenses shown on sheets 1 and 2 of 6:

(1) Provide a schedule, by individual, listing the compensation for service, cash retainer, cash performance bonus, and anything else of value paid to each person serving as a member of Delta's Board of Directors during the test year. Include for each individual the total sum paid by Delta. If any form of compensation to a director was recorded in an account other than Account No. 930.01, provide the same information as requested for Account No. 930.01.

(2) Provide a description of the decision-making responsibilities or activities of the members of the Board of Directors regarding Delta's subsidiaries, Delta Resources, Inc.; Delgasgo, Inc.; and Enpro, Inc.

b. Concerning Account No. 930.02, industry association dues shown on sheet 2 of 7, describe the nature and purpose of the following organizations and explain why the expense should be included for rate-making purposes:

- (1) Kentucky Press Association;
- (2) Society for Human Resource Management;
- (3) Society for Corporate Secretaries;
- (4) Madison County HBA;
- (5) Southeastern Kentucky HBA;
- (6) Bluegrass Tomorrow;
- (7) BP – Membership Fee;
- (8) University of Missouri – FRI/PUD;
- (9) Kentucky Motor Transportation Association;
- (10) Tennessee Gas Association; and
- (11) Commerce Lexington.

c. For the accounts listed below, further information is needed concerning the expenditures contained therein. For each account, repeat the transaction detail as shown in the response, but organize the transactions by vendor name and describe the nature or purpose of the expenditure instead of referencing "Miscellaneous."

- (1) Account No. 930.03 – Fees Conventions & Meetings.
- (2) Account No. 930.05 – Company Relations.
- (3) Account No. 930.09 – Customer & Public Information.

**DELTA NATURAL GAS COMPANY, INC.
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Response:

- a. (1) See attached.
- (2) All corporate powers shall be exercised by or under the authority of and the business affairs of the Corporation managed under the direction of the Board of Directors. The Corporation includes Delta Natural Gas Company, Inc. and its three subsidiaries. Director compensation is included in the administrative charges allocated to Delta's subsidiaries as discussed in the First PSC Data Request Item 39a.
- b. (1) Promotes the interests of its members, the newspapers of Kentucky. Delta participates to help support the efforts of this association, which helps provide news reporting in our service areas.
- (2) Participation in this organization helps us keep abreast of new information concerning all aspects of human resources, which directly relates to service to our customers.
- (3) Delta is a public, investor-owned company and must report quarterly to the Securities and Exchange Commission. Information from this organization helps with our compliance.
- (4) Home builder associations involvement helps us to interact with the builders and to stay better informed as to their concerns in order to meet their future needs.
- (5) See response to (4).
- (6) Participation keeps us better informed about regional planning and helps support the communities and thus the customers involved.
- (7) Membership helps control fuel costs helping to keep our rates lower.
- (8) Provides a neutral environment for stakeholders in the regulated public utility industry to come together to examine, understand, and debate current issues relating to public utility policy.
- (9) Delta participated with this organization to help obtain information about regulatory requirement as needed relative to Delta's larger trucks and vehicles.

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(10) Delta participates as some of our transportation volumes go to an interconnected pipeline in Tennessee. This helps us stay better abreast of transportation opportunities. Our transportation revenue helps to keep our other rates lower.

(11) See response (6).

c. See attached

Sponsoring Witness:

Matthew D. Wesolosky

LINE NO	VENDOR	NAME	CHECK NO	AC NUMBER	GLDATE	TOTAL AMT	DESCRIPTION
1	4314	B B & T BANKCARD CORPORATION	263889	1930030	2009-03-31	425.00	AGA Finance Committee Meeting registration John Brown, CFO. AGA Finance Committee facilitates and supports interaction between the financial community and the natural gas utility industry.
2	4314	B B & T BANKCARD CORPORATION	265740	1930030	2009-06-24	260.00	Annual Meeting registration for Glenn Jennings, President
3	4314	B B & T BANKCARD CORPORATION	267977	1930030	2009-09-22	710.00	NARUC Annual Convention registration fee Bob Hazelrigg
4	4314	B B & T BANKCARD CORPORATION	269465	1930030	2009-11-30	99.00	Kentucky Association for Economic Development registration fee Bob Hazelrigg
5	4314	B B & T BANKCARD CORPORATION	270032	1930030	2009-12-29	495.00	NARUC Winter Committee Meeting registration fee Glenn Jennings, President
6	1168	HOME BUILDERS ASSOCIATION OF KY	262203	1930030	2009-02-01	300.00	Meetin registration fees Jeff Steele - Operations
7	0	HOME BUILDERS ASSOCIATION OF LEXINGTON	263224	1930030	2009-03-02	150.00	Midwest Regional ENERGY STAR Conference registration fees Jeff Steele
8	1343	KENTUCKY GAS ASSOCIATION	264841	1930030	2009-05-15	100.00	KGA EXPO - bronze membership
9	1343	KENTUCKY GAS ASSOCIATION	264867	1930030	2009-06-01	1,375.00	KGA Annual Meeting registration fees
10	1343	KENTUCKY GAS ASSOCIATION	265111	1930030	2009-06-01	250.00	Sponsorship for KGA Annual Meeting
11	1351	KENTUCKY OIL & GAS ASSOCIATION	263705	1930030	2009-03-24	40.00	1st Quarter Meeting registration fees Bob Hazelrigg
12	1764	NATIONAL INVESTOR RELATIONS INSTITUTE	261732	1930030	2009-01-01	1,275.00	Investors Relations Seminar registration fees John Brown, CFO
13	2126	SEARUC 2009	264740	1930030	2009-06-01	450.00	SEARUC Conference registration fees for Bob Hazelrigg
TOTAL AC 1.930.03 - FEES CONVENTIONS & MEETINGS						5,929.00	

LINE NO.	VENDOR	NAME	CHECK NO	AC NUMBER	GLDATE	TOTAL AMT	DESCRIPTION
1	32	ADVERTISING SPECIALTIES	269340	1930050	2009-11-25	470.75	Employee Safety Awards
2	32	ADVERTISING SPECIALTIES	269340	1930050	2009-11-25	379.44	Employee Safety Awards
3	32	ADVERTISING SPECIALTIES	269340	1930050	2009-11-25	442.68	Employee Safety Awards
4	32	ADVERTISING SPECIALTIES	269888	1930050	2009-12-22	554.34	Delta Logo Shirts for Leadership Group
5	5107	B B & T - RETIREMENT GIFTS EMPLOYEES	269366	1930050	2009-12-01	1,311.80	Retirement Gifts 4 employees
6	4314	B B & T BANKCARD CORPORATION	263853	1930050	2009-03-26	48.75	Gift for hospitalized employee
7	4314	B B & T BANKCARD CORPORATION	264429	1930050	2009-04-28	31.79	Flowers funeral of employee family member
8	4314	B B & T BANKCARD CORPORATION	265157	1930050	2009-05-27	42.65	Gift for hospitalized employee
9	4314	B B & T BANKCARD CORPORATION	265157	1930050	2009-05-28	84.80	Gift for hospitalized employee
10	4314	B B & T BANKCARD CORPORATION	265740	1930050	2009-06-23	40.00	Gift for hospitalized employee
11	4314	B B & T BANKCARD CORPORATION	267977	1930050	2009-09-24	35.00	Gift for hospitalized employee
12	4314	B B & T BANKCARD CORPORATION	270032	1930050	2009-12-22	56.06	Gift for birth of child to employee
13	4314	B B & T BANKCARD CORPORATION	270032	1930050	2009-12-23	14.28	Frames for safety awards
14	0	BATH COUNTY FLORIST	263776	1930050	2009-03-01	44.95	Flowers funeral of employee family member
15	0	BATH COUNTY FLORIST	265234	1930050	2009-06-01	41.98	Flowers funeral of employee family member
16	497	CHAPMAN PRINTING COMPANY INC, THE	264267	1930050	2009-03-31	921.14	Delta Digest news letter
17	497	CHAPMAN PRINTING COMPANY INC, THE	267052	1930050	2009-07-31	921.14	Delta Digest news letter
18	497	CHAPMAN PRINTING COMPANY INC, THE	269740	1930050	2009-11-30	921.14	Delta Digest news letter
19	3221	COLLINS, BONNIE	264543	1930050	2009-05-05	40.00	Gift for hospitalized employee
20	3221	COLLINS, BONNIE	264543	1930050	2009-05-05	40.00	Gift for hospitalized employee
21	3221	COLLINS, BONNIE	264819	1930050	2009-05-13	44.52	Flowers funeral of employee family member
22	3221	COLLINS, BONNIE	268485	1930050	2009-10-21	43.03	Gift for hospitalized employee spouse
23	636	CORBIN FLOWER SHOP	266708	1930050	2009-07-31	56.18	Flowers funeral of employee family member
24	4593	CRAFT NOOK, THE	265084	1930050	2009-05-31	62.54	Flowers funeral of employee family member
25	4593	CRAFT NOOK, THE	270144	1930050	2009-12-01	49.27	Flowers funeral of employee family member
26	277	DELTA NATURAL GAS - 02	263202	1930050	2009-02-01	35.00	Gift for hospitalized employee
27	643	DELTA NATURAL GAS - 11	269510	1930050	2009-11-30	25.00	Gift for hospitalized employee
28	1132	HENRY'S FLOWER SHOP	270172	1930050	2009-12-01	53.00	Flowers funeral of employee family member
29	0	JOUETT CRAYCRAFT'S CHILDREN'S ED. FUND	264840	1930050	2009-05-20	100.00	Education fund set up in memory of employee
30	3364	LANDS' END BUSINESS OUTFITTERS	263816	1930050	2009-03-24	197.39	Employee uniforms
31		PAYROLL- SERVICE AWARDS EMPLOYEES	PAYROLL	1930050	2009-11-31	1,777.93	Employee service awards
32	0	ST AGATHA ENDOWMENT FUND	266576	1930050	2009-07-28	100.00	Endowment fund for employee family member
33	2311	STANTON FLORIST	264419	1930050	2009-04-30	42.40	Flowers funeral of employee family member
34	4587	TOP DRAWER GALLERY	268298	1930050	2009-09-30	406.19	Employee service awards
35	4587	TOP DRAWER GALLERY	269786	1930050	2009-12-04	152.32	Employee service awards
36			TOTAL AC 1.930.05 - COMPANY RELATIONS			9,587.46	

LINE NO.	VENDOR	NAME	CHECK NO	AC NUMBER	GLDATE	TOTAL AMT	DESCRIPTION
1	4986	ADVOCATE COMMUNICATIONS INC	266058	1930090	2009-06-30	789.05	Damage Prevention Program Advertisement for Awareness
2	210	BATH COUNTY NEWS OUTLOOK	267146	1930090	2009-08-25	20.00	Delta advertisement
3	256	BEREA CITIZEN, THE	266067	1930090	2009-06-30	720.00	Damage Prevention Program Advertisement for Awareness
4	5025	BEREA GIRLS BASKETBALL	262916	1930090	2009-02-19	50.00	Delta advertisement
5	4876	CENTRAL FORMS SOLUTIONS	265741	1930090	2009-06-29	1,528.52	Billing Inserts
6	4876	CENTRAL FORMS SOLUTIONS	267412	1930090	2009-08-31	1,460.38	Billing Inserts regarding Paymentus charge, debit and e-check payment methods
7	4876	CENTRAL FORMS SOLUTIONS	269971	1930090	2009-12-30	1,619.00	Billing Inserts - Payments
8	497	CHAPMAN PRINTING COMPANY INC, THE	262986	1930090	2009-01-31	1,260.87	Billing Inserts
9	497	CHAPMAN PRINTING COMPANY INC, THE	263478	1930090	2009-02-01	296.27	Meter Reading Schedule Cards
10	497	CHAPMAN PRINTING COMPANY INC, THE	264759	1930090	2009-04-30	1,048.34	Billing Inserts
11	497	CHAPMAN PRINTING COMPANY INC, THE	265344	1930090	2009-05-27	1,260.87	Billing Inserts
12	497	CHAPMAN PRINTING COMPANY INC, THE	265518	1930090	2009-05-31	1,260.34	Billing Inserts
13	497	CHAPMAN PRINTING COMPANY INC, THE	265518	1930090	2009-05-31	1,260.34	Billing Inserts
14	497	CHAPMAN PRINTING COMPANY INC, THE	267052	1930090	2009-07-31	1,239.67	Billing Inserts
15	497	CHAPMAN PRINTING COMPANY INC, THE	267052	1930090	2009-07-31	1,276.24	Billing Inserts
16	497	CHAPMAN PRINTING COMPANY INC, THE	267710	1930090	2009-08-31	1,276.77	Billing Inserts
17	497	CHAPMAN PRINTING COMPANY INC, THE	269128	1930090	2009-10-31	1,111.94	Billing Inserts
18	497	CHAPMAN PRINTING COMPANY INC, THE	269128	1930090	2009-10-31	1,154.34	Billing Inserts
19	497	CHAPMAN PRINTING COMPANY INC, THE	270370	1930090	2009-12-23	1,048.34	Billing Inserts
20	497	CHAPMAN PRINTING COMPANY INC, THE	270584	1930090	2009-12-31	1,153.28	Billing Inserts
21	3302	CITIZEN ADVERTISER, THE	265682	1930090	2009-06-30	241.50	Damage Prevention Program Advertisement for Awareness
22	509	CITIZEN VOICE & TIMES	266077	1930090	2009-06-30	189.66	Damage Prevention Program Advertisement for Awareness
23	564	CLAY CITY TIMES, THE	266079	1930090	2009-06-30	211.41	Damage Prevention Program Advertisement for Awareness
24	277	DELTA NATURAL GAS (ITEMS PUBLIC AWARENE	263202	1930090	2009-02-27	8.11	Supplies for public awareness meeting
25	867	ESTILL COUNTY TRIBUNE, THE	266726	1930090	2009-07-31	81.00	Damage Prevention Program Advertisement for Awareness
26	3335	FLEMINGSBURG GAZETTE	265698	1930090	2009-06-30	140.00	Damage Prevention Program Advertisement for Awareness
27	5065	HEARTLAND PUBLICATIONS LLC	265954	1930090	2009-06-01	589.42	Damage Prevention Program Advertisement for Awareness
28	1306	JUNIOR ACHIEVEMENT OF THE BLUEGRASS	264766	1930090	2009-05-12	1,200.00	Junior Achievement Program
29	4868	KENTUCKY CONSERVATION OFFICERS ASSOC	267167	1930090	2009-08-25	100.00	Publication in Magazine
30	2653	KENTUCKY INSTITUE-ECONOMIC DEVELOPMEN	267169	1930090	2009-08-25	300.00	Sponsorship
31	4667	LEE PUBLICATIONS INC	266109	1930090	2009-06-30	749.24	Damage Prevention Program Advertisement for Awareness

LINE NO.	VENDOR	NAME	CHECK NO	AC NUMBER	GLDATE	TOTAL AMT	DESCRIPTION	
32	1473	LEXINGTON HERALD-LEADER	266110	1930090	2009-06-30	390.00	Damage Prevention Program Advertisement for Awareness	
33	4959	MC INVESTMENTS INC	265978	1930090	2009-06-30	216.00	Damage Prevention Program Advertisement for Awareness	
34	4101	MOREHEAD NEWS GROUP	266117	1930090	2009-06-01	758.90	Damage Prevention Program Advertisement for Awareness	
35	4997	MOUNTAIN ADVOCATE MEDIA INC	266118	1930090	2009-06-30	262.27	Damage Prevention Program Advertisement for Awareness	
36	1720	MT. STERLING ADVOCATE	266119	1930090	2009-06-30	254.91	Damage Prevention Program Advertisement for Awareness	
37	1790	NEWTON MANUFACTURING COMPANY	268670	1930090	2009-10-28	140.00	2010 Calendars with Delta Emergency Contact Information	
38	1790	NEWTON MANUFACTURING COMPANY	268670	1930090	2009-10-28	2,602.85	2010 Calendars with Delta Emergency Contact Information	
39	1923	PINEVILLE SUN	265988	1930090	2009-06-30	243.00	Damage Prevention Program Advertisement for Awareness	
40	2047	REES PRINTING COMPANY	265997	1930090	2009-06-30	732.22	Brochures for Damage Prevention Program	
41	2047	REES PRINTING COMPANY	266599	1930090	2009-07-27	1,321.09	Triangle Magnets to be Mailed with Damage Prevention Brochure	
42	2069	RICHMOND REGISTER	266131	1930090	2009-06-30	583.20	Damage Prevention Program Advertisement for Awareness	
43	2409	THREE FORKS TRADITION	265730	1930090	2009-06-30	175.00	Damage Prevention Program Advertisement for Awareness	
44	2411	TIMES-TRIBUNE, THE	266146	1930090	2009-06-30	678.60	Damage Prevention Program Advertisement for Awareness	
45		TOTAL AC 1.930.09 - CUSTOMER & PUBLIC INFORMATION					33,002.94	

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

52. Refer to the response to Staff's First Request, Item 28.
- a. Provide an explanation for the nature and purpose of the services in the amount of \$29,956.81 provided by Stoll, Keenon and Ogden described as "General."
 - b. Describe the nature and purpose of the work described as "Citizens Gas Utility" provided by Stoll, Keenon and Ogden.
 - c. Describe the nature and purpose of the work described as "Related to SEC comment letter & Gas Storage Leak" provided by Deloitte and Touche, LLP.
 - d. Describe the nature and purpose of the work described as "Installment billing for the unit of property repairs" provided by Deloitte and Touche, LLP.
 - e. Provide a detail of the additional accrual amounts for accounting services.
 - f. Describe the nature of the consulting services provided by Mercer.
 - g. Describe the nature of the consulting services provided by Alan Heath.
 - h. Describe the nature of the consulting services provided by Clyde Russell.

Response:

- a. The \$29,956.81 is comprised of the following legal services:
 - Asset retirement obligations - \$3,373.20
 - Employee benefit plans - \$8,596.80
 - Subsidiary matters - \$9,757.80
 - Review of SEC filings - \$7,098.30
 - Various other - \$1,130.71

Upon review of the invoice, the subsidiary legal matters were charged to Delta's legal expense account in error. It is Delta's practice to allocate a portion of all legal expenses incurred by Delta to the subsidiary companies. However, matters which are solely attributable to the subsidiary company should be charged directly to the subsidiary company. We have reviewed the other legal invoices included in the test year and determined the amounts on the attached schedule should have been charged directly to the subsidiary companies.

- b. Upon review of the invoices, all matters pertaining to Citizens Gas Utility were matters attributable to our subsidiary companies. These amounts have been summarized on the attached schedule for Item 52 a. of this request.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

- c. Both of these items are accounting consultations which Deloitte routinely provides to Delta. The SEC regularly reviews our filings and issues a letter asking further clarification on certain matters related to the filings. Deloitte provided audit related services to review our responses to the SEC Comment Letter. Additionally, Deloitte incurred additional time outside of the scope of the current audit to review the accounting and disclosure treatment of the storage gas loss. The storage gas loss is further described in Item 46.
- d. Deloitte routinely provides tax related consultations to Delta. Delta utilized Deloitte to assist changing its income tax method of accounting for repairs under IRC section 162.
- e. The additional accrual amounts totaling \$60,966 represent the change in beginning of year and end of year accrual for accounting services and are comprised of the following:
- Employee benefit plan audits \$23,516
 - Tax related services (\$3,500)
 - Audit \$7,000
 - Unit of Property project \$33,950
- f. Compensation reviews.
- g. & h. Both Alan Heath and Clyde Russell retired from Delta in 2008. During 2009 we had a consulting arrangement with Mr. Heath and Mr. Russell to provide consultations with respect to our natural gas storage field. These contracts expired in December, 2009 and we now are utilizing a third party to provide these services.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas Company, Inc.

Allocation of Legal Fees Attributable to Subsidiary Companies

52 (a)

Vendor	Account	Check Date	Invoiced Amount	Check#	Invoice	Subsidiary Matters*	
2334	STOLL KEENON AND OGDEN	1923010	20090831	29,956.81	267421	JUL 09	9,757.80
2334	STOLL KEENON AND OGDEN	1923010	20090930	1,039.56	268330	631522	944.10
2334	STOLL KEENON AND OGDEN	1923010	20091218	873.69	269940	NOV 09	94.50
2334	STOLL KEENON AND OGDEN	1923010	20091231	1,269.90	270248	639058	189.00
2334	STOLL KEENON AND OGDEN	1923010	20090531	1,753.20	265534	MAY 09	378.00
2334	STOLL KEENON AND OGDEN	1923010	20090218	815.26	263001	JAN 09	815.26
2334	STOLL KEENON AND OGDEN	1923010	20090318	5,276.25	263571	FEB 09	5,276.25
2334	STOLL KEENON AND OGDEN	1923010	20090331	23,475.02	264153	MAR 09	23,475.02
2334	STOLL KEENON AND OGDEN	1923010	20090430	9,002.02	264878	APR 09	9,002.02
2334	STOLL KEENON AND OGDEN	1923010	20090531	5,587.20	265534	MAY 09	5,587.20
5087	CRABTREE & GOFORTH PLLC	1923010	20090831	890.30	267475	22005	890.30
4995	BAKER DONELSON BEARMAN CALDWELL	1923010	20090331	928.75	264068	7091887	928.75
5092	BUCHANAN INGERSOLL & ROONEY	1923010	20091125	1,259.00	269341	0076801	1,259.00
5092	BUCHANAN INGERSOLL & ROONEY	1923010	20090923	252.00	267818	1023402	252.00
2334	STOLL KEENON AND OGDEN	1923010	20090601	163.80	266006	622563	163.80
2334	STOLL KEENON AND OGDEN	1923010	20090930	104.00	268159	630733	104.00
2334	STOLL KEENON AND OGDEN	1923010	20091130	996.78	269474	635948	996.78
2334	STOLL KEENON AND OGDEN	1923010	20090401	1,257.48	264636	617088	1,257.48
2334	STOLL KEENON AND OGDEN	1923010	20090731	103.50	266822	624969	103.50
2334	STOLL KEENON AND OGDEN	1923010	20090831	339.30	267421	628207	339.30
2334	STOLL KEENON AND OGDEN	1923010	20091031	2,533.51	268870	633727	2,533.51
2334	STOLL KEENON AND OGDEN	1923010	20091229	460.76	270021	638384	460.76
2334	STOLL KEENON AND OGDEN	1923010	20090531	1,280.70	265175	620170	1,280.70
2334	STOLL KEENON AND OGDEN	1923010	20090831	838.13	267421	628222	838.13
2334	STOLL KEENON AND OGDEN	1923010	20090930	627.62	268159	630744	627.62
2334	STOLL KEENON AND OGDEN	1923010	20090731	1,375.52	266822	624980	1,375.52
2334	STOLL KEENON AND OGDEN	1923010	20091031	834.18	268870	633739	834.18
2334	STOLL KEENON AND OGDEN	1923010	20091130	62.10	269474	635957	62.10
2334	STOLL KEENON AND OGDEN	1923010	20091229	62.10	270021	638397	62.10

69,888.68

* Amounts for subsidiary matters are included in the Invoiced Amount and were charged to Delta account 1.923.01 - Outside Services - Legal.

DELTA NATURAL GAS COMPANY, INC.
CASE NO. 2010-00116

SECOND PSC DATA REQUEST
DATED MAY 24, 2010

53. Refer to Staff's First Request, Item 48. The fourth paragraph on the last page of Exhibit 5 indicates that "[e]ffective May 9, 2008, any employees hired on and after that date were not eligible to participate in [Delta's] defined benefit pension plan."
- a. Provide the number of employees not eligible to participate in Delta's defined benefit pension plan.
 - b. Provide the plan details, account numbers, and amounts for any level of contribution related to retirement benefits for those exempted employees.
 - c. Explain whether Delta anticipates this exemption to be ongoing, and provide an estimate of any decreases in pension expense in future years.

Response:

- (a) Presently, only one additional employee would have been eligible to participate in the DB Plan had it not been for the change effective May 9, 2008.
- (b) Exempted employees may receive a discretionary contribution into a defined contribution account. In June, 2009, the Company accrued a 4% contribution based on the July 1, 2008 salary. This contribution totaled \$1,200 for the one participant. The \$1,200 was charged to account 1.926.03 Employee 401(k) Plan.
- (c) Delta anticipates this exemption to be ongoing but the decrease in pension expense will be inconsequential for several years given Delta's low turn-over. Also, any reductions in DB expense will be offset by the increase in DC expenses.

Sponsoring Witness:

John B. Brown