

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

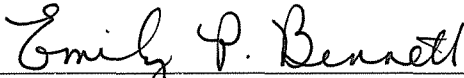
APPLICATION OF DELTA NATURAL )  
GAS COMPANY, INC. FOR AN ) CASE NO. 2010-00116  
ADJUSTMENT OF RATES )

\*\*\*\*\*  
VERIFICATION

The undersigned, **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 28<sup>th</sup> 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:**

|                                     |   |                            |
|-------------------------------------|---|----------------------------|
| <b>APPLICATION OF DELTA NATURAL</b> | ) |                            |
| <b>GAS COMPANY, INC. FOR AN</b>     | ) | <b>CASE NO. 2010-00116</b> |
| <b>ADJUSTMENT OF RATES</b>          | ) |                            |

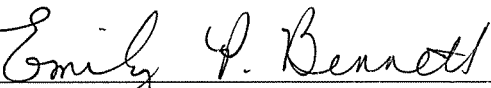
\*\*\*\*\*  
**VERIFICATION**

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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 28<sup>th</sup> day of June, 2010.

  
\_\_\_\_\_  
Notary Public (SEAL)

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**

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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**

Subscribed and sworn to before me, a Notary Public and before said County and State, this 23<sup>rd</sup> day of June, 2010.

 (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

9-30-10

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**APPLICATION OF DELTA NATURAL )  
GAS COMPANY, INC. FOR AN )  
ADJUSTMENT OF RATES )**

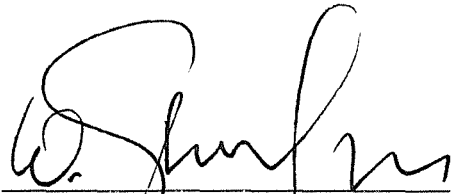
**CASE NO. 2010-00116**

\* \* \* \* \*

**VERIFICATION**

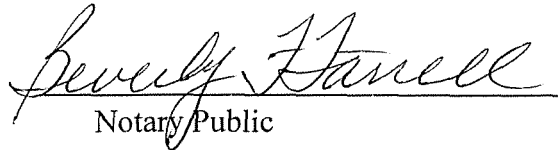
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The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Consultant of The Prime Group, LLC, and that he has personal knowledge of the matters set forth in the responses for which he is identified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



**William Steven Seelye**

Subscribed and sworn to before me, a Notary Public and before said County and State, this 23 day of June, 2010.

  
Notary Public

(SEAL)

My Commission Expires:

9-30-10

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

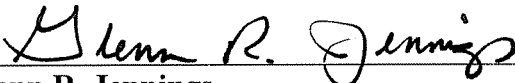
**In the Matter of:**

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

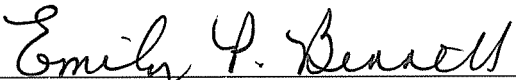
\*\*\*\*\*  
**VERIFICATION**

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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 28<sup>th</sup> day of June, 2010.

  
\_\_\_\_\_  
Emily P. Beasell (SEAL)  
Notary Public

My Commission Expires:

6/20/12



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

1. Refer to Delta's response to Item 4.b.(1) of Commission Staff's Second Data Request ("Staff's Second Request").
  - a. In Schedule 1, numerous employees are identified as salaried and are paid overtime hours. Explain why employees classified as salaried are paid for overtime hours.
  - b. In Schedule 1, the column identified as "Actual Hours Worked, 01/01/09 – 12/31/09, Regular, shows 2,088 is used for a regular work year rather than 2,080, the standard number of hours for a work year. Explain why 2,088 hours were used in the schedule and provide the number of annual hours Delta used for its annualized salary and wages calculation.

Response:

- a. All full-time employees employed at Delta are considered salaried. All positions are divided into two categories, non-exempt and exempt. Positions that are considered non-exempt are paid overtime for all hours worked in excess of 8 hours per day. Those jobs considered to be exempt positions are not paid any overtime.
- b. The 2,088 hours shown on Schedule 1 were the number of "Actual Hours" worked in 2009 (261 days excluding weekends). Delta utilizes a standard work year of 2080 hours for salary calculations. The annualized regular salary, effective December 31, 2009, was used.

Sponsoring Witness:

John B. Brown





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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

2. Refer to Delta's response to Item 4.b.(2) of Staff's Second Request. Explain what is meant by the comment "seasonality of its operations" and how this relates to Delta's annualized salary calculations.

Response:

The company hires part-time/seasonal employees each year during the summer when the weather is more conducive to outside work and then terminates them each year well in advance of December 31, the end of the test year.

A proforma calculation that includes only employees on payroll at December 31 in a given year would be understated, as it would include no allowance for the amounts that will be paid in the upcoming year to these seasonal employees.

Sponsoring Witness:

John B. Brown



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

3. Refer to Delta's response to Item 6 of Staff's Second Request.
  - a. Provide the annual amounts for major medical claims incurred for each year from 2005 through 2008.
  - b. Provide a detailed description of the reasons for the level of major medical claims incurred, \$408,000 during the test year.

Response:

- 3 a. 2005 – \$582,817 (16 claims)  
2006 – \$240,745 (12 claims)  
2007 – \$669,298 (22 claims)  
2008 – \$601,024 (10 claims)  
2009 – \$648,765 (17 claims)

Large claims represent any single payment from our self-insured medical plan in excess of \$10,000.

- b. As noted in part a.) of this response, major medical claims incurred for 2009 were \$648,465. The \$408,000 represents the increase from 2006, not the level of claims incurred during the 2009 test year. The \$408,000 increase from 2006 is due to claims incurred in the 2006 test year being unusually low as compared to our historical experience. Under HIPPA we are not provided a detail of the circumstances giving rise to a claim.

Sponsoring Witness:

Matthew D. Wesolosky



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

4. Refer to Delta's response to Item 7.a. of Staff's Second Request.
  - a. Explain why the Annual Pipeline Replacement Program ("PRP") adjustment is allocated to customer classes based on their proportion of customer charge revenue at proposed rates instead of the proportion of base rate revenue contribution at proposed rates.
  - b. Provide a calculation of the PRP increase allocated to each customer class if allocations are based on "Adjusted Billings at Base Rates" under the "Calculated Net Revenue @ Proposed Rates" column from Seelye Exhibit 4 as opposed to "Customer Charge" billings under the "Calculated Net Revenue @ Proposed Rates" column.

Response:

- a. Delta proposed one alternative but has no preference in how the fixed charge adjustment is allocated to customer classes.
- b. See attached.

Sponsoring Witness:

John B. Brown

|    | (A)   | (B)          | (C)                           | (D)             | (E)       | (F)                   | (G)       | (H)               | (I)             |
|----|---|--------------|-------------------------------|-----------------|-----------|-----------------------|-----------|-------------------|-----------------|
|    |   | Accum. Depr. | [(B) - (H) - (I)]<br>x 37.96% | (A) + (B) + (C) | Book Rate | Avg Book Dist & Trans | Tax Rate  | (H) x [(A) + (I)] | (A) x 90%       |
|    | Expenditures                                |              | Income Taxes                  | Net Rate Base   |           | Yr-1 MACRS            | Depr Rate | Accum Depr        | Repairs Expense |
| 1  | Distribution Mains                          | (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    | (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   |                               |                 |           |                       |           |                   |                 |

|                       | Calculated Net Revenue @ Proposed Rates |            | Monthly Customer Charge |                         | Allocated PRP Adjustment |            | # Customers per Case No. |              | Revised Monthly Customer Charge w PRP |              |
|-----------------------|---|------------|-------------------------|-------------------------|--------------------------|------------|--------------------------|--------------|---------------------------------------|--------------|
|                       | 2010-00116                              | Allocation | per Case No. 00116      | per Case No. 2010-00116 | 2010-00116               | 2010-00116 | 2010-00116               | per Case No. | Increase                              | Charge w PRP |
| Residential           | 16,105,774                              | 55.5%      | 24                      | 84,915                  | 367,703                  | 0.23       | \$                       | 24.23        |                                       |              |
| Small Non-Residential | 4,196,701                               | 14.4%      | 35                      | 22,127                  | 49,647                   | 0.45       | \$                       | 35.45        |                                       |              |
| Large Non-Residential | 7,256,385                               | 25.0%      | 150                     | 38,258                  | 10,407                   | 3.68       | \$                       | 153.68       |                                       |              |
| Interruption          | 1,484,120                               | 5.1%       | 250                     | 7,825                   | 62                       | 126.21     | \$                       | 376.21       |                                       |              |
|                       | 29,042,980                              | 100.0%     |                         | \$ 153,125              |                          |            |                          | 427,819      |                                       |              |



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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

5. Refer to Delta's response to Item 8 of Staff's Second Request.
  - a. In using historical booked uncollectible gas cost to estimate expected uncollectible gas cost for the corresponding quarter, explain whether Delta is proposing to adjust the expected gas cost based on differences in the expected cost of gas as opposed to the cost of gas in the historical three-month period.
  - b. Did Delta consider other methodologies for estimating uncollectible gas cost? If so, identify the methodologies considered and provide the reason Delta chose the method proposed.

Response:

- 5a. Yes, Delta's proposal adjusts the expected gas cost based on differences in the expected cost of gas as opposed to the cost of gas in the historical three-month period. Delta's proposed methodology takes advantage of the "dollar-tracking" feature of the gas cost recovery mechanism. In the gas cost recovery mechanism, only the amounts booked to the unrecovered gas cost account on the balance sheet ultimately get recovered from the customer. Differences between actual costs and expected costs are settled through the actual and balancing adjustments.
- 5b. Delta first reviewed the methodologies recently proposed by Columbia and Atmos and developed a method that in substance accomplishes the same result in a manner that is simple to administer and review given Delta's environment. Utilizing historical actual amounts as a basis for estimating expected uncollectible gas cost is more straightforward than developing a separate calculation and is consistent with the "dollar-tracking" methodology employed in our GCR mechanism.

Sponsoring Witness:

John B. Brown





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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

6. Refer to Delta's response to Item 12 of Staff's Second Request. It appears from the response that the negative 44.8 percent earnings-per-share growth rate that causes Delta to compare unfavorably with the panel of natural gas distribution companies on Exhibit MJB-7 is due in large part to unregulated activities.
  - a. Explain whether the comparison companies in the natural gas distribution panel have similar unregulated activities.
  - b. Explain whether Delta is proposing that the effect of its unregulated activities on its relative riskiness should be reflected in its allowed return on equity.

Response:

- (a) Dr. Blake does not know whether any of the other companies in his panel have unregulated activities, and if they do, the extent of those unregulated activities.
- (b) Delta is not proposing that the effect of its unregulated activities be reflected in its allowed return on equity. The negative 44.8% earnings per share growth rate reported by Edward Jones Company was not used in developing Dr. Blake's recommendation for a 12.1% ROE. He included this information in Exhibit MJB-7 to show how Delta compares to other natural gas distribution utilities with respect to earnings per share growth rate. Exhibits MJB-2 through MJB-9 were included in my testimony to show how Delta compares to other natural gas distribution utilities with respect to relevant financial measures. These exhibits demonstrate that Delta is in a relatively worse position than other natural gas distribution companies with respect to these relevant financial measures. Furthermore, Exhibit MJB-11 shows that with the impact of the unregulated activities removed Delta has an actual earned ROE in 2009 of 5%, which is less than half of the Commission allowed ROE of 10.5%.

Sponsoring Witness:

Martin J. Blake



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

7. Refer to Item 16 of Staff's Second Request. Provide the requested copies of Board minutes, including financial presentations, for 2008 and 2009, irrespective of the failure to pass any resolutions concerning equity levels.

Response:

Item 16 of the second PSC data request asked Delta to "provide copies of Board minutes where equity levels were discussed and determined to be too low." No copies of minutes were provided because in no Board meeting since the last rate case has a discussion taken place regarding equity levels being too low.

The Board takes action based on equity levels when Delta makes financing decisions. When financing is necessary, the equity levels will influence the Company's decision as to whether to issue new equity, new debt or a combination of the two. Since Delta has not pursued financing since the last rate case, the related discussion with the Board of Directors regarding the raising of equity levels through equity offerings has not taken place.

As explained in the response to Item 16, while no resolutions concerning equity levels and the need to raise them have been passed, the Board is kept informed of the current debt/equity ratio through the discussion of financial results in each quarterly meeting.

The financial exhibit to Board minutes is entitled the "Quarterly Summary Report" and is mailed to each Director prior to each meeting. Data in this report serves as the basis for the financial presentation that is made to the Board by the CFO each quarter. The current debt/equity ratio is derived from the Balance Sheet in the Quarterly Summary Report and is discussed in conjunction with the financial presentation. The financial exhibits to the Board minutes for 2008-2009 are attached.

Delta's Board minutes for 2007, 2008, 2009 and 2010 to date have been filed under seal with motion for confidential treatment in response to Item 2 of the Attorney General's Initial Request For Information.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company, Inc.  
Board of Directors' Meeting - 2/22/08  
Quarterly Summary Report

|  | Periods ended December 31    |                              |                              |                              |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|  | 6 months                     |                              |                              | 12 months                    |                              |
|  | <u>2007</u><br><u>Actual</u> | <u>2007</u><br><u>Budget</u> | <u>2006</u><br><u>Actual</u> | <u>2007</u><br><u>Actual</u> | <u>2006</u><br><u>Actual</u> |
| System Throughput (million cu. Ft.)                              |                              |                              |                              |                              |                              |
| Regulated Gas Sales Volumes                                      | <u>1,102</u>                 | <u>1,373</u>                 | <u>1,248</u>                 | <u>3,137</u>                 | <u>3,046</u>                 |
| Transportation Volumes   |                              |                              |                              |                              |                              |
| - off system   | <u>5,911</u>                 | <u>4,271</u>                 | <u>4,245</u>                 | <u>11,440</u>                | <u>8,526</u>                 |
| - on system  | <u>2,416</u>                 | <u>2,643</u>                 | <u>2,627</u>                 | <u>4,950</u>                 | <u>5,375</u>                 |
| Total Transportation   | <u>8,327</u>                 | <u>6,914</u>                 | <u>6,872</u>                 | <u>16,390</u>                | <u>13,901</u>                |
| Total Throughput   | <u>9,429</u>                 | <u>8,287</u>                 | <u>8,120</u>                 | <u>19,527</u>                | <u>16,947</u>                |
| Actual Lexington Calendar Degree<br>Days as % of 30 Year Average | 85                           | 100                          | 93                           | 92                           | 89                           |
| Net Income (\$000)   | 1,644                        | 473                          | 1,844                        | 5,099                        | 4,550                        |
| Net Income Per Common Share (\$)                                 | .50                          | .14                          | .57                          | 1.56                         | 1.40                         |

The attached detailed financial data is provided for further information and review.

In summary, net income before income taxes decreased \$351,000 for the six months ended December 31, 2007 compared to the previous year primarily due to a \$481,000 decrease in non-regulated net income before income taxes. In addition, regulated operating and maintenance expenses increased \$346,000 due mainly to increased labor and employee benefit costs. These decreases in net income before income taxes were partially offset by a \$525,000 increase in off-system transportation revenue and a \$108,000 increase in regulated retail sales margins, attributable to the implementation of the new rate order in November.

Net income before income taxes was \$1,908,000 higher than budgeted for the six months ended December 31, 2007 primarily resulting from the non-regulated subsidiaries netting \$833,000 more than budgeted. In addition, off-system transportation revenue was \$520,000 more than budgeted and regulated retail gas margins were \$203,000 more than budgeted.

Capital expenditures exceeded budget primarily because of the unplanned cost to rework a storage well at Canada Mountain.

**DELTA NATURAL GAS COMPANY, INC.**

**BALANCE SHEET**

December 31, 2007

| <b>ASSETS</b>                          | <b>2007</b>                  | <b>2006</b>                  |
|--|------------------------------|------------------------------|
| <b>GAS UTILITY PLANT, AT COST</b>      | \$ 187,647,489               | \$ 182,615,712               |
| Less - Reserve for Depreciation        | <u>64,861,328</u>            | <u>61,435,867</u>            |
|  | <b>\$ 122,786,161</b>        | <b>\$ 121,179,845</b>        |
| <b>CURRENT ASSETS:</b>                 |                              |                              |
| Cash                                   | \$ 680,811                   | \$ 385,644                   |
| Receivables                            | 13,597,102                   | 11,182,535                   |
| Deferred Gas Cost                      | 3,377,138                    | 1,117,889                    |
| Gas in Storage, at Cost                | 7,970,201                    | 9,809,341                    |
| Materials and Supplies, at Cost        | 503,029                      | 480,166                      |
| Prepayments                            | <u>2,406,409</u>             | <u>1,032,803</u>             |
|  | <b>\$ 28,534,690</b>         | <b>\$ 24,008,378</b>         |
| <b>OTHER ASSETS:</b>                   |                              |                              |
| Cash Surrender Value of Life Insurance | \$ 425,609                   | \$ 379,661                   |
| Unamortized Expenses                   | 5,316,910                    | 5,704,177                    |
| Receivable/Investment in Subsidiaries  | 11,584,212                   | 8,225,272                    |
| Other                                  | <u>6,773,649</u>             | <u>5,186,763</u>             |
|  | <b>\$ 24,100,380</b>         | <b>\$ 19,495,873</b>         |
| <b>TOTAL ASSETS</b>                    | <b>\$ <u>175,421,231</u></b> | <b>\$ <u>164,684,096</u></b> |
| <b>LIABILITIES</b>                     |                              |                              |
| <b>CAPITALIZATION:</b>                 |                              |                              |
| Common Stock                           | \$ 3,286,276                 | \$ 3,267,942                 |
| Paid-in Surplus                        | 46,373,067                   | 45,929,039                   |
| Capital Stock Expense                  | (2,643,353)                  | (2,643,353)                  |
| Retained Earnings                      | <u>7,184,458</u>             | <u>6,183,319</u>             |
| Total Common Equity                    | \$ 54,200,448                | \$ 52,736,947                |
| Long-term Debt                         | <u>58,402,000</u>            | <u>58,670,000</u>            |
| Total Capitalization                   | <b>\$ 112,602,448</b>        | <b>\$ 111,406,947</b>        |
| <b>CURRENT LIABILITIES:</b>            |                              |                              |
| Notes Payable                          | \$ 23,798,147                | \$ 17,146,346                |
| Current Portion of Long-Term Debt      | 1,200,000                    | 1,200,000                    |
| Accounts Payable                       | 6,609,080                    | 4,712,879                    |
| Accrued Taxes                          | (303,136)                    | 498,346                      |
| Refunds Due Customers                  | 58                           | 1,440                        |
| Customer Deposits                      | 610,958                      | 596,453                      |
| Accrued Interest                       | 869,543                      | 863,201                      |
| Current Deferred Income Taxes          | 963,559                      | 701,000                      |
| Other                                  | <u>1,066,469</u>             | <u>952,844</u>               |
|  | <b>\$ 34,814,678</b>         | <b>\$ 26,672,509</b>         |
| <b>DEFERRED CREDITS AND OTHER:</b>     |                              |                              |
| Deferred Income Taxes                  | \$ 23,824,112                | \$ 22,191,088                |
| Deferred Investment Tax Credit         | 195,700                      | 232,100                      |
| Regulatory Items                       | 2,348,392                    | 2,491,478                    |
| Advances for Construction and Other    | <u>1,635,901</u>             | <u>1,689,974</u>             |
|  | <b>\$ 28,004,105</b>         | <b>\$ 26,604,640</b>         |
| <b>TOTAL LIABILITIES</b>               | <b>\$ <u>175,421,231</u></b> | <b>\$ <u>164,684,096</u></b> |

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

December 31, 2007

|  | 6 MONTHS TO DATE |               | 12 MONTHS ENDED |                |
|--|------------------|---------------|-----------------|----------------|
|  | 2007             | 2006          | 2007            | 2006           |
| <b>OPERATING REVENUES</b>                          | \$ 23,472,682    | \$ 24,214,421 | \$ 56,400,189   | \$ 63,515,558  |
| <b>OPERATING EXPENSES &amp; TAXES:</b>             |                  |               |                 |                |
| Gas Purchased                                      | \$ 11,341,054    | \$ 12,663,211 | \$ 29,564,868   | \$ 38,363,849  |
| Operations   | 5,533,990        | 5,335,786     | 11,243,051      | 10,822,603     |
| Maintenance  | 436,300          | 288,399       | 815,307         | 679,744        |
| Depreciation                                       | 2,243,300        | 2,156,686     | 4,665,455       | 4,234,739      |
| Property & Other Taxes                             | 859,618          | 863,338       | 1,822,914       | 1,767,480      |
| Income Taxes                                       | 259,997          | 237,300       | 1,319,997       | 956,300        |
| Total  | \$ 20,674,259    | \$ 21,544,720 | \$ 49,431,592   | \$ 56,824,715  |
| Operating Income                                   | \$ 2,798,423     | \$ 2,669,701  | \$ 6,968,597    | \$ 6,690,843   |
| <b>OTHER INCOME/(EXPENSES),NET</b>                 | 1,250,343        | 1,548,801     | 2,659,930       | 2,826,879      |
| Gross Income                                       | \$ 4,048,766     | \$ 4,218,502  | \$ 9,628,527    | \$ 9,517,722   |
| <b>OTHER DEDUCTIONS:</b>                           |                  |               |                 |                |
| Interest on Debt                                   | \$ 2,210,795     | \$ 2,180,979  | \$ 4,142,650    | \$ 4,618,815   |
| Amortization                                       | 193,631          | 193,447       | 387,266         | 348,890        |
| Other  | -                | -             | -               | -              |
| Total  | \$ 2,404,426     | \$ 2,374,426  | \$ 4,529,916    | \$ 4,967,705   |
| <b>NET INCOME(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ 1,644,340     | \$ 1,844,076  | \$ 5,098,611    | \$ 4,550,017   |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>     | \$ 0.50          | \$ 0.57       | \$ 1.56         | \$ 1.40        |
| <b>CUSTOMERS AT END OF PERIOD</b>                  |                  |               | 37,283          | 37,836         |
| <b>AVERAGE SHARES</b>                              | 3,280,704        | 3,260,389     | 3,276,034       | 3,254,475      |
|  | FISCAL YTD       | FISCAL YTD    | 12 MONTH ENDED  | 12 MONTH ENDED |

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**December 31, 2007**

|   | MONTH          |            |            | YEAR TO DATE   |            |            | YEAR ENDED |             |
|---|----------------|------------|------------|----------------|------------|------------|------------|-------------|
|   | This Year Over |            |            | This Year Over |            |            | This Year  | Last Year   |
|   | (Under) Budget | This Year  | Last Year  | (Under) Budget | This Year  | Last Year  |            |             |
| DEGREE DAYS BILLED - LEXINGTON AREA     | (327)          | 571        | 639        | (960)          | 829        | 1,080      | 4,168      | 4,466       |
| <b>MCF'S:</b>                           |                |            |            |                |            |            |            |             |
| <b>DELTA NATURAL</b>                    |                |            |            |                |            |            |            |             |
| RESIDENTIAL                             | (137,054)      | 185,546    | 252,325    | (374,468)      | 366,432    | 480,466    | 1,689,988  | 1,779,377   |
| SMALL COMMERCIAL                        | (43,460)       | 53,940     | 74,948     | (116,560)      | 114,240    | 146,897    | 521,733    | 544,497     |
| COMMERCIAL - OTHER                      | (65,251)       | 77,049     | 102,912    | (173,052)      | 214,348    | 254,052    | 751,252    | 784,015     |
| INDUSTRIAL                              | 5,104          | 11,604     | 17,330     | 15,611         | 29,811     | 41,227     | 124,064    | 140,108     |
| TOTAL SOLD                              | (240,661)      | 328,139    | 447,515    | (648,469)      | 724,831    | 922,642    | 3,087,037  | 3,247,997   |
| OFF SYSTEM                              | 389,873        | 1,216,773  | 798,239    | 1,640,278      | 5,911,278  | 4,244,888  | 11,439,961 | 8,525,855   |
| ON SYSTEM                               | (40,378)       | 453,622    | 485,430    | (226,924)      | 2,415,876  | 2,626,960  | 4,950,043  | 5,375,394   |
| TOTAL TRANSPORTED                       | 349,495        | 1,670,395  | 1,283,669  | 1,413,354      | 8,327,154  | 6,871,848  | 16,390,004 | 13,901,249  |
| TOTAL DELTA NATURAL                     | 108,834        | 1,998,534  | 1,731,184  | 764,885        | 9,051,985  | 7,794,490  | 19,477,041 | 17,149,246  |
| <b>RESOURCES ON SYS INCL</b>            | (42,298)       | 176,602    | 181,719    | (143,442)      | 884,358    | 972,697    | 1,846,413  | 1,999,941   |
| <b>DELGASCO OFF SYS INCL</b>            | 191,118        | 439,218    | 373,405    | 47,560         | 1,328,960  | 1,072,574  | 3,144,462  | 2,201,191   |
| <b>ENPRO - SALES TO AFFILIATES</b>      | 347            | 10,347     | 45,197     | 1,269          | 61,269     | 97,038     | 147,548    | 179,534     |
| Unbilled MCF                            | 159,103        | 159,103    | 39,412     | 2,016          | 377,447    | 325,402    | 49,728     | (201,647)   |
| <b>REVENUES:</b>                        |                |            |            |                |            |            |            |             |
| <b>DELTA NATURAL</b>                    |                |            |            |                |            |            |            |             |
| RETAIL SALES                            | (4,884,953)    | 5,275,247  | 6,661,710  | (12,454,456)   | 13,632,444 | 15,795,473 | 47,630,277 | 60,316,580  |
| UNBILLED REVENUE                        | 2,553,163      | 2,553,163  | 1,081,205  | 5,923,520      | 5,923,520  | 4,974,232  | 819,004    | (3,875,402) |
| MISC OPERATING                          | (567)          | 22,033     | 22,972     | (2,777)        | 104,223    | 107,603    | 237,826    | 261,301     |
| OFF SYS TRANSPORT                       | 144,764        | 385,564    | 235,882    | 519,952        | 1,763,652  | 1,238,740  | 3,504,149  | 2,484,947   |
| ON SYS TRANSPORT                        | (39,596)       | 449,204    | 413,024    | (80,758)       | 2,048,842  | 2,098,373  | 4,208,932  | 4,328,132   |
| TOTAL DELTA NATURAL                     | (2,227,189)    | 8,685,211  | 8,414,793  | (6,094,519)    | 23,472,681 | 24,214,421 | 56,400,188 | 63,515,559  |
| <b>RESOURCES ON SYS SALES</b>           | 56,103         | 1,530,803  | 1,747,912  | 317,199        | 7,240,799  | 8,442,030  | 15,615,174 | 19,458,580  |
| <b>DELGASCO OFF SYS SALES</b>           | 2,445,678      | 4,109,978  | 3,614,891  | 2,262,577      | 10,858,577 | 8,816,109  | 26,088,512 | 19,385,554  |
| <b>ENPRO - SALES TO AFFILIATES</b>      | (1,899)        | 74,601     | 374,231    | 6,403          | 403,103    | 692,043    | 1,031,944  | 1,378,122   |
| TOTAL CONSOLIDATED                      | 272,693        | 14,400,593 | 14,151,827 | (3,508,340)    | 41,975,160 | 42,164,603 | 99,135,818 | 103,737,815 |
| <b>GAS COSTS:</b>                       |                |            |            |                |            |            |            |             |
| <b>DELTA NATURAL</b>                    | (4,227,596)    | 3,258,804  | 4,464,211  | (10,460,049)   | 7,614,751  | 9,510,312  | 29,088,042 | 41,730,337  |
| DELTA NATURAL UNBILLED GAS COST         | 1,580,142      | 1,580,142  | 393,497    | 3,726,304      | 3,726,304  | 3,152,899  | 476,827    | (3,366,488) |
| DELTA RESOURCES                         | (8,210)        | 1,305,190  | 1,395,259  | 166,729        | 6,333,529  | 7,134,319  | 13,572,187 | 16,980,274  |
| DELGASCO                                | 1,853,198      | 3,472,598  | 3,133,244  | 1,538,993      | 9,903,393  | 8,068,619  | 23,721,601 | 17,855,809  |
| TOTAL CONSOLIDATED                      | (802,466)      | 9,616,734  | 9,386,211  | (5,028,023)    | 27,577,977 | 27,866,149 | 66,858,657 | 73,199,932  |
| <b>NET SALES:</b>                       |                |            |            |                |            |            |            |             |
| <b>DELTA NATURAL EXCLUDING UNBILLED</b> | (657,357)      | 2,016,443  | 2,197,499  | (1,994,407)    | 6,017,693  | 6,285,161  | 18,542,235 | 18,586,243  |
| DELTA NATURAL UNBILLED                  | 973,021        | 973,021    | 687,708    | 2,197,216      | 2,197,216  | 1,821,333  | 342,177    | (608,914)   |
| DELTA RESOURCES TOTAL                   | 64,313         | 225,613    | 352,653    | 150,470        | 907,270    | 1,307,711  | 2,042,987  | 2,478,306   |
| DELGASCO                                | 592,480        | 637,380    | 481,647    | 723,584        | 955,184    | 747,490    | 2,366,911  | 1,529,745   |
| TOTAL CONSOLIDATED                      | 972,457        | 3,852,457  | 3,719,507  | 1,076,863      | 10,077,363 | 10,161,695 | 23,294,310 | 22,085,380  |
| <b>PER MCF:</b>                         |                |            |            |                |            |            |            |             |
| <b>DELTA NATURAL</b>                    |                |            |            |                |            |            |            |             |
| TOTAL SALES                             | 20.2981        | 16.0763    | 14.8860    | 19.2059        | 18.8078    | 17.1198    | 15.4291    | 18.5704     |
| COST OF GAS                             | 17.5666        | 9.9312     | 9.9756     | 16.1304        | 10.5056    | 10.3077    | 9.4226     | 12.8480     |
| NET SALES                               | 2.7315         | 6.1451     | 4.9104     | 3.0756         | 8.3022     | 6.8121     | 6.0065     | 5.7224      |
| <b>DELTA RESOURCES</b>                  |                |            |            |                |            |            |            |             |
| TOTAL SALES                             | (1.3264)       | 8.6681     | 9.6188     | (2.2113)       | 8.1876     | 8.6790     | 8.4570     | 9.7296      |
| COST OF GAS                             | 0.1941         | 7.3906     | 7.6781     | (1.1623)       | 7.1617     | 7.3346     | 7.3506     | 8.4904      |
| NET SALES                               | (1.5205)       | 1.2775     | 1.9407     | (1.0490)       | 1.0259     | 1.3444     | 1.1065     | 1.2392      |
| <b>DELGASCO</b>                         |                |            |            |                |            |            |            |             |
| TOTAL SALES                             | 12.7967        | 9.3575     | 9.6809     | 47.5731        | 8.1707     | 8.2196     | 8.2967     | 8.8068      |
| COST OF GAS                             | 9.6966         | 7.9063     | 8.3910     | 32.3590        | 7.4520     | 7.5227     | 7.5439     | 8.1119      |
| NET SALES                               | 3.1001         | 1.4512     | 1.2899     | 15.2141        | 0.7187     | 0.6969     | 0.7527     | 0.6950      |
| <b>DELTA NATURAL ONLY:</b>              |                |            |            |                |            |            |            |             |
| % Change to Customers Between Yrs:      | Total Cost     | 8.0%       |            | 9.9%           |            |            | -16.9%     |             |
|   | Gas Cost       | -0.3%      |            | 1.2%           |            |            | -18.4%     |             |
|   | Net Sales      | 8.3%       |            | 8.7%           |            |            | 1.5%       |             |



**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**December 31, 2007**

|   |                                 | <b>QUARTER ENDED</b> |                   | <b>PRICE VOLUME ANALYSIS:</b> |                           | <b>Gas</b>          | <b>Gas</b>          |
|---|---------------------------------|----------------------|-------------------|-------------------------------|---------------------------|---------------------|---------------------|
|   |                                 | 31-Dec               |                   | <b>Qtr Ended</b>              |                           | <u>Expense</u>      | <u>Revenue</u>      |
|   |                                 | <u>This Year</u>     | <u>Last Year</u>  |                               |                           |                     |                     |
| DEGREE DAYS BILLED - LEXINGTON AREA       |                                 | 829                  | 1,075             |                               |                           |                     |                     |
| <b>MCF'S:</b>                             | <b>DELTA NATURAL</b>            |                      |                   |                               |                           |                     |                     |
|   | RESIDENTIAL                     | 294,265              | 404,250           |                               | Price Variance            | 60,523              | 1,237,940           |
|   | SMALL COMMERCIAL                | 86,526               | 118,494           |                               | Price Variance/Volume     | (15,893)            | (325,069)           |
|   | COMMERCIAL - OTHER              | 145,215              | 185,922           |                               | Volume Variance           | (1,959,504)         | (3,071,004)         |
|   | INDUSTRIAL                      | 20,094               | 31,898            |                               | Sub Total                 | (1,914,874)         | (2,158,134)         |
|   | TOTAL SOLD                      | <u>546,100</u>       | <u>740,564</u>    |                               | Misc Operating            |                     | 4,612               |
|   | OFF SYSTEM                      | 3,086,149            | 2,082,440         |                               | Off System Transportation |                     | 328,821             |
|   | ON SYSTEM                       | <u>1,297,578</u>     | <u>1,395,761</u>  |                               | On System Transportation  | -                   | 28,195              |
|   | TOTAL TRANSPORTED               | <u>4,383,727</u>     | <u>3,478,201</u>  |                               | Delta Natural Difference  | <u>(1,914,874)</u>  | <u>(1,796,506)</u>  |
|   | TOTAL DELTA NATURAL             | <u>4,929,827</u>     | <u>4,218,765</u>  |                               | Price Variance            | 189,284             | (55,792)            |
|   | RESOURCES ON SYS INCL           | 516,374              | 544,322           |                               | Price Variance/Volume     | (9,719)             | 2,865               |
|   | DELGASCO OFF SYS INCL           | 857,839              | 619,176           |                               | Volume Variance           | (196,307)           | (238,991)           |
|   | ENPRO - SALES TO AFFILIATES     | 30,932               | 66,093            |                               | Resources Difference      | (16,741)            | (291,918)           |
|   |                                 | -                    | -                 |                               | Price Variance            | (105,144)           | (120,255)           |
|   | Unbilled MCF                    | 374,178              | 309,001           |                               | Price Variance/Volume     | (40,528)            | (46,353)            |
|   |                                 |                      |                   |                               | Volume Variance           | 1,864,664           | 2,094,833           |
|   |                                 |                      |                   |                               | Delgasco Difference       | <u>1,718,992</u>    | <u>1,928,225</u>    |
| <b>REVENUES:</b>                          | <b>DELTA NATURAL</b>            |                      |                   | <b>YTD</b>                    | Price Variance            | 182,553             | 1,557,352           |
|   | RETAIL SALES                    | 9,536,963            | 11,695,097        |                               | Price Variance/Volume     | (39,139)            | (333,890)           |
|   | UNBILLED REVENUE                | 5,744,661            | 4,744,646         |                               | Volume Variance           | (2,038,975)         | (3,386,490)         |
|   | MISC OPERATING                  | 71,978               | 67,366            |                               | Sub Total                 | (1,895,561)         | (2,163,029)         |
|   | OFF SYS TRANSPORT               | 938,495              | 609,674           |                               | Misc Operating            |                     | (3,380)             |
|   | ON SYS TRANSPORT                | <u>1,216,284</u>     | <u>1,188,089</u>  |                               | Off System Transportation |                     | 524,912             |
|   | TOTAL DELTA NATURAL             | <u>17,508,381</u>    | <u>18,304,872</u> |                               | On System Transportation  | -                   | (49,531)            |
|   | RESOURCES ON SYS SALES          | 4,362,725            | 4,654,643         |                               | Delta Natural Difference  | <u>(1,895,561)</u>  | <u>(1,691,028)</u>  |
|   | DELGASCO OFF SYS SALES          | 7,362,960            | 5,434,735         |                               | Price Variance            | (168,130)           | (477,944)           |
|   | ENPRO - SALES TO AFFILIATES     | 215,223              | 490,490           |                               | Price Variance/Volume     | 15,269              | 43,406              |
|   | TOTAL CONSOLIDATED              | <u>29,449,289</u>    | <u>28,884,740</u> |                               | Volume Variance           | (647,929)           | (766,694)           |
| <b>GAS COSTS:</b>                         | <b>DELTA NATURAL</b>            | 5,547,372            | 7,462,246         |                               | Resources Difference      | (800,790)           | (1,201,231)         |
|   | DELTA NATURAL UNBILLED GAS COST | 3,605,625            | 3,018,190         |                               | Price Variance            | (75,811)            | (52,393)            |
|   | DELTA RESOURCES                 | 3,806,574            | 3,823,315         |                               | Price Variance/Volume     | (18,122)            | (12,524)            |
|   | DELGASCO                        | <u>6,556,588</u>     | <u>4,837,596</u>  |                               | Volume Variance           | 1,928,707           | 2,107,386           |
|   | TOTAL CONSOLIDATED              | <u>19,516,159</u>    | <u>19,141,347</u> |                               | Delgasco Difference       | <u>1,834,774</u>    | <u>2,042,468</u>    |
| <b>NET SALES:</b>                         | <b>DELTA NATURAL TOTAL</b>      | 3,989,591            | 4,232,851         |                               | Price Variance            | (11,125,627)        | (10,202,832)        |
|   | DELTA NATURAL UNBILLED          | 2,139,036            | 1,726,456         |                               | Price Variance/Volume     | 551,349             | 505,619             |
|   | DELTA RESOURCES TOTAL           | 556,151              | 831,328           |                               | Volume Variance           | (2,068,018)         | (2,989,090)         |
|   | DELGASCO                        | <u>806,372</u>       | <u>597,139</u>    |                               | Sub Total                 | (12,642,295)        | (12,686,303)        |
|   | TOTAL CONSOLIDATED              | <u>7,491,150</u>     | <u>7,387,774</u>  |                               | Misc Operating            |                     | (23,475)            |
| <b>PER MCF:</b>                           | <b>DELTA NATURAL</b>            |                      |                   | <b>Yr Ended</b>               | Off System Transportation |                     | 1,019,202           |
|   | TOTAL SALES                     | 17,4638              | 15,7921           |                               | On System Transportation  | -                   | (119,200)           |
|   | COST OF GAS                     | <u>10,1582</u>       | <u>10,0764</u>    |                               | Delta Natural Difference  | <u>(12,642,295)</u> | <u>(11,809,777)</u> |
|   | NET SALES                       | <u>7,3056</u>        | <u>5,7157</u>     |                               | Price Variance            | (2,279,569)         | (2,545,015)         |
|   | <b>DELTA RESOURCES</b>          |                      |                   |                               | Price Variance/Volume     | 174,994             | 195,371             |
|   | TOTAL SALES                     | 8,4488               | 8,5513            |                               | Volume Variance           | (1,303,512)         | (1,493,762)         |
|   | COST OF SALES                   | <u>7,3717</u>        | <u>7,0240</u>     |                               | Resources Difference      | (3,408,087)         | (3,843,406)         |
|   | NET SALES                       | <u>1,0770</u>        | <u>1,5273</u>     |                               | Price Variance            | (1,250,178)         | (1,123,035)         |
|   | <b>DELGASCO</b>                 |                      |                   |                               | Price Variance/Volume     | (535,736)           | (481,251)           |
|   | TOTAL SALES                     | 8,5831               | 8,7774            |                               | Volume Variance           | 7,651,706           | 8,307,244           |
|   | COST OF SALES                   | <u>7,6431</u>        | <u>7,8130</u>     |                               | Delgasco Difference       | <u>5,865,792</u>    | <u>6,702,958</u>    |
|   | NET SALES                       | <u>0,9400</u>        | <u>0,9644</u>     |                               |                           |                     |                     |
| <b>DELTA NATURAL ONLY:</b>                |                                 |                      |                   |                               |                           |                     |                     |
| <b>% CHANGE TO CUSTOMERS BETWEEN YRS:</b> |                                 |                      |                   |                               |                           |                     |                     |
|   | TOTAL COST                      |                      | 10.6%             |                               |                           |                     |                     |
|   | GAS COST                        |                      | 0.5%              |                               |                           |                     |                     |
|   | NET SALES                       |                      | 10.1%             |                               |                           |                     |                     |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta

FERC

July 01, 2007 - Dec 31, 2007

|  | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|--|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>                |                         |                                |                         |                              |                           |                          |                             |
| <b>General Service Rate Billed</b>       |                         |                                |                         |                              |                           |                          |                             |
| Residential                              | 4,434,062.75CR          | 4,625,801.24CR                 | 10,969,785.42CR         | 14,720,200.00CR              | 11,889,455.52CR           | 27,231,290.20CR          | 32,042,963.32CR             |
| Small Commercial                         | 1,319,876.29CR          | 1,345,879.95CR                 | 3,189,615.10CR          | 4,407,200.00CR               | 3,443,229.07CR            | 8,085,811.57CR           | 9,428,646.93CR              |
| Other Commercial                         | 1,605,807.19CR          | 1,511,614.09CR                 | 4,567,675.92CR          | 6,736,000.00CR               | 4,703,297.63CR            | 10,709,213.33CR          | 12,421,138.58CR             |
| Industrial                               | 195,666.41CR            | 199,955.97CR                   | 454,637.97CR            | .00                          | 551,195.39CR              | 1,204,335.64CR           | 1,566,524.70CR              |
| Unmetered Gas Light                      | 633.90CR                | 657.20CR                       | 4,120.36CR              | 4,100.00CR                   | 4,172.40CR                | 7,959.12CR               | 9,737.45CR                  |
| Residential WNA                          | 161,977.75CR            | 2,339.01CR                     | 161,977.97CR            | .00                          | 2,339.01CR                | 649,057.87CR             | 371,842.32CR                |
| Small Non-Residential WNA                | 49,935.23CR             | 2,815.16CR                     | 49,935.23CR             | .00                          | 2,815.16CR                | 170,067.82CR             | 109,890.46CR                |
| Weather Normalization Revenue            | 211,912.98CR            | 5,154.17CR                     | 211,913.20CR            | .00                          | 5,154.17CR                | 819,125.69CR             | 481,732.78CR                |
| <b>Total General Service Rate Billed</b> | <b>7,767,959.52CR</b>   | <b>7,689,062.62CR</b>          | <b>19,397,747.97CR</b>  | <b>25,867,500.00CR</b>       | <b>20,596,504.18CR</b>    | <b>48,057,735.55CR</b>   | <b>55,950,743.76CR</b>      |
| <b>Interruptible Rate Billed</b>         |                         |                                |                         |                              |                           |                          |                             |
| Commercial                               | 5,350.32CR              | 4,767.30CR                     | 12,405.70CR             | .00                          | 11,963.52CR               | 32,387.98CR              | 34,527.53CR                 |
| Industrial                               | 55,100.56CR             | 49,084.96CR                    | 145,810.36CR            | 219,400.00CR                 | 161,236.92CR              | 359,157.53CR             | 455,906.46CR                |
| <b>Total Interruptible Rate Billed</b>   | <b>60,450.88CR</b>      | <b>53,852.26CR</b>             | <b>158,216.06CR</b>     | <b>219,400.00CR</b>          | <b>173,200.44CR</b>       | <b>391,545.51CR</b>      | <b>490,433.99CR</b>         |
| <b>Total Gas Revenue</b>                 | <b>7,828,410.40CR</b>   | <b>7,742,914.88CR</b>          | <b>19,555,964.03CR</b>  | <b>26,086,900.00CR</b>       | <b>20,769,704.62CR</b>    | <b>48,449,281.06CR</b>   | <b>56,441,177.75CR</b>      |
| Miscellaneous Operating Revenue          | 22,033.00CR             | 22,972.00CR                    | 104,223.00CR            | 107,000.00CR                 | 107,603.00CR              | 237,826.00CR             | 261,301.06CR                |
| Off System Transportation Revenue        | 385,564.32CR            | 235,881.88CR                   | 1,763,652.24CR          | 1,243,700.00CR               | 1,238,739.84CR            | 3,504,149.18CR           | 2,484,947.66CR              |
| On System Transportation Revenue         | 449,204.88CR            | 413,024.39CR                   | 2,048,842.71CR          | 2,129,700.00CR               | 2,098,373.45CR            | 4,208,932.44CR           | 4,328,132.54CR              |
| <b>TOTAL OPERATING REVENUE</b>           | <b>8,685,212.60CR</b>   | <b>8,414,793.15CR</b>          | <b>23,472,681.98CR</b>  | <b>29,567,300.00CR</b>       | <b>24,214,420.91CR</b>    | <b>56,400,188.68CR</b>   | <b>63,515,559.01CR</b>      |
| <b>OPERATING EXPENSES</b>                |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                            | 4,838,946.11            | 4,857,707.68                   | 11,341,054.48           | 18,074,800.00                | 12,663,210.59             | 29,564,868.88            | 38,363,848.99               |
| Recovery of Canada Mountain              | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Purchased Gas, net                       | 4,838,946.11            | 4,857,707.68                   | 11,341,054.48           | 18,074,800.00                | 12,663,210.59             | 29,564,868.88            | 38,363,848.99               |
| Operation Expense                        | 433,014.28              | 416,092.57                     | 3,064,418.02            | 3,238,200.00                 | 2,943,482.40              | 6,951,091.14             | 6,629,420.70                |
| Labor                                    | 96,291.60               | 50,111.44                      | 407,734.80              | 369,000.00                   | 352,679.78                | 811,190.04               | 769,713.07                  |
| Transportation                           |                         |                                |                         |                              |                           |                          |                             |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement

July 01, 2007 - Decer ., 2007

|                               | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|-------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| General Operations            | 51,588.53               | 37,974.75                      | 268,284.88              | 268,600.00                   | 274,823.89                | 601,159.96               | 528,442.16                  |
| Customer Billing              | 38,391.40               | 17,094.90                      | 125,625.72              | 111,000.00                   | 110,454.21                | 245,667.38               | 221,782.08                  |
| Uncollectible Accounts        | 120,000.00              | 211,200.00                     | 176,400.00              | 304,200.00                   | 254,200.00                | 195,092.55               | 484,710.37                  |
| Administrative                | 41,771.13               | 51,768.80                      | 280,214.49              | 324,000.00                   | 278,887.14                | 548,858.22               | 579,826.76                  |
| Outside Services              | 61,378.90               | 64,044.30                      | 407,615.13              | 413,300.00                   | 348,486.70                | 768,638.00               | 657,984.12                  |
| Insurance                     | 67,507.08               | 64,180.87                      | 414,196.24              | 402,500.00                   | 401,777.07                | 810,599.53               | 786,123.91                  |
| Employee Benefits             | 282,576.20              | 312,845.43                     | 1,254,130.59            | 1,236,900.00                 | 1,150,300.27              | 2,720,244.47             | 2,145,052.28                |
| General Administration        | 75,049.67               | 48,696.52                      | 330,418.89              | 341,100.00                   | 338,882.46                | 750,634.74               | 728,219.96                  |
| Expenses Transferred          | 241,339.36CR            | 203,530.01CR                   | 1,453,599.86CR          | 1,308,400.00CR               | 1,279,610.27CR            | 3,619,430.90CR           | 3,036,569.07CR              |
| Other                         | 28,851.57               | 12,369.77                      | 258,551.49              | 260,400.00                   | 161,422.55                | 459,306.54               | 325,897.00                  |
| Total Operation Expense       | 1,055,081.00            | 1,082,849.34                   | 5,533,990.39            | 5,960,800.00                 | 5,335,786.20              | 11,243,051.67            | 10,822,603.34               |
| Maintenance Expense           |                         |                                |                         |                              |                           |                          |                             |
| Labor                         | 6,281.05                | 2,406.48                       | 62,373.58               | .00                          | 43,963.18                 | 116,164.91               | 136,341.63                  |
| Transportation                | 4,135.80                | 775.14                         | 21,676.80               | .00                          | 13,153.69                 | 40,971.63                | 45,916.43                   |
| Mains                         | 3,711.54                | 4,308.28                       | 121,448.75              | 33,000.00                    | 28,068.65                 | 158,083.28               | 63,707.05                   |
| Meter & Regulators            | 4,668.92                | 5,754.33                       | 19,235.77               | 16,200.00                    | 18,407.96                 | 53,416.32                | 42,993.73                   |
| Other                         | 27,313.49               | 33,893.47                      | 211,564.69              | 202,700.00                   | 184,805.30                | 446,670.34               | 390,784.71                  |
| Total Maintenance Expense     | 46,110.80               | 47,137.70                      | 436,299.59              | 251,900.00                   | 288,398.78                | 815,306.48               | 679,743.55                  |
| Depreciation Expense          | 300,944.20              | 309,890.56                     | 2,243,300.15            | 2,239,500.00                 | 2,156,685.51              | 4,665,455.59             | 4,234,739.40                |
| Taxes Other Than Income Taxes |                         |                                |                         |                              |                           |                          |                             |
| Property Taxes                | 84,287.00               | 92,659.00                      | 605,187.00              | 644,400.00                   | 594,494.00                | 1,249,588.00             | 1,226,572.00                |
| Payroll Taxes                 | 41,602.90               | 39,851.85                      | 254,430.52              | 280,400.00                   | 268,843.82                | 573,325.91               | 540,908.71                  |
| Total Other Taxes             | 125,889.90              | 132,510.85                     | 859,617.52              | 924,800.00                   | 863,337.82                | 1,822,913.91             | 1,767,480.71                |
| Income Taxes                  |                         |                                |                         |                              |                           |                          |                             |
| Current Federal               | 520,029.00CR            | 621,310.00CR                   | 944,163.00CR            | 168,100.00CR                 | 963,510.00CR              | 712,553.00CR             | 1,391,650.00CR              |
| Current State                 | 240,240.00CR            | 240,878.00CR                   | 240,240.00CR            | .00                          | 240,878.00CR              | 125,062.00CR             | 273,813.00CR                |
| Deferred Federal & State      | 1,489,950.00            | 1,491,488.00                   | 1,462,300.00            | .00                          | 1,460,188.00              | 2,194,012.00             | 2,659,063.00                |
| Investment Tax Credit-Net     | 2,983.33CR              | 3,083.33CR                     | 17,900.02CR             | .00                          | 18,500.02CR               | 36,400.00CR              | 37,300.00CR                 |
| Total Income Taxes            | 726,697.67              | 626,216.67                     | 259,996.98              | 168,100.00CR                 | 237,299.98                | 1,319,997.00             | 956,300.00                  |
| TOTAL OPERATING EXPENSES      | 7,093,669.68            | 7,056,312.80                   | 20,674,259.11           | 27,283,700.00                | 21,544,718.88             | 49,431,593.53            | 56,824,715.99               |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement

July 01, 2007 - Dec 31, 2007

|                                | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|--------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME               | 1,591,542.92CR          | 1,358,480.35CR                 | 2,798,422.87CR          | 2,283,600.00CR               | 2,669,702.03CR            | 6,968,595.15CR           | 6,690,843.02CR              |
| NON REGULATED INCOME           |                         |                                |                         |                              |                           |                          |                             |
| Net Income from Subsidiaries   | 501,674.00CR            | 670,809.00CR                   | 1,238,243.00CR          | 724,500.00CR                 | 1,542,511.00CR            | 2,571,755.00CR           | 2,709,770.00CR              |
| Income Tax Non Regulated       | 400.00                  | 9,500.00CR                     | 7,300.00                | 17,700.00                    | 3,800.00                  | 55,400.00                | 73,900.00                   |
| Other Net Inc Before Inc Taxes | 953.46CR                | 25,275.46                      | 19,399.54CR             | 46,600.00CR                  | 10,090.23CR               | 143,575.05CR             | 191,009.44CR                |
| Net Non Regulated Income       | 502,227.46CR            | 655,033.54CR                   | 1,250,342.54CR          | 753,400.00CR                 | 1,548,801.23CR            | 2,659,930.05CR           | 2,826,879.44CR              |
| Income Before Interest Charges | 2,093,770.38CR          | 2,013,513.89CR                 | 4,048,765.41CR          | 3,037,000.00CR               | 4,218,503.26CR            | 9,628,525.24CR           | 9,517,722.46CR              |
| INTEREST CHARGES               |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt     | 306,264.80              | 307,700.00                     | 1,840,741.36            | 1,845,600.00                 | 1,848,950.00              | 3,686,179.91             | 3,926,613.00                |
| Interest On Short-Term Debt    | 62,934.49               | 49,541.19                      | 355,008.95              | 506,200.00                   | 318,101.95                | 424,378.48               | 662,147.51                  |
| Other Interest                 | 2,960.58                | 2,888.76                       | 15,043.36               | 18,000.00                    | 13,926.91                 | 32,089.91                | 30,054.97                   |
| Amortization of Debt Expense   | 32,271.88               | 32,271.88                      | 193,631.28              | 193,800.00                   | 193,447.06                | 387,266.56               | 348,890.12                  |
| Total Interest Charges         | 404,431.75              | 392,401.83                     | 2,404,424.95            | 2,563,600.00                 | 2,374,425.92              | 4,529,914.86             | 4,967,705.60                |
| NET INCOME                     | 1,689,338.63CR          | 1,621,112.06CR                 | 1,644,340.46CR          | 473,400.00CR                 | 1,844,077.34CR            | 5,098,610.38CR           | 4,550,016.86CR              |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta  
IS-FERC  
2007  
July 01, 2007 - Decen

|                        | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <b>Revenues</b>        |                         |                                |                         |                              |                           |                          |                             |
| Other Revenue          | 6,343.90                | 8,785.16                       | 2,738.54                | 2,400.00CR                   | 16,241.79                 | 18,914.35CR              | 7,188.76CR                  |
| Sales To Parent        | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Sales To Others        | 1,817.237.82CR          | 2,007,610.53CR                 | 8,590,216.74CR          | 8,319,100.00CR               | 9,828,808.17CR            | 18,328,457.11CR          | 22,255,802.63CR             |
| <b>Total Revenues</b>  | <b>1,810,893.92CR</b>   | <b>1,998,825.37CR</b>          | <b>8,587,478.20CR</b>   | <b>8,321,500.00CR</b>        | <b>9,812,566.38CR</b>     | <b>18,347,371.46CR</b>   | <b>22,262,991.39CR</b>      |
| <b>Expenses</b>        |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas          | 1,305,189.68            | 1,395,259.00                   | 6,333,528.80            | 6,166,800.00                 | 7,134,319.00              | 13,572,186.88            | 16,980,274.00               |
| Transportation Fee     | 286,435.50              | 259,699.32                     | 1,349,418.79            | 1,395,400.00                 | 1,386,779.74              | 2,713,283.05             | 2,797,223.86                |
| Uncollectible Accounts | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Outside Services       | 8,112.00                | 4,027.00                       | 26,106.74               | 24,000.00                    | 23,816.00                 | 368,719.74               | 272,817.00                  |
| Taxes - Non Income     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Income Taxes           | 77,400.00               | 124,500.00                     | 320,700.00              | 275,800.00                   | 463,000.00                | 661,500.00               | 844,100.00                  |
| <b>Total Expenses</b>  | <b>1,677,137.18</b>     | <b>1,783,485.32</b>            | <b>8,029,754.33</b>     | <b>7,862,000.00</b>          | <b>9,007,914.74</b>       | <b>17,315,689.67</b>     | <b>20,894,414.86</b>        |
| <b>Net Income</b>      | <b>133,756.74CR</b>     | <b>215,340.05CR</b>            | <b>557,723.87CR</b>     | <b>459,500.00CR</b>          | <b>804,651.64CR</b>       | <b>1,031,681.79CR</b>    | <b>1,368,576.53CR</b>       |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - DERC

July 01, 2007 - Decem , 2007

|                        | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 03                     |                         |                                |                         |                              |                           |                          |                             |
| Revenues               |                         |                                |                         |                              |                           |                          |                             |
| Other Revenue          | 45,600.00               | 21,207.32                      | 153,200.00              | 36,000.00                    | 63,101.04                 | 284,644.83               | 88,652.41                   |
| Sales To Affiliates    | 1,305,189.68CR          | 1,395,259.00CR                 | 6,333,528.80CR          | .00                          | 7,134,319.00CR            | 13,572,186.88CR          | 16,980,274.00CR             |
| Sales To Others        | 4,253,042.37CR          | 3,731,483.38CR                 | 11,289,979.97CR         | 8,969,200.00CR               | 9,153,354.05CR            | 27,075,887.86CR          | 20,072,798.34CR             |
| Total Revenues         | 5,512,632.05CR          | 5,105,535.06CR                 | 17,470,308.77CR         | 8,933,200.00CR               | 16,224,572.01CR           | 40,363,429.91CR          | 36,964,419.93CR             |
| Expenses               |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas          | 4,777,788.09            | 4,528,503.77                   | 16,236,921.97           | 8,364,400.00                 | 15,202,938.32             | 37,293,788.02            | 34,836,084.40               |
| Miscellaneous Expenses | 143,064.36              | 116,591.54                     | 431,403.20              | 373,100.00                   | 337,244.96                | 987,376.02               | 687,244.48                  |
| Outside Services       | 24,186.00               | 5,534.00                       | 62,186.00               | 28,000.00                    | 30,649.00                 | 348,285.00               | 197,585.00                  |
| Taxes - Non Income     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | 814.00                      |
| Income Taxes           | 222,600.00              | 178,400.00                     | 290,200.00              | 63,000.00                    | 256,500.00                | 669,700.00               | 478,600.00                  |
| Total Expenses         | 5,167,638.45            | 4,829,029.31                   | 17,020,711.17           | 8,828,500.00                 | 15,827,332.28             | 39,299,159.04            | 36,200,327.88               |
| Net Income             | 344,993.60CR            | 276,505.75CR                   | 449,597.60CR            | 104,700.00CR                 | 397,239.73CR              | 1,064,270.87CR           | 764,092.05CR                |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - RC

July 01, 2007 - Decer . 2007

|                               | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|-------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 05                            |                         |                                |                         |                              |                           |                          |                             |
| <b>Revenues</b>               |                         |                                |                         |                              |                           |                          |                             |
| Gas Production                | 74,601.87CR             | 374,231.16CR                   | 403,104.06CR            | 396,700.00CR                 | 692,043.17CR              | 1,031,944.40CR           | 1,378,122.44CR              |
| Oil Production                | 12,033.42               | .00                            | 24,777.72CR             | .00                          | .00                       | 28,601.17CR              | 1,141.58CR                  |
| Royalty                       | 24,003.02CR             | 17,512.66CR                    | 105,754.22CR            | 25,200.00CR                  | 75,007.06CR               | 190,938.77CR             | 148,767.04CR                |
| Other                         | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| <b>Total Revenues</b>         | <b>86,571.47CR</b>      | <b>391,743.82CR</b>            | <b>533,636.00CR</b>     | <b>421,900.00CR</b>          | <b>767,050.23CR</b>       | <b>1,251,484.34CR</b>    | <b>1,528,031.06CR</b>       |
| <b>Expenses</b>               |                         |                                |                         |                              |                           |                          |                             |
| Depletion, Depreciation, & AC | 9,836.18                | 9,899.18                       | 59,017.08               | 54,000.00                    | 59,395.08                 | 118,420.16               | 119,312.16                  |
| Well Opr & Mnt                | 1,353.85                | 1,665.40                       | 12,135.07               | 6,600.00                     | 13,192.60                 | 22,076.48                | 27,304.57                   |
| Purchased Gas                 | 11,911.89               | 57,905.67                      | 69,769.04               | 86,700.00                    | 122,085.41                | 182,106.21               | 249,277.66                  |
| Royalty & W.I.                | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Outside Services              | 3,076.00                | 2,278.00                       | 19,121.87               | 16,200.00                    | 13,758.00                 | 180,807.87               | 220,402.51                  |
| Interest Expense              | 100.00CR                | 1,500.00CR                     | 24,400.00CR             | 30,000.00CR                  | 25,400.00CR               | 50,200.00CR              | 60,980.00CR                 |
| Taxes - Non Income            | 23,371.77               | 31,032.63                      | 23,371.77               | 32,000.00                    | 31,099.72                 | 23,371.77                | 32,413.72                   |
| Income Taxes                  | 14,200.00               | 111,500.00                     | 143,700.00              | 96,100.00                    | 212,300.00                | 299,100.00               | 363,200.00                  |
| <b>Total Expenses</b>         | <b>63,649.69</b>        | <b>212,780.88</b>              | <b>302,714.83</b>       | <b>261,600.00</b>            | <b>426,430.81</b>         | <b>775,682.49</b>        | <b>950,930.62</b>           |
| <b>Operating Income</b>       | <b>22,921.78CR</b>      | <b>178,962.94CR</b>            | <b>230,921.17CR</b>     | <b>160,300.00CR</b>          | <b>340,619.42CR</b>       | <b>475,801.85CR</b>      | <b>577,100.44CR</b>         |
| Net Income from Subs          | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| <b>Net Income</b>             | <b>22,921.78CR</b>      | <b>178,962.94CR</b>            | <b>230,921.17CR</b>     | <b>160,300.00CR</b>          | <b>340,619.42CR</b>       | <b>475,801.85CR</b>      | <b>577,100.44CR</b>         |

DELTA NATURAL GAS CO., INC.  
 IDIARIES  
 BUDGET REPORT BY  
 For Period 7/01/2007 - 12/31/2007

CAPITAL EXPENDITURES  
 All Agents

ALH ALAN L HEATH

|                   | Current      |                                    | Adopted                            |                                     | Current Y-T-D (-)<br>Last Y-T-D Amount | Adopted                              |                                      | Current Y-T-D (-)<br>Last Y-T-D Amount | Adopted        |                | Percentage<br>Expended |
|-------------------|--------------|------------------------------------|------------------------------------|-------------------------------------|--|--------------------------------------|--------------------------------------|--|----------------|----------------|------------------------|
|                   | Month Amount | Cur Month Amt<br>Last Yr Month Amt | Cur Mo Budget (-)<br>Cur Mo Actual | Cur Mo Budget (-)<br>Cur YTD Actual |  | Cur YTD Budget (-)<br>Cur YTD Actual | Cur YTD Budget (-)<br>Cur YTD Actual |  |                |                |                        |
| 1117 CUSH GAS     | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1325 LAND&RGHTS   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1327 STRUCTURES   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1331 WELL EQUIP   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1332 GATH LINES   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1333 COMP EQUIP   | 65,378.88    | 65,378.88                          | 65,378.88CR                        | 76,409.12                           | 76,409.12                              | 28,000.00                            | 28,000.00                            | 76,409.12CR                            | 76,409.12CR    | 28,000.00      | .00 %                  |
| 1334 REG STAT     | .00          | .00                                | .00                                | .00                                 | 18,358.42CR                            | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 135001 STORAGE LD | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 135002 STOR ROW   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1351 STRUCTURES   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1352 STOR WELLS   | 827,041.21   | 827,041.21                         | 827,041.21CR                       | 1,061,134.28                        | 1,061,134.28                           | 1,061,134.28CR                       | 1,061,134.28CR                       | 1,061,134.28                           | 1,061,134.28CR | 1,061,134.28CR | .00 %                  |
| 135201 STORAGE RT | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 135202 STOR RESEV | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 135203 NONR NAT G | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1353 STORAGE LN   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1354 COMPR EQUIP  | 6,368.46     | 6,368.46                           | 6,368.46CR                         | 6,886.19                            | 6,886.19                               | 6,886.19CR                           | 6,886.19CR                           | 6,886.19                               | 6,886.19CR     | 6,886.19CR     | .00 %                  |
| 1355 REG EQUIP    | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1356 PURIFICNTN   | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 1357 OTHER EQUIP  | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 136501 LAND RGHTS | .00          | .00                                | .00                                | .00                                 | .00                                    | .00                                  | .00                                  | .00                                    | .00            | .00            | .00 %                  |
| 136502 TRAN ROW   | .00          | .00                                | .00                                | .00                                 | 13,000.50CR                            | .00                                  | .00                                  | 13,000.50CR                            | 20,000.00      | 20,000.00      | .00 %                  |
| 1366 TRAN STRUC   | .00          | .00                                | .00                                | .00                                 | 1,319.18                               | 32.00                                | 32.00                                | 1,319.18                               | 32.00          | 32.00          | 98.93 %                |
| 1367 TRAN MAINS   | 451,935.21CR | 440,416.35CR                       | 451,935.21                         | 43,595.26                           | 25,163.54                              | 17,604.74                            | 17,604.74                            | 43,595.26                              | 17,604.74      | 17,604.74      | 71.23 %                |
| 1368 COMP STAT    | 44,183.30    | 637,638.03CR                       | 44,183.30CR                        | 362,861.28                          | 1,121,396.36CR                         | 59,338.72                            | 59,338.72                            | 362,861.28                             | 59,338.72      | 59,338.72      | 85.94 %                |
| 1369 REG EQUIP    | 237.52       | 65,078.43CR                        | 237.52CR                           | 184,728.50                          | 28,463.24                              | 154,728.50CR                         | 154,728.50CR                         | 184,728.50                             | 134,728.50CR   | 134,728.50CR   | 369.45 %               |
| 1371 OTHR EQUIP   | .00          | 5,512.23CR                         | .00                                | 29.90                               | 5,804.14CR                             | 9,970.10                             | 9,970.10                             | 5,804.14CR                             | 14,970.10      | 14,970.10      | .19 %                  |
| 1381 METERS       | .00          | 92,311.46CR                        | 12,000.00                          | 57,578.36                           | 120,505.82CR                           | 14,421.64                            | 14,421.64                            | 120,505.82CR                           | 86,421.64      | 86,421.64      | 39.98 %                |



DELTA NATURAL GAS CO., INC. IDIARIES  
BUDGET REPORT BY ACCOUNT  
For Period 7/01/2007 - 12/31/2007

KESTES  
CAPITAL EXPENDITURES  
All Agencies

ALH ALAN L HEATH

|                   | Current      |                   | Curr Month Amt (-) |               | Adopted           |               | Y-T-D Amount |                   | Current Y-T-D (-)  |                | Adopted            |                | Adopted        |                | Percentage Expended |
|-------------------|--------------|-------------------|--------------------|---------------|-------------------|---------------|--------------|-------------------|--------------------|----------------|--------------------|----------------|----------------|----------------|---------------------|
|                   | Month Amount | Last Yr Month Amt | Last Yr Month Amt  | Cur Mo Actual | Cur Mo Budget (-) | Cur Mo Actual | Y-T-D Amount | Last Y-T-D Amount | Cur YTD Budget (-) | Cur YTD Actual | Cur YTD Budget (-) | Cur YTD Actual | Cur YTD Actual | Cur YTD Actual |                     |
| 1383 REGULATORS   | 31,479.84    | 33,270.78         | 33,270.78          | 14,479.84CR   | 14,479.84CR       | 127,417.91    | 26,197.41CR  | 26,197.41CR       | 23,117.91CR        | 23,117.91CR    | 81,882.09          | 81,882.09      | 81,882.09      | 60.87 %        |                     |
| 1385 IND METERS   | 2,259.92     | 2,259.92          | 2,259.92           | 2,740.08      | 2,740.08          | 19,610.89     | 14,644.57    | 14,644.57         | 10,389.11          | 10,389.11      | 40,389.11          | 40,389.11      | 40,389.11      | 32.68 %        |                     |
| 1395 LAB EQUIP    | .00          | .00               | .00                | .00           | .00               | 45,497.32CR   | 45,850.87CR  | 45,850.87CR       | 91,497.32          | 91,497.32      | 91,497.32          | 91,497.32      | 91,497.32      | 98.90- %       |                     |
| 139901 MAPPING    | .00          | .00               | .00                | .00           | .00               | .00           | .00          | .00               | .00                | .00            | .00                | .00            | .00            | .00 %          |                     |
| 5117 CUSHN GAS    | 3,491.55CR   | 219.84CR          | 219.84CR           | 3,491.55      | 3,491.55          | 20,379.23CR   | 1,163.57CR   | 1,163.57CR        | 20,379.23          | 20,379.23      | 20,379.23          | 20,379.23      | 20,379.23      | .00 %          |                     |
| 532503 MIN RIGHTS | .00          | .00               | .00                | .00           | .00               | .00           | .00          | .00               | .00                | .00            | .00                | .00            | .00            | .00 %          |                     |
| 532521 LEASEH-GAS | .00          | .00               | .00                | .00           | .00               | .00           | .00          | .00               | .00                | .00            | .00                | .00            | .00            | .00 %          |                     |
| 532523 INT INVESH | .00          | .00               | .00                | .00           | .00               | .00           | .00          | .00               | .00                | .00            | .00                | .00            | .00            | .00 %          |                     |
| 533101 GAS WELL E | .00          | .00               | .00                | .00           | .00               | .00           | .00          | .00               | .00                | .00            | .00                | .00            | .00            | .00 %          |                     |
| 535006 GAS RGT ST | .00          | .00               | .00                | .00           | .00               | .00           | .00          | .00               | .00                | .00            | .00                | .00            | .00            | .00 %          |                     |

Total ALH ALH 521,522.37 306,857.09CR 487,522.37CR 1,877,343.14 138,256.97CR 1,050,643.14CR 818,643.14CR



DELTA NATURAL GAS CO., INC. (DIARIES)  
BUDGET REPORT BY A.  
For Period 7/01/2007 - 12/31/2007

KESTES  
CAPITAL EXPENDITURES  
All Agents

JBB JOHN B BROWN

|                   | Current      |                   | Curr Mo Amt (-) |                   | Adopted      |               | Current Y-T-D (-)  |                | Adopted           |                | Percentage |          |
|-------------------|--------------|-------------------|-----------------|-------------------|--------------|---------------|--------------------|----------------|-------------------|----------------|------------|----------|
|                   | Month Amount | Last Yr Month Amt | Cur Mo Amt      | Cur Mo Budget (-) | Y-T-D Amount | Cur Mo Actual | Cur YTD Budget (-) | Cur YTD Actual | Cur Yr Budget (-) | Cur YTD Actual | Expended   | Expended |
| 139902 COMP SOFTW | 36,133.71    | 221,120.21CR      | 65,866.29       | 65,866.29         | 277,743.90   | 437,535.91    | 29,535.91CR        | 29,535.91CR    | 72,564.09         | 72,564.09      | 85.77 %    | 85.77 %  |
| 139903 COMP HWARE | .00          | .00               | .00             | .00               | 4,436.78CR   | 18,633.62     | 120,266.38         | 120,266.38     | 212,866.38        | 212,866.38     | 8.04 %     | 8.04 %   |
| Total JBB JBB     | 36,133.71    | 221,120.21CR      | 65,866.29       | 65,866.29         | 273,307.12   | 456,169.53    | 90,730.47          | 90,730.47      | 285,430.47        | 285,430.47     |            |          |



**DELTA NATURAL GAS COMPANY, INC.**  
**BOARD OF DIRECTORS' MEETING - 5/09/08**  
**QUARTERLY SUMMARY REPORT**

|  | Periods ended March 31 |                       |                       |                       |                       |
|--|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 9 months               |                       |                       | 12 months             |                       |
|  | 2008<br><u>Actual</u>  | 2008<br><u>Budget</u> | 2007<br><u>Actual</u> | 2008<br><u>Actual</u> | 2007<br><u>Actual</u> |
| System Throughput (million cu. ft.)                              |                        |                       |                       |                       |                       |
| Retail Gas Sales Volumes   | <u>2,753</u>           | <u>2,949</u>          | <u>2,875</u>          | <u>3,160</u>          | <u>3,190</u>          |
| Transportation Volumes   |                        |                       |                       |                       |                       |
| - off system   | <u>9,507</u>           | <u>6,666</u>          | <u>7,328</u>          | <u>11,952</u>         | <u>9,232</u>          |
| - on system  | <u>3,823</u>           | <u>4,172</u>          | <u>4,018</u>          | <u>4,967</u>          | <u>5,268</u>          |
| Total Transportation   | <u>13,330</u>          | <u>10,838</u>         | <u>11,346</u>         | <u>16,919</u>         | <u>14,500</u>         |
| Total Throughput   | <u>16,083</u>          | <u>13,787</u>         | <u>14,221</u>         | <u>20,079</u>         | <u>17,690</u>         |
| Actual Lexington Calendar Degree<br>Days as % of 30 Year Average | 95                     | 100                   | 94                    | 95                    | 93                    |
| Net Income (\$000)   | 7,065                  | 3,491                 | 5,509                 | 6,854                 | 4,875                 |
| Net Income Per Common Share (\$)                                 | 2.15                   | 1.06                  | 1.69                  | 2.09                  | 1.50                  |

In summary, net income before income taxes increased \$2,372,000 for the nine months ended March 31, 2008 compared to the previous year. Regulated retail sales margins increased \$1,131,000 attributable to the implementation of the new rate order in November net of decreases caused by 4.1% lower sales volumes. Transportation revenue increased \$857,000 compared to the previous year. In addition, there was a \$460,000 increase in non-regulated net income before income taxes.

Net income before income taxes was \$5,792,000 higher than budgeted for the nine months ended March 31, 2008 resulting from the non-regulated subsidiaries net income before income taxes being \$2,903,000 more than budgeted, regulated retail sales margins being \$1,370,000 more than budgeted and transportation revenue being \$963,000 more than budgeted.

Capital expenditures exceeded budget primarily because of the unplanned cost to rework a storage well at Canada Mountain.

**DELTA NATURAL GAS COMPANY, INC.**  
**BALANCE SHEET**  
March 31, 2008

| <b>ASSETS</b>                          |    | <b>2008</b>               |    | <b>2007</b>               |
|--|----|---------------------------|----|---------------------------|
| <b>GAS UTILITY PLANT, AT COST</b>      | \$ | 188,312,219               | \$ | 184,267,309               |
| Less - Reserve for Depreciation        | -  | <u>65,182,802</u>         |    | <u>63,292,173</u>         |
|  | \$ | <u>123,129,417</u>        | \$ | <u>120,975,136</u>        |
| <b>CURRENT ASSETS:</b>                 |    |                           |    |                           |
| Cash                                   | \$ | 1,944,259                 | \$ | 1,615,077                 |
| Receivables                            |    | 13,078,178                |    | 9,052,327                 |
| Deferred Gas Cost                      |    | 1,900,797                 |    | 826,698                   |
| Gas in Storage, at Cost                |    | 2,914,533                 |    | 1,921,648                 |
| Materials and Supplies, at Cost        |    | 510,897                   |    | 852,871                   |
| Prepayments                            |    | <u>1,553,727</u>          |    | <u>1,059,649</u>          |
|  | \$ | <u>21,902,391</u>         | \$ | <u>15,328,270</u>         |
| <b>OTHER ASSETS:</b>                   |    |                           |    |                           |
| Cash Surrender Value of Life Insurance | \$ | 425,609                   | \$ | 379,661                   |
| Unamortized Expenses                   |    | 5,220,095                 |    | 5,607,359                 |
| Receivable/Investment in Subsidiaries  |    | 2,094,024                 |    | 5,632,553                 |
| Other                                  |    | <u>6,700,709</u>          |    | <u>6,643,530</u>          |
|  | \$ | <u>14,440,437</u>         | \$ | <u>18,263,103</u>         |
| <b>TOTAL ASSETS</b>                    | \$ | <u><u>159,472,245</u></u> | \$ | <u><u>154,566,509</u></u> |
| <b>LIABILITIES</b>                     |    |                           |    |                           |
| <b>CAPITALIZATION:</b>                 |    |                           |    |                           |
| Common Stock                           | \$ | 3,291,557                 | \$ | 3,272,687                 |
| Paid-in Surplus                        |    | 46,499,200                |    | 46,042,913                |
| Capital Stock Expense                  |    | (2,643,354)               |    | (2,643,354)               |
| Retained Earnings                      |    | <u>11,586,428</u>         |    | <u>8,851,793</u>          |
| Total Common Equity                    | \$ | 58,733,831                | \$ | 55,524,039                |
| Long-term Debt                         |    | <u>58,402,000</u>         |    | <u>58,645,000</u>         |
| Total Capitalization                   | \$ | <u>117,135,831</u>        | \$ | <u>114,169,039</u>        |
| <b>CURRENT LIABILITIES:</b>            |    |                           |    |                           |
| Notes Payable                          | \$ | 3,287,182                 | \$ | 3,803,634                 |
| Current Portion of Long-Term Debt      |    | 1,200,000                 |    | 1,200,000                 |
| Accounts Payable                       |    | 3,718,569                 |    | 4,721,904                 |
| Accrued Taxes                          |    | 2,625,170                 |    | 1,646,267                 |
| Refunds Due Customers                  |    | 58                        |    | 428                       |
| Customer Deposits                      |    | 612,744                   |    | 594,435                   |
| Accrued Interest                       |    | 862,990                   |    | 858,695                   |
| Current Deferred Income Taxes          |    | 935,804                   |    | 701,000                   |
| Other                                  |    | <u>1,092,308</u>          |    | <u>1,083,217</u>          |
|  | \$ | <u>14,334,825</u>         | \$ | <u>14,609,580</u>         |
| <b>DEFERRED CREDITS AND OTHER:</b>     |    |                           |    |                           |
| Deferred Income Taxes                  | \$ | 23,855,643                | \$ | 22,191,088                |
| Deferred Investment Tax Credit         |    | 186,750                   |    | 222,850                   |
| Regulatory Items                       |    | 2,305,714                 |    | 1,644,300                 |
| Advances for Construction and Other    |    | <u>1,653,482</u>          |    | <u>1,729,652</u>          |
|  | \$ | <u>28,001,589</u>         | \$ | <u>25,787,890</u>         |
| <b>TOTAL LIABILITIES</b>               | \$ | <u><u>159,472,245</u></u> | \$ | <u><u>154,566,509</u></u> |

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

March 31, 2008

|   | 9 MONTHS TO DATE |               | 12 MONTHS ENDED |                |
|---|------------------|---------------|-----------------|----------------|
|   | 2008             | 2007          | 2008            | 2007           |
| <b>OPERATING REVENUES</b>                           | \$ 51,980,151    | \$ 48,167,234 | \$ 60,954,845   | \$ 56,037,318  |
| <b>OPERATING EXPENSES &amp; TAXES:</b>              |                  |               |                 |                |
| Gas Purchased                                       | \$ 28,539,532    | \$ 26,736,056 | \$ 32,690,501   | \$ 30,548,131  |
| Operations  | 8,675,899        | 8,592,964     | 11,127,782      | 11,134,252     |
| Maintenance   | 567,676          | 451,167       | 783,915         | 642,654        |
| Depreciation  | 3,143,048        | 3,336,626     | 4,385,263       | 4,383,643      |
| Property & Other Taxes                              | 1,349,624        | 1,338,272     | 1,837,986       | 1,777,601      |
| Income Taxes  | 2,336,470        | 1,700,350     | 1,933,420       | 1,019,450      |
| Total   | \$ 44,612,249    | \$ 42,155,435 | \$ 52,758,867   | \$ 49,505,731  |
| Operating Income                                    | \$ 7,367,902     | \$ 6,011,799  | \$ 8,195,978    | \$ 6,531,587   |
| <b>OTHER INCOME/(EXPENSES),NET</b>                  | 3,199,189        | 2,944,097     | 3,213,480       | 3,117,017      |
| Gross Income  | \$ 10,567,091    | \$ 8,955,896  | \$ 11,409,458   | \$ 9,648,604   |
| <b>OTHER DEDUCTIONS:</b>                            |                  |               |                 |                |
| Interest on Debt                                    | \$ 3,211,196     | \$ 3,156,225  | \$ 4,167,805    | \$ 4,386,589   |
| Amortization  | 290,447          | 290,265       | 387,264         | 386,661        |
| Other   | -                | -             | -               | -              |
| Total   | \$ 3,501,643     | \$ 3,446,490  | \$ 4,555,069    | \$ 4,773,250   |
| <b>NET INCOME/(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ 7,065,448     | \$ 5,509,406  | \$ 6,854,389    | \$ 4,875,354   |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>      | \$ 2.15          | \$ 1.69       | \$ 2.09         | \$ 1.50        |
| <b>CUSTOMERS AT END OF PERIOD</b>                   |                  |               | 37,935          | 38,632         |
| <b>AVERAGE SHARES</b>                               | 3,283,147        | 3,263,194     | 3,280,809       | 3,260,442      |
|   | FISCAL YTD       | FISCAL YTD    | 12 MONTH ENDED  | 12 MONTH ENDED |

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**March 31, 2008**

|                                     | MONTH          |             |             | YEAR TO DATE   |            |            | YEAR ENDED  |             |
|-------------------------------------|----------------|-------------|-------------|----------------|------------|------------|-------------|-------------|
|                                     | This Year Over |             |             | This Year Over |            |            | This Year   | Last Year   |
|                                     | (Under) Budget | This Year   | Last Year   | (Under) Budget | This Year  | Last Year  |             |             |
| DEGREE DAYS BILLED - LEXINGTON AREA | 169            | 795         | 939         | (830)          | 3,415      | 3,700      | 4,134       | 4,685       |
| <b>MCF'S:</b>                       |                |             |             |                |            |            |             |             |
| DELTA NATURAL                       |                |             |             |                |            |            |             |             |
| RESIDENTIAL                         | 76,047         | 305,047     | 362,953     | (304,499)      | 1,327,801  | 1,487,248  | 1,644,575   | 1,858,728   |
| SMALL COMMERCIAL                    | 27,496         | 97,296      | 112,444     | (80,871)       | 419,629    | 462,489    | 511,530     | 567,690     |
| COMMERCIAL - OTHER                  | 14,463         | 119,963     | 134,902     | (188,453)      | 595,747    | 642,979    | 743,724     | 814,898     |
| INDUSTRIAL                          | 15,810         | 21,210      | 25,494      | 65,472         | 97,472     | 112,003    | 120,949     | 140,396     |
| TOTAL SOLD                          | 133,816        | 543,516     | 635,793     | (508,351)      | 2,440,649  | 2,704,719  | 3,020,778   | 3,381,712   |
| OFF SYSTEM                          | 333,696        | 1,185,996   | 1,166,558   | 2,840,829      | 9,506,729  | 7,328,408  | 11,951,892  | 9,231,904   |
| ON SYSTEM                           | (29,582)       | 453,918     | 445,911     | (348,952)      | 3,823,148  | 4,017,521  | 4,966,754   | 5,267,787   |
| TOTAL TRANSPORTED                   | 304,114        | 1,639,914   | 1,612,469   | 2,491,877      | 13,329,877 | 11,345,929 | 16,918,646  | 14,499,691  |
| TOTAL DELTA NATURAL                 | 437,930        | 2,183,430   | 2,248,262   | 1,983,526      | 15,770,526 | 14,050,648 | 19,939,424  | 17,881,403  |
| RESOURCES ON SYS INCL               | (23,935)       | 169,765     | 156,371     | (178,407)      | 1,445,693  | 1,526,691  | 1,853,754   | 1,970,293   |
| DELGASCO OFF SYS INCL               | 206,011        | 461,711     | 572,989     | 842,158        | 2,842,058  | 2,543,166  | 3,186,968   | 2,868,930   |
| ENPRO - SALES TO AFFILIATES         | 338            | 10,338      | 25,677      | (12,498)       | 132,502    | 143,032    | 172,787     | 174,352     |
| Unbilled MCF                        | (111,073)      | (111,073)   | (324,181)   | 2,016          | 312,696    | 170,356    | 140,023     | (192,040)   |
| <b>REVENUES:</b>                    |                |             |             |                |            |            |             |             |
| DELTA NATURAL                       |                |             |             |                |            |            |             |             |
| RETAIL SALES                        | 1,026,530      | 8,478,630   | 8,063,203   | (13,887,969)   | 40,462,031 | 40,262,719 | 49,992,618  | 53,613,551  |
| UNBILLED REVENUE                    | (1,558,595)    | (1,556,595) | (3,521,176) | 4,983,676      | 4,983,676  | 2,248,785  | 2,604,607   | (4,832,522) |
| MISC OPERATING                      | (1,855)        | 25,845      | 13,801      | 11,778         | 179,078    | 157,443    | 262,841     | 250,907     |
| OFF SYS TRANSPORT                   | 124,651        | 372,851     | 347,155     | 959,918        | 2,901,018  | 2,157,865  | 3,722,390   | 2,706,635   |
| ON SYS TRANSPORT                    | 14,073         | 432,073     | 365,901     | 3,147          | 3,454,347  | 3,340,422  | 4,372,388   | 4,298,747   |
| TOTAL DELTA NATURAL                 | (393,196)      | 7,752,804   | 5,268,884   | (7,929,450)    | 51,980,150 | 48,167,234 | 60,954,844  | 56,037,318  |
| RESOURCES ON SYS SALES              | 381,542        | 1,686,542   | 1,400,547   | 1,511,781      | 12,452,681 | 13,189,302 | 16,079,784  | 17,167,087  |
| DELGASCO OFF SYS SALES              | 2,969,306      | 4,684,706   | 4,981,536   | 12,052,154     | 25,468,254 | 21,098,967 | 28,415,331  | 23,639,109  |
| ENPRO - SALES TO AFFILIATES         | 16,886         | 94,386      | 192,578     | (90,811)       | 978,089    | 1,011,865  | 1,287,108   | 1,226,218   |
| TOTAL CONSOLIDATED                  | 2,974,538      | 14,218,438  | 11,843,545  | 5,543,674      | 90,879,174 | 83,467,368 | 106,737,067 | 98,069,732  |
| <b>GAS COSTS:</b>                   |                |             |             |                |            |            |             |             |
| DELTA NATURAL                       | 281,581        | 5,673,981   | 5,476,539   | (13,539,970)   | 25,273,830 | 25,430,596 | 30,826,837  | 34,757,135  |
| DELTA NATURAL UNBILLED GAS COST     | (1,159,895)    | (1,159,895) | (2,793,173) | 3,265,702      | 3,265,702  | 1,305,460  | 1,863,664   | (4,209,003) |
| DELTA RESOURCES                     | 226,935        | 1,389,135   | 1,169,394   | 944,275        | 10,688,875 | 11,064,405 | 13,997,447  | 14,603,174  |
| DELGASCO                            | 2,431,018      | 4,100,118   | 4,513,204   | 9,493,140      | 22,547,640 | 19,090,905 | 25,343,562  | 21,523,902  |
| TOTAL CONSOLIDATED                  | 1,779,639      | 10,003,339  | 8,365,964   | 163,147        | 61,776,047 | 56,891,366 | 72,031,510  | 66,675,208  |
| <b>NET SALES:</b>                   |                |             |             |                |            |            |             |             |
| DELTA NATURAL EXCLUDING UNBILLED    | 744,949        | 2,804,649   | 2,586,664   | (347,999)      | 15,188,201 | 14,832,123 | 19,165,781  | 18,856,416  |
| DELTA NATURAL UNBILLED              | (396,700)      | (396,700)   | (728,003)   | 1,717,974      | 1,717,974  | 943,325    | 740,943     | (623,519)   |
| DELTA RESOURCES TOTAL               | 154,607        | 297,407     | 231,153     | 567,506        | 1,763,806  | 2,124,897  | 2,082,337   | 2,563,913   |
| DELGASCO                            | 538,288        | 584,588     | 468,332     | 2,559,014      | 2,920,614  | 2,008,062  | 3,071,769   | 2,115,207   |
| TOTAL CONSOLIDATED                  | 1,041,144      | 3,289,944   | 2,558,146   | 4,496,495      | 21,590,595 | 19,908,407 | 25,060,830  | 22,912,017  |
| <b>PER MCF:</b>                     |                |             |             |                |            |            |             |             |
| DELTA NATURAL                       |                |             |             |                |            |            |             |             |
| TOTAL SALES                         | 7.6712         | 15.5996     | 12.6821     | 27.3196        | 16.5784    | 14.8861    | 16.5496     | 15.8540     |
| COST OF GAS                         | 2.1042         | 10.4394     | 8.6137      | 26.6351        | 10.3554    | 9.4023     | 10.2049     | 10.2780     |
| NET SALES                           | 5.5670         | 5.1602      | 4.0684      | 0.6846         | 6.2230     | 5.4838     | 6.3447      | 5.5760      |
| DELTA RESOURCES                     |                |             |             |                |            |            |             |             |
| TOTAL SALES                         | (15.9408)      | 9.9346      | 8.9566      | (8.4738)       | 8.6136     | 8.6391     | 8.6742      | 8.7130      |
| COST OF GAS                         | (9.4813)       | 8.1827      | 7.4783      | (5.2928)       | 7.3936     | 7.2473     | 7.5509      | 7.4117      |
| NET SALES                           | (6.4595)       | 1.7519      | 1.4782      | (3.1810)       | 1.2200     | 1.3918     | 1.1233      | 1.3013      |
| DELGASCO                            |                |             |             |                |            |            |             |             |
| TOTAL SALES                         | 14.4133        | 10.1464     | 8.6939      | 14.3110        | 8.9612     | 8.2963     | 8.9161      | 8.2397      |
| COST OF GAS                         | 11.8004        | 8.8803      | 7.8766      | 11.2724        | 7.9336     | 7.5067     | 7.9522      | 7.5024      |
| NET SALES                           | 2.6129         | 1.2661      | 0.8173      | 3.0386         | 1.0276     | 0.7896     | 0.9639      | 0.7373      |
| <b>DELTA NATURAL ONLY:</b>          |                |             |             |                |            |            |             |             |
| % Change to Customers Between Yrs:  | Total Cost     | 23.0%       |             |                | 11.4%      |            | 4.4%        |             |
|                                     | Gas Cost       | 14.4%       |             |                | 6.4%       |            | -0.5%       |             |
|                                     | Net Sales      | 8.6%        |             |                | 5.0%       |            | 4.8%        |             |



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - De-  
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 July 01, 2007 -  
 31, 2008

|                                  | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|----------------------------------|-------------------------|--------------------------------|-------------------------|---------------------------|--------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>        |                         |                                |                         |                           |                          |                             |
| General Service Rate Billed      |                         |                                |                         |                           |                          |                             |
| Residential                      | 4,064,509.94CR          | 2,952,944.37CR                 | 31,168,100.00CR         | 24,402,566.60CR           | 29,766,338.11CR          | 27,845,832.83CR             |
| Small Commercial                 | 1,200,617.62CR          | 835,406.59CR                   | 9,244,000.00CR          | 7,234,895.96CR            | 8,885,223.36CR           | 8,221,108.26CR              |
| Other Commercial                 | 1,502,139.25CR          | 931,644.28CR                   | 13,444,800.00CR         | 9,094,176.04CR            | 11,710,957.43CR          | 10,725,283.64CR             |
| Industrial                       | 173,227.11CR            | 115,323.35CR                   | .00                     | 1,116,559.49CR            | 1,306,836.29CR           | 1,297,187.27CR              |
| Unmetered Gas Light              | 635.10CR                | 593.96CR                       | 7,100.00CR              | 6,017.52CR                | 7,996.97CR               | 8,619.88CR                  |
| Residential WNA                  | 55,685.40               | 259,144.28                     | .00                     | 245,604.94CR              | 382,218.41CR             | 223,276.93CR                |
| Small Non-Residential WNA        | 14,815.62               | 68,227.19                      | .00                     | 63,562.05CR               | 101,023.35CR             | 57,924.79CR                 |
| Weather Normalization Revenue    | 70,501.02               | 327,371.47                     | .00                     | 309,166.99CR              | 483,241.76CR             | 281,201.72CR                |
| Total General Service Ra         | 6,870,628.00CR          | 4,508,541.08CR                 | 53,864,000.00CR         | 42,163,382.60CR           | 52,160,593.92CR          | 48,379,233.60CR             |
| <b>Interruptible Rate Billed</b> |                         |                                |                         |                           |                          |                             |
| Commercial                       | 5,944.82CR              | 4,175.21CR                     | .00                     | 26,819.21CR               | 37,120.80CR              | 28,904.89CR                 |
| Industrial                       | 45,461.89CR             | 29,311.13CR                    | 486,000.00CR            | 321,302.69CR              | 399,509.19CR             | 372,890.58CR                |
| Total Interruptible Rate         | 51,406.71CR             | 33,486.34CR                    | 486,000.00CR            | 348,121.90CR              | 436,629.99CR             | 401,795.47CR                |
| Total Gas Revenue                | 6,922,034.71CR          | 4,542,027.42CR                 | 54,350,000.00CR         | 42,511,504.50CR           | 52,597,223.91CR          | 48,781,029.07CR             |
| Miscellaneous Operating Revenue  | 25,845.00CR             | 13,801.00CR                    | 167,300.00CR            | 157,443.00CR              | 262,841.00CR             | 250,907.06CR                |
| Off System Transportation Reven  | 372,850.83CR            | 347,154.34CR                   | 1,941,100.00CR          | 2,157,865.06CR            | 3,722,390.32CR           | 2,706,635.36CR              |
| On System Transportation Revenue | 432,073.05CR            | 365,901.00CR                   | 3,451,200.00CR          | 3,340,421.89CR            | 4,372,388.63CR           | 4,288,747.31CR              |
| TOTAL OPERATING REVENUE          | 7,752,803.59CR          | 5,268,883.76CR                 | 59,909,600.00CR         | 48,167,234.45CR           | 60,954,843.86CR          | 56,037,318.80CR             |
| <b>OPERATING EXPENSES</b>        |                         |                                |                         |                           |                          |                             |
| Purchased Gas                    | 4,514,085.94            | 2,683,365.78                   | 38,813,800.00           | 26,736,055.57             | 32,690,501.07            | 30,548,131.18               |
| Recovery of Canada Mountain      | .00                     | .00                            | .00                     | .00                       | .00                      | .00                         |
| Purchased Gas, net               | 4,514,085.94            | 2,683,365.78                   | 38,813,800.00           | 26,736,055.57             | 32,690,501.07            | 30,548,131.18               |
| Operation Expense                |                         |                                |                         |                           |                          |                             |
| Labor                            | 611,044.50              | 608,199.22                     | 4,857,300.00            | 4,582,431.06              | 7,003,769.45             | 6,691,697.07                |
| Transportation                   | 105,485.64              | 98,788.78                      | 553,500.00              | 577,685.26                | 840,410.72               | 748,837.26                  |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statements

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July 01, 2007 - M 1, 2008

|                               | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|-------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| General Operations            | 83,175.55               | 86,385.79                      | 510,979.33              | 420,600.00                   | 468,319.32                | 650,358.98               | 564,500.15                  |
| Customer Billing              | 33,910.30               | 18,795.53                      | 197,256.76              | 173,100.00                   | 168,501.09                | 259,251.54               | 219,818.47                  |
| Uncollectible Accounts        | 152,000.00              | 43,000.00                      | 429,800.00              | 456,300.00                   | 383,200.00                | 319,492.55               | 486,210.37                  |
| Administrative                | 43,422.55               | 54,994.47                      | 433,626.52              | 473,800.00                   | 421,041.52                | 560,115.87               | 564,633.91                  |
| Outside Services              | 49,050.20               | 83,501.17                      | 612,904.74              | 602,800.00                   | 550,574.41                | 771,839.90               | 702,682.76                  |
| Insurance                     | 62,549.10               | 65,265.20                      | 612,080.15              | 606,300.00                   | 598,869.71                | 811,390.80               | 792,359.52                  |
| Employee Benefits             | 91,607.50               | 268,350.90                     | 1,704,245.11            | 1,824,100.00                 | 1,928,706.28              | 2,391,952.98             | 2,420,543.56                |
| General Administration        | 40,161.87               | 43,371.54                      | 603,883.10              | 675,400.00                   | 623,586.37                | 739,395.04               | 747,500.54                  |
| Expenses Transferred          | 238,305.36CR            | 216,002.27CR                   | 2,183,476.55CR          | 1,952,500.00CR               | 1,938,565.16CR            | 3,690,352.70CR           | 3,117,317.88CR              |
| Other                         | 31,729.17               | 37,664.71                      | 336,533.51              | 333,700.00                   | 228,554.76                | 470,156.35               | 312,786.57                  |
| Total Operation Expense       | 1,065,831.02            | 1,192,315.04                   | 8,675,898.62            | 9,024,400.00                 | 8,592,964.62              | 11,127,781.48            | 11,134,252.30               |
| Maintenance Expense           |                         |                                |                         |                              |                           |                          |                             |
| Labor                         | 8,988.02                | 13,305.70                      | 87,776.18               | .00                          | 70,213.08                 | 115,317.61               | 113,378.23                  |
| Transportation                | 5,748.93                | 6,097.94                       | 32,913.14               | .00                          | 23,269.98                 | 42,091.68                | 35,964.84                   |
| Mains                         | 6,279.64                | 6,126.67                       | 138,851.07              | 49,500.00                    | 42,553.00                 | 161,001.25               | 57,733.24                   |
| Meter & Regulators            | 9,518.12                | 6,316.43                       | 44,217.09               | 24,300.00                    | 36,649.87                 | 60,155.73                | 46,240.91                   |
| Other                         | 27,930.48               | 23,777.29                      | 263,918.58              | 293,100.00                   | 278,480.76                | 405,348.77               | 389,336.19                  |
| Total Maintenance Expenses    | 58,465.19               | 55,624.03                      | 567,676.06              | 366,900.00                   | 451,166.69                | 783,915.04               | 642,653.41                  |
| Depreciation Expense          | 299,379.26              | 381,510.96                     | 3,143,047.99            | 3,382,200.00                 | 3,336,626.27              | 4,385,262.67             | 4,383,643.54                |
| Taxes Other Than Income Taxes |                         |                                |                         |                              |                           |                          |                             |
| Property Taxes                | 110,230.00              | 106,543.00                     | 939,235.00              | 966,700.00                   | 917,888.00                | 1,260,242.00             | 1,232,893.00                |
| Payroll Taxes                 | 49,154.04               | 46,737.20                      | 410,389.14              | 420,500.00                   | 420,384.30                | 577,744.05               | 544,710.21                  |
| Total Other Taxes             | 159,384.04              | 153,280.20                     | 1,349,624.14            | 1,387,200.00                 | 1,338,272.30              | 1,837,986.05             | 1,777,601.21                |
| Income Taxes                  |                         |                                |                         |                              |                           |                          |                             |
| Current Federal               | 487,773.00              | 194,200.00                     | 1,157,310.00            | 1,229,500.00                 | 524,090.00                | 98,680.00CR              | 1,328,050.00CR              |
| Current State                 | .00                     | .00                            | 240,240.00CR            | .00                          | 240,878.00CR              | 125,062.00CR             | 273,813.00CR                |
| Deferred Federal & State      | 5,350.00CR              | 5,100.00CR                     | 1,446,250.00            | .00                          | 1,444,888.00              | 2,193,262.00             | 2,658,463.00                |
| Investment Tax Credit-Net     | 2,983.33CR              | 3,083.33CR                     | 26,850.01CR             | .00                          | 27,750.01CR               | 36,100.00CR              | 37,150.00CR                 |
| Total Income Taxes            | 479,439.67              | 186,016.67                     | 2,336,469.99            | 1,229,500.00                 | 1,700,349.99              | 1,933,420.00             | 1,019,450.00                |
| TOTAL OPERATING EXPENSES      | 6,576,585.12            | 4,652,112.68                   | 44,612,248.45           | 54,204,000.00                | 42,155,435.44             | 52,758,866.31            | 49,505,733.64               |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement

July 01, 2007 - M

1, 2008

|                                | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|--------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME               | 1,176,218.47CR          | 616,771.08CR                   | 7,367,902.25CR          | 5,705,600.00CR               | 6,011,799.01CR            | 8,195,977.55CR           | 6,531,587.16CR              |
| NON REGULATED INCOME           |                         |                                |                         |                              |                           |                          |                             |
| Net Income from Subsidiaries   | 575,774.00CR            | 504,374.00CR                   | 3,176,427.00CR          | 1,397,500.00CR               | 2,905,377.00CR            | 3,147,073.00CR           | 2,984,315.00CR              |
| Income Tax Non Regulated       | 1,100.00                | 2,400.00                       | 13,600.00               | 26,700.00                    | 23,500.00                 | 42,000.00                | 83,400.00                   |
| Other Net Inc Before Inc Taxes | 3,037.11CR              | 6,263.79CR                     | 36,362.27CR             | 70,900.00CR                  | 62,220.26CR               | 108,407.79CR             | 216,102.29CR                |
| Net Non Regulated Income       | 577,711.11CR            | 508,237.79CR                   | 3,199,189.27CR          | 1,441,700.00CR               | 2,944,097.26CR            | 3,213,480.79CR           | 3,117,017.29CR              |
| Income Before Interest Charges | 1,753,929.58CR          | 1,125,008.87CR                 | 10,567,091.52CR         | 7,147,300.00CR               | 8,955,896.27CR            | 11,409,458.34CR          | 9,648,604.45CR              |
| INTEREST CHARGES               |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt     | 306,356.88              | 307,515.63                     | 2,759,726.57            | 2,768,400.00                 | 2,771,695.84              | 3,682,419.28             | 3,907,773.74                |
| Interest On Short-Term Debt    | 9,182.84                | 7,968.94CR                     | 427,427.49              | 570,300.00                   | 361,957.61                | 452,941.36               | 448,350.85                  |
| Other Interest                 | 3,065.52                | 2,880.38                       | 24,042.42               | 27,000.00                    | 22,571.75                 | 32,444.13                | 30,466.04                   |
| Amortization of Debt Expense   | 32,271.88               | 32,271.88                      | 290,446.92              | 290,600.00                   | 290,264.70                | 387,264.56               | 386,660.51                  |
| Total Interest Charges         | 350,877.12              | 334,698.95                     | 3,501,643.40            | 3,656,300.00                 | 3,446,489.90              | 4,555,069.33             | 4,773,251.14                |
| NET INCOME                     | 1,403,052.46CR          | 790,309.92CR                   | 7,065,448.12CR          | 3,491,000.00CR               | 5,509,406.37CR            | 6,854,389.01CR           | 4,875,353.31CR              |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - DeJ sources-FERC

July 01, 2007 - 31, 2008

|                        | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <b>Revenues</b>        |                         |                                |                         |                              |                           |                          |                             |
| Other Revenue          | 2,439,83CR              | 3,989,96CR                     | 3,849.42                | 5,100.00CR                   | 17,752.19                 | 19,313.87CR              | 5,569.02CR                  |
| Sales To Parent        | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Sales To Others        | 1,962,943.08CR          | 1,625,307.74CR                 | 14,698,368.20CR         | 13,122,200.00CR              | 15,343,961.02CR           | 18,921,455.72CR          | 19,946,850.74CR             |
| <b>Total Revenues</b>  | <b>1,965,382.91CR</b>   | <b>1,629,297.70CR</b>          | <b>14,694,518.78CR</b>  | <b>13,127,300.00CR</b>       | <b>15,326,208.83CR</b>    | <b>18,940,769.59CR</b>   | <b>19,952,419.76CR</b>      |
| <b>Expenses</b>        |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas          | 1,389,135.00            | 1,169,394.00                   | 10,688,874.79           | 9,744,600.00                 | 11,064,405.00             | 13,997,446.87            | 14,603,173.79               |
| Transportation Fee     | 276,400.75              | 224,761.82                     | 2,245,686.28            | 2,181,200.00                 | 2,154,660.20              | 2,841,670.08             | 2,779,764.60                |
| Uncollectible Accounts | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Outside Services       | 8,916.00                | 4,270.00                       | 54,097.74               | 32,000.00                    | 36,209.00                 | 384,317.74               | 277,319.00                  |
| Taxes - Non Income     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Income Taxes           | 106,600.00              | 84,600.00                      | 623,900.00              | 438,600.00                   | 757,300.00                | 670,400.00               | 873,200.00                  |
| <b>Total Expenses</b>  | <b>1,781,051.75</b>     | <b>1,483,025.82</b>            | <b>13,612,558.81</b>    | <b>12,396,400.00</b>         | <b>14,012,574.20</b>      | <b>17,893,834.69</b>     | <b>18,533,457.39</b>        |
| <b>Net Income</b>      | <b>184,331.16CR</b>     | <b>146,271.88CR</b>            | <b>1,081,959.97CR</b>   | <b>730,900.00CR</b>          | <b>1,313,634.63CR</b>     | <b>1,046,934.90CR</b>    | <b>1,418,962.37CR</b>       |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - sCO-FERC  
July 01, 2007 - 31, 2008

|                        | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <b>Revenues</b>        |                         |                                |                         |                              |                           |                          |                             |
| Other Revenue          | 13,200.00               | 37,099.82                      | 244,700.00              | 54,000.00                    | 170,234.37                | 269,011.50               | 162,969.36                  |
| Sales To Affiliates    | 1,389,135.00CR          | 1,169,394.00CR                 | 10,688,874.79CR         | .00                          | 11,064,405.00CR           | 13,997,446.87CR          | 14,601,035.00CR             |
| Sales To Others        | 4,832,687.22CR          | 5,156,174.25CR                 | 26,389,635.50CR         | 13,998,400.00CR              | 21,884,452.02CR           | 29,444,445.42CR          | 24,525,776.57CR             |
| <b>Total Revenues</b>  | <b>6,208,822.22CR</b>   | <b>6,288,468.43CR</b>          | <b>36,833,810.29CR</b>  | <b>13,944,400.00CR</b>       | <b>32,778,622.65CR</b>    | <b>43,172,880.79CR</b>   | <b>38,965,842.21CR</b>      |
| <b>Expenses</b>        |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas          | 5,489,252.83            | 5,682,598.45                   | 33,236,514.78           | 13,054,500.00                | 30,155,310.76             | 39,341,008.39            | 36,126,938.75               |
| Miscellaneous Expenses | 148,180.59              | 174,638.62                     | 921,380.84              | 582,300.00                   | 785,485.22                | 1,029,113.40             | 886,667.60                  |
| Outside Services       | 16,589.00               | 6,139.00                       | 134,992.00              | 36,000.00                    | 52,434.00                 | 399,316.00               | 211,559.00                  |
| Taxes - Non Income     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Income Taxes           | 217,500.00              | 166,700.00                     | 996,400.00              | 101,900.00                   | 700,300.00                | 932,100.00               | 673,900.00                  |
| <b>Total Expenses</b>  | <b>5,871,522.42</b>     | <b>6,030,076.07</b>            | <b>35,289,287.62</b>    | <b>13,774,700.00</b>         | <b>31,693,529.98</b>      | <b>41,701,537.79</b>     | <b>37,899,065.35</b>        |
| <b>Net Income</b>      | <b>337,299.80CR</b>     | <b>258,392.36CR</b>            | <b>1,544,522.67CR</b>   | <b>169,700.00CR</b>          | <b>1,085,092.67CR</b>     | <b>2,471,343.00CR</b>    | <b>1,066,776.86CR</b>       |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - O-FERC  
July 01, 2007 - 11, 2008

|                               | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|-------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <b>Revenues</b>               |                         |                                |                         |                              |                           |                          |                             |
| Gas Production                | 94,385.94CR             | 192,577.50CR                   | 978,089.13CR            | 1,068,900.00CR               | 1,011,864.14CR            | 1,287,108.50CR           | 1,226,217.58CR              |
| Oil Production                | 4,453.61CR              | .00                            | 35,847.67CR             | .00                          | .00                       | 39,571.12CR              | .00                         |
| Royalty                       | 14,433.04CR             | 13,411.14CR                    | 151,778.86CR            | 37,800.00CR                  | 114,499.47CR              | 207,471.00CR             | 153,147.88CR                |
| Other                         | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| <b>Total Revenues</b>         | <b>113,272.59CR</b>     | <b>205,988.64CR</b>            | <b>1,175,715.66CR</b>   | <b>1,106,700.00CR</b>        | <b>1,126,363.61CR</b>     | <b>1,534,250.62CR</b>    | <b>1,379,365.46CR</b>       |
| <b>Expenses</b>               |                         |                                |                         |                              |                           |                          |                             |
| Depletion, Depreciation, & AC | 9,836.19                | 9,899.18                       | 88,525.65               | 81,000.00                    | 89,092.62                 | 118,231.19               | 119,051.16                  |
| Well Opr & Mnt                | 1,385.44                | 1,535.85                       | 15,929.52               | 10,600.00                    | 17,473.17                 | 21,590.36                | 25,354.98                   |
| Purchased Gas                 | 13,525.21               | 33,860.97                      | 154,497.66              | 209,600.00                   | 181,015.42                | 207,904.82               | 224,005.11                  |
| Royalty & W.I.                | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Outside Services              | 2,683.00                | 2,584.00                       | 28,746.87               | 22,200.00                    | 21,034.00                 | 183,156.87               | 222,579.51                  |
| Interest Expense              | 2,000.00CR              | 3,700.00CR                     | 27,600.00CR             | 45,000.00CR                  | 35,700.00CR               | 43,100.00CR              | 55,700.00CR                 |
| Taxes - Non Income            | .00                     | .00                            | 23,371.77               | 33,300.00                    | 31,099.72                 | 23,371.77                | 31,099.72                   |
| Income Taxes                  | 33,700.00               | 62,100.00                      | 342,300.00              | 298,100.00                   | 315,700.00                | 394,300.00               | 314,400.00                  |
| <b>Total Expenses</b>         | <b>59,129.84</b>        | <b>106,280.00</b>              | <b>625,771.47</b>       | <b>609,800.00</b>            | <b>619,744.93</b>         | <b>905,455.01</b>        | <b>860,790.48</b>           |
| <b>Operating Income</b>       | <b>54,142.75CR</b>      | <b>99,708.64CR</b>             | <b>549,944.19CR</b>     | <b>496,900.00CR</b>          | <b>506,648.68CR</b>       | <b>628,795.61CR</b>      | <b>498,574.98CR</b>         |
| Net Income from Subs          | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| <b>Net Income</b>             | <b>54,142.75CR</b>      | <b>99,708.64CR</b>             | <b>549,944.19CR</b>     | <b>496,900.00CR</b>          | <b>506,648.68CR</b>       | <b>628,795.61CR</b>      | <b>498,574.98CR</b>         |

DELTA NATURAL GAS CO., INC SUBSIDIARIES

BUDGET REPORT BY MONTH

For Period 7/01/2007 - 3/31/2008

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

|                    | Current      |               | Adopted           |               | Current Y-T-D (-) | Last Y-T-D Amount | Adopted            |                | Cur Yr Budget (-) | Percentage Expended |
|--------------------|--------------|---------------|-------------------|---------------|-------------------|-------------------|--------------------|----------------|-------------------|---------------------|
|                    | Month Amount | Cur Month Amt | Cur Mo Budget (-) | Cur Mo Actual |                   |                   | Cur YTD Budget (-) | Cur YTD Actual |                   |                     |
| 1117 CUSH GAS      | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1325 LANDRIGHTS    | .00          | .00           | 3,017.00          | 3,017.00      | 3,017.00          | 3,017.00          | 3,017.00           | 3,017.00       | 3,017.00          | .00 %               |
| 1327 STRUCTURES    | 2,466.10     | 2,466.10      | 2,466.10          | 2,466.10      | 2,770.39          | 2,770.39          | 2,770.39           | 2,770.39       | 2,770.39          | .00 %               |
| 1331 WELL EQUIP    | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1332 GATH LINES    | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1333 COMP EQUIP    | 10,109.88    | 10,109.88     | 10,109.88         | 10,109.88     | 107,688.55        | 107,688.55        | 107,688.55         | 107,688.55     | 107,688.55        | .00 %               |
| 1334 REG STAT      | .00          | .00           | .00               | .00           | 18,358.42         | 18,358.42         | .00                | .00            | .00               | .00 %               |
| 135001 STORAGE LD  | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 135002 STOR ROW    | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1351 STRUCTURES    | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1352 STOR WELLS    | 141,484.84   | 141,484.84    | 141,484.84        | 141,484.84    | 1,220,547.67      | 1,220,547.67      | 1,220,547.67       | 1,220,547.67   | 1,220,547.67      | .00 %               |
| 135201 STORAGE RT  | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 135202 STOR RESEV  | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 135203 NONR NAT G  | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1353 STORAGE LN    | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1354 COMPR EQUIP   | .00          | .00           | .00               | .00           | 7,590.14          | 7,590.14          | 7,590.14           | 7,590.14       | 7,590.14          | .00 %               |
| 1355 REG EQUIP     | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1356 PURIFICATN    | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 1357 OTHER EQUIP   | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 136501 LAND RIGHTS | .00          | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00 %               |
| 136502 TRAN ROW    | 13.00        | 13.00         | 13.00             | 13.00         | 43.00             | 43.00             | 14,807.50          | 19,957.00      | 19,957.00         | .21 %               |
| 1366 TRAN STRUC    | .00          | 5,814.83      | .00               | .00           | 2,968.00          | 16,631.28         | 32.00              | 32.00          | 32.00             | 98.93 %             |
| 1367 TRAN MAINS    | 317,825.39   | 375,799.08    | 317,825.39        | 317,825.39    | 78,152.51         | 7,366.54          | 16,952.51          | 16,952.51      | 16,952.51         | 127.70 %            |
| 1368 COMP STAT     | 17.81        | 290,784.70    | 17.81             | 17.81         | 376,915.19        | 1,576,766.55      | 45,284.81          | 45,284.81      | 45,284.81         | 89.27 %             |
| 1369 REG EQUIP     | 8,000.00     | 141,982.66    | 18,000.00         | 173,935.03    | 174,763.14        | 174,763.14        | 133,935.03         | 133,935.03     | 133,935.03        | 347.87 %            |
| 1371 OTHR EQUIP    | 3,703.34     | 3,703.34      | 3,703.34          | 3,703.34      | 3,698.31          | 3,698.31          | 11,266.76          | 11,266.76      | 11,266.76         | 24.88 %             |
| 1381 METERS        | 30,964.46    | 28,668.00     | 18,964.46         | 18,964.46     | 115,829.43        | 186,605.59        | 7,829.43           | 7,829.43       | 28,170.57         | 80.43 %             |

DELTA NATURAL GAS CO., INC SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2007 - 3/31/2008

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

|                      | Current             |                     | Adopted           |                   | Current Y-T-D (-)   |                     | Adopted               |                       | Current Y-T-D (-)     |                       | Percentage Expended |
|----------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
|                      | Month Amount        | Last Yr Month Amt   | Cur Mo Budget (-) | Cur Mo Actual     | Y-T-D Amount        | Last Y-T-D Amount   | Cur YTD Budget (-)    | Cur YTD Actual        | Cur Yr Budget (-)     | Cur YTD Actual        |                     |
| 1383 REGULATORS      | 8,928.18            | 11,673.46CR         | 9,071.82          | 9,071.82          | 156,319.82          | 81,507.19CR         | 980.18                | 980.18                | 52,980.18             | 52,980.18             | 74.68 %             |
| 1385 IND METERS      | 178.63              | 178.63              | 4,821.37          | 4,821.37          | 27,051.11           | 22,084.79           | 17,948.89             | 17,948.89             | 32,948.89             | 32,948.89             | 45.08 %             |
| 1395 LAB EQUIP       | .00                 | .00                 | .00               | .00               | 45,497.32CR         | 45,850.87CR         | 91,497.32             | 91,497.32             | 91,497.32             | 91,497.32             | 98.90 %             |
| 139901 MAPPING       | .00                 | .00                 | .00               | .00               | .00                 | .00                 | .00                   | .00                   | .00                   | .00                   | .00 %               |
| 5117 CUSHRN GAS      | 3,476.51CR          | 351.08CR            | 3,476.51          | 3,476.51          | 29,452.09CR         | 1,368.37CR          | 29,452.09             | 29,452.09             | 29,452.09             | 29,452.09             | .00 %               |
| 532503 MIN RIGHTS    | .00                 | .00                 | .00               | .00               | .00                 | .00                 | .00                   | .00                   | .00                   | .00                   | .00 %               |
| 532521 LEASEH-GAS    | .00                 | .00                 | .00               | .00               | .00                 | .00                 | .00                   | .00                   | .00                   | .00                   | .00 %               |
| 532523 INT INVESH    | .00                 | .00                 | .00               | .00               | .00                 | .00                 | .00                   | .00                   | .00                   | .00                   | .00 %               |
| 533101 GAS WELL E    | .00                 | .00                 | .00               | .00               | .00                 | .00                 | .00                   | .00                   | .00                   | .00                   | .00 %               |
| 535006 GAS RGT ST    | .00                 | .00                 | .00               | .00               | .00                 | .00                 | .00                   | .00                   | .00                   | .00                   | .00 %               |
| <b>Total ALH ALH</b> | <b>131,435.66CR</b> | <b>639,782.02CR</b> | <b>176,435.66</b> | <b>176,435.66</b> | <b>2,201,611.67</b> | <b>764,025.22CR</b> | <b>1,245,911.67CR</b> | <b>1,245,911.67CR</b> | <b>1,142,911.67CR</b> | <b>1,142,911.67CR</b> |                     |



DELTA NATURAL GAS CO., INC SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2007 - 3/31/2008

CAPITAL EXPENDITURES

All Agents

GRJ GLENN R JENNINGS

|                   | Current      |                   | Adopted           |               | Current Y-T-D (-) |                   | Adopted            |                | Percentage Expended |
|-------------------|--------------|-------------------|-------------------|---------------|-------------------|-------------------|--------------------|----------------|---------------------|
|                   | Month Amount | Last Yr Month Amt | Cur Mo Budget (-) | Cur Mo Actual | Y-T-D Amount      | Last Y-T-D Amount | Cur YTD Budget (-) | Cur YTD Actual |                     |
| 139909 CONTINGENC | .00          | .00               | .00               | .00           | .00               | .00               | .00                | 275,000.00     | .00 %               |
| Total GRJ GRJ     | .00          | .00               | .00               | .00           | .00               | .00               | .00                | 275,000.00     |                     |

DELTA NATURAL GAS CO., IN SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2007 - 3/31/2008

CAPITAL EXPENDITURES  
All Agents

JBB JOHN B BROWN

|                   | Current      |                   | Curr Month Amt (-) |               | Adopted      |                   | Current Y-T-D (-) |                    | Adopted        |                    | Percentage Expended |
|-------------------|--------------|-------------------|--------------------|---------------|--------------|-------------------|-------------------|--------------------|----------------|--------------------|---------------------|
|                   | Month Amount | Last Yr Month Amt | Cur Month Amt (-)  | Cur Mo Actual | Y-T-D Amount | Cur Mo Budget (-) | Last Y-T-D Amount | Cur YTD Budget (-) | Cur YTD Actual | Adopted Budget (-) |                     |
| 139902 COMP SOFTW | 111,906.61   |                   | 35,254.76CR        | 111,906.61CR  | 601,144.02   | 111,906.61        | 297,603.27        | 91,044.02CR        | 91,044.02CR    | 91,044.02CR        | 117.84 %            |
| 139903 COMP HWARE | .00          |                   | 8,134.44CR         | 46,300.00     | 23,409.67    | 46,300.00         | 7,795.17CR        | 208,090.33         | 208,090.33     | 208,090.33         | 10.11 %             |
| Total JBB JBB     | 111,906.61   |                   | 43,389.20CR        | 65,606.61CR   | 624,553.69   | 65,606.61CR       | 289,808.10        | 117,046.31         | 117,046.31     | 117,046.31         |                     |

DELTA NATURAL GAS CO., INC SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2007 - 3/31/2008

CAPITAL EXPENDITURES  
All Agents

JLC JOHNNY L CAUDILL

|                      | Current<br>Month Amount | Curr Month Amt (-)<br>Last Yr Month Amt | Adopted                            |                                     | Current<br>Y-T-D Amount | Current Y-T-D (-)<br>Last Y-T-D Amount | Adopted                              |                                      | Adopted<br>Cur Yr Budget (-)<br>Cur YTD Actual | Percentage<br>Expended |
|----------------------|-------------------------|---|------------------------------------|-------------------------------------|-------------------------|--|--------------------------------------|--------------------------------------|--|------------------------|
|                      |                         |   | Cur Mo Budget (-)<br>Cur Mo Actual | Cur Mo Budget (-)<br>Cur YTD Actual |                         |  | Cur YTD Budget (-)<br>Cur YTD Actual | Cur YTD Budget (-)<br>Cur YTD Actual |  |                        |
| 1121 NON U PROP      | .00                     | .00                                     | .00                                | .00                                 | .00                     | .00                                    | .00                                  | .00                                  | .00  | .00 %                  |
| 1374 LAND & ROW      | 34.00                   | 51.00CR                                 | 466.00                             | 1,632.00CR                          | 770.00                  | 3,730.00                               | 5,230.00                             | 5,230.00                             | 12.83 %  |                        |
| 1375 DIS STRUCT      | .00                     | .00                                     | .00                                | .00                                 | .00                     | 3,000.00                               | 5,000.00                             | 5,000.00                             | .00 %  |                        |
| 1376 DIST MAINS      | 164,471.44CR            | 295,388.98CR                            | 344,471.44                         | 554,654.96                          | 1,570,603.24            | 190,603.24CR                           | 349,396.76                           | 349,396.76                           | 81.80 %  |                        |
| 1378 REG STATNS      | 2,509.16                | 2,509.16                                | 6,490.84                           | 4,700.14                            | 21,932.98               | 59,067.02                              | 86,067.02                            | 86,067.02                            | 20.30 %  |                        |
| 1379 CG REG STA      | .00                     | .00                                     | .00                                | .00                                 | .00                     | .00                                    | 25,000.00                            | 25,000.00                            | .00 %  |                        |
| 1380 DIST SERV       | 34,017.50               | 6,436.51CR                              | 25,982.50                          | 20,693.95                           | 463,706.19              | 29,093.81                              | 219,093.81                           | 219,093.81                           | 67.91 %  |                        |
| 1382 MET&REG IN      | 5,344.37                | 1,435.79CR                              | 4,255.63                           | 12.30CR                             | 67,965.62               | 18,734.38                              | 47,534.38                            | 47,534.38                            | 58.84 %  |                        |
| 1389 LAND&RGHTS      | .00                     | .00                                     | .00                                | .00                                 | .00                     | .00                                    | .00                                  | .00                                  | .00 %  |                        |
| 1390 STRUCTURES      | 2,836.00                | 24,030.68CR                             | 2,164.00                           | 27,515.91CR                         | 10,240.99               | 14,759.01                              | 29,759.01                            | 29,759.01                            | 25.60 %  |                        |
| 1391 FURN&EQUIP      | .00                     | .00                                     | .00                                | 9,382.59                            | 13,294.12               | 4,294.12CR                             | 2,294.12CR                           | 2,294.12CR                           | 120.85 %                                       |                        |
| 1392 TRANSP EQP      | .00                     | 86,368.50CR                             | 70,000.00                          | 6,763.01                            | 247,421.45              | 182,578.55                             | 242,578.55                           | 242,578.55                           | 50.49 %  |                        |
| 1393 STORES EQP      | .00                     | .00                                     | .00                                | .00                                 | .00                     | .00                                    | .00                                  | .00                                  | .00 %  |                        |
| 1394 TOOL&EQUIP      | .00                     | 11,917.30CR                             | 3,600.00                           | 74,004.53CR                         | 52,479.62               | 36,420.38                              | 47,520.38                            | 47,520.38                            | 52.47 %  |                        |
| 139401 CNG EQUIPM    | .00                     | .00                                     | .00                                | .00                                 | .00                     | .00                                    | .00                                  | .00                                  | .00 %  |                        |
| 1396 PO EQUIPMT      | .00                     | .00                                     | 2,300.00                           | 4,388.97                            | 94,373.38               | 6,326.62                               | 13,226.62                            | 13,226.62                            | 87.70 %  |                        |
| 1397 COMM EQUIP      | .00                     | .00                                     | .00                                | 2,697.06CR                          | .00                     | 6,000.00                               | 12,000.00                            | 12,000.00                            | .00 %  |                        |
| 1398 MISC EQUIP      | .00                     | .00                                     | .00                                | .00                                 | .00                     | .00                                    | .00                                  | .00                                  | .00 %  |                        |
| 139931 OFFC EQUIP    | .00                     | 14,087.40CR                             | .00                                | 21,242.40CR                         | .00                     | 20,000.00                              | 30,000.00                            | 30,000.00                            | .00 %  |                        |
| <b>Total JLC JLC</b> | <b>119,730.41CR</b>     | <b>417,207.00CR</b>                     | <b>459,730.41</b>                  | <b>473,491.48</b>                   | <b>2,542,787.59</b>     | <b>184,812.41</b>                      | <b>1,110,112.41</b>                  | <b>1,110,112.41</b>                  |  |                        |
| <b>Grand Total</b>   | <b>139,259.46CR</b>     | <b>1,120,378.22CR</b>                   | <b>570,559.46</b>                  | <b>725.64CR</b>                     | <b>5,368,952.95</b>     | <b>944,052.95CR</b>                    | <b>359,247.05</b>                    | <b>359,247.05</b>                    |  |                        |



**DELTA NATURAL GAS COMPANY, INC**  
**BOARD OF DIRECTORS' MEETING - 8/22/08**  
**QUARTERLY SUMMARY REPORT**

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|   | <u>12 months ended June 30</u> |                              |                              |
|---|--------------------------------|------------------------------|------------------------------|
|   | <u>2008</u><br><u>Actual</u>   | <u>2008</u><br><u>Budget</u> | <u>2007</u><br><u>Actual</u> |
| System Throughput (million cu. ft.)                           |                                |                              |                              |
| Retail Gas Sales Volumes                                      | <u>3,102</u>                   | <u>3,380</u>                 | <u>3,282</u>                 |
| Transportation Volumes  |                                |                              |                              |
| - off system  | <u>12,623</u>                  | 8,550                        | 9,774                        |
| - on system   | <u>4,975</u>                   | <u>5,435</u>                 | <u>5,161</u>                 |
| Total Transportation  | <u>17,598</u>                  | <u>13,985</u>                | <u>14,935</u>                |
| Total Throughput  | <u>20,700</u>                  | <u>17,365</u>                | <u>18,217</u>                |
| Actual Lexington Calendar Degree Days as % of 30 Year Average | <b>96</b>                      | 100.0                        | 95                           |
| Net Income (\$000)  | <b>6,830</b>                   | 3,197                        | 5,298                        |
| Net Income Per Common Share (\$)                              | <b>2.08</b>                    | .97                          | 1.62                         |

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The attached detailed financial data is provided for further information and review.

In summary, net income before taxes increased \$2,522,000 for the twelve months ended June 30, 2008 compared to the previous year. Regulated retail sales margins increased \$1,349,000 attributable to the implementation of the new rate order in November net of decreases caused by 5.4% lower sales volumes. Transportation revenue increased \$1,087,000 compared to the previous year. In addition, there was a \$915,000 increase in non-regulated net income before income taxes.

Net income before income taxes was \$5,861,000 higher than budgeted for the twelve months ended June 30, 2008 resulting from the non-regulated subsidiaries net income before income taxes being \$2,800,000 more than budgeted, regulated retail sales margins being \$1,532,000 more than budgeted and transportation revenue being \$1,421,000 more than budgeted.

Capital expenditures exceeded budget primarily because of the unplanned cost to re-work a storage well at Canada Mountain.

**DELTA NATURAL GAS COMPANY, INC.**

**BALANCE SHEET**

June 30, 2008

|  |           | <b>2008</b>               |           | <b>2007</b>               |
|--|-----------|---------------------------|-----------|---------------------------|
| <b>ASSETS</b>                          |           |                           |           |                           |
| <b>GAS UTILITY PLANT, AT COST</b>      | \$        | 189,893,167               | \$        | 184,874,437               |
| Less - Reserve for Depreciation        |           | <u>65,920,346</u>         |           | <u>63,154,290</u>         |
|  | \$        | <u>123,972,821</u>        | \$        | <u>121,720,147</u>        |
| <b>CURRENT ASSETS:</b>                 |           |                           |           |                           |
| Cash                                   | \$        | 249,859                   | \$        | 187,820                   |
| Receivables                            |           | 6,182,844                 |           | 5,792,697                 |
| Deferred Gas Cost                      |           | 4,612,752                 |           | 2,941,826                 |
| Gas in Storage, at Cost                |           | 13,274,777                |           | 8,855,277                 |
| Materials and Supplies, at Cost        |           | 565,333                   |           | 559,087                   |
| Prepayments                            |           | <u>1,899,389</u>          |           | <u>1,390,383</u>          |
|  | \$        | <u>26,784,954</u>         | \$        | <u>19,727,090</u>         |
| <b>OTHER ASSETS:</b>                   |           |                           |           |                           |
| Cash Surrender Value of Life Insurance | \$        | 444,312                   | \$        | 425,608                   |
| Unamortized Expenses                   |           | 5,123,276                 |           | 5,510,542                 |
| Receivable/Investment in Subsidiaries  |           | 2,901,536                 |           | 1,142,931                 |
| Other                                  |           | <u>6,848,742</u>          |           | <u>6,645,775</u>          |
|  | \$        | <u>15,317,866</u>         | \$        | <u>13,724,856</u>         |
| <b>TOTAL ASSETS</b>                    | <b>\$</b> | <b><u>166,075,641</u></b> | <b>\$</b> | <b><u>155,172,093</u></b> |
| <b>LIABILITIES</b>                     |           |                           |           |                           |
| <b>CAPITALIZATION:</b>                 |           |                           |           |                           |
| Common Stock                           | \$        | 3,295,759                 | \$        | 3,277,106                 |
| Paid-in Surplus                        |           | 46,610,835                |           | 46,152,333                |
| Capital Stock Expense                  |           | (2,643,354)               |           | (2,643,354)               |
| Retained Earnings                      |           | <u>10,330,345</u>         |           | <u>7,642,386</u>          |
| Total Common Equity                    | \$        | 57,593,585                | \$        | 54,428,471                |
| Long-term Debt                         |           | <u>58,318,000</u>         |           | <u>58,625,000</u>         |
| Total Capitalization                   | \$        | <u>115,911,585</u>        | \$        | <u>113,053,471</u>        |
| <b>CURRENT LIABILITIES:</b>            |           |                           |           |                           |
| Notes Payable                          | \$        | 6,828,791                 | \$        | 4,189,918                 |
| Current Portion of Long-Term Debt      |           | 1,200,000                 |           | 1,200,000                 |
| Accounts Payable                       |           | 8,416,070                 |           | 6,482,585                 |
| Accrued Taxes                          |           | 1,098,165                 |           | (289,324)                 |
| Refunds Due Customers                  |           | 58                        |           | 9                         |
| Customer Deposits                      |           | 505,000                   |           | 482,437                   |
| Accrued Interest                       |           | 865,727                   |           | 865,871                   |
| Current Deferred Income Taxes          |           | 1,483,700                 |           | 1,273,000                 |
| Other                                  |           | <u>1,138,865</u>          |           | <u>1,162,172</u>          |
|  | \$        | <u>21,536,376</u>         | \$        | <u>15,366,668</u>         |
| <b>DEFERRED CREDITS AND OTHER:</b>     |           |                           |           |                           |
| Deferred Income Taxes                  | \$        | 24,607,800                | \$        | 22,507,500                |
| Deferred Investment Tax Credit         |           | 177,800                   |           | 213,600                   |
| Regulatory Items                       |           | 2,144,951                 |           | 2,503,256                 |
| Advances for Construction and Other    |           | <u>1,697,129</u>          |           | <u>1,527,598</u>          |
|  | \$        | <u>28,627,680</u>         | \$        | <u>26,751,954</u>         |
| <b>TOTAL LIABILITIES</b>               | <b>\$</b> | <b><u>166,075,641</u></b> | <b>\$</b> | <b><u>155,172,093</u></b> |

# DELTA NATURAL GAS COMPANY, INC.

## STATEMENT OF INCOME

June 30, 2008

|  | 12 MONTHS TO DATE |                  | 12 MONTHS ENDED   |                   |
|--|-------------------|------------------|-------------------|-------------------|
|  | 2008              | 2007             | 2008              | 2007              |
| <b>OPERATING REVENUES</b>                          | \$ 62,237,025     | \$ 57,141,928    | \$ 62,237,025     | \$ 57,141,928     |
| <b>OPERATING EXPENSES &amp; TAXES:</b>             |                   |                  |                   |                   |
| Gas Purchased                                      | \$ 33,493,414     | 30,887,025       | \$ 33,493,414     | \$ 30,887,025     |
| Operations   | 12,048,633        | 11,044,847       | 12,048,633        | 11,044,847        |
| Maintenance  | 1,003,431         | 667,406          | 1,003,431         | 667,406           |
| Depreciation                                       | 4,053,113         | 4,578,841        | 4,053,113         | 4,578,841         |
| Property & Other Taxes                             | 1,787,858         | 1,826,634        | 1,787,858         | 1,826,634         |
| Income Taxes                                       | <u>1,990,500</u>  | <u>1,297,300</u> | <u>1,990,500</u>  | <u>1,297,300</u>  |
| Total  | \$ 54,376,949     | \$ 50,302,053    | \$ 54,376,949     | \$ 50,302,053     |
| Operating Income                                   | \$ 7,860,076      | \$ 6,839,875     | \$ 7,860,076      | \$ 6,839,875      |
| <b>OTHER INCOME/(EXPENSES),NET</b>                 | 3,526,181         | 2,958,388        | 3,526,181         | 2,958,388         |
| Gross Income                                       | \$ 11,386,257     | \$ 9,798,263     | \$ 11,386,257     | \$ 9,798,263      |
| <b>OTHER DEDUCTIONS:</b>                           |                   |                  |                   |                   |
| Interest on Debt                                   | \$ 4,169,123      | \$ 4,112,834     | \$ 4,169,123      | \$ 4,112,834      |
| Amortization                                       | 387,266           | 387,082          | 387,266           | 387,082           |
| Other  | -                 | -                | -                 | -                 |
| Total  | \$ 4,556,389      | \$ 4,499,916     | \$ 4,556,389      | \$ 4,499,916      |
| <b>NET INCOME(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ 6,829,868      | \$ 5,298,347     | \$ 6,829,868      | \$ 5,298,347      |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>     | \$ 2.08           | \$ 1.62          | \$ 2.08           | \$ 1.62           |
| <b>CUSTOMERS AT END OF PERIOD</b>                  |                   |                  | 35,909            | 36,493            |
| <b>AVERAGE SHARES</b>                              | 3,285,464         | 3,265,800        | 3,285,464         | 3,265,800         |
|  | FISCAL<br>YTD     | FISCAL<br>YTD    | 12 MONTH<br>ENDED | 12 MONTH<br>ENDED |

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**June 30, 2008**

|  | MONTH           |           |           | YEAR TO DATE    |             |            | YEAR ENDED  |            |
|--|-----------------|-----------|-----------|-----------------|-------------|------------|-------------|------------|
|  | This Year Over  |           |           | This Year Over  |             |            | This Year   | Last Year  |
|  | (Under ) Budget | This Year | Last Year | (Under ) Budget | This Year   | Last Year  |             |            |
| DEGREE DAYS BILLED - LEXINGTON AREA                | 110             | 121       | 59        | (207)           | 4,464       | 4,419      | 4,464       | 4,419      |
| <b>MCF'S: DELTA NATURAL</b>                        |                 |           |           |                 |             |            |             |            |
| RESIDENTIAL  | 16,913          | 45,613    | 41,310    | (159,499)       | 1,692,801   | 1,804,022  | 1,692,801   | 1,804,022  |
| SMALL COMMERCIAL                                   | 2,442           | 13,042    | 13,287    | (47,725)        | 524,275     | 554,390    | 524,275     | 554,390    |
| COMMERCIAL - OTHER                                 | 1,031           | 28,431    | 32,136    | (158,959)       | 759,641     | 790,956    | 759,641     | 790,956    |
| INDUSTRIAL   | 2,353           | 3,553     | 4,713     | 82,924          | 120,724     | 135,480    | 120,724     | 135,480    |
| TOTAL SOLD   | 22,739          | 90,639    | 91,446    | (283,259)       | 3,097,441   | 3,284,848  | 3,097,441   | 3,284,848  |
| OFF SYSTEM   | 449,959         | 1,066,359 | 944,556   | 4,072,916       | 12,623,116  | 9,773,571  | 12,623,116  | 9,773,571  |
| ON SYSTEM  | (25,291)        | 358,509   | 353,564   | (459,880)       | 4,975,020   | 5,161,127  | 4,975,020   | 5,161,127  |
| TOTAL TRANSPORTED                                  | 424,668         | 1,424,868 | 1,298,120 | 3,613,036       | 17,598,136  | 14,934,698 | 17,598,136  | 14,934,698 |
| TOTAL DELTA NATURAL                                | 447,407         | 1,515,507 | 1,389,566 | 3,329,777       | 20,695,577  | 18,219,546 | 20,695,577  | 18,219,546 |
| <b>RESOURCES ON SYS INCL</b>                       | (13,081)        | 126,219   | 116,123   | (246,986)       | 1,840,214   | 1,934,752  | 1,840,214   | 1,934,752  |
| <b>DELGASCO OFF SYS INCL</b>                       | (3,302)         | 181,598   | 61,233    | 870,985         | 3,436,085   | 2,888,076  | 3,436,085   | 2,888,076  |
| <b>ENPRO - SALES TO AFFILIATES</b>                 | (405)           | 9,595     | 9,922     | (12,956)        | 162,044     | 183,317    | 162,044     | 183,317    |
| <b>Unbilled MCF</b>                                | (32,919)        | (32,919)  | (34,227)  | 2,016           | 3,755       | (2,317)    | 3,755       | (2,317)    |
| <b>REVENUES: DELTA NATURAL</b>                     |                 |           |           |                 |             |            |             |            |
| RETAIL SALES                                       | 723,743         | 2,332,443 | 1,761,645 | (9,991,708)     | 53,098,492  | 49,793,306 | 53,098,492  | 49,793,306 |
| UNBILLED REVENUE                                   | (573,259)       | (573,259) | (498,671) | 521,091         | 521,091     | (130,284)  | 521,091     | (130,284)  |
| MISC OPERATING                                     | (5,535)         | 26,865    | 29,819    | 31,638          | 292,538     | 241,206    | 292,538     | 241,206    |
| OFF SYS TRANSPORT                                  | 167,031         | 346,531   | 267,345   | 1,374,547       | 3,864,347   | 2,979,237  | 3,864,347   | 2,979,237  |
| ON SYS TRANSPORT                                   | 19,142          | 308,942   | 273,421   | 46,757          | 4,460,557   | 4,258,463  | 4,460,557   | 4,258,463  |
| TOTAL DELTA NATURAL                                | 331,122         | 2,441,522 | 1,833,559 | (8,017,675)     | 62,237,025  | 57,141,928 | 62,237,025  | 57,141,928 |
| <b>RESOURCES ON SYS SALES</b>                      | 682,749         | 1,621,049 | 1,042,518 | 3,070,869       | 17,131,369  | 16,816,405 | 17,131,369  | 16,816,405 |
| <b>DELGASCO OFF SYS SALES</b>                      | 1,321,430       | 2,562,030 | 554,085   | 15,804,632      | 33,013,132  | 24,046,044 | 33,013,132  | 24,046,044 |
| <b>ENPRO - SALES TO AFFILIATES</b>                 | 49,096          | 116,196   | 77,193    | 37,172          | 1,307,672   | 1,320,884  | 1,307,672   | 1,320,884  |
| TOTAL CONSOLIDATED                                 | 2,384,397       | 6,740,797 | 3,507,355 | 10,894,998      | 113,689,198 | 99,325,261 | 113,689,198 | 99,325,261 |
| <b>GAS COSTS: DELTA NATURAL</b>                    | 402,394         | 1,295,994 | 952,867   | (11,241,056)    | 33,254,644  | 30,983,603 | 33,254,644  | 30,983,603 |
| DELTA NATURAL UNBILLED GAS COST                    | (471,084)       | (471,084) | (356,768) | 238,770         | 238,770     | (96,578)   | 238,770     | (96,578)   |
| DELTA RESOURCES                                    | 693,105         | 1,528,905 | 967,700   | 2,469,536       | 14,992,736  | 14,372,977 | 14,992,736  | 14,372,977 |
| DELGASCO   | 1,131,019       | 2,338,119 | 492,292   | 12,758,886      | 29,503,586  | 21,886,827 | 29,503,586  | 21,886,827 |
| TOTAL CONSOLIDATED                                 | 1,755,434       | 4,691,934 | 2,056,091 | 4,226,136       | 77,989,736  | 67,146,829 | 77,989,736  | 67,146,829 |
| <b>NET SALES: DELTA NATURAL EXCLUDING UNBILLED</b> | 321,349         | 1,036,449 | 808,778   | 1,249,348       | 19,843,848  | 18,809,703 | 19,843,848  | 18,809,703 |
| DELTA NATURAL UNBILLED                             | (102,175)       | (102,175) | (141,903) | 282,321         | 282,321     | (33,706)   | 282,321     | (33,706)   |
| DELTA RESOURCES TOTAL                              | (10,356)        | 92,144    | 74,818    | 601,333         | 2,138,633   | 2,443,428  | 2,138,633   | 2,443,428  |
| DELGASCO   | 190,411         | 223,911   | 61,793    | 3,045,746       | 3,509,546   | 2,159,217  | 3,509,546   | 2,159,217  |
| TOTAL CONSOLIDATED                                 | 399,229         | 1,250,329 | 803,486   | 5,178,748       | 25,774,348  | 23,378,642 | 25,774,348  | 23,378,642 |
| <b>PER MCF: DELTA NATURAL</b>                      |                 |           |           |                 |             |            |             |            |
| TOTAL SALES  | 31.8283         | 25.7333   | 19.2643   | 35.2741         | 17.1427     | 15.1585    | 17.1427     | 15.1585    |
| COST OF GAS  | 17.6962         | 14.2984   | 10.4200   | 39.6847         | 10.7362     | 9.4323     | 10.7362     | 9.4323     |
| NET SALES  | 14.1321         | 11.4349   | 8.8443    | (4.4106)        | 6.4065      | 5.7262     | 6.4065      | 5.7262     |
| <b>DELTA RESOURCES</b>                             |                 |           |           |                 |             |            |             |            |
| TOTAL SALES  | (52.1939)       | 12.8431   | 8.9777    | (12.4334)       | 9.3094      | 8.6918     | 9.3094      | 8.6918     |
| COST OF GAS  | (52.9856)       | 12.1131   | 8.3334    | (9.9987)        | 8.1473      | 7.4288     | 8.1473      | 7.4288     |
| NET SALES  | 0.7917          | 0.7300    | 0.6443    | (2.4347)        | 1.1622      | 1.2629     | 1.1622      | 1.2629     |
| <b>DELGASCO</b>                                    |                 |           |           |                 |             |            |             |            |
| TOTAL SALES  | (400.1908)      | 14.1083   | 9.0488    | 18.1457         | 9.6078      | 8.3260     | 9.6078      | 8.3260     |
| COST OF GAS  | (342.5254)      | 12.8752   | 8.0397    | 14.6488         | 8.5864      | 7.5783     | 8.5864      | 7.5783     |
| NET SALES  | (57.6654)       | 1.2330    | 1.0091    | 3.4969          | 1.0214      | 0.7476     | 1.0214      | 0.7476     |
| <b>DELTA NATURAL ONLY:</b>                         |                 |           |           |                 |             |            |             |            |
| % Change to Customers Between Yrs:                 | Total Cost      | 33.6%     |           |                 | 13.1%       |            | 13.1%       |            |
|  | Gas Cost        | 20.1%     |           |                 | 8.6%        |            | 8.6%        |            |
|  | Net Sales       | 13.4%     |           |                 | 4.5%        |            | 4.5%        |            |

DELTA NATURAL GAS CO., INC SUBSIDIARIES  
 Income Statement - Delta Natural Gas Co  
 July 01, 2007 - June 30, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 01                              |                         |                                |                         |                              |                           |                          |                             |
| OPERATING REVENUES              |                         |                                |                         |                              |                           |                          |                             |
| General Service Rate Billed     |                         |                                |                         |                              |                           |                          |                             |
| Residential                     | 938,112.79CR            | 648,799.22CR                   | 30,598,471.44CR         | 35,948,000.00CR              | 28,150,960.30CR           | 30,598,471.44CR          | 28,150,960.30CR             |
| Small Commercial                | 270,876.12CR            | 205,946.10CR                   | 9,047,722.41CR          | 10,716,100.00CR              | 8,339,425.54CR            | 9,047,722.41CR           | 8,339,425.54CR              |
| Other Commercial                | 493,684.08CR            | 360,758.68CR                   | 12,047,962.83CR         | 15,839,700.00CR              | 10,844,835.04CR           | 12,047,962.83CR          | 10,844,835.04CR             |
| Industrial                      | 40,354.70CR             | 34,972.10CR                    | 1,305,284.58CR          | .00                          | 1,300,893.06CR            | 1,305,284.58CR           | 1,300,893.06CR              |
| Unmetered Gas Light             | 747.36CR                | 699.84CR                       | 8,160.83CR              | 9,700.00CR                   | 8,011.16CR                | 8,160.83CR               | 8,011.16CR                  |
| Residential WNA                 | .00                     | .00                            | 134,604.03CR            | .00                          | 489,418.91CR              | 134,604.03CR             | 489,418.91CR                |
| Small Non-Residential WNA       | .00                     | .00                            | 40,607.40CR             | .00                          | 122,947.75CR              | 40,607.40CR              | 122,947.75CR                |
| Weather Normalization Revenu    | .00                     | .00                            | 175,211.43CR            | .00                          | 612,366.66CR              | 175,211.43CR             | 612,366.66CR                |
| Total General Service Ra        | 1,743,775.05CR          | 1,251,175.94CR                 | 53,182,813.52CR         | 62,513,500.00CR              | 49,256,491.76CR           | 53,182,813.52CR          | 49,256,491.76CR             |
| Interruptible Rate Billed       |                         |                                |                         |                              |                           |                          |                             |
| Commercial                      | .00                     | 7.34CR                         | 34,807.00CR             | .00                          | 31,945.80CR               | 34,807.00CR              | 31,945.80CR                 |
| Industrial                      | 15,408.48CR             | 11,789.53CR                    | 401,962.60CR            | 576,700.00CR                 | 374,584.09CR              | 401,962.60CR             | 374,584.09CR                |
| Total Interruptible Rate        | 15,408.48CR             | 11,796.87CR                    | 436,769.60CR            | 576,700.00CR                 | 406,529.89CR              | 436,769.60CR             | 406,529.89CR                |
| Total Gas Revenue               | 1,759,183.53CR          | 1,262,972.81CR                 | 53,619,583.12CR         | 63,090,200.00CR              | 49,663,021.65CR           | 53,619,583.12CR          | 49,663,021.65CR             |
| Miscellaneous Operating Revenue | 26,865.00CR             | 29,819.00CR                    | 292,538.00CR            | 260,900.00CR                 | 241,206.00CR              | 292,538.00CR             | 241,206.00CR                |
| Off System Transportation Reven | 346,530.96CR            | 267,344.74CR                   | 3,864,346.74CR          | 2,489,800.00CR               | 2,979,236.78CR            | 3,864,346.74CR           | 2,979,236.78CR              |
| On System Transportation Revenu | 308,942.13CR            | 273,421.84CR                   | 4,460,557.54CR          | 4,413,800.00CR               | 4,258,463.18CR            | 4,460,557.54CR           | 4,258,463.18CR              |
| TOTAL OPERATING REVENUE         | 2,441,521.62CR          | 1,833,558.39CR                 | 62,237,025.40CR         | 70,254,700.00CR              | 57,141,927.61CR           | 62,237,025.40CR          | 57,141,927.61CR             |
| OPERATING EXPENSES              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 824,910.08              | 596,099.32                     | 33,493,413.62           | 44,495,700.00                | 30,887,024.99             | 33,493,413.62            | 30,887,024.99               |
| Recovery of Canada Mountain     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Purchased Gas, net              | 824,910.08              | 596,099.32                     | 33,493,413.62           | 44,495,700.00                | 30,887,024.99             | 33,493,413.62            | 30,887,024.99               |
| Operation Expense               |                         |                                |                         |                              |                           |                          |                             |
| Labor                           | 1,291,941.03            | 1,244,435.37                   | 7,080,636.10            | 6,476,400.00                 | 6,830,155.52              | 7,080,636.10             | 6,830,155.52                |
| Transportation                  | 84,669.66               | 64,484.56                      | 906,369.90              | 738,000.00                   | 756,135.02                | 906,369.90               | 756,135.02                  |



DELTA NATURAL GAS CO., INC SUBSIDIARIES

Income Statement . . .ita

July 01, 2007 - June 30, 2008

|  | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|--|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| General Operations                     | 212,470.05              | 40,426.00                      | 801,366.28              | 532,300.00                   | 607,698.97                | 801,366.28               | 607,698.97                  |
| Customer Billing                       | 37,117.63               | 18,756.18                      | 267,974.70              | 235,200.00                   | 230,495.87                | 267,974.70               | 230,495.87                  |
| Uncollectible Accounts                 | 57,601.17CR             | 196,307.45CR                   | 599,344.83              | 608,400.00                   | 272,892.55                | 599,344.83               | 272,892.55                  |
| Administrative                         | 49,099.20               | 42,073.35                      | 574,985.39              | 634,600.00                   | 547,530.87                | 574,985.39               | 547,530.87                  |
| Outside Services                       | 50,334.13               | 35,768.37                      | 808,063.38              | 827,300.00                   | 709,509.57                | 808,063.38               | 709,509.57                  |
| Insurance                              | 67,473.12               | 64,793.71                      | 809,571.09              | 815,500.00                   | 798,180.36                | 809,571.09               | 798,180.36                  |
| Employee Benefits                      | 247,396.89              | 242,131.60                     | 2,477,579.01            | 2,409,400.00                 | 2,616,414.15              | 2,477,579.01             | 2,616,414.15                |
| General Administration                 | 58,139.22               | 52,868.43                      | 781,448.61              | 844,900.00                   | 759,098.31                | 781,448.61               | 759,098.31                  |
| Expenses Transferred                   | 889,758.89CR            | 1,067,378.37CR                 | 3,524,229.63CR          | 2,594,400.00CR               | 3,445,441.31CR            | 3,524,229.63CR           | 3,445,441.31CR              |
| Other                                  | 71,130.79               | 54,357.51                      | 465,523.56              | 422,300.00                   | 362,177.60                | 465,523.56               | 362,177.60                  |
| <b>Total Operation Expense</b>         | <b>1,222,411.66</b>     | <b>596,409.26</b>              | <b>12,048,633.22</b>    | <b>11,949,900.00</b>         | <b>11,044,847.48</b>      | <b>12,048,633.22</b>     | <b>11,044,847.48</b>        |
| Maintenance Expense                    |                         |                                |                         |                              |                           |                          |                             |
| Labor                                  | 14,238.49               | 5,735.71                       | 121,037.13              | .00                          | 97,754.51                 | 121,037.13               | 97,754.51                   |
| Transportation                         | 6,359.24                | 2,017.81                       | 47,069.24               | .00                          | 32,448.52                 | 47,069.24                | 32,448.52                   |
| Mains                                  | 34,781.51               | 9,127.45                       | 198,069.27              | 66,000.00                    | 64,703.18                 | 198,069.27               | 64,703.18                   |
| Meter & Regulators                     | 1,943.20                | 4,269.75                       | 49,991.59               | 32,400.00                    | 52,588.51                 | 49,991.59                | 52,588.51                   |
| Other                                  | 150,735.06              | 51,869.69                      | 587,264.06              | 387,600.00                   | 419,910.95                | 587,264.06               | 419,910.95                  |
| <b>Total Maintenance Expense</b>       | <b>208,057.50</b>       | <b>73,020.41</b>               | <b>1,003,431.29</b>     | <b>486,000.00</b>            | <b>667,405.67</b>         | <b>1,003,431.29</b>      | <b>667,405.67</b>           |
| <b>Total Operation and Maintenance</b> | <b>1,430,469.16</b>     | <b>669,429.67</b>              | <b>13,052,064.51</b>    | <b>12,435,900.00</b>         | <b>11,712,253.15</b>      | <b>13,052,064.51</b>     | <b>11,712,253.15</b>        |
| Depreciation Expense                   | 305,234.35              | 415,207.11                     | 4,053,113.17            | 4,543,000.00                 | 4,578,840.95              | 4,053,113.17             | 4,578,840.95                |
| Taxes Other Than Income Taxes          |                         |                                |                         |                              |                           |                          |                             |
| Property Taxes                         | 37,154.78               | 106,543.00                     | 1,197,547.78            | 1,289,000.00                 | 1,238,895.00              | 1,197,547.78             | 1,238,895.00                |
| Payroll Taxes                          | 93,537.32               | 82,208.89                      | 590,309.91              | 560,600.00                   | 587,739.21                | 590,309.91               | 587,739.21                  |
| <b>Total Other Taxes</b>               | <b>130,692.10</b>       | <b>188,751.89</b>              | <b>1,787,857.69</b>     | <b>1,849,600.00</b>          | <b>1,826,634.21</b>       | <b>1,787,857.69</b>      | <b>1,826,634.21</b>         |
| <b>TOTAL OPERATING EXPENSES</b>        | <b>2,691,305.69</b>     | <b>1,869,487.99</b>            | <b>52,386,448.99</b>    | <b>63,324,200.00</b>         | <b>49,004,753.30</b>      | <b>52,386,448.99</b>     | <b>49,004,753.30</b>        |

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
 Income Statement - .ca  
 July 01, 2007 - June 30, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME                | 249,784.07              | 35,929.60                      | 9,850,576.41CR          | 6,930,500.00CR               | 8,137,174.31CR            | 9,850,576.41CR           | 8,137,174.31CR              |
| Other Income and Expenses       |                         |                                |                         |                              |                           |                          |                             |
| Other Net Income                | 265.35CR                | 41,286.72CR                    | 83,677.59CR             | 96,200.00CR                  | 134,265.78CR              | 83,677.59CR              | 134,265.78CR                |
| Net Non Regulated Income        | 265.35CR                | 41,286.72CR                    | 83,677.59CR             | 96,200.00CR                  | 134,265.78CR              | 83,677.59CR              | 134,265.78CR                |
| Total Income Before Interest Ch | 249,518.72              | 5,357.12CR                     | 9,934,254.00CR          | 7,026,700.00CR               | 8,271,440.09CR            | 9,934,254.00CR           | 8,271,440.09CR              |
| Interest Expense                |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt      | 305,869.37              | 307,467.71                     | 3,677,983.44            | 3,690,900.00                 | 3,694,388.55              | 3,677,983.44             | 3,694,388.55                |
| Interest On Short-Term Debt     | 16,917.24               | 18,337.40                      | 458,447.35              | 595,400.00                   | 387,471.48                | 458,447.35               | 387,471.48                  |
| Other Interest                  | 2,783.13                | 2,641.88                       | 32,692.90               | 36,000.00                    | 30,973.46                 | 32,692.90                | 30,973.46                   |
| Amortization of Debt Expense    | 32,274.88               | 32,273.88                      | 387,265.56              | 387,200.00                   | 387,082.34                | 387,265.56               | 387,082.34                  |
| Total Interest Expense          | 357,844.62              | 360,720.87                     | 4,556,389.25            | 4,709,500.00                 | 4,499,915.83              | 4,556,389.25             | 4,499,915.83                |
| Net Income Before Income Taxes  | 607,363.34              | 355,363.75                     | 5,377,864.75CR          | 2,317,200.00CR               | 3,771,524.26CR            | 5,377,864.75CR           | 3,771,524.26CR              |
| Current Federal                 | 1,163,810.00CR          | 1,194,290.00CR                 | 103,800.00CR            | 832,900.00                   | 731,900.00CR              | 103,800.00CR             | 731,900.00CR                |
| Current State                   | 296,340.00              | 115,178.00                     | 56,100.00               | .00                          | 125,700.00CR              | 56,100.00                | 125,700.00CR                |
| Deferred Federal & State        | 638,450.00              | 757,212.00                     | 2,074,000.00            | .00                          | 2,191,900.00              | 2,074,000.00             | 2,191,900.00                |
| Investment Tax Credit-Net       | 2,983.33CR              | 3,083.33CR                     | 35,800.00CR             | .00                          | 37,000.00CR               | 35,800.00CR              | 37,000.00CR                 |
| Income Taxes Non-Regulated      | 500.00                  | 16,800.00                      | 31,800.00               | 36,100.00                    | 51,900.00                 | 31,800.00                | 51,900.00                   |
| Total Income Taxes              | 231,503.33CR            | 308,183.33CR                   | 2,022,300.00            | 869,000.00                   | 1,349,200.00              | 2,022,300.00             | 1,349,200.00                |
| Net Income - Delta Natural      | 375,860.01              | 47,180.42                      | 3,355,564.75CR          | 1,448,200.00CR               | 2,422,324.26CR            | 3,355,564.75CR           | 2,422,324.26CR              |
| Subsidiary Net Income           |                         |                                |                         |                              |                           |                          |                             |
| Total Subsidiary Net Income     | 225,177.00              | 354,814.00                     | 3,474,303.00CR          | 1,749,000.00CR               | 2,876,023.00CR            | 3,474,303.00CR           | 2,876,023.00CR              |
| Net Income - Consolidated       | 601,037.01              | 401,994.42                     | 6,829,867.75CR          | 3,197,200.00CR               | 5,298,347.26CR            | 6,829,867.75CR           | 5,298,347.26CR              |

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
 Income Statement - Delta Sources  
 July 01, 2007 - June 30, 2008

|   | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| Operating Revenues  |                         |                                |                         |                              |                           |                          |                             |
| Sales To Parent   | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Sales To Others   | 1,830,433.81CR          | 1,215,318.96CR                 | 20,027,808.13CR         | 16,876,100.00CR              | 19,567,048.54CR           | 20,027,808.13CR          | 19,567,048.54CR             |
| Total Operating Revenues  | 1,830,433.81CR          | 1,215,318.96CR                 | 20,027,808.13CR         | 16,876,100.00CR              | 19,567,048.54CR           | 20,027,808.13CR          | 19,567,048.54CR             |
| Operating Expenses  |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas   | 1,528,905.00            | 967,700.15                     | 14,992,735.79           | 12,523,200.00                | 14,372,977.08             | 14,992,735.79            | 14,372,977.08               |
| Total Operation, Maintenance and<br>Taxes Other than Income Tax | 480,267.80              | 494,971.58                     | 3,222,813.39            | 2,844,300.00                 | 3,107,661.90              | 3,222,813.39             | 3,107,661.90                |
| Total Operating Expenses  | 2,009,172.80            | 1,462,671.73                   | 18,215,549.18           | 15,367,500.00                | 17,480,638.98             | 18,215,549.18            | 17,480,638.98               |
| Operating Income  | 178,738.99              | 247,352.77                     | 1,812,258.95CR          | 1,508,600.00CR               | 2,086,409.56CR            | 1,812,258.95CR           | 2,086,409.56CR              |
| Interest Expense  | 3,000.00CR              | 8,000.00CR                     | 100.00                  | 3,600.00                     | 4,000.00                  | 100.00                   | 4,000.00                    |
| Net Income Before Income Taxes                                  | 175,738.99              | 239,352.77                     | 1,812,158.95CR          | 1,505,000.00CR               | 2,082,409.56CR            | 1,812,158.95CR           | 2,082,409.56CR              |
| Income Tax Expense  | 39,600.00CR             | 45,400.00CR                    | 687,600.00              | 564,400.00                   | 803,800.00                | 687,600.00               | 803,800.00                  |
| Net Income  | 136,138.99              | 193,952.77                     | 1,124,558.95CR          | 940,600.00CR                 | 1,278,609.56CR            | 1,124,558.95CR           | 1,278,609.56CR              |

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
 Income Statement - Delta-ASCO  
 July 01, 2007 - June 30, 2008

|                                | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|--------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| Operating Revenues             |                         |                                |                         |                              |                           |                          |                             |
| Sales To Affiliates            | 1,526,905.00CR          | 967,700.15CR                   | 14,992,735.79CR         | .00                          | 14,372,977.08CR           | 14,992,735.79CR          | 14,372,977.08CR             |
| Sales To Others                | 2,623,143.85CR          | 573,160.42CR                   | 34,134,059.39CR         | 17,955,400.00CR              | 24,939,261.94CR           | 34,134,059.39CR          | 24,939,261.94CR             |
| Total Operating Revenues       | 4,152,048.85CR          | 1,540,860.57CR                 | 49,126,795.18CR         | 17,955,400.00CR              | 39,312,239.02CR           | 49,126,795.18CR          | 39,312,239.02CR             |
| Operating Expenses             |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                  | 3,867,024.28            | 1,459,992.32                   | 44,496,322.22           | 16,744,700.00                | 36,259,804.37             | 44,496,322.22            | 36,259,804.37               |
| Operation and Maintenance      | 455,801.42              | 278,223.16                     | 1,659,993.77            | 789,900.00                   | 1,209,975.78              | 1,659,993.77             | 1,209,975.78                |
| Taxes Other Than Income Tax    | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expense        | 4,322,825.70            | 1,738,215.48                   | 46,156,315.99           | 17,534,600.00                | 37,469,780.15             | 46,156,315.99            | 37,469,780.15               |
| Operating Income               | 170,776.85              | 197,354.91                     | 2,970,479.19CR          | 420,800.00CR                 | 1,842,458.87CR            | 2,970,479.19CR           | 1,842,458.87CR              |
| Total Interest Expense         | 3,600.00CR              | 4,200.00                       | 248,600.00              | 72,000.00                    | 194,545.87                | 248,600.00               | 194,545.87                  |
| Net Income Before Income Taxes | 167,176.85              | 201,554.91                     | 2,721,879.19CR          | 348,800.00CR                 | 1,647,913.00CR            | 2,721,879.19CR           | 1,647,913.00CR              |
| Income Tax Expense             | 99,900.00CR             | 89,400.00CR                    | 1,033,000.00            | 130,900.00                   | 636,000.00                | 1,033,000.00             | 636,000.00                  |
| Net Income                     | 67,276.85               | 112,154.91                     | 1,688,879.19CR          | 217,900.00CR                 | 1,011,913.00CR            | 1,688,879.19CR           | 1,011,913.00CR              |

DELTA NATURAL GAS CO., INC.      SUBSIDIARIES  
 Income Statement - unapro  
 July 01, 2007 - June 30, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 05                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Gas Production                  | 116,195.45CR            | 77,193.16CR                    | 1,307,671.72CR          | 1,270,500.00CR               | 1,320,883.51CR            | 1,307,671.72CR           | 1,320,883.51CR              |
| Oil Production                  | 6,128.66CR              | .00                            | 52,582.56CR             | .00                          | 3,823.45CR                | 52,582.56CR              | 3,823.45CR                  |
| Royalty                         | 15,296.41CR             | 14,302.76CR                    | 223,007.12CR            | 50,400.00CR                  | 160,191.61CR              | 223,007.12CR             | 160,191.61CR                |
| Other                           | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Revenues        | 137,620.52CR            | 91,495.92CR                    | 1,583,261.40CR          | 1,320,900.00CR               | 1,484,898.57CR            | 1,583,261.40CR           | 1,484,898.57CR              |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 16,446.79               | 12,550.81                      | 200,322.81              | 253,100.00                   | 234,422.58                | 200,322.81               | 234,422.58                  |
| Operations and Maintenance      |                         |                                |                         |                              |                           |                          |                             |
| Total Operations and Maint. E   | 156,544.66              | 150,845.23                     | 211,113.26              | 41,500.00                    | 198,578.01                | 211,113.26               | 198,578.01                  |
| Depreciation and Amortization   | 9,834.19                | 9,907.18                       | 118,032.22              | 108,100.00                   | 118,798.16                | 118,032.22               | 118,798.16                  |
| Taxes Other Than Income Taxes   | .00                     | .00                            | 23,371.77               | 33,300.00                    | 31,099.72                 | 23,371.77                | 31,099.72                   |
| Total Operating Expenses        | 182,825.64              | 173,303.22                     | 552,840.06              | 436,000.00                   | 582,898.47                | 552,840.06               | 582,898.47                  |
| Operating Income                | 45,205.12               | 81,807.30                      | 1,030,421.34CR          | 884,900.00CR                 | 902,000.10CR              | 1,030,421.34CR           | 902,000.10CR                |
| Total Other Income and Expenses | 156.31                  | .00                            | 156.31                  | .00                          | .00                       | 156.31                   | .00                         |
| Interest Expense                | 2,600.00CR              | 5,700.00CR                     | 34,600.00CR             | 60,000.00CR                  | 51,200.00CR               | 34,600.00CR              | 51,200.00CR                 |
| Net Income Before Income Taxes  | 42,761.43               | 76,107.30                      | 1,064,865.03CR          | 944,900.00CR                 | 953,200.10CR              | 1,064,865.03CR           | 953,200.10CR                |
| Income Tax Expense              | 21,000.00CR             | 27,400.00CR                    | 404,000.00              | 354,400.00                   | 367,700.00                | 404,000.00               | 367,700.00                  |
| Net Income                      | 21,761.43               | 48,707.30                      | 660,865.03CR            | 590,500.00CR                 | 585,500.10CR              | 660,865.03CR             | 585,500.10CR                |

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2007 - 6/30/2008

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

|                   | Current Month Amount | Curr Yr Month Amt | Adopted       |              | Current Y-T-D Amount | Current Y-T-D (-) | Adopted        |                | Current Y-T-D Amount | Current Y-T-D (-) | Cur YTD Actual | Cur YTD Budget (-) | Percentage Expended |
|-------------------|----------------------|-------------------|---------------|--------------|----------------------|-------------------|----------------|----------------|----------------------|-------------------|----------------|--------------------|---------------------|
|                   |                      |                   | Cur Mo Actual | Budget (-)   |                      |                   | Cur YTD Actual | Budget (-)     |                      |                   |                |                    |                     |
| 1117 CUSH GAS     | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1325 LANDERGHIS   | .00                  | .00               | .00           | 3,017.00     | 3,017.00             | 3,017.00CR        | 3,017.00CR     | 3,017.00CR     | 3,017.00             | 3,017.00CR        | 3,017.00CR     | 3,017.00CR         | .00 %               |
| 1327 STRUCTURES   | .00                  | .00               | .00           | 2,770.39     | 2,770.39             | 2,770.39CR        | 2,770.39CR     | 2,770.39CR     | 2,770.39             | 2,770.39CR        | 2,770.39CR     | 2,770.39CR         | .00 %               |
| 1331 WELL EQUIP   | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1332 GATH LINES   | .00                  | 12,909.22CR       | .00           | .00          | 12,909.22CR          | 28,000.00         | 28,000.00      | 28,000.00      | 12,909.22CR          | 28,000.00         | 28,000.00      | 28,000.00          | .00 %               |
| 1333 COMP EQUIP   | .00                  | .00               | .00           | 111,016.92   | 111,016.92           | 111,016.92CR      | 111,016.92CR   | 111,016.92CR   | 111,016.92           | 111,016.92CR      | 111,016.92CR   | 111,016.92CR       | .00 %               |
| 1334 REG STAT     | .00                  | .00               | .00           | .00          | 18,358.42CR          | .00               | .00            | .00            | 18,358.42CR          | .00               | .00            | .00                | .00 %               |
| 135001 STORAGE LD | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 135002 STOR ROW   | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1351 STRUCTURES   | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1352 STOR WELLS   | 65,477.28            | 65,477.28         | 65,477.28CR   | 1,170,165.33 | 1,170,165.33         | 1,170,165.33CR    | 1,170,165.33CR | 1,170,165.33CR | 1,170,165.33         | 1,170,165.33CR    | 1,170,165.33CR | 1,170,165.33CR     | .00 %               |
| 135201 STORAGE RT | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 135202 STOR RESEV | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 135203 NONR NAT G | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1353 STORAGE LN   | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1354 COMPR EQUIP  | .00                  | .00               | .00           | 95,064.20    | 95,064.20            | 95,064.20CR       | 95,064.20CR    | 95,064.20CR    | 95,064.20            | 95,064.20CR       | 95,064.20CR    | 95,064.20CR        | .00 %               |
| 1355 REG EQUIP    | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1356 PURIFICATN   | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 1357 OTHER EQUIP  | .00                  | .00               | .00           | .00          | .00                  | .00               | .00            | .00            | .00                  | .00               | .00            | .00                | .00 %               |
| 136501 LAND RGHTS | .00                  | .00               | .00           | 21,671.00    | 21,671.00            | 21,671.00CR       | 21,671.00CR    | 21,671.00CR    | 21,671.00            | 21,671.00CR       | 21,671.00CR    | 21,671.00CR        | .00 %               |
| 136502 TRAN ROW   | .00                  | .00               | .00           | 60.00        | 14,840.50CR          | 14,840.50CR       | 19,940.00      | 19,940.00      | 14,840.50CR          | 19,940.00         | 19,940.00      | 19,940.00          | .30 %               |
| 1366 TRAN STRUC   | .00                  | .00               | .00           | 2,968.00     | 16,631.28CR          | 16,631.28CR       | 32.00          | 32.00          | 2,968.00             | 32.00             | 32.00          | 32.00              | 98.93 %             |
| 1367 TRAN MAINS   | 51,335.67            | 892,863.95        | 51,335.67CR   | 162,804.68   | 107,791.33CR         | 101,604.68CR      | 101,604.68CR   | 101,604.68CR   | 162,804.68           | 101,604.68CR      | 101,604.68CR   | 101,604.68CR       | 266.02 %            |
| 1368 COMP STAT    | .00                  | 320,064.54CR      | .00           | 289,911.32   | 1,986,147.58CR       | 132,288.68        | 132,288.68     | 132,288.68     | 289,911.32           | 132,288.68        | 132,288.68     | 132,288.68         | 68.66 %             |
| 1369 REG EQUIP    | 495.17               | 394.58CR          | 495.17CR      | 191,606.10   | 80,814.47CR          | 141,606.10CR      | 141,606.10CR   | 141,606.10CR   | 191,606.10           | 141,606.10CR      | 141,606.10CR   | 141,606.10CR       | 383.21 %            |
| 1371 OTHR EQUIP   | 2,751.18CR           | 14,221.25CR       | 2,751.18      | 982.06       | 17,919.56CR          | 14,017.94         | 14,017.94      | 14,017.94      | 982.06               | 14,017.94         | 14,017.94      | 14,017.94          | 6.54 %              |
| 1381 METERS       | 15,573.28            | 9,419.96          | 3,573.28CR    | 154,979.44   | 233,405.67CR         | 10,979.44CR       | 10,979.44CR    | 10,979.44CR    | 154,979.44           | 10,979.44CR       | 10,979.44CR    | 10,979.44CR        | 107.62 %            |

DELTA NATURAL GAS CO., INC. SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2007 - 6/30/2008

CAPITAL EXPENDITURES

All Agents

ALH ALAN L HEATH

|                              | Current           |                   | Y-T-D Amount        |                       | Current Y-T-D (-)     |                       | Adopted             |                     | Adopted               |                       | Percentage Expended |
|------------------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|
|                              | Month Amount      | Last Yr Month Amt | Y-T-D Amount        | Last Y-T-D Amount     | Cur YTD Budget (-)    | Cur YTD Actual        | Cur Mo Budget (-)   | Cur Mo Actual       | Cur Yr Budget (-)     | Cur YTD Actual        |                     |
| 1383 REGULATORS              | 5,418.52          | 3,622.73          | 182,514.41          | 74,754.21CR           | 26,785.59             | 26,785.59             | 11,581.48           | 11,581.48           | 26,785.59             | 26,785.59             | 87.20 %             |
| 1385 IND METERS              | 9,348.21          | 5,228.97          | 39,199.24           | 21,764.69             | 20,800.76             | 20,800.76             | 4,348.21CR          | 4,348.21CR          | 20,800.76             | 20,800.76             | 65.33 %             |
| 1395 LAB EQUIP               | .00               | .00               | 45,456.68CR         | 45,810.23CR           | 91,456.68             | 91,456.68             | .00                 | .00                 | 91,456.68             | 91,456.68             | 98.81 %             |
| 139901 MAPPING               | .00               | .00               | .00                 | .00                   | .00                   | .00                   | .00                 | .00                 | .00                   | .00                   | .00 %               |
| 5117 CUSHIN GAS              | 3,255.83CR        | 13.37             | 39,580.69CR         | 2,147.44CR            | 39,580.69             | 39,580.69             | 3,255.83            | 3,255.83            | 39,580.69             | 39,580.69             | .00 %               |
| 532503 MIN RIGHTS            | .00               | .00               | .00                 | .00                   | .00                   | .00                   | .00                 | .00                 | .00                   | .00                   | .00 %               |
| 532521 LEASEH-GAS            | .00               | .00               | .00                 | .00                   | .00                   | .00                   | .00                 | .00                 | .00                   | .00                   | .00 %               |
| 532523 INT INVESM            | .00               | .00               | .00                 | .00                   | .00                   | .00                   | .00                 | .00                 | .00                   | .00                   | .00 %               |
| 533101 GAS WELL E            | .00               | .00               | .00                 | .00                   | .00                   | .00                   | .00                 | .00                 | .00                   | .00                   | .00 %               |
| 535006 GAS RGT ST            | .00               | .00               | .00                 | .00                   | .00                   | .00                   | .00                 | .00                 | .00                   | .00                   | .00 %               |
| <b>Total ALH ALH</b>         | <b>141,641.12</b> | <b>629,036.67</b> | <b>2,343,692.72</b> | <b>1,186,060.38CR</b> | <b>1,284,992.72CR</b> | <b>1,284,992.72CR</b> | <b>107,641.12CR</b> | <b>107,641.12CR</b> | <b>1,284,992.72CR</b> | <b>1,284,992.72CR</b> |                     |
| <b>GRJ GIENNY R JENNINGS</b> |                   |                   |                     |                       |                       |                       |                     |                     |                       |                       |                     |
| 139909 CONTINGENC            | .00               | .00               | .00                 | .00                   | 275,000.00            | 275,000.00            | 275,000.00          | 275,000.00          | 275,000.00            | 275,000.00            | .00 %               |
| <b>Total GRJ GRJ</b>         | <b>.00</b>        | <b>.00</b>        | <b>.00</b>          | <b>.00</b>            | <b>275,000.00</b>     | <b>275,000.00</b>     | <b>275,000.00</b>   | <b>275,000.00</b>   | <b>275,000.00</b>     | <b>275,000.00</b>     |                     |
| <b>JBB JOHN B BROWN</b>      |                   |                   |                     |                       |                       |                       |                     |                     |                       |                       |                     |
| 139902 COMP SOFTW            | 141,538.51        | 97,602.91         | 860,663.92          | 485,080.31            | 350,563.92CR          | 350,563.92CR          | 141,538.51CR        | 141,538.51CR        | 350,563.92CR          | 350,563.92CR          | 168.72 %            |
| 139903 COMP HWARE            | .00               | 3,224.94CR        | 23,409.67           | 25,898.27CR           | 208,090.33            | 208,090.33            | .00                 | .00                 | 208,090.33            | 208,090.33            | 10.11 %             |
| <b>Total JBB JBB</b>         | <b>141,538.51</b> | <b>94,377.97</b>  | <b>884,073.59</b>   | <b>459,182.04</b>     | <b>142,473.59CR</b>   | <b>142,473.59CR</b>   | <b>141,538.51CR</b> | <b>141,538.51CR</b> | <b>142,473.59CR</b>   | <b>142,473.59CR</b>   |                     |
| <b>JLC JOHNNY L CAUDILL</b>  |                   |                   |                     |                       |                       |                       |                     |                     |                       |                       |                     |
| 1121 NON U PROP              | .00               | .00               | .00                 | .00                   | .00                   | .00                   | .00                 | .00                 | .00                   | .00                   | .00 %               |
| 1374 LAND & ROW              | 306.00            | 1,569.00CR        | 1,156.00            | 3,688.00CR            | 4,844.00              | 4,844.00              | 194.00              | 194.00              | 4,844.00              | 4,844.00              | 19.26 %             |

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2007 - 6/30/2008

CAPITAL EXPENDITURES  
All Agents

JLC JOHNNY L CAUDILL

|                   | Current    |              | Adopted      |              | Current Y-T-D (-) | Adopted        |                | Percentage Expended |
|-------------------|------------|--------------|--------------|--------------|-------------------|----------------|----------------|---------------------|
|                   | Month      | Last Yr      | Month        | Last Yr      |                   | Y-T-D          | Y-T-D          |                     |
|                   | Amt        | Amt          | Amt          | Amt          | Amount            | Actual         | Budget (-)     |                     |
| 1375 DIS STRUCT   | .00        | .00          | 1,000.00     | .00          | .00               | 5,000.00       | 5,000.00       | .00 %               |
| 1376 DIST MAINS   | 27,646.10  | 169,535.80CR | 152,353.90   | 2,146,599.68 | 615,256.61        | 226,599.68CR   | 226,599.68CR   | 111.80 %            |
| 1378 REG STAVNS   | 13,648.62  | 15,482.97    | 4,648.62CR   | 45,875.22    | 23,483.23         | 62,124.78      | 62,124.78      | 42.47 %             |
| 1379 CG REG STA   | .00        | .00          | 9,000.00     | .00          | 12.06             | 25,000.00      | 25,000.00      | .00 %               |
| 1380 DIST SERV    | 47,738.01  | 6,718.65     | 17,261.99    | 576,588.54   | 8,602.10          | 106,211.46     | 106,211.46     | 84.44 %             |
| 1382 MET&REG IN   | 6,488.15   | 423.74CR     | 3,111.85     | 81,812.91    | 3,471.16CR        | 33,687.09      | 33,687.09      | 70.83 %             |
| 1389 LAND&RGHTS   | .00        | .00          | .00          | .00          | .00               | .00            | .00            | .00 %               |
| 1390 STRUCTURES   | 4,800.00   | 3,308.90CR   | 200.00       | 15,040.99    | 34,371.81CR       | 24,959.01      | 24,959.01      | 37.60 %             |
| 1391 FURN&EQUIP   | 4,340.70   | 4,340.70     | 3,340.70CR   | 17,634.82    | 13,723.29         | 6,634.82CR     | 6,634.82CR     | 160.31 %            |
| 1392 TRANSP EQP   | .00        | 44,592.00CR  | .00          | 358,835.45   | 150,870.25CR      | 131,164.55     | 131,164.55     | 73.23 %             |
| 1393 STORES EQP   | .00        | .00          | .00          | .00          | .00               | .00            | .00            | .00 %               |
| 1394 TOOL&SEQUP   | 12,409.63  | 7,682.03     | 8,509.63CR   | 67,115.25    | 67,063.44CR       | 32,884.75      | 32,884.75      | 67.11 %             |
| 139401 CNG EQUIPM | .00        | .00          | .00          | .00          | .00               | .00            | .00            | .00 %               |
| 1396 PO EQUIPMT   | 154,688.98 | 154,688.98   | 152,388.98CR | 547,521.64   | 457,537.23        | 439,921.64CR   | 439,921.64CR   | 508.84 %            |
| 1397 COMM EQUIP   | .00        | .00          | 3,000.00     | .00          | 10,847.50CR       | 12,000.00      | 12,000.00      | .00 %               |
| 1398 MISC EQUIP   | .00        | .00          | .00          | .00          | .00               | .00            | .00            | .00 %               |
| 139931 OFFC EQUIP | .00        | .00          | .00          | 23,441.90    | 2,199.50          | 6,558.10       | 6,558.10       | 78.13 %             |
| -----             |            |              |              |              |                   |                |                |                     |
| Total JLC JLC     | 272,066.19 | 30,516.11CR  | 17,233.81    | 3,881,622.40 | 850,501.86        | 228,722.40CR   | 228,722.40CR   |                     |
| -----             |            |              |              |              |                   |                |                |                     |
| Grand Total       | 555,245.82 | 692,898.53   | 43,054.18    | 7,109,388.71 | 123,623.52        | 1,381,188.71CR | 1,381,188.71CR |                     |
| =====             |            |              |              |              |                   |                |                |                     |



Delta Natural Gas Company, Inc.  
Board of Directors' Meeting - 11/20/2008  
Quarterly Summary Report

|   | Periods ended September 30, |                       |                       |                       |                       |
|---|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 3 months                    |                       |                       | 12 months             |                       |
|   | 2008<br><u>Actual</u>       | 2008<br><u>Budget</u> | 2007<br><u>Actual</u> | 2008<br><u>Actual</u> | 2007<br><u>Actual</u> |
| System Throughput (million cu. ft.)                           |                             |                       |                       |                       |                       |
| Regulated Gas Sales Volumes                                   | <u>170</u>                  | <u>204</u>            | <u>182</u>            | <u>3,089</u>          | <u>3,266</u>          |
| Transportation Volumes  |                             |                       |                       |                       |                       |
| - off system  | <u>3,094</u>                | <u>2,515</u>          | <u>2,825</u>          | <u>12,892</u>         | <u>10,436</u>         |
| - on system   | <u>1,044</u>                | <u>1,071</u>          | <u>1,118</u>          | <u>4,900</u>          | <u>5,048</u>          |
| Total Transportation  | <u>4,138</u>                | <u>3,586</u>          | <u>3,943</u>          | <u>17,792</u>         | <u>15,484</u>         |
| Total Throughput  | <u>4,308</u>                | <u>3,790</u>          | <u>4,125</u>          | <u>20,881</u>         | <u>18,750</u>         |
| Actual Lexington Calendar Degree Days as % of 30 Year Average | 4                           | 100                   | 27                    | 95                    | 93                    |
| Net Income (Loss) (\$000)                                     | 273                         | (531)                 | (811)                 | 7,914                 | 5,024                 |
| Net Income (Loss) Per Common Share (\$)                       | .08                         | (.16)                 | (.25)                 | 2.41                  | 1.54                  |

In summary, the increase in net income of \$0.33 per share for the quarter ended September 30, 2008 compared to the preceding year was due to an increase in operating income of \$1,673,000.. Regulated gross margins increased \$656,000 primarily resulting from increased base rates which became effective October 20, 2007. Non-regulated gross margins increased \$634,000 primarily due to higher sales prices. Depreciation expense decreased \$309,000 due to decreased depreciation rates which became effective October 20, 2007. In addition, there was a non-recurring increase in operating income of \$156,000 due to the gains on the sales of two surplus office buildings.

Net income per share was \$0.24 per share higher than budgeted and net income before income taxes was \$1,273,000 higher than budgeted. Non-regulated gross margins were higher than budgeted by \$654,000. We recorded \$156,000 of unbudgeted gains on the sales of two surplus office buildings. Interest Expenses and uncollectible debt expenses were \$125,000 and \$102,000 less than budgeted, respectively. Regulated margins were \$80,000 higher than budgeted due to higher off-system transportation volumes partially offset by lower margins on retail sales.

Capital expenditures are \$664,500 less than budgeted for the quarter ended September 30, 2008 primarily due to purchasing some power operated equipment in fiscal 2008 that was originally budgeted for this quarter.

**DELTA NATURAL GAS COMPANY, INC.**  
**BALANCE SHEET**  
September 30, 2008

| <b>ASSETS</b>                          | <b>2008</b>                  | <b>2007</b>                  |
|--|------------------------------|------------------------------|
| <b>GAS UTILITY PLANT, AT COST</b>      | \$ 192,030,012               | \$ 186,085,861               |
| Less - Reserve for Depreciation        | <u>66,682,522</u>            | <u>64,102,102</u>            |
|  | \$ <u>125,347,490</u>        | \$ <u>121,983,759</u>        |
| <b>CURRENT ASSETS:</b>                 |                              |                              |
| Cash                                   | \$ 885,554                   | \$ 283,736                   |
| Receivables                            | 3,002,602                    | 5,715,675                    |
| Deferred Gas Cost                      | 8,101,290                    | 3,352,647                    |
| Gas in Storage, at Cost                | 13,274,777                   | 8,975,227                    |
| Materials and Supplies, at Cost        | 577,757                      | 565,704                      |
| Prepayments                            | <u>2,625,280</u>             | <u>2,196,913</u>             |
|  | \$ <u>28,467,260</u>         | \$ <u>21,089,902</u>         |
| <b>OTHER ASSETS:</b>                   |                              |                              |
| Cash Surrender Value of Life Insurance | \$ 444,312                   | \$ 425,609                   |
| Unamortized Expenses                   | 5,026,461                    | 5,413,726                    |
| Receivable/Investment in Subsidiaries  | 11,886,759                   | 9,825,559                    |
| Other                                  | <u>7,210,067</u>             | <u>6,874,621</u>             |
|  | \$ <u>24,567,599</u>         | \$ <u>22,539,515</u>         |
| <b>TOTAL ASSETS</b>                    | \$ <u><u>178,382,349</u></u> | \$ <u><u>165,613,176</u></u> |
| <b>LIABILITIES</b>                     |                              |                              |
| <b>CAPITALIZATION:</b>                 |                              |                              |
| Common Stock                           | \$ 3,301,117                 | \$ 3,281,814                 |
| Paid-in Surplus                        | 46,749,375                   | 46,263,647                   |
| Capital Stock Expense                  | (2,643,354)                  | (2,643,354)                  |
| Retained Earnings                      | <u>9,454,081</u>             | <u>5,746,715</u>             |
| Total Common Equity                    | \$ 56,861,219                | \$ 52,648,822                |
| Long-term Debt                         | <u>58,242,000</u>            | <u>58,507,000</u>            |
| Total Capitalization                   | \$ <u>115,103,219</u>        | \$ <u>111,155,822</u>        |
| <b>CURRENT LIABILITIES:</b>            |                              |                              |
| Notes Payable                          | \$ 24,698,334                | \$ 18,589,434                |
| Current Portion of Long-Term Debt      | 1,200,000                    | 1,200,000                    |
| Accounts Payable                       | 4,805,730                    | 4,800,094                    |
| Accrued Taxes                          | 69,806                       | (92,095)                     |
| Refunds Due Customers                  | 0                            | 58                           |
| Customer Deposits                      | 490,868                      | 479,407                      |
| Accrued Interest                       | 862,003                      | 866,822                      |
| Current Deferred Income Taxes          | 1,628,913                    | 956,140                      |
| Other                                  | <u>1,143,787</u>             | <u>1,162,723</u>             |
|  | \$ <u>34,899,441</u>         | \$ <u>27,962,583</u>         |
| <b>DEFERRED CREDITS AND OTHER:</b>     |                              |                              |
| Deferred Income Taxes                  | \$ 24,548,481                | \$ 22,341,483                |
| Deferred Investment Tax Credit         | 169,475                      | 204,650                      |
| Regulatory Items                       | 1,948,841                    | 2,394,220                    |
| Advances for Construction and Other    | <u>1,712,892</u>             | <u>1,554,418</u>             |
|  | \$ <u>28,379,689</u>         | \$ <u>26,494,771</u>         |
| <b>TOTAL LIABILITIES</b>               | \$ <u><u>178,382,349</u></u> | \$ <u><u>165,613,176</u></u> |

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

September 30, 2008

|   | 3 MONTHS TO DATE |               | 12 MONTHS ENDED   |                   |
|---|------------------|---------------|-------------------|-------------------|
|   | 2008             | 2007          | 2008              | 2007              |
| <b>OPERATING REVENUES</b>                           | \$ 7,411,103     | \$ 5,964,300  | \$ 63,683,828     | \$ 57,196,680     |
| <b>OPERATING EXPENSES &amp; TAXES:</b>              |                  |               |                   |                   |
| Gas Purchased                                       | \$ 2,912,174     | \$ 2,188,057  | \$ 34,217,531     | \$ 30,892,307     |
| Operations  | 2,708,758        | 2,669,816     | 12,087,575        | 11,224,402        |
| Maintenance   | 224,906          | 176,291       | 1,052,046         | 684,788           |
| Depreciation  | 920,602          | 1,229,520     | 3,744,196         | 4,702,823         |
| Property & Other Taxes                              | 438,701          | 442,713       | 1,783,846         | 1,816,681         |
| Income Taxes  | (363,684)        | (723,634)     | 2,350,450         | 1,205,516         |
| Total   | \$ 6,841,457     | \$ 5,982,763  | \$ 55,235,644     | \$ 50,526,517     |
| Operating Income                                    | \$ 569,646       | \$ (18,463)   | 8,448,184         | 6,670,163         |
| <b>OTHER INCOME/(EXPENSES),NET</b>                  | 824,536          | 397,780       | 3,952,937         | 2,868,223         |
| Gross Income  | \$ 1,394,182     | \$ 379,317    | 12,401,121        | 9,538,386         |
| <b>OTHER DEDUCTIONS:</b>                            |                  |               |                   |                   |
| Interest on Debt                                    | \$ 1,024,151     | \$ 1,093,446  | \$ 4,099,828      | \$ 4,127,001      |
| Amortization  | 96,816           | 96,816        | 387,266           | 387,238           |
| Other   |                  |               | -                 | -                 |
| Total   | \$ 1,120,967     | \$ 1,190,262  | 4,487,094         | 4,514,239         |
| <b>NET INCOME/(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ 273,215       | \$ (810,945)  | 7,914,027         | 5,024,147         |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>      | \$ 0.08          | \$ (0.25)     | \$ 2.41           | \$ 1.54           |
| <b>CUSTOMERS AT END OF PERIOD</b>                   |                  |               | 34,787            | 35,626            |
| <b>AVERAGE SHARES</b>                               | 3,297,671        | 3,278,556     | 3,290,273         | 3,271,031         |
|   | FISCAL<br>YTD    | FISCAL<br>YTD | 12 MONTH<br>ENDED | 12 MONTH<br>ENDED |

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**September 30, 2008**

|   | MONTH          |           |           | YEAR TO DATE   |            |            | YEAR ENDED  |            |
|---|----------------|-----------|-----------|----------------|------------|------------|-------------|------------|
|   | This Year Over | This Year | Last Year | This Year Over | This Year  | Last Year  | This Year   | Last Year  |
|   | (Under) Budget |           |           | (Under) Budget |            |            |             |            |
| DEGREE DAYS BILLED - LEXINGTON AREA     | (49)           | -         | -         | (49)           | -          | -          | 4,464       | 4,414      |
| <b>MCF'S:</b>                           |                |           |           |                |            |            |             |            |
| <b>DELTA NATURAL</b>                    |                |           |           |                |            |            |             |            |
| RESIDENTIAL                             | (18,865)       | 20,835    | 25,865    | (16,770)       | 70,130     | 72,167     | 1,690,764   | 1,799,973  |
| SMALL COMMERCIAL                        | (5,551)        | 8,049     | 10,240    | (4,834)        | 26,766     | 27,714     | 523,327     | 553,701    |
| LARGE NON -RESIDENTIAL                  | (8,964)        | 22,536    | 27,648    | (9,126)        | 73,274     | 76,140     | 843,792     | 792,197    |
| INTERRUPTIBLE                           | (295)          | 805       | 1,011     | (397)          | 2,603      | 2,710      | 33,600      | 135,630    |
| TOTAL SOLD                              | (33,675)       | 52,225    | 64,764    | (31,127)       | 172,773    | 178,731    | 3,091,483   | 3,281,501  |
| OFF SYSTEM                              | 86,600         | 953,000   | 839,293   | 578,114        | 3,093,514  | 2,825,129  | 12,891,501  | 10,436,252 |
| ON SYSTEM                               | (23,090)       | 341,010   | 378,663   | (27,596)       | 1,043,604  | 1,118,298  | 4,900,326   | 5,048,226  |
| TOTAL TRANSPORTED                       | 63,510         | 1,294,010 | 1,217,956 | 550,518        | 4,137,118  | 3,943,427  | 17,791,827  | 15,484,478 |
| TOTAL DELTA NATURAL                     | 29,835         | 1,346,235 | 1,282,720 | 519,391        | 4,309,891  | 4,122,158  | 20,883,310  | 18,765,979 |
| <b>RESOURCES ON SYS INCL</b>            | (6,314)        | 119,686   | 127,332   | (29,838)       | 334,762    | 367,984    | 1,806,992   | 1,874,361  |
| <b>DELGASCO OFF SYS INCL</b>            | (73,232)       | 186,668   | 59,936    | (185,090)      | 569,510    | 471,121    | 3,534,474   | 2,905,799  |
| <b>ENPRO - SALES TO AFFILIATES</b>      | (79)           | 9,621     | 9,719     | 9,382          | 39,682     | 30,337     | 171,389     | 182,709    |
| <b>Unbilled MCF</b>                     | 4,281          | 4,281     | (3,647)   | 2,153          | (2,970)    | 3,269      | (2,484)     | (15,449)   |
| <b>REVENUES:</b>                        |                |           |           |                |            |            |             |            |
| <b>DELTA NATURAL</b>                    |                |           |           |                |            |            |             |            |
| RETAIL SALES                            | (56,765)       | 1,756,235 | 1,477,880 | 744,423        | 5,463,623  | 4,095,481  | 54,466,634  | 49,788,411 |
| UNBILLED REVENUE                        | 178,099        | 178,099   | (16,815)  | 98,369         | 98,369     | 178,859    | 440,601     | (181,011)  |
| MISC OPERATING                          | 4,120          | 12,820    | 8,668     | 26,795         | 59,195     | 32,245     | 319,488     | 233,214    |
| OFF SYS TRANSPORT                       | 37,248         | 289,548   | 252,277   | 199,435        | 931,935    | 825,157    | 3,971,125   | 3,175,328  |
| ON SYS TRANSPORT                        | 9,223          | 295,823   | 282,049   | 11,682         | 857,982    | 832,558    | 4,485,981   | 4,180,737  |
| TOTAL DELTA NATURAL                     | 171,925        | 2,532,525 | 2,004,059 | 1,080,704      | 7,411,104  | 5,964,300  | 63,683,829  | 57,196,679 |
| <b>RESOURCES ON SYS SALES</b>           | 231,385        | 1,205,885 | 933,761   | 1,024,959      | 3,844,959  | 2,878,074  | 18,098,254  | 15,907,092 |
| <b>DELGASCO OFF SYS SALES</b>           | (209,536)      | 1,794,164 | 385,157   | 940,277        | 6,757,477  | 3,495,617  | 36,274,992  | 24,160,287 |
| <b>ENPRO - SALES TO AFFILIATES</b>      | 4,938          | 80,238    | 51,705    | 205,345        | 440,445    | 187,880    | 1,560,237   | 1,307,211  |
| TOTAL CONSOLIDATED                      | 198,712        | 5,612,812 | 3,374,682 | 3,251,285      | 18,453,985 | 12,525,671 | 119,617,312 | 98,571,269 |
| <b>GAS COSTS:</b>                       |                |           |           |                |            |            |             |            |
| <b>DELTA NATURAL</b>                    | 89,392         | 898,792   | 784,752   | 891,745        | 2,812,945  | 2,067,379  | 34,000,210  | 31,002,916 |
| <b>DELTA NATURAL UNBILLED GAS COST</b>  | 73,930         | 73,930    | (44,230)  | 99,229         | 99,229     | 120,679    | 217,320     | (110,608)  |
| <b>DELTA RESOURCES</b>                  | 174,164        | 1,056,164 | 779,235   | 949,343        | 3,501,543  | 2,526,955  | 15,967,324  | 13,588,928 |
| <b>DELGASCO</b>                         | (287,643)      | 1,674,257 | 338,269   | 585,360        | 6,281,260  | 3,346,805  | 32,438,041  | 22,002,609 |
| TOTAL CONSOLIDATED                      | 49,843         | 3,703,143 | 1,858,026 | 2,525,677      | 12,694,977 | 8,061,818  | 82,622,895  | 66,483,845 |
| <b>NET SALES:</b>                       |                |           |           |                |            |            |             |            |
| <b>DELTA NATURAL EXCLUDING UNBILLED</b> | (146,157)      | 857,443   | 693,128   | (147,322)      | 2,650,678  | 2,028,102  | 20,466,424  | 18,785,495 |
| <b>DELTA NATURAL UNBILLED</b>           | 104,169        | 104,169   | 27,415    | (860)          | (860)      | 58,180     | 223,281     | (70,403)   |
| <b>DELTA RESOURCES TOTAL</b>            | 57,221         | 149,721   | 154,526   | 75,616         | 343,416    | 351,119    | 2,130,930   | 2,318,164  |
| <b>DELGASCO</b>                         | 78,107         | 119,907   | 46,888    | 354,917        | 476,217    | 148,812    | 3,836,951   | 2,157,678  |
| TOTAL CONSOLIDATED                      | 93,340         | 1,231,240 | 921,957   | 282,351        | 3,469,451  | 2,586,213  | 26,657,586  | 23,190,934 |
| <b>PER MCF:</b>                         |                |           |           |                |            |            |             |            |
| <b>DELTA NATURAL</b>                    |                |           |           |                |            |            |             |            |
| TOTAL SALES                             | 1.6857         | 33.6282   | 22.8195   | (23.9157)      | 31.6231    | 22.9142    | 17.6183     | 15.1725    |
| COST OF GAS                             | (2.6546)       | 17.2100   | 12.1171   | (28.6486)      | 16.2812    | 11.5670    | 10.9980     | 9.4478     |
| NET SALES                               | 4.3402         | 16.4182   | 10.7024   | 4.7329         | 15.3420    | 11.3472    | 6.6203      | 5.7247     |
| <b>DELTA RESOURCES</b>                  |                |           |           |                |            |            |             |            |
| TOTAL SALES                             | (36.6463)      | 10.0754   | 7.3333    | (34.3508)      | 11.4856    | 7.8212     | 10.0157     | 8.4867     |
| COST OF GAS                             | (27.5838)      | 8.8245    | 6.1197    | (31.8166)      | 10.4598    | 6.8670     | 8.8364      | 7.2499     |
| NET SALES                               | (9.0626)       | 1.2509    | 1.2136    | (2.5342)       | 1.0259     | 0.9542     | 1.1793      | 1.2368     |
| <b>DELGASCO</b>                         |                |           |           |                |            |            |             |            |
| TOTAL SALES                             | 2.8613         | 9.6115    | 6.4261    | (5.0801)       | 11.8654    | 7.4198     | 10.2632     | 8.3145     |
| COST OF GAS                             | 3.9278         | 8.9692    | 5.6438    | (3.1626)       | 11.0292    | 7.1039     | 9.1776      | 7.5720     |
| NET SALES                               | (1.0666)       | 0.6424    | 0.7823    | (1.9175)       | 0.8362     | 0.3159     | 1.0856      | 0.7425     |
| <b>DELTA NATURAL ONLY:</b>              |                |           |           |                |            |            |             |            |
| % Change to Customers Between Yrs:      | Total Cost     | 47.4%     |           |                | 38.0%      |            | 16.1%       |            |
|   | Gas Cost       | 22.3%     |           |                | 20.6%      |            | 10.2%       |            |
|   | Net Sales      | 25.0%     |           |                | 17.4%      |            | 5.9%        |            |

DELTA NATURAL GAS CO., INC SUBSIDIARIES  
 Income Statement - Delta Natural Gas Co  
 July 01, 2008 - September 30, 2008

|                                    | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|------------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <b>01 OPERATING REVENUES</b>       |                         |                                |                         |                              |                           |                          |                             |
| <b>General Service Rate Billed</b> |                         |                                |                         |                              |                           |                          |                             |
| Residential                        | 1,012,714.47CR          | 729,361.25CR                   | 2,866,354.26CR          | 2,601,300.00CR               | 2,127,064.05CR            | 31,337,761.65CR          | 28,087,321.21CR             |
| Small Commercial                   | 281,659.09CR            | 236,287.52CR                   | 848,866.32CR            | 738,500.00CR                 | 697,799.53CR              | 9,198,789.20CR           | 8,326,753.77CR              |
| Other Commercial                   | 584,017.73CR            | 449,688.53CR                   | 1,673,694.65CR          | 1,339,100.00CR               | 1,297,860.61CR            | 12,423,796.87CR          | 10,876,358.13CR             |
| Industrial                         | 40,449.45CR             | 31,939.29CR                    | 120,496.85CR            | .00                          | 108,708.93CR              | 1,317,072.50CR           | 1,288,068.49CR              |
| Unmetered Gas Light                | 833.30CR                | 732.30CR                       | 2,354.23CR              | 2,000.00CR                   | 2,098.83CR                | 8,416.23CR               | 7,932.09CR                  |
| Residential WNA                    | .00                     | .00                            | .00                     | .00                          | .00                       | 134,604.03CR             | 489,418.91CR                |
| Small Non-Residential WNA          | .00                     | .00                            | .00                     | .00                          | .00                       | 40,607.40CR              | 122,947.75CR                |
| Weather Normalization Revenu       | .00                     | .00                            | .00                     | .00                          | .00                       | 175,211.43CR             | 612,366.66CR                |
| <b>Total General Service Ra</b>    | <b>1,919,674.04CR</b>   | <b>1,448,008.89CR</b>          | <b>5,511,766.31CR</b>   | <b>4,680,900.00CR</b>        | <b>4,233,531.95CR</b>     | <b>54,461,047.88CR</b>   | <b>49,198,800.35CR</b>      |
| <b>Interruptible Rate Billed</b>   |                         |                                |                         |                              |                           |                          |                             |
| Commercial                         | .00                     | .00                            | .00                     | .00                          | .00                       | 34,807.00CR              | 31,945.80CR                 |
| Industrial                         | 14,660.06CR             | 13,056.50CR                    | 50,225.49CR             | 38,300.00CR                  | 40,808.42CR               | 411,379.67CR             | 376,653.71CR                |
| <b>Total Interruptible Rate</b>    | <b>14,660.06CR</b>      | <b>13,056.50CR</b>             | <b>50,225.49CR</b>      | <b>38,300.00CR</b>           | <b>40,808.42CR</b>        | <b>446,186.67CR</b>      | <b>408,599.51CR</b>         |
| <b>Total Gas Revenue</b>           | <b>1,934,334.10CR</b>   | <b>1,461,065.39CR</b>          | <b>5,561,991.80CR</b>   | <b>4,719,200.00CR</b>        | <b>4,274,340.37CR</b>     | <b>54,907,234.55CR</b>   | <b>49,607,399.86CR</b>      |
| Miscellaneous Operating Revenue    | 12,820.00CR             | 8,668.00CR                     | 59,195.00CR             | 42,700.00CR                  | 32,245.00CR               | 319,488.00CR             | 233,214.00CR                |
| Off System Transportation Reven    | 289,548.95CR            | 252,277.22CR                   | 931,935.62CR            | 732,500.00CR                 | 825,157.32CR              | 3,971,125.04CR           | 3,175,328.26CR              |
| On System Transportation Revenu    | 295,822.26CR            | 282,049.00CR                   | 857,980.76CR            | 846,200.00CR                 | 832,557.61CR              | 4,485,980.69CR           | 4,180,737.38CR              |
| <b>TOTAL OPERATING REVENUE</b>     | <b>2,532,525.31CR</b>   | <b>2,004,059.61CR</b>          | <b>7,411,103.18CR</b>   | <b>6,340,600.00CR</b>        | <b>5,964,300.30CR</b>     | <b>63,683,828.28CR</b>   | <b>57,196,679.50CR</b>      |
| <b>OPERATING EXPENSES</b>          |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                      | 972,722.26              | 740,521.86                     | 2,912,174.36            | 1,921,200.00                 | 2,188,057.44              | 34,217,530.54            | 30,892,307.93               |
| Recovery of Canada Mountain        | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Purchased Gas, net                 | 972,722.26              | 740,521.86                     | 2,912,174.36            | 1,921,200.00                 | 2,188,057.44              | 34,217,530.54            | 30,892,307.93               |
| Operation Expense                  | 546,400.36              | 527,665.87                     | 1,626,569.74            | 1,644,900.00                 | 1,579,152.82              | 7,128,053.02             | 6,923,172.50                |
| Labor                              | 74,121.01               | 57,761.60                      | 229,897.71              | 204,600.00                   | 187,953.80                | 948,313.81               | 758,471.03                  |
| Transportation                     |                         |                                |                         |                              |                           |                          |                             |

DELTA NATURAL GAS CO., INC. SUBSIDIARIES  
 Income Statement -elta  
 July 01, 2008 - September 30, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| General Operations              | 46,875.74               | 60,156.53                      | 131,488.11              | 143,900.00                   | 129,411.14                | 803,443.25               | 603,007.04                  |
| Customer Billing                | 21,730.34               | 22,254.78                      | 76,571.45               | 65,200.00                    | 54,302.25                 | 290,243.90               | 222,794.11                  |
| Uncollectible Accounts          | .00                     | 45,000.00CR                    | .00                     | 102,000.00                   | 45,000.00CR               | 644,344.83               | 227,892.55                  |
| Administrative                  | 50,047.30               | 44,070.12                      | 141,914.19              | 155,900.00                   | 144,136.15                | 572,763.43               | 554,288.67                  |
| Outside Services                | 84,420.54               | 81,742.21                      | 227,923.22              | 210,900.00                   | 216,769.59                | 819,217.01               | 768,741.13                  |
| Insurance                       | 57,929.29               | 62,245.21                      | 187,536.52              | 189,000.00                   | 210,526.82                | 786,580.79               | 803,822.16                  |
| Employee Benefits               | 155,278.57              | 226,247.00                     | 593,364.18              | 660,000.00                   | 626,737.63                | 2,444,205.56             | 2,745,328.92                |
| General Administration          | 54,742.78               | 76,265.59                      | 132,199.97              | 162,800.00                   | 161,570.94                | 752,077.64               | 749,956.31                  |
| Expenses Transferred            | 251,234.57CR            | 237,835.50CR                   | 742,549.04CR            | 723,000.00CR                 | 725,524.33CR              | 3,541,254.34CR           | 3,519,013.10CR              |
| Other                           | 35,017.68               | 45,566.62                      | 103,843.42              | 149,300.00                   | 129,778.76                | 439,588.22               | 385,940.41                  |
| Total Operation Expense         | 875,329.04              | 921,140.03                     | 2,708,759.47            | 2,965,500.00                 | 2,669,815.57              | 12,087,577.12            | 11,224,401.73               |
| Maintenance Expense             |                         |                                |                         |                              |                           |                          |                             |
| Labor                           | 11,535.92               | 12,270.31                      | 32,237.43               | .00                          | 33,488.53                 | 119,786.03               | 99,434.90                   |
| Transportation                  | 4,503.04                | 3,784.40                       | 12,788.09               | .00                          | 10,281.80                 | 49,575.53                | 33,148.19                   |
| Mains                           | 11,892.73               | 19,135.87                      | 46,337.69               | 88,500.00                    | 28,928.90                 | 215,478.06               | 76,688.65                   |
| Meter & Regulators              | 7,147.29                | 5,826.70                       | 12,902.00               | 12,000.00                    | 12,272.81                 | 50,620.78                | 57,035.20                   |
| Other                           | 28,713.89               | 24,575.01CR                    | 120,640.56              | 134,800.00                   | 91,318.60                 | 616,586.02               | 418,480.22                  |
| Total Maintenance Expense       | 63,792.87               | 16,442.27                      | 224,905.77              | 235,300.00                   | 176,290.64                | 1,052,046.42             | 684,787.16                  |
| Total Operation and Maintenance | 939,121.91              | 937,582.30                     | 2,933,665.24            | 3,200,800.00                 | 2,846,106.21              | 13,139,623.54            | 11,909,188.89               |
| Depreciation Expense            | 307,470.09              | 413,096.05                     | 920,601.52              | 918,300.00                   | 1,229,519.70              | 3,744,194.99             | 4,702,822.91                |
| Taxes Other Than Income Taxes   |                         |                                |                         |                              |                           |                          |                             |
| Property Taxes                  | 105,387.00              | 104,032.00                     | 316,486.00              | 328,000.00                   | 312,816.00                | 1,201,217.78             | 1,250,352.00                |
| Payroll Taxes                   | 41,837.39               | 41,667.04                      | 122,214.76              | 143,700.00                   | 129,896.94                | 582,627.73               | 566,329.26                  |
| Total Other Taxes               | 147,224.39              | 145,699.04                     | 438,700.76              | 471,700.00                   | 442,712.94                | 1,783,845.51             | 1,816,681.26                |
| TOTAL OPERATING EXPENSES        | 2,366,538.65            | 2,236,899.25                   | 7,205,141.88            | 6,512,000.00                 | 6,706,396.29              | 52,885,194.58            | 49,321,000.99               |

DELTA NATURAL GAS CO., INC SUBSIDIARIES  
 Income Statement -elta  
 July 01, 2008 - September 30, 2008

|  | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|--|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME                       | 165,986.66CR            | 232,839.64                     | 205,961.30CR            | 171,400.00                   | 742,095.99                | 10,798,633.70CR          | 7,875,678.51CR              |
| Other Income and Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Other Net Income                       | 16,924.74               | 7,521.27CR                     | 147,385.40CR            | 21,600.00CR                  | 14,202.26CR               | 216,860.73CR             | 126,520.48CR                |
| Net Non Regulated Income               | 16,924.74               | 7,521.27CR                     | 147,385.40CR            | 21,600.00CR                  | 14,202.26CR               | 216,860.73CR             | 126,520.48CR                |
| Total Income Before Interest Ch        | 149,061.92CR            | 225,318.37                     | 353,346.70CR            | 149,800.00                   | 727,893.73                | 11,015,494.43CR          | 8,002,198.99CR              |
| Interest Expense                       |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt             | 305,429.17              | 306,938.23                     | 917,010.21              | 919,200.00                   | 921,166.56                | 3,673,827.09             | 3,690,730.11                |
| Interest On Short-Term Debt            | 37,059.07               | 63,218.71                      | 99,788.11               | 220,200.00                   | 165,151.15                | 393,084.31               | 404,662.86                  |
| Other Interest                         | 2,514.75                | 2,389.84                       | 7,352.91                | 9,300.00                     | 7,128.74                  | 32,917.07                | 31,607.96                   |
| Amortization of Debt Expense           | 32,271.88               | 32,271.88                      | 96,815.64               | 96,800.00                    | 96,815.64                 | 387,265.56               | 387,237.56                  |
| Total Interest Expense                 | 377,274.87              | 404,818.66                     | 1,120,966.87            | 1,245,500.00                 | 1,190,262.09              | 4,487,094.03             | 4,514,238.49                |
| Net Income Before Income Taxes         | 228,212.95              | 630,137.03                     | 767,620.17              | 1,395,300.00                 | 1,918,155.82              | 6,528,400.40CR           | 3,487,960.50CR              |
| Current Federal                        | 87,009.00CR             | 224,734.00CR                   | 339,309.00CR            | 537,900.00CR                 | 697,734.00CR              | 254,625.00               | 828,134.00CR                |
| Current State                          | .00                     | .00                            | .00                     | .00                          | .00                       | 56,100.00                | 125,700.00CR                |
| Deferred Federal & State               | 5,350.00CR              | 6,750.00CR                     | 16,050.00CR             | .00                          | 16,950.00CR               | 2,074,900.00             | 2,196,050.00                |
| Investment Tax Credit-Net              | 2,775.00CR              | 2,983.33CR                     | 8,325.00CR              | .00                          | 8,950.03CR                | 35,174.97CR              | 36,700.00CR                 |
| Income Tax <del>es</del> Non-Regulated | 6,400.00CR              | 2,800.00                       | 55,400.00               | 8,100.00                     | 5,300.00                  | 81,900.00                | 48,900.00                   |
| Total Income Taxes                     | 101,534.00CR            | 231,667.33CR                   | 308,284.00CR            | 529,800.00CR                 | 718,334.03CR              | 2,432,350.03             | 1,254,416.00                |
| Net Income - Delta Natural             | 126,678.95              | 398,469.70                     | 459,336.17              | 865,500.00                   | 1,199,821.79              | 4,096,050.37CR           | 2,233,544.50CR              |
| Subsidiary Net Income                  |                         |                                |                         |                              |                           |                          |                             |
| Total Subsidiary Net Income            | 196,031.00CR            | 142,267.00CR                   | 732,551.00CR            | 334,100.00CR                 | 388,877.00CR              | 3,817,977.00CR           | 2,790,602.00CR              |
| Net Income - Consolidated              | 69,352.05CR             | 256,202.70                     | 273,214.83CR            | 531,400.00                   | 810,944.79                | 7,914,027.37CR           | 5,024,146.50CR              |

DELTA NATURAL GAS CO., INC SUBSIDIARIES

Income Statement - Delta Resources  
July 01, 2008 - September 30, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Sales To Parent                 | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Sales To Others                 | 1,406,604.65CR          | 1,121,210.93CR                 | 4,415,695.09CR          | 3,396,500.00CR               | 3,422,905.29CR            | 21,020,597.93CR          | 18,588,135.32CR             |
| Total Operating Revenues        | 1,406,604.65CR          | 1,121,210.93CR                 | 4,415,695.09CR          | 3,396,500.00CR               | 3,422,905.29CR            | 21,020,597.93CR          | 18,588,135.32CR             |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 1,056,163.96            | 779,235.04                     | 3,501,542.82            | 2,552,200.00                 | 2,526,955.02              | 15,967,323.59            | 13,588,928.10               |
| Total Operation,Maintenance and | 203,165.19              | 191,915.64                     | 576,605.74              | 583,500.00                   | 553,413.34                | 3,246,005.79             | 3,036,637.17                |
| Taxes Other than Income Tax     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expenses        | 1,259,329.15            | 971,150.68                     | 4,078,148.56            | 3,135,700.00                 | 3,080,368.36              | 19,213,329.38            | 16,625,565.27               |
| Operating Income                | 147,275.50CR            | 150,060.25CR                   | 337,546.53CR            | 260,800.00CR                 | 342,536.93CR              | 1,807,268.55CR           | 1,962,570.05CR              |
| Interest Expense                | 4,000.00                | 300.00CR                       | 7,400.00                | 8,300.00CR                   | 8,300.00CR                | 15,800.00                | 9,300.00CR                  |
| Net Income Before Income Taxes  | 143,275.50CR            | 150,360.25CR                   | 330,146.53CR            | 269,100.00CR                 | 350,836.93CR              | 1,791,468.55CR           | 1,971,870.05CR              |
| Income Tax Expense              | 52,500.00               | 55,100.00                      | 119,800.00              | 102,100.00                   | 127,300.00                | 680,100.00               | 763,500.00                  |
| Net Income                      | 90,775.50CR             | 95,260.25CR                    | 210,346.53CR            | 167,000.00CR                 | 223,536.93CR              | 1,111,368.55CR           | 1,208,370.05CR              |



DELTA NATURAL GAS CO., INC SUBSIDIARIES  
 Income Statement - Deigasco  
 July 01, 2008 - September 30, 2008

|                                | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|--------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 03                             |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues             |                         |                                |                         |                              |                           |                          |                             |
| Sales To Affiliates            | 1,056,163.96CR          | 779,235.04CR                   | 3,501,542.82CR          | .00                          | 2,526,955.02CR            | 15,967,323.59CR          | 13,588,928.10CR             |
| Sales To Others                | 1,856,949.79CR          | 404,211.28CR                   | 6,948,667.36CR          | 6,036,900.00CR               | 3,646,720.65CR            | 37,436,006.10CR          | 25,061,157.18CR             |
| Total Operating Revenues       | 2,913,113.75CR          | 1,183,446.32CR                 | 10,450,210.18CR         | 6,036,900.00CR               | 6,173,675.67CR            | 53,403,329.69CR          | 38,650,085.28CR             |
| Operating Expenses             |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                  | 2,730,421.07            | 1,117,504.51                   | 9,782,802.64            | 5,695,900.00                 | 5,873,760.10              | 48,405,364.76            | 35,591,537.01               |
| Operation and Maintenance      | 75,623.07               | 24,989.88                      | 218,185.78              | 242,600.00                   | 173,999.20                | 1,704,180.35             | 1,225,984.10                |
| Taxes Other Than Income Tax    | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expense        | 2,806,044.14            | 1,142,494.39                   | 10,000,988.42           | 5,938,500.00                 | 6,047,759.30              | 50,109,545.11            | 36,817,521.11               |
| Operating Income               | 107,069.61CR            | 40,951.93CR                    | 449,221.76CR            | 98,400.00CR                  | 125,916.37CR              | 3,293,784.58CR           | 1,832,564.17CR              |
| Total Interest Expense         | 18,600.00               | 30,500.00                      | 22,600.00               | 40,800.00                    | 40,800.00                 | 230,400.00               | 228,326.65                  |
| Net Income Before Income Taxes | 88,469.61CR             | 10,451.93CR                    | 426,621.76CR            | 57,600.00CR                  | 85,116.37CR               | 3,063,384.58CR           | 1,604,237.52CR              |
| Income Tax Expense             | 34,700.00               | 4,100.00                       | 167,300.00              | 21,800.00                    | 33,400.00                 | 1,166,900.00             | 618,800.00                  |
| Net Income                     | 53,769.61CR             | 6,351.93CR                     | 259,321.76CR            | 35,800.00CR                  | 51,716.37CR               | 1,896,484.58CR           | 985,437.52CR                |

DELTA NATURAL GAS CO., INC SUBSIDIARIES

Income Statement - unpro

July 01, 2008 - September 30, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 05                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Gas Production                  | 80,239.14CR             | 51,705.08CR                    | 440,446.51CR            | 235,100.00CR                 | 187,880.79CR              | 1,560,237.44CR           | 1,307,211.22CR              |
| Oil Production                  | 4,565.15CR              | 4,844.45CR                     | 9,739.16CR              | 9,600.00CR                   | 13,103.07CR               | 49,218.65CR              | 16,996.52CR                 |
| Royalty                         | 25,000.00CR             | 29,322.23CR                    | 84,811.09CR             | 51,000.00CR                  | 53,076.25CR               | 254,741.96CR             | 178,225.38CR                |
| Other                           | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Revenues        | 109,804.29CR            | 85,871.76CR                    | 534,996.76CR            | 295,700.00CR                 | 254,060.11CR              | 1,864,198.05CR           | 1,502,363.12CR              |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 14,631.62               | 10,344.69                      | 68,565.48               | 52,900.00                    | 35,264.22                 | 233,624.07               | 230,072.97                  |
| Operations and Maintenance      |                         |                                |                         |                              |                           |                          |                             |
| Total Operations and Maint. E   | 3,920.16                | 4,635.79                       | 15,547.22               | 15,700.00                    | 18,563.36                 | 208,097.12               | 202,486.96                  |
| Depreciation and Amortization   | 9,767.19                | 9,836.18                       | 29,301.57               | 29,200.00                    | 29,508.54                 | 117,825.25               | 118,609.16                  |
| Taxes Other Than Income Taxes   | .00                     | .00                            | .00                     | .00                          | .00                       | 23,371.77                | 31,099.72                   |
| Total Operating Expenses        | 28,318.97               | 24,816.66                      | 113,414.27              | 97,800.00                    | 83,336.12                 | 582,918.21               | 582,269.81                  |
| Operating Income                | 81,485.32CR             | 61,055.10CR                    | 421,582.49CR            | 197,900.00CR                 | 170,723.99CR              | 1,281,279.84CR           | 920,094.31CR                |
| Total Other Income and Expenses | .00                     | .00                            | .00                     | .00                          | .00                       | 156.31                   | .00                         |
| Interest Expense                | 2,000.00CR              | 4,900.00CR                     | 5,000.00CR              | 13,700.00CR                  | 13,700.00CR               | 25,900.00CR              | 51,400.00CR                 |
| Net Income Before Income Taxes  | 83,485.32CR             | 65,955.10CR                    | 426,582.49CR            | 211,600.00CR                 | 184,423.99CR              | 1,307,023.53CR           | 971,494.31CR                |
| Income Tax Expense              | 32,000.00               | 25,300.00                      | 163,700.00              | 80,300.00                    | 70,800.00                 | 496,900.00               | 374,700.00                  |
| Net Income                      | 51,485.32CR             | 40,655.10CR                    | 262,882.49CR            | 131,300.00CR                 | 113,623.99CR              | 810,123.53CR             | 596,794.31CR                |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2008 - 9/30/2008

CAPITAL EXPENDITURES

All Agents

BSR BRIAN S RAMSEY

|                      | Current           |                     | Adopted             |                     | Y-F-D Amount        | Current           |                     | Adopted             |                     | Y-F-D Amount      | Adopted        |                    | Percentage Expended |
|----------------------|-------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|----------------|--------------------|---------------------|
|                      | Month             | Yr                  | Cur Mo              | Cur Mo              |                     | Y-F-D             | Yr                  | Yr                  | Cur Yr              |                   | Cur Yr         | Yr                 |                     |
|                      | Amount            | Last Yr             | Budget (-)          | Budget (-)          | Amount              | Amount            | Amount              | Budget (-)          | Budget (-)          | Amount            | Amount         | Budget (-)         | Expended            |
|                      |                   | Last Month Amt      | Cur Mo Actual       | Cur Mo Budget (-)   | Y-F-D Amount        | Y-F-D Amount      | Last Y-F-D Amount   | Cur YTD Actual      | Cur YTD Budget (-)  | Last Y-F-D Amount | Cur YTD Actual | Cur YTD Budget (-) |                     |
| 532523 INT INVESH    | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| 533101 GAS WELL B    | .00               | .00                 | .00                 | .00                 | .00                 | .00               | 16,800.00           | 16,800.00           | 16,800.00           | .00               | 16,800.00      | 16,800.00          | .00                 |
| 535006 GAS RGT ST    | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| <b>Total BSR BSR</b> | <b>865,561.49</b> | <b>1,772,161.78</b> | <b>805,461.49CR</b> | <b>805,461.49CR</b> | <b>1,492,560.56</b> | <b>996,431.18</b> | <b>207,960.56CR</b> | <b>207,960.56CR</b> | <b>127,160.56CR</b> |                   |                |                    |                     |
| -----                |                   |                     |                     |                     |                     |                   |                     |                     |                     |                   |                |                    |                     |
| GRJ GLENN R JENNINGS | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| 139909 CONTINGENC    | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| <b>Total GRJ GRJ</b> | <b>.00</b>        | <b>.00</b>          | <b>.00</b>          | <b>.00</b>          | <b>.00</b>          | <b>.00</b>        | <b>.00</b>          | <b>.00</b>          | <b>.00</b>          | <b>.00</b>        | <b>.00</b>     | <b>.00</b>         | <b>.00</b>          |
| -----                |                   |                     |                     |                     |                     |                   |                     |                     |                     |                   |                |                    |                     |
| JBB JOHN B BROWN     | 68,727.71         | 194,904.86          | 19,672.29           | 19,672.29           | 131,112.41          | 14,772.14         | 138,887.59          | 138,887.59          | 625,887.59          | 17.32             | 625,887.59     | 17.32              | 17.32               |
| 139902 COMP SOFTW    | .00               | .00                 | 2,000.00            | 2,000.00            | .00                 | .00               | 8,000.00            | 8,000.00            | 385,700.00          | .00               | 385,700.00     | .00                | .00                 |
| 139903 COMP HWARE    | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| <b>Total JBB JBB</b> | <b>68,727.71</b>  | <b>194,904.86</b>   | <b>21,672.29</b>    | <b>21,672.29</b>    | <b>131,112.41</b>   | <b>14,772.14</b>  | <b>146,887.59</b>   | <b>146,887.59</b>   | <b>1,011,587.59</b> |                   |                |                    |                     |
| -----                |                   |                     |                     |                     |                     |                   |                     |                     |                     |                   |                |                    |                     |
| JLC JOHNNY L CAUDILL | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| 1121 NON U PROP      | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| 136501 LAND RIGHTS   | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| 136502 TRAN ROW      | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | .00                 | .00               | .00            | .00                | .00                 |
| 1371 OTHR EQUIP      | .00               | .00                 | .00                 | .00                 | .00                 | 29,90CR           | 29,400.00           | 29,400.00           | 58,800.00           | .00               | 58,800.00      | .00                | .00                 |
| 1374 LAND & ROW      | 46.50             | 5.50                | 453.50              | 453.50              | 517.50              | 31.50CR           | 982.50              | 982.50              | 5,482.50            | 8.62              | 5,482.50       | 8.62               | 8.62                |
| 1375 DIS STRUCT      | .00               | .00                 | 1,000.00            | 1,000.00            | .00                 | .00               | 2,000.00            | 2,000.00            | 5,000.00            | .00               | 5,000.00       | .00                | .00                 |
| 1376 DIST MAINS      | 119,408.65        | 174,713.70          | 123,591.35          | 123,591.35          | 699,743.10          | 74,135.73CR       | 29,256.90           | 29,256.90           | 1,673,256.90        | 29.48             | 1,673,256.90   | 29.48              | 29.48               |
| 1378 REG STAINS      | 13,370.73         | 13,713.40           | 7,370.73CR          | 7,370.73CR          | 15,036.82           | 4,500.80CR        | 2,963.18            | 2,963.18            | 56,963.18           | 20.88             | 56,963.18      | 20.88              | 20.88               |
| 1379 CG REG STA      | .00               | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00                 | 25,000.00           | .00               | 25,000.00      | .00                | .00                 |



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT

For Period 7/01/2008 - 9/30/2008

CAPITAL EXPENDITURES  
All Agents

JLC JOHNNY L CAUDILL

|                    | Current             |                     | Y-T-D Amount        |                     | Current Y-T-D (-)   |                   | Adopted             |                | Adopted |  | Percentage Expended |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|----------------|---------|--|---------------------|
|                    | Month Amount        | Last Yr Month Amt   | Y-T-D Amount        | Last Y-T-D Amount   | Cur YTD Budget (-)  | Cur YTD Actual    | Cur Yr Budget (-)   | Cur YTD Actual |         |  |                     |
| 1380 DIST SERV     | 61,297.84           | 9,004.87            | 1,297.84CR          | 167,088.10          | 7,416.86            | 12,911.90         | 495,911.90          | 25.20 %        |         |  |                     |
| 1381 METERS        | .00                 | 15,448.60CR         | 12,000.00           | 25,034.98           | 1,425.77CR          | 10,965.02         | 118,965.02          | 17.38 %        |         |  |                     |
| 1382 MET&REG IN    | 6,384.24            | 307.77CR            | 2,615.76            | 18,081.74           | 7,133.88CR          | 8,918.26          | 89,918.26           | 16.74 %        |         |  |                     |
| 1383 REGULATORS    | 9,907.59            | 6,268.32CR          | 7,892.41            | 17,870.68           | 51,536.64CR         | 35,629.32         | 195,829.32          | 8.36 %         |         |  |                     |
| 1385 IND METERS    | 413.48              | 18,831.17           | 4,586.52            | 25,337.77           | 24,543.73           | 10,337.77CR       | 34,662.23           | 42.22 %        |         |  |                     |
| 1389 LANDRIGHTS    | .00                 | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00 %          |         |  |                     |
| 1390 STRUCTURES    | .00                 | 4,130.00CR          | 5,000.00            | 7,447.00            | 42.01               | 7,553.00          | 32,553.00           | 18.61 %        |         |  |                     |
| 1391 FURNEQUIP     | .00                 | 7,308.37CR          | 1,000.00            | 3,757.70            | 7,152.06CR          | 2,742.30          | 8,242.30            | 31.31 %        |         |  |                     |
| 1392 TRANSP EQP    | .00                 | 66,586.25CR         | 70,000.00           | 32,849.00           | 33,737.25CR         | 37,151.00         | 527,151.00          | 5.86 %         |         |  |                     |
| 1393 STORES EQP    | .00                 | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00 %          |         |  |                     |
| 1394 TOOLS&EQP     | 6,005.65            | 17,213.25CR         | 794.35              | 15,386.65           | 20,712.79CR         | 23,413.35         | 84,613.35           | 15.38 %        |         |  |                     |
| 139401 CNG EQUIP   | .00                 | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00 %          |         |  |                     |
| 1396 PO EQUIPMT    | .00                 | .00                 | 2,500.00            | 23,850.00           | 58,333.38CR         | 511,650.00        | 534,150.00          | 4.27 %         |         |  |                     |
| 1397 COMM EQUIP    | .00                 | .00                 | 4,000.00            | .00                 | .00                 | 6,000.00          | 12,000.00           | .00 %          |         |  |                     |
| 1398 MISC EQUIP    | .00                 | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00 %          |         |  |                     |
| 139901 MAPPING     | .00                 | .00                 | .00                 | .00                 | .00                 | .00               | .00                 | .00 %          |         |  |                     |
| 139931 OFFC EQUIP  | 11,633.50           | 11,633.50           | 11,633.50CR         | 11,633.50           | 11,633.50           | 14,366.50         | 18,366.50           | 38.77 %        |         |  |                     |
| <b>Total JLC</b>   | <b>228,468.18</b>   | <b>110,639.58</b>   | <b>215,131.82</b>   | <b>1,063,634.54</b> | <b>215,093.60CR</b> | <b>725,565.46</b> | <b>3,976,865.46</b> |                |         |  |                     |
| <b>Grand Total</b> | <b>1,162,757.38</b> | <b>2,077,706.22</b> | <b>568,657.38CR</b> | <b>2,687,307.51</b> | <b>796,109.72</b>   | <b>664,492.49</b> | <b>5,236,292.49</b> |                |         |  |                     |

Delta Natural Gas Company, Inc.  
Board of Directors' Meeting - 2/20/09  
Quarterly Summary Report

|   | Periods ended December 31 |                       |                       |                       |                       |
|---|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 6 months                  |                       |                       | 12 months             |                       |
|   | 2008<br><u>Actual</u>     | 2008<br><u>Budget</u> | 2007<br><u>Actual</u> | 2008<br><u>Actual</u> | 2007<br><u>Actual</u> |
| System Throughput (million cu. ft.)                           |                           |                       |                       |                       |                       |
| Regulated Gas Sales Volumes                                   | <u>1,275</u>              | <u>1,356</u>          | <u>1,102</u>          | <u>3,274</u>          | <u>3,137</u>          |
| Transportation Volumes  |                           |                       |                       |                       |                       |
| - off system  | 6,438                     | 5,563                 | 5,911                 | 13,149                | 11,440                |
| - on system   | <u>2,253</u>              | <u>2,348</u>          | <u>2,416</u>          | <u>4,812</u>          | <u>4,950</u>          |
| Total Transportation  | <u>8,691</u>              | <u>7,911</u>          | <u>8,327</u>          | <u>17,961</u>         | <u>16,390</u>         |
| Total Throughput  | <u>9,966</u>              | <u>9,267</u>          | <u>9,429</u>          | <u>21,235</u>         | <u>19,527</u>         |
| Actual Lexington Calendar Degree Days as % of 30 Year Average | 104                       | 100                   | 85                    | 103                   | 92                    |
| Net Income (\$000)  | 1,502                     | 1,773                 | 1,644                 | 6,688                 | 5,099                 |
| Net Income Per Common Share (\$)                              | .46                       | .54                   | .50                   | 2.03                  | 1.56                  |

The attached detailed financial data is provided for further information and review.

In summary, the decrease in net income of \$.04 per share for the six months ended December 31, 2008 compared to the preceding year was primarily due to a decrease in operating income of \$303,000. Operations and maintenance expenses increased \$2,052,000 due to recording a reserve against gas in storage (\$1,350,000), higher uncollectible expenses (\$487,000) and increased medical expenses (\$147,000). Gross Margins improved \$1,202,000 for regulated gas sales (\$705,000) due to higher sales volumes, non-regulated sales (\$191,000) due to higher sales prices and off-system transportation increases (\$187,000). Depreciation expense decreased \$391,000 due to decreased depreciation rates which became effective October 20, 2007.

Net income per share was \$.08 per share less than budgeted and net income before income taxes was \$471,000 less than budgeted. Operations and maintenance expenses were \$1,679,000 higher than budgeted due to recording a reserve against gas in storage (\$1,350,000) and higher uncollectible expenses (\$459,000). Gross Margins were \$941,000 higher than budgeted due to non-regulated gross margins being higher than budgeted partially offset by regulated gross margins being lower than budgeted. Interest charges are \$165,000 less than budgeted due to interest rates being lower than budgeted.

Capital expenditures are \$659,000 less than budgeted for the six months ended December 31, 2008 due to purchasing some power operated equipment in fiscal 2008 that was originally budgeted for this year. Also, we have delayed some computer implementation projects. We spent more than budgeted re-working the Canada Mountain wells, partially offsetting these decreases.

**DELTA NATURAL GAS COMPANY, INC.**  
**BALANCE SHEET**  
December 31, 2008

| <b>ASSETS</b>                          | <b>2008</b>                  | <b>2007</b>                  |
|--|------------------------------|------------------------------|
| <b>GAS UTILITY PLANT, AT COST</b>      | \$ 193,142,355               | \$ 187,647,489               |
| Less - Reserve for Depreciation        | <u>67,372,694</u>            | <u>64,861,328</u>            |
|  | \$ <u>125,769,661</u>        | \$ <u>122,786,161</u>        |
| <b>CURRENT ASSETS:</b>                 |                              |                              |
| Cash                                   | \$ 324,863                   | \$ 680,811                   |
| Receivables                            | 11,318,167                   | 13,597,102                   |
| Deferred Gas Cost                      | 6,032,930                    | 3,377,138                    |
| Gas in Storage, at Cost                | 8,605,408                    | 7,970,201                    |
| Materials and Supplies, at Cost        | 588,409                      | 503,029                      |
| Prepayments                            | <u>2,999,144</u>             | <u>2,406,409</u>             |
|  | \$ <u>29,868,921</u>         | \$ <u>28,534,690</u>         |
| <b>OTHER ASSETS:</b>                   |                              |                              |
| Cash Surrender Value of Life Insurance | \$ 384,940                   | \$ 425,609                   |
| Unamortized Expenses                   | 4,929,645                    | 5,316,910                    |
| Receivable/Investment in Subsidiaries  | 17,086,168                   | 11,584,212                   |
| Other                                  | <u>7,155,057</u>             | <u>6,773,649</u>             |
|  | \$ <u>29,555,810</u>         | \$ <u>24,100,380</u>         |
| <b>TOTAL ASSETS</b>                    | <b>\$ <u>185,194,392</u></b> | <b>\$ <u>175,421,231</u></b> |
| <b>LIABILITIES</b>                     |                              |                              |
| <b>CAPITALIZATION:</b>                 |                              |                              |
| Common Stock                           | \$ 3,307,446                 | \$ 3,286,276                 |
| Paid-in Surplus                        | 46,887,782                   | 46,373,067                   |
| Capital Stock Expense                  | (2,643,353)                  | (2,643,353)                  |
| Retained Earnings                      | <u>9,626,142</u>             | <u>7,184,458</u>             |
| Total Common Equity                    | \$ 57,178,017                | \$ 54,200,448                |
| Long-term Debt                         | <u>58,063,000</u>            | <u>58,402,000</u>            |
| Total Capitalization                   | \$ <u>115,241,017</u>        | \$ <u>112,602,448</u>        |
| <b>CURRENT LIABILITIES:</b>            |                              |                              |
| Notes Payable                          | \$ 28,652,755                | \$ 23,798,147                |
| Current Portion of Long-Term Debt      | 1,200,000                    | 1,200,000                    |
| Accounts Payable                       | 6,605,985                    | 6,609,080                    |
| Accrued Taxes                          | (212,794)                    | (303,136)                    |
| Refunds Due Customers                  | 0                            | 58                           |
| Customer Deposits                      | 621,511                      | 610,958                      |
| Accrued Interest                       | 859,592                      | 869,543                      |
| Current Deferred Income Taxes          | 1,628,814                    | 963,559                      |
| Other                                  | <u>1,075,476</u>             | <u>1,066,469</u>             |
|  | \$ <u>40,431,339</u>         | \$ <u>34,814,678</u>         |
| <b>DEFERRED CREDITS AND OTHER:</b>     |                              |                              |
| Deferred Income Taxes                  | \$ 25,727,548                | \$ 23,824,112                |
| Deferred Investment Tax Credit         | 161,150                      | 195,700                      |
| Regulatory Items                       | 1,872,704                    | 2,348,392                    |
| Advances for Construction and Other    | <u>1,760,634</u>             | <u>1,635,901</u>             |
|  | \$ <u>29,522,036</u>         | \$ <u>28,004,105</u>         |
| <b>TOTAL LIABILITIES</b>               | <b>\$ <u>185,194,392</u></b> | <b>\$ <u>175,421,231</u></b> |

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

**December 31, 2008**

|  | 6 MONTHS TO DATE           |                            | 12 MONTHS ENDED                |                                |
|--|----------------------------|----------------------------|--------------------------------|--------------------------------|
|  | 2008                       | 2007                       | 2008                           | 2007                           |
| <b>OPERATING REVENUES</b>                          | \$ 30,559,368              | \$ 23,472,682              | \$ 69,323,711                  | \$ 56,400,189                  |
| <b>OPERATING EXPENSES &amp; TAXES:</b>             |                            |                            |                                |                                |
| Gas Purchased                                      | \$ 17,464,358              | 11,341,054                 | \$ 39,616,718                  | \$ 29,564,868                  |
| Operations   | 6,303,479                  | 5,533,990                  | 12,818,122                     | 11,243,051                     |
| Maintenance  | 378,698                    | 436,300                    | 945,829                        | 815,307                        |
| Depreciation                                       | 1,852,662                  | 2,243,300                  | 3,662,476                      | 4,665,455                      |
| Property & Other Taxes                             | 860,960                    | 859,618                    | 1,789,200                      | 1,822,914                      |
| Income Taxes                                       | 187,691                    | 259,997                    | 1,918,194                      | 1,319,997                      |
| Total  | \$ 27,047,848              | \$ 20,674,259              | \$ 60,750,539                  | \$ 49,431,592                  |
| Operating Income                                   | \$ 3,511,520               | \$ 2,798,423               | 8,573,172                      | 6,968,597                      |
| <b>OTHER INCOME/(EXPENSES),NET</b>                 | 264,276                    | 1,250,343                  | 2,540,114                      | 2,659,930                      |
| Gross Income                                       | \$ 3,775,796               | \$ 4,048,766               | 11,113,286                     | 9,628,527                      |
| <b>OTHER DEDUCTIONS:</b>                           |                            |                            |                                |                                |
| Interest on Debt                                   | \$ 2,079,946               | \$ 2,210,795               | \$ 4,038,274                   | \$ 4,142,650                   |
| Amortization                                       | 193,631                    | 193,631                    | 387,266                        | 387,266                        |
| Other  |                            |                            | -                              | -                              |
| Total  | \$ 2,273,577               | \$ 2,404,426               | 4,425,540                      | 4,529,916                      |
| <b>NET INCOME(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ 1,502,219               | \$ 1,644,340               | 6,687,746                      | 5,098,611                      |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>     | \$ 0.46                    | \$ 0.50                    | 2.03                           | 1.56                           |
| <b>CUSTOMERS AT END OF PERIOD</b>                  |                            |                            | 36,645                         | 37,283                         |
| <b>AVERAGE SHARES</b>                              | 3,300,403<br>FISCAL<br>YTD | 3,280,704<br>FISCAL<br>YTD | 3,295,341<br>12 MONTH<br>ENDED | 3,276,034<br>12 MONTH<br>ENDED |



**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**December 31, 2008**

|  | MONTH                             |            |            | YEAR TO DATE                      |            |            | YEAR ENDED  |            |
|--|-----------------------------------|------------|------------|-----------------------------------|------------|------------|-------------|------------|
|  | This Year Over<br>(Under ) Budget | This Year  | Last Year  | This Year Over<br>(Under ) Budget | This Year  | Last Year  | This Year   | Last Year  |
| DEGREE DAYS BILLED - LEXINGTON AREA                | (259)                             | 639        | 571        | (855)                             | 934        | 829        | 4,569       | 4,168      |
| <b>MCF'S: DELTA NATURAL</b>                        |                                   |            |            |                                   |            |            |             |            |
| RESIDENTIAL  | (100,020)                         | 223,880    | 185,546    | (328,549)                         | 410,251    | 366,432    | 1,736,620   | 1,689,988  |
| SMALL COMMERCIAL                                   | (25,822)                          | 69,678     | 53,940     | (93,609)                          | 132,091    | 114,240    | 542,126     | 521,733    |
| LARGE NON-RESIDENTIAL                              | (35,632)                          | 104,668    | 84,524     | (121,274)                         | 259,526    | 234,059    | 872,125     | 742,098    |
| INTERRUPTIBLE                                      | (1,037)                           | 3,463      | 4,129      | (2,849)                           | 8,251      | 10,100     | 31,858      | 133,219    |
| TOTAL SOLD   | (162,511)                         | 401,689    | 328,139    | (546,281)                         | 810,119    | 724,831    | 3,182,729   | 3,087,038  |
| OFF SYSTEM   | (161,259)                         | 1,162,941  | 1,216,773  | 868,707                           | 6,431,107  | 5,911,278  | 13,142,945  | 11,439,961 |
| ON SYSTEM  | (45,055)                          | 405,045    | 453,622    | (95,738)                          | 2,252,562  | 2,415,876  | 4,811,706   | 4,950,043  |
| TOTAL TRANSPORTED                                  | (206,314)                         | 1,567,986  | 1,670,395  | 772,969                           | 8,683,669  | 8,327,154  | 17,954,651  | 16,390,004 |
| TOTAL DELTA NATURAL                                | (368,825)                         | 1,969,675  | 1,998,534  | 226,688                           | 9,493,788  | 9,051,985  | 21,137,380  | 19,477,042 |
| RESOURCES ON SYS INCL                              | (36,570)                          | 139,630    | 176,602    | (111,800)                         | 756,700    | 884,358    | 1,712,556   | 1,846,413  |
| DELGASCO OFF SYS INCL                              | (44,010)                          | 353,190    | 439,218    | (348,519)                         | 1,320,081  | 1,328,960  | 3,427,206   | 3,144,462  |
| ENPRO - SALES TO AFFILIATES                        | 3,765                             | 14,065     | 10,347     | 7,495                             | 68,695     | 61,269     | 169,470     | 147,548    |
| Unbilled MCF                                       | 146,152                           | 146,152    | 159,103    | 465,350                           | 465,350    | 377,447    | 91,658      | 49,728     |
| <b>REVENUES: DELTA NATURAL</b>                     |                                   |            |            |                                   |            |            |             |            |
| RETAIL SALES                                       | (994,609)                         | 7,326,591  | 5,275,247  | (3,951,188)                       | 18,371,312 | 13,632,444 | 57,837,360  | 47,630,277 |
| UNBILLED REVENUE                                   | 2,381,780                         | 2,381,780  | 2,553,163  | 8,011,676                         | 8,011,676  | 5,923,520  | 2,609,247   | 819,004    |
| DEMAND-SIDE MANAGEMENT REVENUE                     | -                                 | -          | -          | 1,049                             | 1,049      | -          | 1,049       | -          |
| MISC OPERATING                                     | 6,155                             | 28,055     | 22,033     | 53,730                            | 158,030    | 104,223    | 346,345     | 237,826    |
| OFF SYS TRANSPORT                                  | (13,225)                          | 372,375    | 385,564    | 339,261                           | 1,959,061  | 1,763,652  | 4,059,756   | 3,504,149  |
| ON SYS TRANSPORT                                   | (20,600)                          | 421,800    | 449,204    | 20,839                            | 2,058,239  | 2,048,842  | 4,469,954   | 4,208,932  |
| TOTAL DELTA NATURAL                                | 1,359,501                         | 10,530,601 | 8,685,211  | 4,475,367                         | 30,559,367 | 23,472,681 | 69,323,711  | 56,400,188 |
| RESOURCES ON SYS SALES                             | (130,908)                         | 1,231,992  | 1,530,803  | 863,086                           | 7,580,686  | 7,240,799  | 17,471,256  | 15,615,174 |
| DELGASCO OFF SYS SALES                             | 764,658                           | 3,827,058  | 4,109,978  | 930,837                           | 13,794,637 | 10,858,577 | 35,949,192  | 26,088,512 |
| ENPRO - SALES TO AFFILIATES                        | (14,376)                          | 70,224     | 74,601     | 104,340                           | 586,040    | 403,103    | 1,490,609   | 1,031,944  |
| TOTAL CONSOLIDATED                                 | 1,978,875                         | 15,659,875 | 14,400,593 | 6,373,630                         | 52,520,730 | 41,975,160 | 124,234,768 | 99,135,818 |
| <b>GAS COSTS: DELTA NATURAL</b>                    |                                   |            |            |                                   |            |            |             |            |
| DELTA NATURAL UNBILLED GAS COST                    | (42,324)                          | 5,273,976  | 3,258,804  | (1,367,863)                       | 11,412,837 | 7,614,751  | 37,052,730  | 29,088,042 |
| DELTA RESOURCES                                    | 1,919,042                         | 1,919,042  | 1,580,142  | 6,051,521                         | 6,051,521  | 3,726,304  | 2,563,987   | 476,827    |
| DELGASCO   | (160,369)                         | 1,073,031  | 1,305,190  | 692,799                           | 6,772,299  | 6,333,529  | 15,431,506  | 13,572,187 |
| TOTAL CONSOLIDATED                                 | 367,789                           | 3,366,289  | 3,472,598  | 62,688                            | 12,658,188 | 9,903,393  | 32,258,381  | 23,721,601 |
| <b>NET SALES: DELTA NATURAL EXCLUDING UNBILLED</b> |                                   |            |            |                                   |            |            |             |            |
| DELTA NATURAL UNBILLED                             | (952,285)                         | 2,052,615  | 2,016,443  | (2,583,325)                       | 6,958,475  | 6,017,693  | 20,784,630  | 18,542,235 |
| DELTA NATURAL UNBILLED                             | 462,738                           | 462,738    | 973,021    | 1,960,155                         | 1,960,155  | 2,197,216  | 45,260      | 342,177    |
| DELTA RESOURCES TOTAL                              | 29,461                            | 158,961    | 225,613    | 170,287                           | 808,387    | 907,270    | 2,039,750   | 2,042,987  |
| DELGASCO   | 396,869                           | 460,769    | 637,380    | 868,149                           | 1,136,449  | 955,184    | 3,690,811   | 2,366,911  |
| TOTAL CONSOLIDATED                                 | (63,217)                          | 3,135,083  | 3,852,457  | 415,266                           | 10,863,466 | 10,077,363 | 26,560,451  | 23,294,310 |
| <b>PER MCF:</b>                                    |                                   |            |            |                                   |            |            |             |            |
| DELTA NATURAL                                      |                                   |            |            |                                   |            |            |             |            |
| TOTAL SALES  | 6.120                             | 18.239     | 16.076     | 7.233                             | 22.677     | 18.808     | 18.172      | 15.429     |
| COST OF GAS  | 0.260                             | 13.130     | 9.931      | 2.504                             | 14.088     | 10.506     | 11.642      | 9.423      |
| NET SALES  | 5.860                             | 5.110      | 6.145      | 4.729                             | 8.589      | 8.302      | 6.530       | 6.006      |
| DELTA RESOURCES                                    |                                   |            |            |                                   |            |            |             |            |
| TOTAL SALES  | 3.580                             | 8.823      | 8.668      | (7.720)                           | 10.018     | 8.188      | 10.202      | 8.457      |
| COST OF GAS  | 4.385                             | 7.685      | 7.391      | (6.197)                           | 8.950      | 7.162      | 9.011       | 7.351      |
| NET SALES  | (0.806)                           | 1.138      | 1.278      | (1.523)                           | 1.068      | 1.026      | 1.191       | 1.106      |
| DELGASCO   |                                   |            |            |                                   |            |            |             |            |
| TOTAL SALES  | (17.375)                          | 10.836     | 9.357      | (2.671)                           | 10.450     | 8.171      | 10.489      | 8.297      |
| COST OF GAS  | (8.357)                           | 9.531      | 7.906      | (0.180)                           | 9.589      | 7.452      | 9.412       | 7.544      |
| NET SALES  | (9.018)                           | 1.305      | 1.451      | (2.491)                           | 0.861      | 0.719      | 1.077       | 0.753      |
| <b>DELTA NATURAL ONLY:</b>                         |                                   |            |            |                                   |            |            |             |            |
| % Change to Customers Between Yrs:                 | Total Cost                        | 13.5%      |            | 20.6%                             |            |            | 17.8%       |            |
|  | Gas Cost                          | 19.9%      |            | 19.0%                             |            |            | 14.4%       |            |
|  | Net Sales                         | -6.4%      |            | 1.5%                              |            |            | 3.4%        |            |

DELTA NATURAL GAS CO., INC. AN IDIARIES  
Income Statement - Delta Natl Gas Co  
July 01, 2008 - December 31, 2008

|                                  | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|----------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 01                               |                         |                                |                         |                              |                           |                          |                             |
| <b>OPERATING REVENUES</b>        |                         |                                |                         |                              |                           |                          |                             |
| General Service Rate Billed      |                         |                                |                         |                              |                           |                          |                             |
| Residential                      | 5,877,721.81CR          | 4,434,062.75CR                 | 14,929,589.40CR         | 12,890,200.00CR              | 10,969,785.42CR           | 34,558,275.42CR          | 27,231,290.20CR             |
| Small Commercial                 | 1,846,039.75CR          | 1,319,876.25CR                 | 4,465,223.50CR          | 3,708,800.00CR               | 3,189,615.10CR            | 10,323,330.81CR          | 8,085,811.57CR              |
| Other Commercial                 | 2,142,886.17CR          | 1,605,807.19CR                 | 6,464,367.30CR          | 5,586,200.00CR               | 4,567,675.92CR            | 13,944,654.21CR          | 10,709,213.33CR             |
| Industrial                       | 235,654.62CR            | 195,666.41CR                   | 588,760.80CR            | .00                          | 454,637.97CR              | 1,439,407.41CR           | 1,204,335.64CR              |
| Unmetered Gas Light              | 700.11CR                | 633.90CR                       | 4,445.86CR              | 4,100.00CR                   | 4,120.36CR                | 8,486.33CR               | 7,959.12CR                  |
| Residential WNA                  | 353,927.42              | 161,977.75CR                   | 192,359.42              | .00                          | 161,977.97CR              | 219,733.36               | 649,057.87CR                |
| Small Non-Residential WNA        | 110,143.03              | 49,935.23CR                    | 62,113.03               | .00                          | 49,935.23CR               | 71,440.86                | 170,067.82CR                |
| Weather Normalization Revenue    | 464,070.45              | 211,912.98CR                   | 254,472.45              | .00                          | 211,913.20CR              | 291,174.22               | 819,125.69CR                |
| Demand-Side Management Revenue   | .00                     | .00                            | 1,049.00CR              | .00                          | .00                       | 1,049.00CR               | .00                         |
| Total General Service Ra         | 9,638,932.01CR          | 7,767,959.52CR                 | 26,198,963.41CR         | 22,189,300.00CR              | 19,397,747.97CR           | 59,984,028.96CR          | 48,057,735.55CR             |
| Interruptible Rate Billed        |                         |                                |                         |                              |                           |                          |                             |
| Commercial                       | 6,058.47CR              | 5,350.32CR                     | 16,310.18CR             | .00                          | 12,405.70CR               | 38,711.48CR              | 32,387.98CR                 |
| Industrial                       | 63,380.52CR             | 55,100.56CR                    | 169,764.01CR            | 133,200.00CR                 | 145,810.36CR              | 424,916.25CR             | 359,157.53CR                |
| Total Interruptible Rate         | 69,438.99CR             | 60,450.88CR                    | 185,074.19CR            | 133,200.00CR                 | 158,216.06CR              | 463,627.73CR             | 391,545.51CR                |
| Total Gas Revenue                | 9,708,371.00CR          | 7,828,410.40CR                 | 26,384,037.60CR         | 22,322,500.00CR              | 19,555,964.03CR           | 60,447,656.69CR          | 48,449,281.06CR             |
| Miscellaneous Operating Revenue  | 28,055.00CR             | 22,033.00CR                    | 158,030.00CR            | 118,100.00CR                 | 104,223.00CR              | 346,345.00CR             | 237,826.00CR                |
| Off System Transportation Reven  | 372,374.82CR            | 385,564.32CR                   | 1,959,060.85CR          | 1,619,800.00CR               | 1,763,652.24CR            | 4,059,755.35CR           | 3,504,149.18CR              |
| On System Transportation Revenue | 422,800.15CR            | 449,204.88CR                   | 2,058,239.26CR          | 2,037,200.00CR               | 2,048,842.71CR            | 4,469,954.09CR           | 4,208,932.44CR              |
| TOTAL OPERATING REVENUE          | 10,531,600.97CR         | 8,685,212.60CR                 | 30,559,367.71CR         | 26,097,600.00CR              | 23,472,681.98CR           | 69,323,711.13CR          | 56,400,188.68CR             |
| OPERATING EXPENSES               |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                    | 7,193,017.73            | 4,838,946.11                   | 17,464,357.87           | 12,780,700.00                | 11,341,054.48             | 39,616,717.01            | 29,564,868.88               |
| Recovery of Canada Mountain      | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Purchased Gas, net               | 7,193,017.73            | 4,838,946.11                   | 17,464,357.87           | 12,780,700.00                | 11,341,054.48             | 39,616,717.01            | 29,564,868.88               |
| Operation Expense                |                         |                                |                         |                              |                           |                          |                             |
| Labor                            | 463,780.97              | 433,014.28                     | 3,190,360.90            | 3,289,800.00                 | 3,064,418.02              | 7,206,578.98             | 6,951,091.14                |
| Transportation                   | 76,223.97               | 96,291.60                      | 452,675.37              | 409,200.00                   | 407,734.80                | 951,310.47               | 811,190.04                  |

DELTA NATURAL GAS CO., INC. AN IDIARIES

Income Statement - D.

July 01, 2008 - December 31, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| General Operations              | 36,036.89               | 51,588.53                      | 248,695.33              | 308,900.00                   | 268,284.88                | 781,776.73               | 601,159.96                  |
| Customer Billing                | 24,946.70               | 38,391.40                      | 150,621.16              | 130,600.00                   | 125,625.72                | 292,970.14               | 245,667.38                  |
| Uncollectible Accounts          | 663,000.00              | 120,000.00                     | 663,000.00              | 204,000.00                   | 176,400.00                | 1,085,944.83             | 195,092.55                  |
| Administrative                  | 49,788.98               | 41,771.13                      | 286,380.61              | 317,600.00                   | 280,214.49                | 581,151.51               | 548,858.22                  |
| Outside Services                | 42,299.59               | 61,378.90                      | 432,633.53              | 414,700.00                   | 407,615.13                | 833,081.78               | 768,638.00                  |
| Insurance                       | 65,482.66               | 67,507.08                      | 382,486.00              | 378,000.00                   | 414,196.24                | 777,860.85               | 810,599.53                  |
| Employee Benefits               | 361,979.23              | 282,576.20                     | 1,375,448.08            | 1,387,000.00                 | 1,254,130.59              | 2,598,896.50             | 2,720,244.47                |
| General Administration          | 85,694.67               | 75,049.67                      | 339,283.00              | 324,900.00                   | 330,418.89                | 790,312.72               | 750,634.74                  |
| Expenses Transferred            | 221,351.90CR            | 241,339.36CR                   | 1,440,143.55CR          | 1,470,000.00CR               | 1,453,599.86CR            | 3,510,773.32CR           | 3,619,430.90CR              |
| Other                           | 41,596.91               | 28,851.57                      | 222,038.38              | 284,600.00                   | 258,551.49                | 429,010.45               | 459,306.54                  |
| Total Operation Expense         | 1,689,458.67            | 1,055,081.00                   | 6,303,478.81            | 5,979,300.00                 | 5,533,990.39              | 12,818,121.64            | 11,243,051.67               |
| Maintenance Expense             |                         |                                |                         |                              |                           |                          |                             |
| Labor                           | 3,335.05                | 6,281.05                       | 56,445.89               | .00                          | 62,373.58                 | 115,109.44               | 116,164.91                  |
| Transportation                  | 2,993.14                | 4,135.80                       | 23,922.13               | .00                          | 21,676.80                 | 49,314.57                | 40,971.63                   |
| Mains                           | 3,593.86                | 3,711.54                       | 61,296.78               | 105,000.00                   | 121,448.75                | 137,917.30               | 158,083.28                  |
| Meter & Regulators              | 3,065.68                | 4,668.92                       | 21,311.37               | 24,000.00                    | 19,235.77                 | 52,067.19                | 53,416.32                   |
| Other                           | 32,860.16               | 27,313.49                      | 215,722.13              | 242,400.00                   | 211,564.69                | 591,421.50               | 446,670.34                  |
| Total Maintenance Expense       | 45,847.89               | 46,110.80                      | 378,698.30              | 371,400.00                   | 436,299.59                | 945,830.00               | 815,306.48                  |
| Total Operation and Maintenance | 1,735,306.56            | 1,101,191.80                   | 6,682,177.11            | 6,350,700.00                 | 5,970,289.98              | 13,763,951.64            | 12,058,358.15               |
| Depreciation Expense            | 311,557.81              | 300,944.20                     | 1,852,662.09            | 1,846,500.00                 | 2,243,300.15              | 3,662,475.11             | 4,665,455.59                |
| Taxes Other Than Income Taxes   |                         |                                |                         |                              |                           |                          |                             |
| Property Taxes                  | 84,497.23               | 84,287.00                      | 611,777.23              | 656,200.00                   | 605,187.00                | 1,204,138.01             | 1,249,588.00                |
| Payroll Taxes                   | 43,231.54               | 41,602.90                      | 249,182.88              | 287,400.00                   | 254,430.52                | 585,062.27               | 573,325.91                  |
| Total Other Taxes               | 127,728.77              | 125,889.90                     | 860,960.11              | 943,600.00                   | 859,617.52                | 1,789,200.28             | 1,822,913.91                |
| TOTAL OPERATING EXPENSES        | 9,367,610.87            | 6,366,972.01                   | 26,860,157.18           | 21,921,500.00                | 20,414,262.13             | 58,832,344.04            | 48,111,596.53               |

DELTA NATURAL GAS CO., INC. ANI IDIARIES

Income Statement - Du

July 01, 2008 - December 31, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME                | 1,163,990.10CR          | 2,318,240.59CR                 | 3,699,210.53CR          | 4,176,100.00CR               | 3,058,419.85CR            | 10,491,367.09CR          | 8,288,592.15CR              |
| Other Income and Expenses       |                         |                                |                         |                              |                           |                          |                             |
| Other Net Income                | 919,744.30              | 953.46CR                       | 802,809.92              | 46,000.00CR                  | 19,399.54CR               | 738,531.87               | 143,575.09CR                |
| Net Non Regulated Income        | 919,744.30              | 953.46CR                       | 802,809.92              | 46,000.00CR                  | 19,399.54CR               | 738,531.87               | 143,575.09CR                |
| Total Income Before Interest Ch | 244,245.80CR            | 2,319,194.05CR                 | 2,896,400.61CR          | 4,222,100.00CR               | 3,077,819.39CR            | 9,752,835.22CR           | 8,432,167.24CR              |
| Interest Expense                |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt      | 304,695.84              | 306,264.80                     | 1,831,441.05            | 1,838,400.00                 | 1,840,741.36              | 3,666,683.13             | 3,686,179.91                |
| Interest On Short-Term Debt     | 18,147.36               | 62,934.49                      | 233,011.74              | 390,900.00                   | 355,008.95                | 336,450.14               | 424,378.48                  |
| Other Interest                  | 3,097.01                | 2,960.58                       | 15,493.33               | 18,600.00                    | 15,043.36                 | 33,142.87                | 32,089.91                   |
| Amortization of Debt Expense    | 32,271.88               | 32,271.88                      | 193,631.28              | 193,600.00                   | 193,631.28                | 387,265.56               | 387,266.56                  |
| Total Interest Expense          | 358,212.09              | 404,431.75                     | 2,273,577.40            | 2,441,500.00                 | 2,404,424.95              | 4,435,541.70             | 4,529,914.86                |
| Net Income Before Income Taxes  | 113,966.29              | 1,914,762.30CR                 | 622,823.21CR            | 1,780,600.00CR               | 673,394.44CR              | 5,327,293.52CR           | 3,902,252.38CR              |
| Current Federal                 | 1,087,655.00CR          | 520,029.00CR                   | 825,964.00CR            | 658,400.00                   | 944,163.00CR              | 14,399.00                | 712,553.00CR                |
| Current State                   | 118,826.00CR            | 240,240.00CR                   | 118,826.00CR            | .00                          | 240,240.00CR              | 177,514.00               | 125,062.00CR                |
| Deferred Federal & State        | 1,175,881.00            | 1,489,950.00                   | 1,149,131.00            | .00                          | 1,462,300.00              | 1,760,831.00             | 2,194,012.00                |
| Investment Tax Credit-Net       | 2,775.00CR              | 2,983.33CR                     | 16,650.00CR             | .00                          | 17,900.02CR               | 34,549.98CR              | 36,400.00CR                 |
| Income Taxes Non-Regulated      | 19,500.00CR             | 400.00                         | 24,400.00               | 17,400.00                    | 7,300.00                  | 48,900.00                | 55,400.00                   |
| Total Income Taxes              | 52,875.00CR             | 727,097.67                     | 212,091.00              | 675,800.00                   | 267,296.98                | 1,967,094.02             | 1,375,397.00                |
| Net Income - Delta Natural      | 61,091.29               | 1,187,664.63CR                 | 410,732.21CR            | 1,104,800.00CR               | 406,097.46CR              | 3,360,199.50CR           | 2,526,855.38CR              |
| Subsidiary Net Income           |                         |                                |                         |                              |                           |                          |                             |
| Total Subsidiary Net Income     | 61,459.00CR             | 501,674.00CR                   | 1,091,487.00CR          | 668,200.00CR                 | 1,238,243.00CR            | 3,327,547.00CR           | 2,571,755.00CR              |
| Net Income - Consolidated       | 367,71CR                | 1,689,338.63CR                 | 1,502,219.21CR          | 1,773,000.00CR               | 1,644,340.46CR            | 6,687,746.50CR           | 5,098,610.38CR              |

DELTA NATURAL GAS CO., INC. ANNUAL REPORT  
Income Statement - Delta Resources  
July 01, 2008 - December 31, 2008

|  | Current Month Amount | Last Year Curr Month Amount | Current Y-T-D Amount | Last Year Y-T-D Amount | 12 Month Y-T-D Amount | Previous 12 Month Amount |
|--|----------------------|-----------------------------|----------------------|------------------------|-----------------------|--------------------------|
| Operating Revenues   |                      |                             |                      |                        |                       |                          |
| Sales To Parent  | .00                  | .00                         | .00                  | .00                    | .00                   | .00                      |
| Sales To Others  | 1,476,013.28CR       | 1,817,237.82CR              | 8,874,036.33CR       | 8,065,700.00CR         | 20,311,627.72CR       | 18,328,457.11CR          |
| Total Operating Revenues                                     | 1,476,013.28CR       | 1,817,237.82CR              | 8,874,036.33CR       | 8,065,700.00CR         | 20,311,627.72CR       | 18,328,457.11CR          |
| Operating Expenses   |                      |                             |                      |                        |                       |                          |
| Purchased Gas  | 1,073,031.22         | 1,305,189.68                | 6,772,299.42         | 6,333,528.80           | 15,431,506.41         | 13,572,186.88            |
| Total Operation, Maintenance and Taxes Other than Income Tax | 249,327.18           | 293,691.40                  | 1,311,618.08         | 1,371,564.07           | 3,162,867.40          | 3,072,988.44             |
| Total Operating Expenses                                     | 1,322,358.40         | 1,598,881.08                | 8,083,917.50         | 7,705,092.87           | 18,594,373.81         | 16,645,175.32            |
| Total Other Income and Expenses                              | 104,800.00           | .00                         | 104,800.00           | .00                    | 104,800.00            | .00                      |
| Operating Income   | 48,854.88CR          | 218,356.74CR                | 685,318.83CR         | 885,123.87CR           | 1,612,453.91CR        | 1,683,281.79CR           |
| Interest Expense   | 4,100.00             | 7,200.00                    | 13,300.00            | 6,700.00               | 6,700.00              | 9,900.00CR               |
| Net Income Before Income Taxes                               | 44,754.88CR          | 211,156.74CR                | 672,018.83CR         | 878,423.87CR           | 1,605,753.91CR        | 1,693,181.79CR           |
| Income Tax Expense   | 15,000.00            | 77,400.00                   | 243,700.00           | 320,700.00             | 610,600.00            | 661,500.00               |
| Net Income   | 29,754.88CR          | 133,756.74CR                | 428,318.83CR         | 557,723.87CR           | 995,153.91CR          | 1,031,681.79CR           |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta

July 01, 2008 - December 31, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Sales To Affiliates             | 1,073,031.22CR          | 1,305,189.68CR                 | 6,772,299.42CR          | .00                          | 6,333,528.80CR            | 15,431,506.41CR          | 13,572,186.88CR             |
| Sales To Others                 | 3,943,119.92CR          | 4,253,042.37CR                 | 14,234,630.38CR         | 13,349,700.00CR              | 11,289,979.97CR           | 37,078,709.80CR          | 27,075,887.86CR             |
| Total Operating Revenues        | 5,016,151.14CR          | 5,558,232.05CR                 | 21,006,929.80CR         | 13,349,700.00CR              | 17,623,508.77CR           | 52,510,216.21CR          | 40,648,074.74CR             |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 4,439,320.01            | 4,777,788.09                   | 19,430,486.97           | 12,595,600.00                | 16,236,921.97             | 47,689,887.22            | 37,293,788.02               |
| Operation and Maintenance       | 131,067.55              | 167,250.36                     | 497,531.97              | 547,800.00                   | 493,589.20                | 1,663,936.54             | 1,335,671.02                |
| Taxes Other Than Income Tax     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expense         | 4,570,387.56            | 4,945,038.45                   | 19,928,018.94           | 13,143,400.00                | 16,730,511.17             | 49,353,823.76            | 38,629,459.04               |
| Operating Income                | 445,763.58CR            | 613,193.60CR                   | 1,078,910.86CR          | 206,300.00CR                 | 892,997.60CR              | 3,156,392.45CR           | 2,018,615.70CR              |
| TOTAL OTHER INCOME AND EXPENSES | 362,100.00              | .00                            | 362,100.00              | .00                          | .00                       | 362,100.00               | .00                         |
| Total Interest Expense          | 41,900.00               | 45,600.00                      | 133,500.00              | 153,200.00                   | 153,200.00                | 228,900.00               | 284,644.83                  |
| Net Income Before Income Taxes  | 41,763.58CR             | 567,593.60CR                   | 583,310.86CR            | 53,100.00CR                  | 739,797.60CR              | 2,565,392.45CR           | 1,733,970.87CR              |
| Income Tax Expense              | 20,900.00               | 222,600.00                     | 233,300.00              | 20,100.00                    | 290,200.00                | 976,100.00               | 669,700.00                  |
| Net Income                      | 20,863.58CR             | 344,993.60CR                   | 350,010.86CR            | 33,000.00CR                  | 449,597.60CR              | 1,589,292.45CR           | 1,064,270.87CR              |

DELTA NATURAL GAS CO., INC. ANI (DIARIES

Income Statement - Et.

July 01, 2008 - December 31, 2008

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 05                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Gas Production                  | 70,224.16CR             | 74,601.87CR                    | 586,040.59CR            | 481,700.00CR                 | 403,104.06CR              | 1,490,608.25CR           | 1,031,944.40CR              |
| Oil Production                  | 2,413.90CR              | 13,033.42                      | 16,643.39CR             | 19,200.00CR                  | 24,777.72CR               | 44,448.23CR              | 28,601.17CR                 |
| Royalty                         | 7,709.78CR              | 24,003.02CR                    | 114,727.27CR            | 102,000.00CR                 | 105,754.22CR              | 231,980.17CR             | 190,938.77CR                |
| Other                           | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Revenues        | 80,347.84CR             | 86,571.47CR                    | 717,411.25CR            | 602,900.00CR                 | 533,636.00CR              | 1,767,036.65CR           | 1,251,484.34CR              |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 13,118.04               | 11,911.89                      | 96,143.79               | 106,900.00                   | 69,769.04                 | 226,697.56               | 182,106.21                  |
| Operations and Maintenance      |                         |                                |                         |                              |                           |                          |                             |
| Total Operations and Maint. E   | 4,161.81                | 4,429.85                       | 29,446.15               | 26,700.00                    | 31,256.94                 | 209,302.47               | 202,884.35                  |
| Depreciation and Amortization   | 9,788.19                | 9,836.18                       | 58,624.14               | 58,600.00                    | 59,017.08                 | 117,639.28               | 118,420.16                  |
| Taxes Other Than Income Taxes   | 23,315.16               | 23,371.77                      | 23,315.16               | 25,000.00                    | 23,371.77                 | 23,315.16                | 23,371.77                   |
| Total Operating Expenses        | 50,383.20               | 49,549.69                      | 207,529.24              | 217,200.00                   | 183,414.83                | 576,954.47               | 526,782.49                  |
| Operating Income                | 29,964.64CR             | 37,021.78CR                    | 509,882.01CR            | 385,700.00CR                 | 350,221.17CR              | 1,190,082.18CR           | 724,701.85CR                |
| Total Other Income and Expenses | 11,825.00               | .00                            | 11,825.00               | .00                          | .00                       | 11,981.31                | .00                         |
| Interest Expense                | 500.00                  | 100.00CR                       | 10,200.00CR             | 25,800.00CR                  | 24,400.00CR               | 20,400.00CR              | 50,200.00CR                 |
| Net Income Before Income Taxes  | 17,639.64CR             | 37,121.78CR                    | 508,257.01CR            | 411,500.00CR                 | 374,621.17CR              | 1,198,500.87CR           | 774,901.85CR                |
| Income Tax Expense              | 6,800.00                | 14,200.00                      | 195,100.00              | 156,200.00                   | 143,700.00                | 455,400.00               | 299,100.00                  |
| Net Income                      | 10,839.64CR             | 22,921.78CR                    | 313,157.01CR            | 255,300.00CR                 | 230,921.17CR              | 743,100.87CR             | 475,801.85CR                |





DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
 BUDGET REPORT BY AGENT

For Period 7/01/2008 - 12/31/2008

CAPITAL EXPENDITURES

All Agents

BSR BRIAN S RAMSEY

|                   | Current      |                   | Y-P-D Amount      |               | Current Y-P-D (-) |                   | Adopted            |                | Adopted           |                | Percentage Expended |
|-------------------|--------------|-------------------|-------------------|---------------|-------------------|-------------------|--------------------|----------------|-------------------|----------------|---------------------|
|                   | Month Amount | Last Yr Month Amt | Cur Mo Budget (-) | Cur Mo Actual | Y-P-D Amount      | Last Y-T-D Amount | Cur YTD Budget (-) | Cur YTD Actual | Cur Yr Budget (-) | Cur YTD Actual |                     |
| 532523 INT INVESH | .00          | .00               | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00            | .00 %               |
| 533101 GAS WELL E | 6,387.46     | 6,387.46          | 6,387.46CR        | 6,387.46CR    | 34,467.93         | 34,467.93         | 17,667.93CR        | 17,667.93CR    | 17,667.93CR       | 17,667.93CR    | 205.16 %            |
| 535006 GAS RGT ST | .00          | .00               | .00               | .00           | .00               | .00               | .00                | .00            | .00               | .00            | .00 %               |

Total BSR BSR 475,784.79 11,997.82CR 475,784.79CR 1,906,949.09 234,243.01 595,549.09CR 541,549.09CR

GRJ GLENN R JENNINGS

|                   |     |     |     |     |     |     |     |     |     |     |       |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 139909 CONTINGENC | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 % |
| Total GRJ GRJ     | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 | .00 % |

JBB JOHN B BROWN

|                   |        |             |           |           |            |              |            |            |            |            |         |
|-------------------|--------|-------------|-----------|-----------|------------|--------------|------------|------------|------------|------------|---------|
| 139902 COMP SOFTW | 293.82 | 35,839.89CR | 3,106.18  | 3,106.18  | 176,011.49 | 261,524.42CR | 130,988.51 | 130,988.51 | 580,988.51 | 580,988.51 | 23.25 % |
| 139903 COMP HWARE | .00    | .00         | 78,000.00 | 78,000.00 | 32,140.08  | 13,506.46    | 257,859.92 | 257,859.92 | 353,559.92 | 353,559.92 | 8.33 %  |
| Total JBB JBB     | 293.82 | 35,839.89CR | 81,106.18 | 81,106.18 | 208,151.57 | 248,017.96CR | 388,848.43 | 388,848.43 | 934,548.43 | 934,548.43 |         |

JLC JOHNNY L CAUDILL

|                    |           |            |             |             |              |           |             |             |              |              |         |
|--------------------|-----------|------------|-------------|-------------|--------------|-----------|-------------|-------------|--------------|--------------|---------|
| 1121 NON U PROP    | .00       | .00        | .00         | .00         | .00          | .00       | .00         | .00         | .00          | .00          | .00 %   |
| 136501 LAND RIGHTS | 50,000.00 | 50,000.00  | 50,000.00CR | 50,000.00CR | 50,000.00    | 50,000.00 | 50,000.00CR | 50,000.00CR | 50,000.00CR  | 50,000.00CR  | .00 %   |
| 136502 TRAN ROW    | .00       | .00        | .00         | .00         | 517.00       | 517.00    | 517.00CR    | 517.00CR    | 517.00CR     | 517.00CR     | .00 %   |
| 1371 OTHR EQUIP    | 7,261.68  | 7,261.68   | 7,261.68CR  | 7,261.68CR  | 7,261.68     | 7,231.78  | 51,538.32   | 51,538.32   | 51,538.32    | 51,538.32    | 12.34 % |
| 1374 LAND & ROW    | 51.00     | 17,000CR   | 449.00      | 449.00      | 721.50       | 31,500CR  | 2,278.50    | 2,278.50    | 5,278.50     | 5,278.50     | 12.02 % |
| 1375 DIS STRUCT    | .00       | .00        | .00         | .00         | .00          | .00       | 3,000.00    | 3,000.00    | 5,000.00     | 5,000.00     | .00 %   |
| 1376 DIET MAINS    | 37,902.61 | 322,940.90 | 142,097.39  | 142,097.39  | 1,210,015.52 | 44,357.02 | 121,984.48  | 121,984.48  | 1,162,984.48 | 1,162,984.48 | 50.99 % |
| 1378 REG STAINS    | 674.81    | 16,361.28  | 5,325.19    | 5,325.19    | 15,741.16    | 1,019.15  | 20,258.84   | 20,258.84   | 56,258.84    | 56,258.84    | 21.86 % |
| 1379 CG REG STA    | .00       | .00        | .00         | .00         | .00          | .00       | .00         | .00         | 25,000.00    | 25,000.00    | .00 %   |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2008 - 12/31/2008

CAPITAL EXPENDITURES

All Agents

JLC JOHNNY L CAUDILL

|                   | Current      |   | Adopted                            |                                    | Current Y-T-D (-)<br>Last Y-T-D Amount | Adopted                              |                                      | Current Y-T-D (-)<br>Last Y-T-D Amount | Adopted                              |                                      | Percentage<br>Expended |
|-------------------|--------------|---|------------------------------------|------------------------------------|--|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------------|------------------------|
|                   | Month Amount | Curr Month Amt (-)<br>Last Yr Month Amt | Cur Mo Budget (-)<br>Cur Mo Actual | Cur Mo Budget (-)<br>Cur Mo Actual |  | Cur YTD Budget (-)<br>Cur YTD Actual | Cur YTD Budget (-)<br>Cur YTD Actual |  | Cur YTD Budget (-)<br>Cur YTD Actual | Cur YTD Budget (-)<br>Cur YTD Actual |                        |
| 1380 DIST SERV    | 27,677.54    | 46,773.93CR                             | 27,322.46                          | 27,322.46                          | 27,194.02CR                            | 13,872.17                            | 13,872.17                            | 27,194.02CR                            | 326,872.17                           | 326,872.17                           | 50.69 %                |
| 1381 METERS       | 553.62       | 553.62                                  | 11,446.38                          | 11,446.38                          | 5,602.99CR                             | 20,024.63                            | 20,024.63                            | 5,602.99CR                             | 92,024.63                            | 92,024.63                            | 36.09 %                |
| 1382 MET&REG IN   | 5,662.40     | 1,848.92CR                              | 3,337.60                           | 3,337.60                           | 40,269.26                              | 13,730.74                            | 13,730.74                            | 13,010.43CR                            | 67,730.74                            | 67,730.74                            | 37.28 %                |
| 1383 REGULATORS   | 21,970.51    | 9,509.33CR                              | 4,170.51CR                         | 4,170.51CR                         | 20,868.56CR                            | 8,095.76                             | 8,095.76                             | 20,868.56CR                            | 114,895.76                           | 114,895.76                           | 46.23 %                |
| 1385 IND METERS   | .00          | 2,259.92CR                              | 5,000.00                           | 5,000.00                           | 12,117.30                              | 1,734.62CR                           | 1,734.62CR                           | 12,117.30                              | 28,265.38                            | 28,265.38                            | 52.89 %                |
| 1389 LANDRIGHTS   | .00          | .00                                     | .00                                | .00                                | .00                                    | .00                                  | .00                                  | .00                                    | .00                                  | .00                                  | .00 %                  |
| 1390 STRUCTURES   | .00          | .00                                     | .00                                | .00                                | 42.01                                  | 12,553.00                            | 12,553.00                            | 42.01                                  | 32,553.00                            | 32,553.00                            | 18.61 %                |
| 1391 FURN&EQUIP   | .00          | .00                                     | .00                                | .00                                | 9,536.42CR                             | 4,742.30                             | 4,742.30                             | 9,536.42CR                             | 8,242.30                             | 8,242.30                             | 31.31 %                |
| 1392 TRANSP EQP   | 63,731.20    | 42,104.21                               | 36,268.80                          | 36,268.80                          | 46,959.36                              | 54,827.40                            | 54,827.40                            | 46,959.36                              | 424,827.40                           | 424,827.40                           | 24.13 %                |
| 1393 STORES EQP   | .00          | .00                                     | .00                                | .00                                | .00                                    | .00                                  | .00                                  | .00                                    | .00                                  | .00                                  | .00 %                  |
| 1394 TOOL&EQUIP   | .00          | 3,750.98CR                              | 6,800.00                           | 6,800.00                           | 15,386.65                              | 43,813.35                            | 43,813.35                            | 15,386.65                              | 84,613.35                            | 84,613.35                            | 15.38 %                |
| 139401 CNG EQUIPM | .00          | .00                                     | .00                                | .00                                | .00                                    | .00                                  | .00                                  | .00                                    | .00                                  | .00                                  | .00 %                  |
| 1396 FO EQUIPMT   | 2,000.00CR   | 2,000.00CR                              | 4,500.00                           | 4,500.00                           | 60,333.38CR                            | 521,150.00                           | 521,150.00                           | 60,333.38CR                            | 536,150.00                           | 536,150.00                           | 3.91 %                 |
| 1397 COMM EQUIP   | .00          | .00                                     | .00                                | .00                                | .00                                    | 8,000.00                             | 8,000.00                             | .00                                    | 12,000.00                            | 12,000.00                            | .00 %                  |
| 1398 MISC EQUIP   | .00          | .00                                     | .00                                | .00                                | .00                                    | .00                                  | .00                                  | .00                                    | .00                                  | .00                                  | .00 %                  |
| 139901 MAPPING    | .00          | .00                                     | .00                                | .00                                | .00                                    | .00                                  | .00                                  | .00                                    | .00                                  | .00                                  | .00 %                  |
| 139931 OFFC EQUIP | .00          | .00                                     | .00                                | .00                                | 11,633.50                              | 18,366.50                            | 18,366.50                            | 11,633.50                              | 18,366.50                            | 18,366.50                            | 38.77 %                |

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Total JLC JLC 213,485.37 373,061.61 181,114.63 181,114.63 2,038,415.63 206.85 865,984.37 865,984.37 3,002,084.37  
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Grand Total 689,563.98 325,223.90 213,563.98CR 213,563.98CR 4,153,516.29 13,568.10CR 659,283.71 659,283.71 3,770,083.71  
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**DELTA NATURAL GAS COMPANY, INC.**  
**BOARD OF DIRECTORS' MEETING - 5/22/09**  
**QUARTERLY SUMMARY REPORT**

|   | <u>Periods ended March 31</u> |               |               |                  |               |
|---|-------------------------------|---------------|---------------|------------------|---------------|
|   | <u>9 months</u>               |               |               | <u>12 months</u> |               |
|   | <u>2009</u>                   | <u>2009</u>   | <u>2008</u>   | <u>2009</u>      | <u>2008</u>   |
|   | <u>Actual</u>                 | <u>Budget</u> | <u>Actual</u> | <u>Actual</u>    | <u>Actual</u> |
| System Throughput (million cu. ft.)                           |                               |               |               |                  |               |
| Retail Gas Sales Volumes                                      | <u>2,843</u>                  | <u>2,926</u>  | <u>2,753</u>  | <u>3,191</u>     | <u>3,160</u>  |
| Transportation Volumes  |                               |               |               |                  |               |
| - off system  | <u>9,495</u>                  | <u>9,188</u>  | <u>9,507</u>  | <u>12,611</u>    | <u>11,952</u> |
| - on system   | <u>3,409</u>                  | <u>3,748</u>  | <u>3,823</u>  | <u>4,561</u>     | <u>4,967</u>  |
| Total Transportation  | <u>12,904</u>                 | <u>12,936</u> | <u>13,330</u> | <u>17,172</u>    | <u>16,919</u> |
| Total Throughput  | <u>15,747</u>                 | <u>15,862</u> | <u>16,083</u> | <u>20,363</u>    | <u>20,079</u> |
| Actual Lexington Calendar Degree Days as % of 30 Year Average | 101                           | 100           | 95            | 101              | 95            |
| Net Income (\$000)  | 5,762                         | 5,761         | 7,065         | 5,527            | 6,854         |
| Net Income Per Common Share (\$)                              | 1.74                          | 1.74          | 2.15          | 1.67             | 2.09          |

The attached detailed financial data is provided for further information and review.

In summary, the decrease in net income of \$.41 per share for the nine months ended March 31, 2009 compared to the preceding year was primarily due to a decrease in operating income of \$2,268,000. Operations and maintenance expenses increased due to adjusting gas in storage (\$1,350,000) and higher uncollectible expenses (\$398,000). Gross margins decreased due to lower non-regulated sales volumes and prices (\$1,263,000) partially offset by an increase in regulated sales prices (\$556,000). Depreciation expense decreased \$354,000 due to decreased depreciation rates which became effective October 20, 2007.

Net income per share and net income before income taxes approximately equaled budget for the nine months ended March 31, 2009. The unbudgeted adjustment to gas in storage was approximately offset by gross margins being higher than budgeted.

Capital expenditures are \$1,477,000 more than budgeted for the nine months ended March 31, 2009 due to spending \$2,172,000 to develop the Gabbard's Fork compressor station site, which was not budgeted. Partially offsetting this increase, we purchased some power operated equipment in fiscal 2008 that was originally budgeted for this year.

**DELTA NATURAL GAS COMPANY, INC.**  
**BALANCE SHEET**  
March 31, 2009

| <b>ASSETS</b>                          | <b>2009</b>                  | <b>2008</b>                  |
|--|------------------------------|------------------------------|
| <b>GAS UTILITY PLANT, AT COST</b>      | \$ 196,018,297               | \$ 188,312,219               |
| Less - Reserve for Depreciation        | <u>68,044,903</u>            | <u>65,182,802</u>            |
|  | \$ <u>127,973,394</u>        | \$ <u>123,129,417</u>        |
| <b>CURRENT ASSETS:</b>                 |                              |                              |
| Cash                                   | \$ 873,672                   | \$ 1,944,259                 |
| Receivables                            | 8,199,321                    | 13,078,178                   |
| Deferred Gas Cost                      | 2,702,140                    | 1,900,797                    |
| Gas in Storage, at Cost                | 355,980                      | 2,914,533                    |
| Materials and Supplies, at Cost        | 607,140                      | 510,897                      |
| Prepayments                            | <u>2,085,292</u>             | <u>1,553,727</u>             |
|  | \$ <u>14,823,545</u>         | \$ <u>21,902,391</u>         |
| <b>OTHER ASSETS:</b>                   |                              |                              |
| Cash Surrender Value of Life Insurance | \$ 378,047                   | \$ 425,609                   |
| Unamortized Expenses                   | 4,832,829                    | 5,220,095                    |
| Receivable/Investment in Subsidiaries  | 10,938,437                   | 2,094,024                    |
| Other                                  | <u>9,009,022</u>             | <u>6,700,709</u>             |
|  | \$ <u>25,158,335</u>         | \$ <u>14,440,437</u>         |
| <b>TOTAL ASSETS</b>                    | <b>\$ <u>167,955,274</u></b> | <b>\$ <u>159,472,245</u></b> |
| <b>LIABILITIES</b>                     |                              |                              |
| <b>CAPITALIZATION:</b>                 |                              |                              |
| Common Stock                           | \$ 3,313,275                 | \$ 3,291,557                 |
| Paid-in Surplus                        | 47,002,787                   | 46,499,200                   |
| Capital Stock Expense                  | (2,643,354)                  | (2,643,354)                  |
| Retained Earnings                      | <u>12,827,315</u>            | <u>11,586,428</u>            |
| Total Common Equity                    | \$ <u>60,500,023</u>         | \$ <u>58,733,831</u>         |
| Long-term Debt                         | <u>57,709,000</u>            | <u>58,402,000</u>            |
| Total Capitalization                   | \$ <u>118,209,023</u>        | \$ <u>117,135,831</u>        |
| <b>CURRENT LIABILITIES:</b>            |                              |                              |
| Notes Payable                          | \$ 10,658,133                | \$ 3,287,182                 |
| Current Portion of Long-Term Debt      | 1,200,000                    | 1,200,000                    |
| Accounts Payable                       | 2,623,505                    | 3,718,569                    |
| Accrued Taxes                          | 1,473,725                    | 2,625,170                    |
| Refunds Due Customers                  | 0                            | 58                           |
| Customer Deposits                      | 614,141                      | 612,744                      |
| Accrued Interest                       | 855,966                      | 862,990                      |
| Current Deferred Income Taxes          | 1,626,836                    | 935,804                      |
| Other                                  | <u>1,152,455</u>             | <u>1,092,308</u>             |
|  | \$ <u>20,204,761</u>         | \$ <u>14,334,825</u>         |
| <b>DEFERRED CREDITS AND OTHER:</b>     |                              |                              |
| Deferred Income Taxes                  | \$ 25,751,838                | \$ 23,855,643                |
| Deferred Investment Tax Credit         | 152,825                      | 186,750                      |
| Regulatory Items                       | 1,863,913                    | 2,305,714                    |
| Advances for Construction and Other    | <u>1,772,914</u>             | <u>1,653,482</u>             |
|  | \$ <u>29,541,490</u>         | \$ <u>28,001,589</u>         |
| <b>TOTAL LIABILITIES</b>               | <b>\$ <u>167,955,274</u></b> | <b>\$ <u>159,472,245</u></b> |

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

March 31, 2009

|  | 9 MONTHS TO DATE |                  | 12 MONTHS ENDED   |                   |
|--|------------------|------------------|-------------------|-------------------|
|  | 2009             | 2008             | 2009              | 2008              |
| <b>OPERATING REVENUES</b>                          | \$ 59,884,051    | \$ 51,980,151    | \$ 70,140,925     | \$ 60,954,845     |
| <b>OPERATING EXPENSES &amp; TAXES:</b>             |                  |                  |                   |                   |
| Gas Purchased                                      | \$ 35,955,930    | 28,539,532       | \$ 40,909,812     | \$ 32,690,501     |
| Operations   | 9,389,525        | 8,675,899        | 12,762,259        | 11,127,782        |
| Maintenance  | 548,111          | 567,676          | 983,866           | 783,915           |
| Depreciation                                       | 2,788,794        | 3,143,048        | 3,698,860         | 4,385,263         |
| Property & Other Taxes                             | 1,351,789        | 1,349,624        | 1,790,023         | 1,837,986         |
| Income Taxes                                       | <u>2,097,216</u> | <u>2,336,470</u> | <u>1,751,246</u>  | <u>1,933,420</u>  |
| Total  | \$ 52,131,365    | \$ 44,612,249    | \$ 61,896,066     | \$ 52,758,867     |
| Operating Income                                   | \$ 7,752,686     | \$ 7,367,902     | \$ 8,244,859      | \$ 8,195,978      |
| <b>OTHER INCOME/(EXPENSES),NET</b>                 | 1,301,144        | 3,199,189        | 1,628,136         | 3,213,480         |
| Gross Income                                       | \$ 9,053,830     | \$ 10,567,091    | \$ 9,872,995      | \$ 11,409,458     |
| <b>OTHER DEDUCTIONS:</b>                           |                  |                  |                   |                   |
| Interest on Debt                                   | \$ 3,001,290     | \$ 3,211,196     | \$ 3,959,217      | \$ 4,167,805      |
| Amortization                                       | 290,447          | 290,447          | 387,266           | 387,264           |
| Other  |                  |                  | -                 | -                 |
| Total  | \$ 3,291,737     | \$ 3,501,643     | \$ 4,346,483      | \$ 4,555,069      |
| <b>NET INCOME(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ 5,762,093     | \$ 7,065,448     | \$ 5,526,512      | \$ 6,854,389      |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>     | \$ 1.74          | \$ 2.15          | \$ 1.67           | \$ 2.09           |
| <b>CUSTOMERS AT END OF PERIOD</b>                  |                  |                  | 37,184            | 37,935            |
| <b>AVERAGE SHARES</b>                              | 3,303,291        | 3,283,147        | 3,300,636         | 3,280,809         |
|  | FISCAL<br>YTD    | FISCAL<br>YTD    | 12 MONTH<br>ENDED | 12 MONTH<br>ENDED |

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**March 31, 2009**

|   | MONTH                             |             |             | YEAR TO DATE                      |            |            | YEAR ENDED  |             |
|---|-----------------------------------|-------------|-------------|-----------------------------------|------------|------------|-------------|-------------|
|   | This Year Over<br>(Under ) Budget | This Year   | Last Year   | This Year Over<br>(Under ) Budget | This Year  | Last Year  | This Year   | Last Year   |
| DEGREE DAYS BILLED - LEXINGTON AREA     | 157                               | 771         | 795         | (495)                             | 3,750      | 3,415      | 4,799       | 4,134       |
| <b>MCF'S:</b>                           |                                   |             |             |                                   |            |            |             |             |
| <b>DELTA NATURAL</b>                    |                                   |             |             |                                   |            |            |             |             |
| RESIDENTIAL                             | 52,042                            | 286,342     | 305,047     | (237,707)                         | 1,396,393  | 1,327,801  | 1,761,393   | 1,644,575   |
| SMALL COMMERCIAL                        | 20,679                            | 90,479      | 97,296      | (39,693)                          | 450,607    | 419,629    | 555,253     | 511,530     |
| LARGE NON -RESIDENTIAL                  | 23,624                            | 129,324     | 135,743     | (59,614)                          | 711,786    | 664,628    | 893,816     | 730,650     |
| INTERRUPTIBLE                           | (1,121)                           | 4,879       | 5,430       | (5,707)                           | 24,693     | 28,591     | 29,809      | 134,023     |
| TOTAL SOLD                              | 95,224                            | 511,024     | 543,516     | (342,721)                         | 2,583,479  | 2,440,649  | 3,240,271   | 3,020,778   |
| OFF SYSTEM                              | (129,468)                         | 1,062,832   | 1,185,996   | 306,555                           | 9,494,655  | 9,506,729  | 12,611,042  | 11,951,892  |
| ON SYSTEM                               | (81,873)                          | 337,727     | 453,918     | (338,666)                         | 3,409,334  | 3,823,148  | 4,561,206   | 4,966,754   |
| TOTAL TRANSPORTED                       | (211,341)                         | 1,400,559   | 1,639,914   | (32,111)                          | 12,903,989 | 13,329,877 | 17,172,248  | 16,918,646  |
| TOTAL DELTA NATURAL                     | (116,117)                         | 1,911,583   | 2,183,430   | (374,832)                         | 15,487,468 | 15,770,526 | 20,412,519  | 19,939,424  |
| <br>                                    |                                   |             |             |                                   |            |            |             |             |
| <b>RESOURCES ON SYS INCL</b>            | (34,479)                          | 119,321     | 169,765     | (260,819)                         | 1,184,681  | 1,445,693  | 1,579,202   | 1,853,754   |
| <b>DELGASCO OFF SYS INCL</b>            | 20,001                            | 377,701     | 461,711     | (266,534)                         | 2,489,866  | 2,842,058  | 3,083,893   | 3,186,968   |
| <b>ENPRO - SALES TO AFFILIATES</b>      | 4,144                             | 14,444      | 10,338      | (33,350)                          | 111,250    | 132,502    | 140,792     | 172,787     |
| Unbilled MCF                            | (161,442)                         | (161,442)   | (111,073)   | 259,880                           | 259,880    | 312,695    | (49,061)    | 140,023     |
| <br>                                    |                                   |             |             |                                   |            |            |             |             |
| <b>REVENUES:</b>                        |                                   |             |             |                                   |            |            |             |             |
| <b>DELTA NATURAL</b>                    |                                   |             |             |                                   |            |            |             |             |
| RETAIL SALES                            | 2,482,334                         | 8,808,834   | 8,478,630   | 3,317,070                         | 48,973,870 | 40,462,031 | 61,610,331  | 49,992,618  |
| UNBILLED REVENUE                        | (2,377,004)                       | (2,377,004) | (1,556,595) | 4,443,666                         | 4,443,666  | 4,983,676  | (18,919)    | 2,604,507   |
| DEMAND-SIDE MANAGEMENT REVENUE          | 172                               | 172         | -           | 401                               | 401        | -          | 401         | -           |
| MISC OPERATING                          | 12,445                            | 26,145      | 25,845      | 62,270                            | 228,770    | 179,078    | 342,230     | 262,841     |
| OFF SYS TRANSPORT                       | (4,436)                           | 342,764     | 372,851     | 268,186                           | 2,943,786  | 2,901,018  | 3,907,115   | 3,722,390   |
| ON SYS TRANSPORT                        | (37,943)                          | 354,657     | 432,073     | (166,142)                         | 3,293,558  | 3,454,347  | 4,299,768   | 4,372,388   |
| TOTAL DELTA NATURAL                     | 75,568                            | 7,155,568   | 7,752,804   | 7,925,451                         | 59,884,051 | 51,980,150 | 70,140,926  | 60,954,844  |
| <b>RESOURCES ON SYS SALES</b>           | (393,474)                         | 796,026     | 1,686,542   | (400,112)                         | 10,780,288 | 12,452,681 | 15,458,976  | 16,079,784  |
| <b>DELGASCO OFF SYS SALES</b>           | 514,843                           | 3,272,243   | 4,684,706   | 3,153,857                         | 24,402,657 | 25,468,254 | 31,947,535  | 28,415,331  |
| <b>ENPRO - SALES TO AFFILIATES</b>      | (42,680)                          | 41,420      | 94,386      | (450,742)                         | 732,358    | 978,089    | 1,061,941   | 1,287,108   |
| TOTAL CONSOLIDATED                      | 154,257                           | 11,265,257  | 14,218,438  | 10,228,454                        | 95,799,354 | 90,879,174 | 118,609,378 | 106,737,067 |
| <br>                                    |                                   |             |             |                                   |            |            |             |             |
| <b>GAS COSTS:</b>                       |                                   |             |             |                                   |            |            |             |             |
| <b>DELTA NATURAL</b>                    | 2,085,344                         | 6,003,244   | 5,673,981   | 5,459,497                         | 33,031,797 | 25,273,830 | 41,012,611  | 30,826,837  |
| DELTA NATURAL UNBILLED GAS COST         | (1,894,865)                       | (1,894,865) | (1,159,895) | 2,924,133                         | 2,924,133  | 3,265,702  | (102,799)   | 1,863,664   |
| DELTA RESOURCES                         | (382,229)                         | 694,371     | 1,389,135   | (510,985)                         | 9,607,515  | 10,688,875 | 13,911,376  | 13,997,447  |
| DELGASCO                                | 148,644                           | 2,848,444   | 4,100,118   | 1,089,019                         | 21,894,519 | 22,547,640 | 28,850,465  | 25,343,562  |
| TOTAL CONSOLIDATED                      | (43,106)                          | 7,651,194   | 10,003,339  | 8,961,664                         | 67,457,964 | 61,776,047 | 83,671,653  | 72,031,510  |
| <br>                                    |                                   |             |             |                                   |            |            |             |             |
| <b>NET SALES:</b>                       |                                   |             |             |                                   |            |            |             |             |
| <b>DELTA NATURAL EXCLUDING UNBILLED</b> | 396,990                           | 2,805,590   | 2,804,649   | (2,142,427)                       | 15,942,073 | 15,188,201 | 20,597,720  | 19,165,781  |
| DELTA NATURAL UNBILLED                  | (482,139)                         | (482,139)   | (396,700)   | 1,519,533                         | 1,519,533  | 1,717,974  | 83,880      | 740,943     |
| DELTA RESOURCES TOTAL                   | (11,245)                          | 101,655     | 297,407     | 110,873                           | 1,172,773  | 1,763,806  | 1,547,600   | 2,082,337   |
| DELGASCO                                | 366,199                           | 423,799     | 584,588     | 2,064,838                         | 2,508,138  | 2,920,614  | 3,097,070   | 3,071,769   |
| TOTAL CONSOLIDATED                      | 269,805                           | 2,848,905   | 3,289,944   | 1,552,817                         | 21,142,517 | 21,590,595 | 25,326,270  | 25,060,830  |
| <br>                                    |                                   |             |             |                                   |            |            |             |             |
| <b>PER MCF:</b>                         |                                   |             |             |                                   |            |            |             |             |
| <b>DELTA NATURAL</b>                    |                                   |             |             |                                   |            |            |             |             |
| TOTAL SALES                             | 26.068                            | 17.238      | 15.600      | (9.679)                           | 18.957     | 16.578     | 19.014      | 16.550      |
| COST OF GAS                             | 21.899                            | 11.747      | 10.439      | (15.930)                          | 12.786     | 10.355     | 12.657      | 10.205      |
| NET SALES                               | 4.169                             | 5.490       | 5.160       | 6.251                             | 6.171      | 6.223      | 6.357       | 6.345       |
| <b>DELTA RESOURCES</b>                  |                                   |             |             |                                   |            |            |             |             |
| TOTAL SALES                             | 11.412                            | 6.671       | 9.935       | 1.534                             | 9.100      | 8.614      | 9.789       | 8.674       |
| COST OF GAS                             | 11.086                            | 5.819       | 8.183       | 1.959                             | 8.110      | 7.394      | 8.809       | 7.551       |
| NET SALES                               | 0.326                             | 0.852       | 1.752       | (0.425)                           | 0.990      | 1.220      | 0.980       | 1.123       |
| <b>DELGASCO</b>                         |                                   |             |             |                                   |            |            |             |             |
| TOTAL SALES                             | 25.741                            | 8.664       | 10.146      | (11.833)                          | 9.801      | 8.961      | 10.359      | 8.916       |
| COST OF GAS                             | 7.432                             | 7.542       | 8.880       | (4.086)                           | 8.793      | 7.934      | 9.355       | 7.952       |
| NET SALES                               | 18.309                            | 1.122       | 1.266       | (7.747)                           | 1.007      | 1.028      | 1.004       | 0.964       |
| <br>                                    |                                   |             |             |                                   |            |            |             |             |
| <b>DELTA NATURAL ONLY:</b>              |                                   |             |             |                                   |            |            |             |             |
| % Change to Customers Between Yrs:      | Total Cost                        | 10.5%       |             |                                   | 14.3%      |            | 14.9%       |             |
|   | Gas Cost                          | 8.4%        |             |                                   | 14.7%      |            | 14.8%       |             |
|   | Net Sales                         | 2.1%        |             |                                   | -0.3%      |            | 0.1%        |             |

DELTA NATURAL GAS CO., INC. AND  
 DIARIES  
 Income Statement - Delta Natu. Gas Co  
 July 01, 2008 - March 31, 2009

|                                   | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|-----------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 01                                |                         |                                |                         |                              |                           |                          |                             |
| OPERATING REVENUES                |                         |                                |                         |                              |                           |                          |                             |
| General Service Rate Billed       |                         |                                |                         |                              |                           |                          |                             |
| Residential                       | 3,627,483.34CR          | 4,064,509.94CR                 | 30,404,874.49CR         | 26,554,000.00CR              | 26,017,944.41CR           | 34,985,401.52CR          | 29,766,338.11CR             |
| Small Commercial                  | 1,050,866.71CR          | 1,200,617.62CR                 | 9,277,358.39CR          | 7,669,000.00CR               | 7,780,693.78CR            | 10,544,387.02CR          | 8,885,223.36CR              |
| Other Commercial                  | 1,421,197.84CR          | 1,502,139.25CR                 | 12,335,668.72CR         | 11,076,400.00CR              | 9,960,298.43CR            | 14,423,333.12CR          | 11,710,957.43CR             |
| Industrial                        | 149,854.80CR            | 173,227.11CR                   | 1,259,681.01CR          | .00                          | 1,122,502.72CR            | 1,442,462.87CR           | 1,306,836.29CR              |
| Unmetered Gas Light               | 548.78CR                | 635.10CR                       | 6,165.74CR              | 5,900.00CR                   | 6,003.33CR                | 8,323.24CR               | 7,996.97CR                  |
| Residential RNA                   | 107,959.81CR            | 55,685.40                      | 197,533.06              | .00                          | 138,404.44CR              | 201,333.47               | 382,218.41CR                |
| Small Non-Residential RNA         | 30,996.61CR             | 14,815.62                      | 62,117.27               | .00                          | 41,637.65CR               | 63,147.52                | 101,023.35CR                |
| Weather Normalization Revenue     | 138,956.42CR            | 70,501.02                      | 259,650.33              | .00                          | 180,042.09CR              | 264,480.99               | 483,241.76CR                |
| Demand-Side Management Revenue    | 171.83CR                | .00                            | 400.64CR                | .00                          | .00                       | 400.64CR                 | .00                         |
| Total General Service Ra          | 6,389,079.72CR          | 6,870,628.00CR                 | 53,024,498.66CR         | 45,305,300.00CR              | 45,067,484.76CR           | 61,139,827.42CR          | 52,160,593.92CR             |
| Interruptible Rate Billed         |                         |                                |                         |                              |                           |                          |                             |
| Commercial                        | 5,591.35CR              | 5,944.82CR                     | 34,308.29CR             | .00                          | 31,994.21CR               | 37,121.08CR              | 37,120.80CR                 |
| Industrial                        | 37,311.16CR             | 45,461.89CR                    | 359,130.24CR            | 351,500.00CR                 | 346,227.79CR              | 414,865.05CR             | 399,509.19CR                |
| Total Interruptible Rate          | 42,922.51CR             | 51,406.71CR                    | 393,438.53CR            | 351,500.00CR                 | 378,222.00CR              | 451,986.13CR             | 436,629.99CR                |
| Total Gas Revenue                 | 6,432,002.23CR          | 6,922,034.71CR                 | 53,417,937.19CR         | 45,656,800.00CR              | 45,445,706.76CR           | 61,591,813.55CR          | 52,597,223.91CR             |
| Miscellaneous Operating Revenue   | 26,145.00CR             | 25,845.00CR                    | 228,770.00CR            | 192,000.00CR                 | 179,078.00CR              | 342,230.00CR             | 262,841.00CR                |
| Off System Transportation Revenue | 342,763.65CR            | 372,850.83CR                   | 2,943,785.95CR          | 2,675,600.00CR               | 2,901,018.60CR            | 3,907,114.09CR           | 3,722,390.32CR              |
| On System Transportation Revenue  | 354,657.14CR            | 432,073.05CR                   | 3,293,558.33CR          | 3,459,700.00CR               | 3,454,347.34CR            | 4,299,768.53CR           | 4,372,388.63CR              |
| TOTAL OPERATING REVENUE           | 7,155,568.02CR          | 7,752,803.59CR                 | 59,884,051.47CR         | 51,984,100.00CR              | 51,980,150.70CR           | 70,140,926.17CR          | 60,954,843.86CR             |
| OPERATING EXPENSES                |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                     | 4,108,378.70            | 4,514,085.94                   | 35,955,930.06           | 27,572,300.00                | 28,539,531.65             | 40,909,812.03            | 32,690,501.07               |
| Recovery of Canada Mountain       | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Purchased Gas, net                | 4,108,378.70            | 4,514,085.94                   | 35,955,930.06           | 27,572,300.00                | 28,539,531.65             | 40,909,812.03            | 32,690,501.07               |
| Operation Expense                 | 588,239.77              | 611,044.50                     | 4,880,243.26            | 4,934,700.00                 | 4,756,104.99              | 7,204,774.37             | 7,003,769.45                |
| Labor                             | 77,435.44               | 105,485.64                     | 668,415.81              | 613,800.00                   | 661,960.96                | 912,824.75               | 840,410.72                  |
| Transportation                    |                         |                                |                         |                              |                           |                          |                             |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

Income Statement - Delta

July 01, 2008 - March 31, 2009

|                                  | Current Month Amount | Last Year Curr Month Amount | Current Y-T-D Amount | Last Year Y-T-D Amount | 12 Month Y-T-D Amount | Previous 12 Month Amount |
|----------------------------------|----------------------|-----------------------------|----------------------|------------------------|-----------------------|--------------------------|
| General Operations               | 47,067.59            | 83,175.55                   | 368,834.27           | 510,979.33             | 659,221.22            | 650,358.98               |
| Customer Billing                 | 22,827.38            | 33,910.30                   | 235,387.12           | 197,256.76             | 306,105.06            | 259,251.54               |
| Uncollectible Accounts           | 50,000.00            | 152,000.00                  | 827,000.00           | 429,800.00             | 995,544.83            | 319,492.55               |
| Administrative                   | 40,285.69            | 43,422.55                   | 431,232.48           | 433,626.52             | 572,591.35            | 560,115.87               |
| Outside Services                 | 105,131.18           | 49,050.20                   | 691,698.35           | 612,904.74             | 886,856.99            | 771,839.90               |
| Insurance                        | 71,956.88            | 62,549.10                   | 598,170.72           | 612,080.15             | 795,661.66            | 811,390.80               |
| Employee Benefits                | 233,788.43           | 91,607.50                   | 1,990,724.35         | 1,704,245.11           | 2,764,058.25          | 2,391,952.98             |
| General Administration           | 78,758.29            | 40,161.87                   | 597,732.75           | 603,883.10             | 775,298.26            | 739,395.04               |
| Expenses Transferred             | 276,171.25CR         | 238,305.36CR                | 2,206,153.36CR       | 2,183,476.55CR         | 3,546,906.44CR        | 3,690,352.70CR           |
| Other                            | 38,134.54            | 31,729.17                   | 306,239.64           | 336,533.51             | 435,229.69            | 470,156.35               |
| <b>Total Operation Expense</b>   | <b>1,077,453.94</b>  | <b>1,065,831.02</b>         | <b>9,389,525.39</b>  | <b>8,675,898.62</b>    | <b>12,762,259.99</b>  | <b>11,127,781.48</b>     |
| Maintenance Expense              |                      |                             |                      |                        |                       |                          |
| Labor                            | 4,502.92             | 8,988.02                    | 74,773.31            | 87,776.18              | 108,034.26            | 115,317.61               |
| Transportation                   | 2,046.53             | 5,748.93                    | 29,930.16            | 32,913.14              | 44,086.26             | 42,091.68                |
| Main                             | 22,629.89            | 6,279.64                    | 89,979.78            | 138,851.07             | 149,197.98            | 161,001.25               |
| Meter & Regulators               | 9,138.72             | 9,518.12                    | 33,383.03            | 44,217.09              | 39,157.53             | 60,155.73                |
| Other                            | 48,109.85            | 27,930.48                   | 320,044.64           | 263,918.58             | 643,390.12            | 405,348.77               |
| <b>Total Maintenance Expense</b> | <b>86,427.91</b>     | <b>58,465.19</b>            | <b>548,110.92</b>    | <b>567,676.06</b>      | <b>983,866.15</b>     | <b>783,915.04</b>        |
| Total Operation and Maintenance  | 1,163,881.85         | 1,124,296.21                | 9,937,636.31         | 9,243,574.68           | 13,746,126.14         | 11,911,696.52            |
| Depreciation Expense             | 312,492.62           | 299,379.26                  | 2,788,794.44         | 3,143,047.99           | 3,698,859.62          | 4,385,262.67             |
| Taxes Other Than Income Taxes    |                      |                             |                      |                        |                       |                          |
| Property Taxes                   | 110,184.00           | 110,230.00                  | 936,620.23           | 939,235.00             | 1,194,933.01          | 1,260,242.00             |
| Payroll Taxes                    | 51,423.32            | 49,154.04                   | 415,169.22           | 410,389.14             | 595,089.99            | 577,744.05               |
| Total Other Taxes                | 161,607.32           | 159,384.04                  | 1,351,789.45         | 1,349,624.14           | 1,790,023.00          | 1,837,986.05             |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>5,746,360.49</b>  | <b>6,097,145.45</b>         | <b>50,034,150.26</b> | <b>42,275,778.46</b>   | <b>60,144,820.79</b>  | <b>50,825,446.31</b>     |



DELTA NATURAL GAS CO., INC. ANI DIARIES  
 Income Statement - Delta  
 July 01, 2008 - March 31, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME                | 1,409,207.53CR          | 1,655,658.14CR                 | 9,849,901.21CR          | 10,620,700.00CR              | 9,704,372.24CR            | 9,996,105.38CR           | 10,129,397.55CR             |
| Other Income and Expenses       |                         |                                |                         |                              |                           |                          |                             |
| Other Net Income                | 8,967.07CR              | 3,037.11CR                     | 816,038.47              | 73,000.00CR                  | 36,362.27CR               | 768,723.15               | 108,407.79CR                |
| Net Non Regulated Income        | 8,967.07CR              | 3,037.11CR                     | 816,038.47              | 73,000.00CR                  | 36,362.27CR               | 768,723.15               | 108,407.79CR                |
| Total Income Before Interest Ch | 1,418,174.60CR          | 1,658,695.25CR                 | 9,033,862.74CR          | 10,693,700.00CR              | 9,740,734.51CR            | 9,227,382.23CR           | 10,237,805.34CR             |
| Interest Expense                |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt      | 302,847.71              | 306,356.88                     | 2,741,273.00            | 2,757,600.00                 | 2,759,726.57              | 3,659,529.87             | 3,682,419.28                |
| Interest On Short-Term Debt     | 4,594.56                | 9,182.84                       | 235,530.71              | 407,000.00                   | 427,427.49                | 266,550.57               | 452,941.36                  |
| Other Interest                  | 3,024.53                | 3,065.52                       | 24,486.50               | 27,900.00                    | 24,042.42                 | 33,136.98                | 32,444.13                   |
| Amortization of Debt Expense    | 32,271.88               | 32,271.88                      | 290,446.92              | 290,300.00                   | 290,446.92                | 387,265.56               | 387,264.56                  |
| Total Interest Expense          | 342,738.68              | 350,877.12                     | 3,291,737.13            | 3,482,800.00                 | 3,501,643.40              | 4,346,482.98             | 4,555,069.33                |
| Net Income Before Income Taxes  | 1,075,435.92CR          | 1,307,818.13CR                 | 5,742,125.61CR          | 7,210,900.00CR               | 6,239,091.11CR            | 4,880,899.25CR           | 5,682,736.01CR              |
| Current Federal                 | 385,900.00              | 487,773.00                     | 1,107,936.00            | 2,709,500.00                 | 1,157,310.00              | 153,174.00CR             | 98,680.00CR                 |
| Current State                   | .00                     | .00                            | 118,826.00CR            | .00                          | 240,240.00CR              | 177,514.00               | 125,062.00CR                |
| Deferred Federal & State        | 5,350.00CR              | 5,350.00CR                     | 1,133,081.00            | .00                          | 1,446,250.00              | 1,760,831.00             | 2,193,262.00                |
| Investment Tax Credit-Net       | 2,775.00CR              | 2,983.33CR                     | 24,975.00CR             | .00                          | 26,850.01CR               | 33,924.99CR              | 36,100.00CR                 |
| Income Taxes Non-Regulated      | 3,400.00                | 1,100.00                       | 19,400.00               | 27,700.00                    | 13,600.00                 | 37,600.00                | 42,000.00                   |
| Total Income Taxes              | 381,175.00              | 480,539.67                     | 2,116,616.00            | 2,737,200.00                 | 2,350,069.99              | 1,788,846.01             | 1,975,420.00                |
| Net Income - Delta Natural      | 694,260.92CR            | 827,278.46CR                   | 3,625,509.61CR          | 4,473,700.00CR               | 3,889,021.12CR            | 3,092,053.24CR           | 3,707,316.01CR              |
| Subsidiary Net Income           |                         |                                |                         |                              |                           |                          |                             |
| Total Subsidiary Net Income     | 318,251.00CR            | 575,774.00CR                   | 2,136,583.00CR          | 1,287,000.00CR               | 3,176,427.00CR            | 2,434,459.00CR           | 3,147,073.00CR              |
| Net Income - Consolidated       | 1,012,511.92CR          | 1,403,052.46CR                 | 5,762,092.61CR          | 5,760,700.00CR               | 7,065,448.12CR            | 5,526,512.24CR           | 6,854,389.01CR              |

DELTA NATURAL GAS CO., INC. AND DIARIES  
 Income Statement - Delta Resources  
 July 01, 2008 - March 31, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 02                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Sales To Parent                 | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Sales To Others                 | 1,008,891.07CR          | 1,962,943.08CR                 | 12,812,793.42CR         | 13,425,600.00CR              | 14,698,368.20CR           | 18,142,233.35CR          | 18,921,455.72CR             |
| Total Operating Revenues        | 1,008,891.07CR          | 1,962,943.08CR                 | 12,812,793.42CR         | 13,425,600.00CR              | 14,698,368.20CR           | 18,142,233.35CR          | 18,921,455.72CR             |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 694,370.67              | 1,389,135.00                   | 9,607,515.22            | 10,118,500.00                | 10,688,874.79             | 13,911,376.22            | 13,997,446.87               |
| Total Operation,Maintenance and | 218,838.53              | 284,376.92                     | 2,067,388.94            | 2,280,200.00                 | 2,292,933.44              | 2,997,268.89             | 3,216,873.95                |
| Taxes Other than Income Tax     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expenses        | 913,209.20              | 1,673,511.92                   | 11,674,904.16           | 12,398,700.00                | 12,981,808.23             | 16,908,645.11            | 17,214,320.82               |
| Total Other Income and Expenses | .00                     | .00                            | 104,800.00              | .00                          | .00                       | 104,800.00               | .00                         |
| Operating Income                | 95,681.87CR             | 289,431.16CR                   | 1,033,089.26CR          | 1,026,900.00CR               | 1,716,559.97CR            | 1,128,788.24CR           | 1,707,134.90CR              |
| Interest Expense                | 2,300.00                | 1,500.00CR                     | 26,400.00               | 11,000.00                    | 10,700.00                 | 15,800.00                | 10,200.00CR                 |
| Net Income Before Income Taxes  | 93,381.87CR             | 290,931.16CR                   | 1,006,689.26CR          | 1,015,900.00CR               | 1,705,859.97CR            | 1,112,988.24CR           | 1,717,334.90CR              |
| Income Tax Expense              | 34,200.00               | 106,600.00                     | 366,300.00              | 385,600.00                   | 623,900.00                | 430,000.00               | 670,400.00                  |
| Net Income                      | 59,181.87CR             | 184,331.16CR                   | 640,389.26CR            | 630,300.00CR                 | 1,081,959.97CR            | 682,988.24CR             | 1,046,934.90CR              |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
 Income Statement - DelGas  
 July 01, 2008 - March 31, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 03                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Sales To Affiliates             | 694,370.67CR            | 1,389,135.00CR                 | 9,607,515.22CR          | .00                          | 10,688,874.79CR           | 13,911,376.22CR          | 13,997,446.87CR             |
| Sales To Others                 | 3,397,286.46CR          | 4,832,887.22CR                 | 25,228,469.99CR         | 22,051,400.00CR              | 26,389,635.50CR           | 32,972,893.88CR          | 29,444,445.42CR             |
| Total Operating Revenues        | 4,091,657.13CR          | 6,222,022.22CR                 | 34,835,985.21CR         | 22,051,400.00CR              | 37,078,510.29CR           | 46,884,270.10CR          | 43,441,892.29CR             |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 3,542,813.72            | 5,489,252.83                   | 31,502,033.90           | 20,805,800.00                | 33,236,514.78             | 42,761,841.34            | 39,341,008.39               |
| Operation and Maintenance       | 140,946.13              | 164,769.59                     | 930,188.82              | 910,600.00                   | 1,056,372.84              | 1,533,809.75             | 1,428,429.40                |
| Taxes Other Than Income Tax     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expense         | 3,683,759.85            | 5,654,022.42                   | 32,432,222.72           | 21,716,400.00                | 34,292,887.62             | 44,295,651.09            | 40,769,437.79               |
| Operating Income                | 407,897.28CR            | 567,999.80CR                   | 2,403,762.49CR          | 335,000.00CR                 | 2,785,622.67CR            | 2,588,619.01CR           | 2,672,454.50CR              |
| TOTAL OTHER INCOME AND EXPENSES | .00                     | .00                            | 362,100.00              | .00                          | .00                       | 362,100.00               | .00                         |
| Total Interest Expense          | 9,900.00                | 13,200.00                      | 185,000.00              | 272,100.00                   | 244,700.00                | 188,900.00               | 269,011.50                  |
| Net Income Before Income Taxes  | 397,997.28CR            | 554,799.80CR                   | 1,856,662.49CR          | 62,900.00CR                  | 2,540,922.67CR            | 2,037,619.01CR           | 2,403,443.00CR              |
| Income Tax Expense              | 156,100.00              | 217,500.00                     | 732,600.00              | 23,900.00                    | 996,400.00                | 769,200.00               | 932,100.00                  |
| Net Income                      | 241,897.28CR            | 337,299.80CR                   | 1,124,062.49CR          | 39,000.00CR                  | 1,544,522.67CR            | 1,268,419.01CR           | 1,471,343.00CR              |

DELTA NATURAL GAS CO., INC. AND  
 JIARIES  
 Income Statement - Enpl-  
 July 01, 2008 - March 31, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Gas Production                  | 41,420.39CR             | 94,385.94CR                    | 732,358.47CR            | 1,183,100.00CR               | 978,089.13CR              | 1,061,941.06CR           | 1,287,108.50CR              |
| Oil Production                  | 621.33CR                | 4,453.61CR                     | 18,881.87CR             | 28,800.00CR                  | 35,847.67CR               | 35,616.76CR              | 39,671.12CR                 |
| Royalty                         | 11,982.24CR             | 14,433.04CR                    | 140,894.86CR            | 153,000.00CR                 | 161,778.86CR              | 202,123.12CR             | 207,471.00CR                |
| Other                           | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Revenues        | 54,023.96CR             | 113,272.59CR                   | 892,135.20CR            | 1,364,900.00CR               | 1,175,715.66CR            | 1,299,680.94CR           | 1,534,250.62CR              |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 10,995.23               | 13,525.21                      | 130,152.26              | 252,400.00                   | 154,497.66                | 175,977.41               | 207,904.82                  |
| Operations and Maintenance      | 5,267.85                | 4,068.44                       | 44,318.97               | 40,300.00                    | 44,676.39                 | 210,755.84               | 204,747.23                  |
| Total Operations and Maint. E   | 9,889.08                | 9,836.19                       | 88,291.38               | 87,800.00                    | 88,525.65                 | 117,797.95               | 118,231.19                  |
| Depreciation and Amortization   | .00                     | .00                            | 23,315.16               | 25,000.00                    | 23,371.77                 | 23,315.16                | 23,371.77                   |
| Taxes Other Than Income Taxes   | 26,152.16               | 27,429.84                      | 286,077.77              | 405,500.00                   | 311,071.47                | 527,846.36               | 554,255.01                  |
| Total Operating Expenses        | 27,871.80CR             | 85,842.75CR                    | 606,057.43CR            | 959,400.00CR                 | 864,644.19CR              | 771,834.58CR             | 979,995.61CR                |
| Operating Income                | .00                     | .00                            | 11,825.00               | .00                          | .00                       | 11,981.31                | .00                         |
| Total Other Income and Expenses | .00                     | .00                            | 9,700.00CR              | 36,100.00CR                  | 27,600.00CR               | 16,700.00CR              | 43,100.00CR                 |
| Interest Expense                | 27,871.80CR             | 87,842.75CR                    | 603,932.43CR            | 995,500.00CR                 | 892,244.19CR              | 776,553.27CR             | 1,023,095.61CR              |
| Net Income Before Income Taxes  | 10,700.00               | 33,700.00                      | 231,800.00              | 377,800.00                   | 342,300.00                | 293,500.00               | 394,300.00                  |
| Income Tax Expense              | 17,173.80CR             | 54,142.75CR                    | 372,132.43CR            | 617,700.00CR                 | 549,944.19CR              | 483,053.27CR             | 628,795.61CR                |
| Net Income                      |                         |                                |                         |                              |                           |                          |                             |



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES

BUDGET REPORT BY AGENT

For Period 7/01/2008 - 3/31/2009

CAPITAL EXPENDITURES

All Agents

BSR BRIAN S RAMSEY

|                      | Current      |                   | Y-T-D Amount  |                   | Current Y-T-D (-) |                   | Adopted           |                | Adopted            |                | Percentage Expended |
|----------------------|--------------|-------------------|---------------|-------------------|-------------------|-------------------|-------------------|----------------|--------------------|----------------|---------------------|
|                      | Month Amount | Last Yr Month Amt | Cur Mo Actual | Cur Mo Budget (-) | Y-T-D Amount      | Current Y-T-D (-) | Last Y-T-D Amount | Cur YTD Actual | Cur YTD Budget (-) | Cur YTD Actual |                     |
| 532523 INT INVESM    | .00          | .00               | .00           | .00               | .00               | .00               | .00               | .00            | .00                | .00            | .00 %               |
| 533101 GAS WELL E    | 7,81CR       | 7,81CR            | 7.81          | 7.81              | 34,467.93         | 34,467.93         | 17,667.93CR       | 17,667.93CR    | 17,667.93CR        | 17,667.93CR    | 205.16 %            |
| 535006 GAS RGT ST    | .00          | .00               | .00           | .00               | .00               | .00               | .00               | .00            | .00                | .00            | .00 %               |
| <b>Total BSR</b>     | 484,558.17   | 659,781.44        | 474,558.17CR  | 474,558.17CR      | 4,298,178.46      | 2,399,543.39      | 2,966,778.46CR    | 2,966,778.46CR | 2,966,778.46CR     | 2,966,778.46CR |                     |
| -----                |              |                   |               |                   |                   |                   |                   |                |                    |                |                     |
| GRJ GLENN R JENNINGS |              |                   |               |                   |                   |                   |                   |                |                    |                |                     |
| 139909 CONTINGENC    | .00          | .00               | .00           | .00               | .00               | .00               | .00               | .00            | .00                | .00            | .00 %               |
| <b>Total GRJ</b>     | .00          | .00               | .00           | .00               | .00               | .00               | .00               | .00            | .00                | .00            | .00 %               |
| -----                |              |                   |               |                   |                   |                   |                   |                |                    |                |                     |
| JBB JOHN B BROWN     |              |                   |               |                   |                   |                   |                   |                |                    |                |                     |
| 139902 COMP SOFTW    | 40,343.15    | 71,563.46CR       | 36,943.15CR   | 36,943.15CR       | 241,528.55        | 359,615.47CR      | 75,471.45         | 75,471.45      | 515,471.45         | 515,471.45     | 31.90 %             |
| 139903 COMP HHARE    | 34,199.87    | 34,199.87         | 5,699.87CR    | 5,699.87CR        | 71,108.40         | 47,698.73         | 296,591.60        | 296,591.60     | 314,591.60         | 314,591.60     | 18.43 %             |
| <b>Total JBB</b>     | 74,543.02    | 37,363.59CR       | 42,643.02CR   | 42,643.02CR       | 312,636.95        | 311,916.74CR      | 372,063.05        | 372,063.05     | 830,063.05         | 830,063.05     |                     |
| -----                |              |                   |               |                   |                   |                   |                   |                |                    |                |                     |
| JLC JOHNNY L CAUDILL |              |                   |               |                   |                   |                   |                   |                |                    |                |                     |
| 1121 NON U PROP      | .00          | .00               | .00           | .00               | .00               | .00               | .00               | .00            | .00                | .00            | .00 %               |
| 136501 LAND RIGHTS   | .00          | .00               | .00           | .00               | 50,000.00         | 50,000.00         | 50,000.00CR       | 50,000.00CR    | 50,000.00CR        | 50,000.00CR    | .00 %               |
| 136502 TRAN ROW      | .00          | 13,00CR           | .00           | .00               | 517.00            | 474.00            | 517.00CR          | 517.00CR       | 517.00CR           | 517.00CR       | .00 %               |
| 1371 OTHR EQUIP      | .00          | 3,703.34CR        | .00           | .00               | 28,372.77         | 24,639.53         | 30,427.23         | 30,427.23      | 30,427.23          | 30,427.23      | 48.25 %             |
| 1374 LAND & ROW      | 221.00       | 187.00            | 279.00        | 279.00            | 962.50            | 192.50            | 3,537.50          | 3,537.50       | 5,037.50           | 5,037.50       | 16.04 %             |
| 1375 DIS STRUCT      | .00          | .00               | 1,000.00      | 1,000.00          | .00               | .00               | 4,000.00          | 4,000.00       | 5,000.00           | 5,000.00       | .00 %               |
| 1376 DIST MAINS      | 102,473.44   | 266,944.88        | 22,526.56     | 22,526.56         | 1,475,023.48      | 95,579.76CR       | 231,976.52        | 231,976.52     | 897,976.52         | 897,976.52     | 62.15 %             |
| 1378 REG STRINS      | .00          | 2,509.16CR        | 6,000.00      | 6,000.00          | 26,483.82         | 4,550.84          | 27,516.18         | 27,516.18      | 45,516.18          | 45,516.18      | 36.78 %             |
| 1379 CC REG STA      | .00          | .00               | .00           | .00               | .00               | .00               | .00               | .00            | 25,000.00          | 25,000.00      | .00 %               |

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
 BUDGET REPORT BY AGENT  
 For Period 7/01/2008 - 3/31/2009

CAPITAL EXPENDITURES  
 All Agents

JLC JOHNNY L CAUDILL

|                   | Current Month Amount | Adopted           |               | Current Y-F-D Amount | Current Y-F-D (-) | Adopted            |                | Percentage Expended |
|-------------------|----------------------|-------------------|---------------|----------------------|-------------------|--------------------|----------------|---------------------|
|                   |                      | Cur Mo Budget (-) | Cur Mo Actual |                      |                   | Cur YTD Budget (-) | Cur YTD Actual |                     |
| 1380 DIST SERV    | 19,948.02            | 14,069.48CR       | 28,051.98     | 415,596.67           | 48,109.52CR       | 72,403.33          | 247,403.33     | 62.68 %             |
| 1381 METERS       | 28,884.06            | 2,080.40CR        | 16,884.06CR   | 82,956.43            | 32,873.00CR       | 25,043.57          | 61,043.57      | 57.60 %             |
| 1382 METEREG IN   | 2,047.01             | 3,297.36CR        | 6,952.99      | 50,299.45            | 17,666.17CR       | 30,700.55          | 57,700.55      | 46.57 %             |
| 1383 REGULATORS   | 9,133.05             | 204.87            | 8,666.95      | 124,371.69           | 31,948.13CR       | 35,928.31          | 89,328.31      | 58.19 %             |
| 1385 IND METERS   | 2,188.73             | 2,010.10          | 2,811.27      | 33,923.35            | 6,865.81          | 11,076.65          | 26,076.65      | 56.53 %             |
| 1389 LAND&RGHTS   | .00                  | .00               | .00           | .00                  | .00               | .00                | .00            | .00 %               |
| 1390 STRUCTURES   | 4,250.00             | 1,414.00          | 750.00        | 11,697.00            | 1,456.01          | 13,303.00          | 28,303.00      | 29.24 %             |
| 1391 FURNE&EQUIP  | .00                  | .00               | 1,500.00      | 3,757.70             | 9,536.42CR        | 6,242.30           | 8,242.30       | 31.31 %             |
| 1392 TRANSP EQP   | 26,251.00            | 26,251.00         | 73,749.00     | 385,895.34           | 138,473.89        | 104,104.66         | 174,104.66     | 68.90 %             |
| 1393 STORES EQP   | .00                  | .00               | .00           | .00                  | .00               | .00                | .00            | .00 %               |
| 1394 TOOLS&EQUIP  | 3,561.85             | 3,561.85          | 3,238.15      | 18,948.50            | 33,531.12CR       | 60,651.50          | 81,051.50      | 18.94 %             |
| 139401 CNG EQUIPM | .00                  | .00               | .00           | .00                  | .00               | .00                | .00            | .00 %               |
| 1396 PO EQUIPMT   | 31,100.33            | 31,100.33         | 28,600.33CR   | 52,950.33            | 41,423.05CR       | 497,549.67         | 505,049.67     | 9.48 %              |
| 1397 COMM EQUIP   | .00                  | .00               | 2,000.00      | .00                  | .00               | 10,000.00          | 12,000.00      | .00 %               |
| 1398 MISC EQUIP   | .00                  | .00               | .00           | .00                  | .00               | .00                | .00            | .00 %               |
| 139901 MAPPING    | .00                  | .00               | .00           | .00                  | .00               | .00                | .00            | .00 %               |
| 139931 OFFC EQUIP | 14,157.36            | 14,157.36         | 14,157.36CR   | 25,790.86            | 25,790.86         | 4,209.14           | 4,209.14       | 85.96 %             |
| Total JLC JLC     | 244,215.85           | 320,158.65        | 97,884.15     | 2,787,546.89         | 58,223.73CR       | 1,118,153.11       | 2,252,963.11   |                     |
| Grand Total       | 803,317.04           | 942,576.50        | 419,317.04CR  | 7,398,362.30         | 2,029,402.92      | 1,476,562.30CR     | 525,237.70     |                     |



**DELTA NATURAL GAS COMPANY, INC**  
**BOARD OF DIRECTORS' MEETING - 8/21/09**  
**QUARTERLY SUMMARY REPORT**

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|   | <u>12 months ended June 30</u> |                              |                              |
|---|--------------------------------|------------------------------|------------------------------|
|   | <u>2009</u><br><u>Actual</u>   | <u>2009</u><br><u>Budget</u> | <u>2008</u><br><u>Actual</u> |
| System Throughput (million cu. ft.)                           |                                |                              |                              |
| Retail Gas Sales Volumes                                      | <u>3,180</u>                   | <u>3,349</u>                 | <u>3,102</u>                 |
| Transportation Volumes  |                                |                              |                              |
| - off system  | <u>11,908</u>                  | <u>11,840</u>                | <u>12,623</u>                |
| - on system   | <u>4,215</u>                   | <u>4,823</u>                 | <u>4,975</u>                 |
| Total Transportation  | <u>16,123</u>                  | <u>16,663</u>                | <u>17,598</u>                |
| Total Throughput  | <u>19,303</u>                  | <u>20,012</u>                | <u>20,700</u>                |
| Actual Lexington Calendar Degree Days as % of 30 Year Average | 101                            | 100                          | 96                           |
| Net Income (\$000)  | 5,211                          | 5,619                        | 6,830                        |
| Net Income Per Common Share (\$)                              | 1.58                           | 1.70                         | 2.08                         |

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The attached detailed financial data is provided for further information and review.

In summary, the decrease in net income of \$.50 per share for the year ended June 30, 2009 compared to the preceding year was due to a decrease in net income before taxes of \$2,758,000. Gross margins on our non-regulated segment decreased \$2,830,000 (26%) due to a 22% decrease in volumes sold and lower sales prices. Operations and maintenance expenses increased due to adjusting gas in storage (\$1,350,000). These decreases in net income before income taxes were partially offset by lower natural gas storage field expenses and a lower bonus accrual in 2009.

Net income per share for the year ended June 30, 2009 was \$.12 lower than budgeted due to net income before income taxes being \$838,000 less than budgeted. Operations and maintenance expenses were higher than budget due to adjusting gas in storage (\$1,350,000) and experiencing higher bad debt expense (\$423,000) than budgeted. Regulated revenues were \$1,285,000 lower than budgeted. These unfavorable budget variances were partially offset by gross margins on our non-regulated segment being \$1,543,000 higher than budgeted and interest expense and bonus expense being lower than budgeted.

Capital expenditures exceeded budget by \$970,000 for the year ended June 30, 2009 due to spending \$2,542,000 to develop the Gabbard's Fork compressor station site, which was not budgeted and spending \$396,000 above budget for storage well projects. These unfavorable budget variances were partially offset by spending less than planned on computer hardware and software, distribution mains and power operated equipment.



**DELTA NATURAL GAS COMPANY, INC.**  
**BALANCE SHEET**  
June 30, 2009

| <b>ASSETS</b>                          | <b>2009</b>                  | <b>2008</b>                  |
|--|------------------------------|------------------------------|
| <b>GAS UTILITY PLANT, AT COST</b>      | \$ 197,013,166               | \$ 189,893,167               |
| Less - Reserve for Depreciation        | <u>68,674,112</u>            | <u>65,920,346</u>            |
|  | \$ <u>128,339,054</u>        | \$ <u>123,972,821</u>        |
| <b>CURRENT ASSETS:</b>                 |                              |                              |
| Cash                                   | \$ 122,589                   | \$ 249,859                   |
| Receivables                            | 3,041,547                    | 6,182,844                    |
| Deferred Gas Cost                      | 2,356,943                    | 4,612,752                    |
| Gas in Storage, at Cost                | 2,888,068                    | 13,274,777                   |
| Materials and Supplies, at Cost        | 662,805                      | 565,333                      |
| Prepayments                            | <u>1,099,453</u>             | <u>1,899,389</u>             |
|  | \$ <u>10,171,405</u>         | \$ <u>26,784,954</u>         |
| <b>OTHER ASSETS:</b>                   |                              |                              |
| Cash Surrender Value of Life Insurance | \$ 412,661                   | \$ 444,312                   |
| Unamortized Expenses                   | 4,736,014                    | 5,123,276                    |
| Receivable/Investment in Subsidiaries  | 7,670,851                    | 2,901,536                    |
| Other                                  | <u>8,898,082</u>             | <u>6,848,742</u>             |
|  | \$ <u>21,717,608</u>         | \$ <u>15,317,866</u>         |
| <b>TOTAL ASSETS</b>                    | \$ <u><u>160,228,067</u></u> | \$ <u><u>166,075,641</u></u> |
| <b>LIABILITIES</b>                     |                              |                              |
| <b>CAPITALIZATION:</b>                 |                              |                              |
| Common Stock                           | \$ 3,318,046                 | \$ 3,295,759                 |
| Paid-in Surplus                        | 47,108,955                   | 46,610,835                   |
| Capital Stock Expense                  | (2,643,354)                  | (2,643,354)                  |
| Retained Earnings                      | <u>11,215,535</u>            | <u>10,330,345</u>            |
| Total Common Equity                    | \$ 58,999,182                | \$ 57,593,585                |
| Long-term Debt                         | <u>57,599,000</u>            | <u>58,318,000</u>            |
| Total Capitalization                   | \$ <u>116,598,182</u>        | \$ <u>115,911,585</u>        |
| <b>CURRENT LIABILITIES:</b>            |                              |                              |
| Notes Payable                          | \$ 3,653,103                 | \$ 6,828,791                 |
| Current Portion of Long-Term Debt      | 1,200,000                    | 1,200,000                    |
| Accounts Payable                       | 4,131,835                    | 8,416,070                    |
| Accrued Taxes                          | (157,834)                    | 1,098,165                    |
| Refunds Due Customers                  | 0                            | 58                           |
| Customer Deposits                      | 508,209                      | 505,000                      |
| Accrued Interest                       | 857,810                      | 865,727                      |
| Current Deferred Income Taxes          | 992,580                      | 1,483,700                    |
| Other                                  | <u>1,200,144</u>             | <u>1,138,865</u>             |
|  | \$ <u>12,385,847</u>         | \$ <u>21,536,376</u>         |
| <b>DEFERRED CREDITS AND OTHER:</b>     |                              |                              |
| Deferred Income Taxes                  | \$ 27,592,561                | \$ 24,607,800                |
| Deferred Investment Tax Credit         | 144,500                      | 177,800                      |
| Regulatory Items                       | 1,710,099                    | 2,144,951                    |
| Advances for Construction and Other    | <u>1,796,878</u>             | <u>1,697,129</u>             |
|  | \$ <u>31,244,038</u>         | \$ <u>28,627,680</u>         |
| <b>TOTAL LIABILITIES</b>               | \$ <u><u>160,228,067</u></u> | \$ <u><u>166,075,641</u></u> |

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

**June 30, 2009**

|   | 12 MONTHS TO DATE |                  | 12 MONTHS ENDED   |                   |
|---|-------------------|------------------|-------------------|-------------------|
|   | 2009              | 2008             | 2009              | 2008              |
| <b>OPERATING REVENUES</b>                           | \$ 67,904,309     | \$ 62,237,025    | \$ 67,904,309     | \$ 62,237,025     |
| <b>OPERATING EXPENSES &amp; TAXES:</b>              |                   |                  |                   |                   |
| Gas Purchased                                       | \$ 39,137,525     | \$ 33,493,414    | \$ 39,137,525     | \$ 33,493,414     |
| Operations  | 12,816,724        | 12,048,633       | 12,816,724        | 12,048,633        |
| Maintenance   | 728,219           | 1,003,431        | 728,219           | 1,003,431         |
| Depreciation  | 3,737,140         | 4,053,113        | 3,737,141         | 4,053,113         |
| Property & Other Taxes                              | 1,857,292         | 1,787,858        | 1,857,292         | 1,787,858         |
| Income Taxes  | <u>1,908,933</u>  | <u>1,990,500</u> | <u>1,908,933</u>  | <u>1,990,500</u>  |
| Total   | \$ 60,185,833     | \$ 54,376,949    | \$ 60,185,834     | \$ 54,376,949     |
| Operating Income                                    | \$ 7,718,476      | \$ 7,860,076     | \$ 7,718,475      | \$ 7,860,076      |
| <b>OTHER INCOME/(EXPENSES),NET</b>                  | 1,796,910         | 3,526,181        | 1,796,910         | 3,526,181         |
| Gross Income  | \$ 9,515,386      | \$ 11,386,257    | \$ 9,515,385      | \$ 11,386,257     |
| <b>OTHER DEDUCTIONS:</b>                            |                   |                  |                   |                   |
| Interest on Debt                                    | \$ 3,917,394      | \$ 4,169,123     | \$ 3,917,394      | \$ 4,169,123      |
| Amortization  | 387,263           | 387,266          | 387,263           | 387,266           |
| Other   | -                 | -                | -                 | -                 |
| Total   | \$ 4,304,657      | \$ 4,556,389     | \$ 4,304,657      | \$ 4,556,389      |
| <b>NET INCOME/(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ 5,210,729      | \$ 6,829,868     | \$ 5,210,728      | \$ 6,829,868      |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>      | \$ 1.58           | \$ 2.08          | \$ 1.58           | \$ 2.08           |
| <b>CUSTOMERS AT END OF PERIOD</b>                   |                   |                  | 35,219            | 35,909            |
| <b>AVERAGE SHARES</b>                               | 3,306,026         | 3,285,464        | 3,306,026         | 3,285,464         |
|   | FISCAL<br>YTD     | FISCAL<br>YTD    | 12 MONTH<br>ENDED | 12 MONTH<br>ENDED |

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**June 30, 2009**

|   | MONTH          |           |           | YEAR TO DATE   |             |             | YEAR ENDED  |             |
|---|----------------|-----------|-----------|----------------|-------------|-------------|-------------|-------------|
|   | This Year Over |           |           | This Year Over |             |             | This Year   | Last Year   |
|   | (Under) Budget | This Year | Last Year | (Under) Budget | This Year   | Last Year   |             |             |
| DEGREE DAYS BILLED - LEXINGTON AREA     | 59             | 69        | 121       | (34)           | 4,642       | 4,464       | 4,642       | 4,464       |
| <b>MCFs:</b>                            |                |           |           |                |             |             |             |             |
| <b>DELTA NATURAL</b>                    |                |           |           |                |             |             |             |             |
| RESIDENTIAL                             | 6,287          | 33,987    | 45,613    | (130,929)      | 1,719,171   | 1,692,801   | 1,719,171   | 1,692,801   |
| SMALL COMMERCIAL                        | 122            | 10,422    | 13,042    | (15,511)       | 544,389     | 524,275     | 544,389     | 524,275     |
| LARGE NON-RESIDENTIAL                   | 1,134          | 28,234    | 31,040    | (18,456)       | 884,644     | 846,658     | 884,644     | 746,546     |
| INTERRUPTIBLE                           | (610)          | 690       | 944       | (6,874)        | 29,326      | 33,707      | 29,326      | 133,818     |
| TOTAL SOLD                              | 6,933          | 73,333    | 90,639    | (171,770)      | 3,177,530   | 3,097,441   | 3,177,530   | 3,097,440   |
| OFF SYSTEM                              | (103,565)      | 814,335   | 1,066,359 | 68,419         | 11,908,219  | 12,623,116  | 11,908,219  | 12,623,116  |
| ON SYSTEM                               | (62,008)       | 262,292   | 358,509   | (607,008)      | 4,215,492   | 4,975,020   | 4,215,492   | 4,975,020   |
| TOTAL TRANSPORTED                       | (165,573)      | 1,076,627 | 1,424,868 | (538,589)      | 16,123,711  | 17,598,136  | 16,123,711  | 17,598,136  |
| TOTAL DELTA NATURAL                     | (158,640)      | 1,149,960 | 1,515,507 | (710,359)      | 19,301,241  | 20,695,577  | 19,301,241  | 20,695,576  |
| <b>RESOURCES ON SYS INCL</b>            | (20,929)       | 91,171    | 126,219   | (371,740)      | 1,462,860   | 1,840,214   | 1,462,860   | 1,840,214   |
| <b>DELGASCO OFF SYS INCL</b>            | (216,073)      | 59,327    | 181,598   | (879,811)      | 2,672,089   | 3,436,085   | 2,672,089   | 3,436,085   |
| <b>ENPRO - SALES TO AFFILIATES</b>      | 579            | 10,479    | 9,595     | (32,095)       | 142,905     | 162,044     | 142,905     | 162,044     |
| <b>Unbilled MCF</b>                     | (14,958)       | (14,958)  | (32,919)  | 3,108          | 3,108       | 3,755       | 3,108       | 3,755       |
| <b>REVENUES:</b>                        |                |           |           |                |             |             |             |             |
| <b>DELTA NATURAL</b>                    |                |           |           |                |             |             |             |             |
| RETAIL SALES                            | 86,302         | 1,649,502 | 2,332,443 | 6,433,948      | 59,860,748  | 53,098,492  | 59,860,748  | 53,098,492  |
| UNBILLED REVENUE                        | (173,372)      | (173,372) | (573,259) | (193,174)      | (193,174)   | 521,091     | (193,174)   | 521,091     |
| DEMAND-SIDE MANAGEMENT REVENUE          | 20             | 20        | -         | 594            | 594         | -           | 594         | -           |
| MISC OPERATING                          | 26,135         | 26,135    | 26,865    | 82,070         | 332,370     | 292,538     | 332,370     | 292,538     |
| OFF SYS TRANSPORT                       | (18,915)       | 248,385   | 346,531   | 338,068        | 3,785,868   | 3,864,347   | 3,785,868   | 3,864,347   |
| ON SYS TRANSPORT                        | (14,223)       | 262,677   | 308,942   | (286,497)      | 4,117,903   | 4,460,557   | 4,117,903   | 4,460,557   |
| TOTAL DELTA NATURAL                     | (94,053)       | 2,013,347 | 2,441,522 | 6,375,009      | 67,904,309  | 62,237,025  | 67,904,309  | 62,237,025  |
| <b>RESOURCES ON SYS SALES</b>           | (334,303)      | 532,597   | 1,621,049 | (1,792,492)    | 12,397,108  | 17,131,369  | 12,397,108  | 17,131,369  |
| <b>DELGASCO OFF SYS SALES</b>           | (1,876,144)    | 246,556   | 2,562,030 | (2,228,597)    | 25,152,603  | 33,013,132  | 25,152,603  | 33,013,132  |
| <b>ENPRO - SALES TO AFFILIATES</b>      | (36,702)       | 32,798    | 116,196   | (563,215)      | 833,385     | 1,307,672   | 833,385     | 1,307,672   |
| <b>TOTAL CONSOLIDATED</b>               | (2,341,202)    | 2,825,298 | 6,740,797 | 1,790,705      | 106,287,405 | 113,689,198 | 106,287,405 | 113,689,198 |
| <b>GAS COSTS:</b>                       |                |           |           |                |             |             |             |             |
| <b>DELTA NATURAL</b>                    |                |           |           |                |             |             |             |             |
| DELTA NATURAL UNBILLED GAS COST         | (142,904)      | (142,904) | (471,084) | (216,981)      | (216,981)   | 238,770     | (216,981)   | 238,770     |
| DELTA RESOURCES                         | (307,234)      | 477,466   | 1,528,905 | (1,808,154)    | 11,034,046  | 14,992,736  | 11,034,046  | 14,992,736  |
| DELGASCO                                | (1,859,541)    | 218,959   | 2,338,119 | (4,227,430)    | 22,582,570  | 29,503,586  | 22,582,570  | 29,503,586  |
| TOTAL CONSOLIDATED                      | (2,237,889)    | 1,251,011 | 4,691,934 | 1,542,941      | 72,754,141  | 77,989,736  | 72,754,141  | 77,989,736  |
| <b>NET SALES:</b>                       |                |           |           |                |             |             |             |             |
| <b>DELTA NATURAL EXCLUDING UNBILLED</b> | 14,512         | 952,012   | 1,036,449 | (1,361,558)    | 20,506,242  | 19,843,848  | 20,506,242  | 19,843,848  |
| <b>DELTA NATURAL UNBILLED</b>           | (30,468)       | (30,468)  | (102,175) | 23,807         | 23,807      | 282,321     | 23,807      | 282,321     |
| <b>DELTA RESOURCES TOTAL</b>            | (27,069)       | 55,131    | 92,144    | 15,662         | 1,363,062   | 2,138,633   | 1,363,062   | 2,138,633   |
| <b>DELGASCO</b>                         | (16,603)       | 27,597    | 223,911   | 1,998,833      | 2,570,033   | 3,509,546   | 2,570,033   | 3,509,546   |
| <b>TOTAL CONSOLIDATED</b>               | (59,628)       | 1,004,272 | 1,250,329 | 676,744        | 24,463,144  | 25,774,348  | 24,463,144  | 25,774,348  |
| <b>PER MCF:</b>                         |                |           |           |                |             |             |             |             |
| <b>DELTA NATURAL</b>                    |                |           |           |                |             |             |             |             |
| TOTAL SALES                             | 12.448         | 22.493    | 25.733    | (37.457)       | 18.839      | 17.143      | 18.839      | 17.143      |
| COST OF GAS                             | 10.355         | 9.511     | 14.298    | (45.383)       | 12.385      | 10.736      | 12.385      | 10.736      |
| NET SALES                               | 2.093          | 12.982    | 11.435    | 7.927          | 6.454       | 6.407       | 6.454       | 6.407       |
| <b>DELTA RESOURCES</b>                  |                |           |           |                |             |             |             |             |
| TOTAL SALES                             | 15.973         | 5.842     | 12.843    | 4.822          | 8.475       | 9.309       | 8.475       | 9.309       |
| COST OF GAS                             | 14.680         | 5.237     | 12.113    | 4.864          | 7.543       | 8.147       | 7.543       | 8.147       |
| NET SALES                               | 1.293          | 0.605     | 0.730     | (0.042)        | 0.932       | 1.162       | 0.932       | 1.162       |
| <b>DELGASCO</b>                         |                |           |           |                |             |             |             |             |
| TOTAL SALES                             | 8.683          | 4.156     | 14.108    | 2.533          | 9.413       | 9.608       | 9.413       | 9.608       |
| COST OF GAS                             | 8.606          | 3.691     | 12.875    | 4.805          | 8.451       | 8.586       | 8.451       | 8.586       |
| NET SALES                               | 0.077          | 0.465     | 1.233     | (2.272)        | 0.962       | 1.021       | 0.962       | 1.021       |
| <b>DELTA NATURAL ONLY:</b>              |                |           |           |                |             |             |             |             |
| % Change to Customers Between Yrs:      | Total Cost     | -12.6%    |           |                | 9.9%        |             | 9.9%        |             |
|   | Gas Cost       | -18.6%    |           |                | 9.6%        |             | 9.6%        |             |
|   | Net Sales      | 6.0%      |           |                | 0.3%        |             | 0.3%        |             |

DELTA NATURAL GAS CO., INC. AN IDIARIES  
 Income Statement - Delta Natural Gas Co  
 July 01, 2008 - June 30, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>       |                         |                                |                         |                              |                           |                          |                             |
| General Service Rate Billed     |                         |                                |                         |                              |                           |                          |                             |
| Residential                     | 822,704.81CR            | 938,112.79CR                   | 33,956,505.16CR         | 30,966,000.00CR              | 30,598,471.44CR           | 33,956,505.16CR          | 30,598,471.44CR             |
| Small Commercial                | 228,715.28CR            | 270,876.12CR                   | 10,243,018.90CR         | 8,949,600.00CR               | 9,047,722.41CR            | 10,243,018.90CR          | 9,047,722.41CR              |
| Other Commercial                | 387,704.98CR            | 493,684.08CR                   | 13,905,804.47CR         | 13,081,900.00CR              | 12,047,962.83CR           | 13,905,804.47CR          | 12,047,962.83CR             |
| Industrial                      | 26,991.09CR             | 40,354.70CR                    | 1,378,845.54CR          | .00                          | 1,305,284.58CR            | 1,378,845.54CR           | 1,305,284.58CR              |
| Unmetered Gas Light             | 430.50CR                | 747.36CR                       | 7,616.52CR              | 7,900.00CR                   | 8,160.83CR                | 7,616.52CR               | 8,160.83CR                  |
| Residential WNA                 | .00                     | .00                            | 191,282.46              | .00                          | 134,604.03CR              | 191,282.46               | 134,604.03CR                |
| Small Non-Residential WNA       | .00                     | .00                            | 60,140.00               | .00                          | 40,607.40CR               | 60,140.00                | 40,607.40CR                 |
| Weather Normalization Revenue   | .00                     | .00                            | 251,422.46              | .00                          | 175,211.43CR              | 251,422.46               | 175,211.43CR                |
| Demand-Side Management Revenue  | 20.39CR                 | .00                            | 594.32CR                | .00                          | .00                       | 594.32CR                 | .00                         |
| Total General Service Ra        | 1,466,567.05CR          | 1,743,775.05CR                 | 59,240,962.45CR         | 53,005,400.00CR              | 53,182,813.52CR           | 59,240,962.45CR          | 53,182,813.52CR             |
| Interruptible Rate Billed       |                         |                                |                         |                              |                           |                          |                             |
| Commercial                      | .00                     | .00                            | 36,643.62CR             | .00                          | 34,807.00CR               | 36,643.62CR              | 34,807.00CR                 |
| Industrial                      | 9,583.15CR              | 15,408.48CR                    | 390,562.51CR            | 421,400.00CR                 | 401,962.60CR              | 390,562.51CR             | 401,962.60CR                |
| Total Interruptible Rate        | 9,583.15CR              | 15,408.48CR                    | 427,206.13CR            | 421,400.00CR                 | 436,769.60CR              | 427,206.13CR             | 436,769.60CR                |
| Total Gas Revenue               | 1,476,150.20CR          | 1,759,183.53CR                 | 59,668,168.58CR         | 53,426,800.00CR              | 53,619,583.12CR           | 59,668,168.58CR          | 53,619,583.12CR             |
| Miscellaneous Operating Revenue | 26,135.00CR             | 26,865.00CR                    | 332,370.00CR            | 302,400.00CR                 | 292,538.00CR              | 332,370.00CR             | 292,538.00CR                |
| Off System Transportation Reven | 248,384.88CR            | 346,530.96CR                   | 3,785,867.62CR          | 3,447,800.00CR               | 3,864,346.74CR            | 3,785,867.62CR           | 3,864,346.74CR              |
| On System Transportation Revenu | 262,676.75CR            | 308,942.13CR                   | 4,117,902.42CR          | 4,404,400.00CR               | 4,460,557.54CR            | 4,117,902.42CR           | 4,460,557.54CR              |
| TOTAL OPERATING REVENUE         | 2,013,346.83CR          | 2,441,521.62CR                 | 67,904,308.62CR         | 61,581,400.00CR              | 62,237,025.40CR           | 67,904,308.62CR          | 62,237,025.40CR             |
| OPERATING EXPENSES              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 554,585.19              | 824,910.08                     | 39,137,524.58           | 31,559,000.00                | 33,493,413.62             | 39,137,524.58            | 33,493,413.62               |
| Recovery of Canada Mountain     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Purchased Gas, net              | 554,585.19              | 824,910.08                     | 39,137,524.58           | 31,559,000.00                | 33,493,413.62             | 39,137,524.58            | 33,493,413.62               |
| Opexation Expense               | 951,280.57              | 1,291,941.03                   | 6,893,058.76            | 7,329,600.00                 | 7,080,636.10              | 6,893,058.76             | 7,080,636.10                |
| Labor                           | 59,548.40               | 84,669.66                      | 854,981.65              | 818,400.00                   | 906,369.90                | 854,981.65               | 906,369.90                  |
| Transportation                  |                         |                                |                         |                              |                           |                          |                             |

DELTA NATURAL GAS CO., INC. ANL IDIARIES

Income Statement - Delta

July 01, 2008 - June 30, 2009

|                                  | Current Month Amount | Last Year Curr Month Amount | Current Y-T-D Amount | Current Y-T-D Budget | Last Year Y-T-D Amount | 12 Month Y-T-D Amount | Previous 12 Month Amount |
|----------------------------------|----------------------|-----------------------------|----------------------|----------------------|------------------------|-----------------------|--------------------------|
| General Operations               | 43,479.94            | 212,470.05                  | 491,892.60           | 601,000.00           | 801,366.28             | 491,892.60            | 801,366.28               |
| Customer Billing                 | 22,671.05            | 37,117.63                   | 328,994.44           | 261,400.00           | 267,974.70             | 328,994.44            | 267,974.70               |
| Uncollectible Accounts           | 533,412.06CR         | 57,601.17CR                 | 361,587.94           | 408,000.00           | 599,344.83             | 361,587.94            | 599,344.83               |
| Administrative                   | 46,508.09            | 49,099.20                   | 568,321.03           | 627,900.00           | 574,985.39             | 568,321.03            | 574,985.39               |
| Outside Services                 | 96,841.08            | 50,334.13                   | 931,849.76           | 848,600.00           | 808,063.38             | 931,849.76            | 808,063.38               |
| Insurance                        | 66,672.49            | 67,473.12                   | 804,450.60           | 766,800.00           | 809,571.09             | 804,450.60            | 809,571.09               |
| Employee Benefits                | 353,834.09           | 247,396.89                  | 2,780,652.24         | 2,709,000.00         | 2,477,579.01           | 2,780,652.24          | 2,477,579.01             |
| General Administration           | 63,151.32            | 58,139.22                   | 735,698.96           | 775,500.00           | 781,448.61             | 735,698.96            | 781,448.61               |
| Expenses Transferred             | 526,689.00CR         | 889,758.89CR                | 3,224,109.41CR       | 2,937,700.00CR       | 3,524,229.63CR         | 3,224,109.41CR        | 3,524,229.63CR           |
| Other                            | 68,095.76            | 71,130.79                   | 1,289,345.93         | 466,100.00           | 465,523.56             | 1,289,345.93          | 465,523.56               |
| <b>Total Operation Expense</b>   | <b>711,981.73</b>    | <b>1,222,411.66</b>         | <b>12,816,724.50</b> | <b>12,674,600.00</b> | <b>12,048,633.22</b>   | <b>12,816,724.50</b>  | <b>12,048,633.22</b>     |
| Maintenance Expense              |                      |                             |                      |                      |                        |                       |                          |
| Labor                            | 11,169.27            | 14,238.49                   | 106,951.60           | .00                  | 121,037.13             | 106,951.60            | 121,037.13               |
| Transportation                   | 3,539.45             | 6,359.24                    | 41,555.15            | .00                  | 47,069.24              | 41,555.15             | 47,069.24                |
| Mains                            | 8,672.85             | 34,781.51                   | 99,054.72            | 210,000.00           | 198,069.27             | 99,054.72             | 198,069.27               |
| Meter & Regulators               | 10,189.16            | 1,943.20                    | 49,720.45            | 48,000.00            | 49,991.59              | 49,720.45             | 49,991.59                |
| Other                            | 57,668.01            | 150,735.06                  | 430,937.36           | 558,500.00           | 587,264.06             | 430,937.36            | 587,264.06               |
| <b>Total Maintenance Expense</b> | <b>91,238.74</b>     | <b>208,057.50</b>           | <b>728,219.28</b>    | <b>816,500.00</b>    | <b>1,003,431.29</b>    | <b>728,219.28</b>     | <b>1,003,431.29</b>      |
| Total Operation and Maintenance  | 803,220.47           | 1,430,469.16                | 13,544,943.78        | 13,491,100.00        | 13,052,064.51          | 13,544,943.78         | 13,052,064.51            |
| Depreciation Expense             | 317,868.19           | 305,234.35                  | 3,737,140.09         | 3,733,000.00         | 4,053,113.17           | 3,737,140.09          | 4,053,113.17             |
| Taxes Other Than Income Taxes    |                      |                             |                      |                      |                        |                       |                          |
| Property Taxes                   | 129,309.00           | 37,154.78                   | 1,281,766.23         | 1,312,600.00         | 1,197,547.78           | 1,281,766.23          | 1,197,547.78             |
| Payroll Taxes                    | 72,132.56            | 93,537.32                   | 575,525.68           | 574,200.00           | 590,309.91             | 575,525.68            | 590,309.91               |
| Total Other Taxes                | 201,441.56           | 130,692.10                  | 1,857,291.91         | 1,886,800.00         | 1,787,857.69           | 1,857,291.91          | 1,787,857.69             |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>1,877,115.41</b>  | <b>2,691,305.69</b>         | <b>58,276,900.36</b> | <b>50,669,900.00</b> | <b>52,386,448.99</b>   | <b>58,276,900.36</b>  | <b>52,386,448.99</b>     |

DELTA NATURAL GAS CO., INC. ANL IDIARIES  
 Income Statement - Delta  
 July 01, 2008 - June 30, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME                | 136,231.42CR            | 249,784.07                     | 9,627,408.26CR          | 10,911,500.00CR              | 9,850,576.41CR            | 9,627,408.26CR           | 9,850,576.41CR              |
| Other Income and Expenses       |                         |                                |                         |                              |                           |                          |                             |
| Other Net Income                | 29,206.51CR             | 265.35CR                       | 105,310.91CR            | 96,600.00CR                  | 83,677.59CR               | 105,310.91CR             | 83,677.59CR                 |
| Net Non Regulated Income        | 29,206.51CR             | 265.35CR                       | 105,310.91CR            | 96,600.00CR                  | 83,677.59CR               | 105,310.91CR             | 83,677.59CR                 |
| Total Income Before Interest Ch | 165,437.93CR            | 249,518.72                     | 9,732,719.17CR          | 11,008,100.00CR              | 9,934,254.00CR            | 9,732,719.17CR           | 9,934,254.00CR              |
| Interest Expense                |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt      | 302,329.17              | 305,869.37                     | 3,648,243.00            | 3,676,800.00                 | 3,677,983.44              | 3,648,243.00             | 3,677,983.44                |
| Interest On Short-Term Debt     | 660.22                  | 16,917.24                      | 235,923.72              | 505,300.00                   | 458,447.35                | 235,923.72               | 458,447.35                  |
| Other Interest                  | 2,801.06                | 2,783.13                       | 33,227.23               | 37,200.00                    | 32,692.90                 | 33,227.23                | 32,692.90                   |
| Amortization of Debt Expense    | 32,271.88               | 32,274.88                      | 387,262.56              | 387,200.00                   | 387,265.56                | 387,262.56               | 387,265.56                  |
| Total Interest Expense          | 338,062.33              | 357,844.62                     | 4,304,656.51            | 4,606,500.00                 | 4,556,389.25              | 4,304,656.51             | 4,556,389.25                |
| Net Income Before Income Taxes  | 172,624.40              | 607,363.34                     | 5,428,062.66CR          | 6,401,600.00CR               | 5,377,864.75CR            | 5,428,062.66CR           | 5,377,864.75CR              |
| Current Federal                 | 1,906,864.85CR          | 1,163,810.00CR                 | 368,038.54CR            | 2,393,300.00                 | 103,800.00CR              | 368,038.54CR             | 103,800.00CR                |
| Current State                   | 424,287.46CR            | 296,340.00                     | 100,687.45              | .00                          | 56,100.00                 | 100,687.45               | 56,100.00                   |
| Deferred Federal & State        | 2,242,034.18            | 638,450.00                     | 2,209,583.70            | .00                          | 2,074,000.00              | 2,209,583.70             | 2,074,000.00                |
| Investment Tax Credit-Net       | 2,775.00CR              | 2,983.33CR                     | 33,300.00CR             | .00                          | 35,800.00CR               | 33,300.00CR              | 35,800.00CR                 |
| Income Taxes Non-Regulated      | 11,087.70               | 500.00                         | 39,376.02               | 36,700.00                    | 31,800.00                 | 39,376.02                | 31,800.00                   |
| Total Income Taxes              | 80,805.43CR             | 231,503.33CR                   | 1,948,908.63            | 2,430,000.00                 | 2,022,300.00              | 1,948,908.63             | 2,022,300.00                |
| Net Income - Delta Natural      | 91,818.97               | 375,860.01                     | 3,479,154.03CR          | 3,971,600.00CR               | 3,355,564.75CR            | 3,479,154.03CR           | 3,355,564.75CR              |
| Subsidiary Net Income           |                         |                                |                         |                              |                           |                          |                             |
| Total Subsidiary Net Income     | 508,085.00              | 225,177.00                     | 1,731,575.00CR          | 1,647,600.00CR               | 3,474,303.00CR            | 1,731,575.00CR           | 3,474,303.00CR              |
| Net Income - Consolidated       | 599,903.97              | 601,037.01                     | 5,210,729.03CR          | 5,619,200.00CR               | 6,829,867.75CR            | 5,210,729.03CR           | 6,829,867.75CR              |

DELTA NATURAL GAS CO., INC. AND .DIARIES

Income Statement - Delta Resources

July 01, 2008 - June 30, 2009

|   | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| Operating Revenues  |                         |                                |                         |                              |                           |                          |                             |
| Sales To Parent   | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Sales To Others   | 697,800.94CR            | 1,830,433.81CR                 | 14,937,344.80CR         | 17,060,500.00CR              | 20,027,808.13CR           | 14,937,344.80CR          | 20,027,808.13CR             |
| Total Operating Revenues  | 697,800.94CR            | 1,830,433.81CR                 | 14,937,344.80CR         | 17,060,500.00CR              | 20,027,808.13CR           | 14,937,344.80CR          | 20,027,808.13CR             |
| Operating Expenses  |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas   | 477,465.49              | 1,528,905.00                   | 11,034,045.60           | 12,842,200.00                | 14,992,735.79             | 11,034,045.60            | 14,992,735.79               |
| Total Operation, Maintenance and<br>Taxes Other than Income Tax | 326,554.55              | 480,267.80                     | 2,853,427.00            | 2,911,900.00                 | 3,222,813.39              | 2,853,427.00             | 3,222,813.39                |
| Total Operating Expenses  | 804,020.04              | 2,009,172.80                   | 13,887,472.60           | 15,754,100.00                | 18,215,549.18             | 13,887,472.60            | 18,215,549.18               |
| Total Other Income and Expenses                                 | .00                     | .00                            | 15.08                   | .00                          | .00                       | 15.08                    | .00                         |
| Operating Income  | 106,219.10              | 178,738.99                     | 1,049,857.12CR          | 1,306,400.00CR               | 1,812,258.95CR            | 1,049,857.12CR           | 1,812,258.95CR              |
| Interest Expense  | 1,000.00                | 3,000.00CR                     | 30,700.00               | 9,900.00CR                   | 100.00                    | 30,700.00                | 100.00                      |
| Net Income Before Income Taxes                                  | 107,219.10              | 175,738.99                     | 1,019,157.12CR          | 1,316,300.00CR               | 1,812,158.95CR            | 1,019,157.12CR           | 1,812,158.95CR              |
| Income Tax Expense  | 40,700.37CR             | 39,600.00CR                    | 386,872.04              | 499,600.00                   | 687,600.00                | 386,872.04               | 687,600.00                  |
| Net Income  | 66,518.73               | 136,138.99                     | 632,285.08CR            | 816,700.00CR                 | 1,124,558.95CR            | 632,285.08CR             | 1,124,558.95CR              |

DELTA NATURAL GAS CO., INC. ANI IDIARIES  
 Income Statement - Delgasco  
 July 01, 2008 - June 30, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 03                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Sales To Affiliates             | 477,465.45CR            | 1,528,905.00CR                 | 11,034,045.60CR         | .00                          | 14,992,735.79CR           | 11,034,045.60CR          | 14,992,735.79CR             |
| Sales To Others                 | 266,350.10CR            | 2,623,143.85CR                 | 26,039,036.06CR         | 28,415,500.00CR              | 34,134,059.39CR           | 26,039,036.06CR          | 34,134,059.39CR             |
| Total Operating Revenues        | 743,815.59CR            | 4,152,048.85CR                 | 37,073,081.66CR         | 28,415,500.00CR              | 49,126,795.18CR           | 37,073,081.66CR          | 49,126,795.18CR             |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 696,424.28              | 3,867,024.28                   | 33,616,615.46           | 26,810,000.00                | 44,496,322.22             | 33,616,615.46            | 44,496,322.22               |
| Operation and Maintenance       | 686,974.43              | 455,801.42                     | 2,051,824.22            | 1,152,300.00                 | 1,659,993.77              | 2,051,824.22             | 1,659,993.77                |
| Taxes Other Than Income Tax     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expense         | 1,383,398.71            | 4,322,825.70                   | 35,668,439.68           | 27,962,300.00                | 46,156,315.99             | 35,668,439.68            | 46,156,315.99               |
| Operating Income                | 639,583.12              | 170,776.85                     | 1,404,641.98CR          | 453,200.00CR                 | 2,970,479.19CR            | 1,404,641.98CR           | 2,970,479.19CR              |
| TOTAL OTHER INCOME AND EXPENSES | 4.42                    | .00                            | 201.70CR                | .00                          | .00                       | 201.70CR                 | .00                         |
| Total Interest Expense          | 3,600.00                | 3,600.00CR                     | 202,300.00              | 305,200.00                   | 248,600.00                | 202,300.00               | 248,600.00                  |
| Net Income Before Income Taxes  | 643,187.54              | 167,176.85                     | 1,202,543.68CR          | 148,000.00CR                 | 2,721,879.19CR            | 1,202,543.68CR           | 2,721,879.19CR              |
| Income Tax Expense              | 244,153.88CR            | 99,900.00CR                    | 456,485.69              | 56,200.00                    | 1,033,000.00              | 456,485.69               | 1,033,000.00                |
| Net Income                      | 399,033.66              | 67,276.85                      | 746,057.99CR            | 91,800.00CR                  | 1,688,879.19CR            | 746,057.99CR             | 1,688,879.19CR              |



DELTA NATURAL GAS CO., INC. ANL DIARIES  
 Income Statement - Empro  
 July 01, 2008 - June 30, 2009

|                                 | Current Month Amount | Last Year Curr Month Amount | Current Y-T-D Amount | Current Y-T-D Budget | Last Year Y-T-D Amount | 12 Month Y-T-D Amount | Previous 12 Month Amount |
|---------------------------------|----------------------|-----------------------------|----------------------|----------------------|------------------------|-----------------------|--------------------------|
| 05 Operating Revenues           |                      |                             |                      |                      |                        |                       |                          |
| Gas Production                  | 32,797.38CR          | 116,195.45CR                | 833,384.96CR         | 1,396,600.00CR       | 1,307,671.72CR         | 833,384.96CR          | 1,307,671.72CR           |
| Oil Production                  | 7,385.70CR           | 6,128.66CR                  | 33,139.87CR          | 38,400.00CR          | 52,582.56CR            | 33,139.87CR           | 52,582.56CR              |
| Royalty                         | 1,220.98CR           | 15,296.41CR                 | 149,664.91CR         | 204,000.00CR         | 223,007.12CR           | 149,664.91CR          | 223,007.12CR             |
| Other                           | .00                  | .00                         | .00                  | .00                  | .00                    | .00                   | .00                      |
| Total Operating Revenues        | 41,404.06CR          | 137,620.52CR                | 1,016,189.74CR       | 1,639,000.00CR       | 1,583,261.40CR         | 1,016,189.74CR        | 1,583,261.40CR           |
| Operating Expenses              |                      |                             |                      |                      |                        |                       |                          |
| Purchased Gas                   | 8,087.78             | 16,446.79                   | 156,875.60           | 305,500.00           | 200,322.81             | 156,875.60            | 200,322.81               |
| Operations and Maintenance      |                      |                             |                      |                      |                        |                       |                          |
| Total Operations and Maint. E   | 92,082.33            | 156,544.66                  | 162,784.90           | 51,600.00            | 211,113.26             | 162,784.90            | 211,113.26               |
| Depreciation and Amortization   | 9,889.08             | 9,834.19                    | 117,958.62           | 117,300.00           | 118,032.22             | 117,958.62            | 118,032.22               |
| Taxes Other Than Income Taxes   | .00                  | .00                         | 23,315.16            | 25,000.00            | 23,371.77              | 23,315.16             | 23,371.77                |
| Total Operating Expenses        | 110,059.19           | 182,825.64                  | 460,934.28           | 499,400.00           | 552,840.06             | 460,934.28            | 552,840.06               |
| Operating Income                | 68,655.13            | 45,205.12                   | 555,255.46CR         | 1,139,600.00CR       | 1,030,421.34CR         | 555,255.46CR          | 1,030,421.34CR           |
| Total Other Income and Expenses | .06CR                | 156.31                      | 4,107.14CR           | .00                  | 156.31                 | 4,107.14CR            | 156.31                   |
| Interest Expense                | 100.00CR             | 2,600.00CR                  | 10,000.00CR          | 51,600.00CR          | 34,600.00CR            | 10,000.00CR           | 34,600.00CR              |
| Net Income Before Income Taxes  | 68,555.07            | 42,761.43                   | 569,362.60CR         | 1,191,200.00CR       | 1,064,865.03CR         | 569,362.60CR          | 1,064,865.03CR           |
| Income Tax Expense              | 26,023.49CR          | 21,000.00CR                 | 216,130.05           | 452,100.00           | 404,000.00             | 216,130.05            | 404,000.00               |
| Net Income                      | 42,531.58            | 21,761.43                   | 353,232.55CR         | 739,100.00CR         | 660,865.03CR           | 353,232.55CR          | 660,865.03CR             |





DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT  
For Period 7/01/2008 - 6/30/2009

CAPITAL EXPENDITURES  
All Agents

JLC JOHNNY L CAUDILL

|                   | Current      |                   | Curr Month Amt (-) |               | Adopted           |               | Current Y-T-D (-) |                   | Adopted            |                | Adopted            |                | Percentage Expended |
|-------------------|--------------|-------------------|--------------------|---------------|-------------------|---------------|-------------------|-------------------|--------------------|----------------|--------------------|----------------|---------------------|
|                   | Month Amount | Last Yr Month Amt | Curr Month Amt (-) | Cur Mo Actual | Cur Mo Budget (-) | Cur Mo Actual | Y-T-D Amount      | Last Y-T-D Amount | Cur YTD Budget (-) | Cur YTD Actual | Cur YTD Budget (-) | Cur YTD Actual |                     |
| 1380 DIST SERV    | 29,450.94    | 16,287.07CR       | 30,549.06          | 30,549.06     | 71,642.64CR       | 158,054.10    | 504,945.90        | 71,642.64CR       | 158,054.10         | 158,054.10     | 158,054.10         | 158,054.10     | 76.16 %             |
| 1381 METERS       | 5,629.19     | 9,944.09CR        | 6,370.81           | 6,370.81      | 42,376.83CR       | 31,397.39     | 112,602.61        | 42,376.83CR       | 31,397.39          | 31,397.39      | 31,397.39          | 31,397.39      | 78.19 %             |
| 1382 MET&REG IN   | 3,622.13     | 2,866.02CR        | 5,377.87           | 5,377.87      | 58,141.90         | 49,858.10     | 58,141.90         | 23,671.01CR       | 49,858.10          | 49,858.10      | 49,858.10          | 49,858.10      | 53.83 %             |
| 1383 REGULATORS   | 12,000.42    | 6,581.90          | 5,799.58           | 5,799.58      | 169,566.95        | 44,133.05     | 169,566.95        | 12,947.46CR       | 44,133.05          | 44,133.05      | 44,133.05          | 44,133.05      | 79.34 %             |
| 1385 IND METERS   | 1,997.34     | 7,350.87CR        | 3,002.66           | 3,002.66      | 40,269.16         | 19,730.84     | 40,269.16         | 1,063.49          | 19,730.84          | 19,730.84      | 19,730.84          | 19,730.84      | 67.11 %             |
| 1389 LAND&RHTS    | .00          | .00               | .00                | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00                | .00            | .00 %               |
| 1390 STRUCTURES   | .00          | 4,800.00CR        | 5,000.00           | 5,000.00      | 3,343.95CR        | 28,303.00     | 11,697.00         | 3,343.95CR        | 28,303.00          | 28,303.00      | 28,303.00          | 28,303.00      | 29.24 %             |
| 1391 FURN&EQUIP   | .00          | 4,340.70CR        | .00                | .00           | 13,877.12CR       | 8,242.30      | 3,757.70          | 13,877.12CR       | 8,242.30           | 8,242.30       | 8,242.30           | 8,242.30       | 31.31 %             |
| 1392 TRANSP EQP   | 74,928.81    | 74,928.81         | 74,928.81          | 74,928.81     | 287,189.36        | 86,024.81CR   | 646,024.81        | 287,189.36        | 86,024.81CR        | 86,024.81CR    | 86,024.81CR        | 86,024.81CR    | 115.36 %            |
| 1393 STORES EQP   | .00          | .00               | .00                | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00                | .00            | .00 %               |
| 1394 TOOLS&EQUIP  | .00          | 12,409.63CR       | 6,800.00           | 6,800.00      | 18,948.50         | 81,051.50     | 18,948.50         | 48,166.75CR       | 81,051.50          | 81,051.50      | 81,051.50          | 81,051.50      | 18.94 %             |
| 139401 CNG EQUIPM | .00          | .00               | .00                | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00                | .00            | .00 %               |
| 1396 PO EQUIPMT   | 103,615.00   | 51,073.98CR       | 101,115.00CR       | 101,115.00CR  | 390,956.31CR      | 401,434.67    | 156,565.33        | 390,956.31CR      | 401,434.67         | 401,434.67     | 401,434.67         | 401,434.67     | 28.05 %             |
| 1397 COMM EQUIP   | .00          | .00               | .00                | .00           | .00               | 12,000.00     | .00               | .00               | 12,000.00          | 12,000.00      | 12,000.00          | 12,000.00      | .00 %               |
| 1398 MISC EQUIP   | .00          | .00               | .00                | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00                | .00            | .00 %               |
| 139901 MAPPING    | .00          | .00               | .00                | .00           | .00               | 4,209.14      | 25,790.86         | 2,348.96          | 4,209.14           | 4,209.14       | 4,209.14           | 4,209.14       | 85.96 %             |
| 139931 OFFC EQUIP | .00          | .00               | .00                | .00           | .00               | .00           | .00               | .00               | .00                | .00            | .00                | .00            | .00 %               |
| Total JLC JLC     | 453,591.71   | 153,936.69        | 138,991.71CR       | 138,991.71CR  | 3,797,999.19      | 1,242,500.81  | 483,035.79CR      | 483,035.79CR      | 1,242,500.81       | 1,242,500.81   | 1,242,500.81       | 1,242,500.81   |                     |
| Grand Total       | 519,244.63   | 36,001.19CR       | 576,755.37         | 576,755.37    | 8,893,974.78      | 970,374.78CR  | 1,784,579.64      | 1,784,579.64      | 970,374.78CR       | 970,374.78CR   | 970,374.78CR       | 970,374.78CR   |                     |

Delta Natural Gas Company, Inc.  
Board of Directors' Meeting - 11/19/2009  
Quarterly Summary Report

|   | Periods ended September 30 |                |                |                |                |
|---|----------------------------|----------------|----------------|----------------|----------------|
|   | 3 months                   |                |                | 12 months      |                |
|   | 2009<br>Actual             | 2009<br>Budget | 2008<br>Actual | 2009<br>Actual | 2008<br>Actual |
| System Throughput (million cu. ft.)                                 |                            |                |                |                |                |
| Regulated Gas Sales Volumes   | 179                        | 169            | 170            | 3,190          | 3,089          |
| Transportation Volumes  |                            |                |                |                |                |
| - off system  | 2,369                      | 2,671          | 3,094          | 11,190         | 12,892         |
| - on system   | 921                        | 1,048          | 1,044          | 4,093          | 4,900          |
| Total Transportation  | 3,290                      | 3,719          | 4,138          | 15,283         | 17,792         |
| Total Throughput  | 3,469                      | 3,888          | 4,308          | 18,473         | 20,881         |
| Actual Lexington Calendar<br>Degree Days as % of 30 Year<br>Average | 67                         | 100            | 4              | 101            | 95             |
| Net Income (Loss) (\$000)   | (563)                      | (705)          | 273            | 4,375          | 7,914          |
| Net Income (Loss) Per<br>Common Share (\$)                          | (.17)                      | (.21)          | .08            | 1.32           | 2.41           |

The attached detailed financial data is provided for further information and review.

In summary, the decrease in net income of \$.25 per share for the quarter ended September 30, 2009 compared to the preceding year was due to a decrease in net income before taxes of \$1,366,000. This decrease was primarily due to decreased non-regulated gross margins of \$1,043,000 (51%) due to a 49% decrease in volumes sold and a 52% decline in sales prices. Gross margins on regulated sales decreased \$95,000 (3%). Pension expense increased \$110,000 in response to the decline in the market value of our pension assets through March 31, 2009 and medical expense increased \$82,000.

Net loss per share for the quarter ended September 30, 2009 was \$.04 less than budgeted due to net loss before income taxes being \$186,000 lower than budgeted. O&M and interest expenses were lower than budgeted, partially offset by non-regulated gross margins and off-system transportation revenue also being lower than budgeted. Note that for comparison purposes, the budgeted numbers shown above have been reduced to correct for an error made in allocating large non-residential volumes between months in the fiscal 2010 budget as approved by the board. The error did not impact the annual budget, only the allocation of the volumes and revenues between months. To correct the error, 150,000 mcf in retail gas sales volumes have been shifted from this quarter. This reduction in volume resulted in a \$332,000 increase in budgeted net loss and a \$.10 increase in budgeted loss per share for the quarter.

Budgeted capital expenditures exceeded actual expenditures by \$933,000 for the quarter ended September 30, 2009 due to the delay of certain budgeted jobs.

**DELTA NATURAL GAS COMPANY, INC.**

**BALANCE SHEET**

September 30, 2009

| <b>ASSETS</b>                          |        | 2009                          | 2008                             |
|--|--------|-------------------------------|----------------------------------|
| <b>GAS UTILITY PLANT, AT COST</b>      | \$     | 198,158,454                   | \$ 192,030,012                   |
| Less - Reserve for Depreciation        |        | <u>69,418,676</u>             | <u>66,682,522</u>                |
|  | \$     | <u><b>128,739,778</b></u>     | \$ <u><b>125,347,490</b></u>     |
| <b>CURRENT ASSETS:</b>                 |        |                               |                                  |
| Cash                                   | \$     | 107,626                       | \$ 885,554                       |
| Receivables                            |        | 2,862,421                     | 3,002,602                        |
| Deferred Gas Cost                      |        | 2,629,270                     | 8,101,290                        |
| Gas in Storage, at Cost                |        | 4,397,283                     | 13,274,777                       |
| Materials and Supplies, at Cost        |        | 577,794                       | 577,757                          |
| Prepayments                            |        | <u>2,124,807</u>              | <u>2,625,280</u>                 |
|  | \$     | <u><b>12,699,201</b></u>      | \$ <u><b>28,467,260</b></u>      |
| <b>OTHER ASSETS:</b>                   |        |                               |                                  |
| Cash Surrender Value of Life Insurance | \$     | 432,752                       | \$ 444,312                       |
| Unamortized Expenses                   |        | 4,639,198                     | 5,026,461                        |
| Receivable/Investment in Subsidiaries  |        | 7,033,000                     | 11,886,759                       |
| Other                                  |        | <u>9,373,414</u>              | <u>7,210,067</u>                 |
|  | \$     | <u><b>21,478,364</b></u>      | \$ <u><b>24,567,599</b></u>      |
| <br><b>TOTAL ASSETS</b>                | <br>\$ | <br><u><b>162,917,343</b></u> | <br>\$ <u><b>178,382,349</b></u> |
| <br><b>LIABILITIES</b>                 |        |                               |                                  |
| <b>CAPITALIZATION:</b>                 |        |                               |                                  |
| Common Stock                           | \$     | 3,323,385                     | \$ 3,301,117                     |
| Paid-in Surplus                        |        | 47,234,115                    | 46,749,375                       |
| Capital Stock Expense                  |        | (2,643,354)                   | (2,643,354)                      |
| Retained Earnings                      |        | <u>9,573,734</u>              | <u>9,454,081</u>                 |
| Total Common Equity                    | \$     | <u><b>57,487,880</b></u>      | \$ <u><b>56,861,219</b></u>      |
| Long-term Debt                         |        | <u>57,391,000</u>             | <u>58,242,000</u>                |
| Total Capitalization                   | \$     | <u><b>114,878,880</b></u>     | \$ <u><b>115,103,219</b></u>     |
| <b>CURRENT LIABILITIES:</b>            |        |                               |                                  |
| Notes Payable                          | \$     | 9,595,839                     | \$ 24,698,334                    |
| Current Portion of Long-Term Debt      |        | 1,200,000                     | 1,200,000                        |
| Accounts Payable                       |        | 2,773,426                     | 4,805,730                        |
| Accrued Taxes                          |        | (4,195,634)                   | 69,806                           |
| Refunds Due Customers                  |        | 0                             | 0                                |
| Customer Deposits                      |        | 493,441                       | 490,868                          |
| Accrued Interest                       |        | 853,515                       | 862,003                          |
| Current Deferred Income Taxes          |        | 872,433                       | 1,628,913                        |
| Other                                  |        | <u>1,219,780</u>              | <u>1,143,787</u>                 |
|  | \$     | <u><b>12,812,800</b></u>      | \$ <u><b>34,899,441</b></u>      |
| <b>DEFERRED CREDITS AND OTHER:</b>     |        |                               |                                  |
| Deferred Income Taxes                  | \$     | 31,522,567                    | \$ 24,548,481                    |
| Deferred Investment Tax Credit         |        | 136,850                       | 169,475                          |
| Regulatory Items                       |        | 1,517,776                     | 1,948,841                        |
| Advances for Construction and Other    |        | 1,858,284                     | 1,712,892                        |
| Accumulated Provision for Pensions     |        | <u>190,186</u>                | 0                                |
|  | \$     | <u><b>35,225,663</b></u>      | \$ <u><b>28,379,689</b></u>      |
| <br><b>TOTAL LIABILITIES</b>           | <br>\$ | <br><u><b>162,917,343</b></u> | <br>\$ <u><b>178,382,349</b></u> |

**DELTA NATURAL GAS COMPANY, INC.**  
**STATEMENT OF INCOME**

**September 30, 2009**

|   | 3 MONTHS TO DATE           |                            | 12 MONTHS ENDED                |                                |
|---|----------------------------|----------------------------|--------------------------------|--------------------------------|
|   | 2009                       | 2008                       | 2009                           | 2008                           |
| <b>OPERATING REVENUES</b>                           | \$ 5,818,847               | \$ 7,411,103               | \$ 66,312,053                  | \$ 63,683,828                  |
| <b>OPERATING EXPENSES &amp; TAXES:</b>              |                            |                            |                                |                                |
| Gas Purchased                                       | \$ 1,623,442               | \$ 2,912,174               | \$ 37,848,793                  | \$ 34,217,531                  |
| Operations  | 3,037,809                  | 2,708,758                  | 13,145,775                     | 12,087,575                     |
| Maintenance   | 156,792                    | 224,906                    | 660,105                        | 1,052,046                      |
| Depreciation  | 954,958                    | 920,602                    | 3,771,497                      | 3,744,196                      |
| Property & Other Taxes                              | 453,744                    | 438,701                    | 1,872,335                      | 1,783,846                      |
| Income Taxes  | <u>(566,353)</u>           | <u>(363,684)</u>           | <u>1,706,264</u>               | <u>2,350,450</u>               |
| Total   | \$ 5,660,392               | \$ 6,841,457               | \$ 59,004,769                  | \$ 55,235,644                  |
| Operating Income                                    | \$ 158,455                 | \$ 569,646                 | \$ 7,307,284                   | \$ 8,448,184                   |
| <b>OTHER INCOME/(EXPENSES),NET</b>                  | 293,101                    | 824,536                    | 1,265,475                      | 3,952,937                      |
| Gross Income  | \$ 451,556                 | \$ 1,394,182               | \$ 8,572,759                   | \$ 12,401,121                  |
| <b>OTHER DEDUCTIONS:</b>                            |                            |                            |                                |                                |
| Interest on Debt                                    | \$ 917,744                 | \$ 1,024,151               | \$ 3,810,987                   | \$ 4,099,828                   |
| Amortization  | 96,816                     | 96,816                     | 387,263                        | 387,266                        |
| Other   |                            |                            | -                              | -                              |
| Total   | \$ 1,014,560               | \$ 1,120,967               | \$ 4,198,250                   | \$ 4,487,094                   |
| <b>NET INCOME/(LOSS) APPLICABLE TO COMMON STOCK</b> | \$ (563,004)               | \$ 273,215                 | \$ 4,374,509                   | \$ 7,914,027                   |
| <b>EARNINGS PER AVERAGE SHARES OUTSTANDING</b>      | \$ (0.17)                  | \$ 0.08                    | \$ 1.32                        | \$ 2.41                        |
| <b>CUSTOMERS AT END OF PERIOD</b>                   |                            |                            | 34,297                         | 34,787                         |
| <b>AVERAGE SHARES</b>                               | 3,320,006<br>FISCAL<br>YTD | 3,297,671<br>FISCAL<br>YTD | 3,311,596<br>12 MONTH<br>ENDED | 3,290,273<br>12 MONTH<br>ENDED |

**DELTA NATURAL GAS CO., INC.**  
**COMPARISON OF MCF, REVENUE AND GAS COST**  
**September 30, 2009**

|   | MONTH                            |                  |                  | YEAR TO DATE                     |                  |                   | YEAR ENDED        |                    |
|---|----------------------------------|------------------|------------------|----------------------------------|------------------|-------------------|-------------------|--------------------|
|   | This Year Over<br>(Under) Budget | This Year        | Last Year        | This Year Over<br>(Under) Budget | This Year        | Last Year         | This Year         | Last Year          |
| DEGREE DAYS BILLED - LEXINGTON AREA     | (46)                             | 3                | -                | (34)                             | 15               | -                 | 4,657             | 4,464              |
| <b>MCF'S:</b>                           |                                  |                  |                  |                                  |                  |                   |                   |                    |
| <b>DELTA NATURAL</b>                    |                                  |                  |                  |                                  |                  |                   |                   |                    |
| RESIDENTIAL                             | (2,360)                          | 21,040           | 20,835           | 2,470                            | 70,970           | 70,130            | 1,720,011         | 1,690,764          |
| SMALL COMMERCIAL                        | (297)                            | 8,003            | 8,049            | 859                              | 26,859           | 26,766            | 544,482           | 523,327            |
| LARGE NON -RESIDENTIAL                  | (53,043)                         | 20,957           | 22,536           | (154,448)                        | 67,752           | 73,274            | 879,122           | 843,792            |
| INTERRUPTIBLE                           | (32)                             | 768              | 805              | (108)                            | 2,492            | 2,603             | 29,215            | 33,600             |
| TOTAL SOLD                              | <u>(55,732)</u>                  | <u>50,768</u>    | <u>52,225</u>    | <u>(151,227)</u>                 | <u>168,073</u>   | <u>172,773</u>    | <u>3,172,830</u>  | <u>3,091,483</u>   |
| OFF SYSTEM                              | (114,164)                        | 709,236          | 953,000          | (302,075)                        | 2,368,825        | 3,093,514         | 11,183,530        | 12,891,501         |
| ON SYSTEM                               | (4,358)                          | 338,642          | 341,010          | (127,498)                        | 921,402          | 1,043,604         | 4,093,290         | 4,900,326          |
| TOTAL TRANSPORTED                       | <u>(118,522)</u>                 | <u>1,047,878</u> | <u>1,294,010</u> | <u>(429,573)</u>                 | <u>3,290,227</u> | <u>4,137,118</u>  | <u>15,276,820</u> | <u>17,791,827</u>  |
| TOTAL DELTA NATURAL                     | <u>(174,254)</u>                 | <u>1,098,646</u> | <u>1,346,235</u> | <u>(580,800)</u>                 | <u>3,458,300</u> | <u>4,309,891</u>  | <u>18,449,650</u> | <u>20,883,310</u>  |
| <b>RESOURCES ON SYS INCL</b>            | (29,880)                         | 91,820           | 119,686          | (57,926)                         | 282,074          | 334,762           | 1,410,172         | 1,806,992          |
| <b>DELGASCO OFF SYS INCL</b>            | (14,402)                         | 59,298           | 186,668          | (39,117)                         | 182,483          | 569,510           | 2,285,062         | 3,534,474          |
| <b>ENPRO - SALES TO AFFILIATES</b>      | (4,372)                          | 10,728           | 9,621            | (8,542)                          | 35,958           | 39,682            | 139,181           | 171,389            |
| <b>Unbilled MCF</b>                     | 19,024                           | 19,024           | 4,281            | 10,606                           | 10,606           | (2,970)           | 16,684            | (2,484)            |
| <b>REVENUES:</b>                        |                                  |                  |                  |                                  |                  |                   |                   |                    |
| <b>DELTA NATURAL</b>                    |                                  |                  |                  |                                  |                  |                   |                   |                    |
| RETAIL SALES                            | (985,285)                        | 1,306,215        | 1,756,235        | (2,723,522)                      | 4,155,678        | 5,463,623         | 58,552,803        | 54,466,634         |
| UNBILLED REVENUE                        | 232,749                          | 232,749          | 178,099          | 37,338                           | 37,338           | 98,369            | (254,205)         | 440,601            |
| DEMAND-SIDE MANAGEMENT REVENUE          | 13                               | 13               | -                | 43                               | 43               | -                 | 637               | -                  |
| MISC OPERATING                          | (3,050)                          | 9,850            | 12,820           | (8,700)                          | 50,600           | 59,195            | 323,775           | 319,488            |
| OFF SYS TRANSPORT                       | (7,691)                          | 219,009          | 289,548          | (24,728)                         | 715,972          | 931,935           | 3,569,905         | 3,971,125          |
| ON SYS TRANSPORT                        | 6,243                            | 300,543          | 295,823          | 5,916                            | 859,216          | 857,982           | 4,119,137         | 4,485,981          |
| TOTAL DELTA NATURAL                     | <u>(757,021)</u>                 | <u>2,068,379</u> | <u>2,532,525</u> | <u>(2,713,653)</u>               | <u>5,818,847</u> | <u>7,411,104</u>  | <u>66,312,052</u> | <u>63,683,829</u>  |
| <b>RESOURCES ON SYS SALES</b>           | (463,831)                        | 477,369          | 1,205,885        | (1,076,107)                      | 1,553,193        | 3,844,959         | 10,105,342        | 18,098,254         |
| <b>DELGASCO OFF SYS SALES</b>           | (392,027)                        | 190,273          | 1,794,164        | (1,035,860)                      | 713,740          | 6,757,477         | 19,108,866        | 36,274,992         |
| <b>ENPRO - SALES TO AFFILIATES</b>      | (27,815)                         | 25,585           | 80,238           | (68,220)                         | 96,380           | 440,445           | 489,320           | 1,560,237          |
| TOTAL CONSOLIDATED                      | <u>(1,640,694)</u>               | <u>2,761,606</u> | <u>5,612,812</u> | <u>(4,893,840)</u>               | <u>8,182,160</u> | <u>18,453,985</u> | <u>96,015,580</u> | <u>119,617,312</u> |
| <b>GAS COSTS:</b>                       |                                  |                  |                  |                                  |                  |                   |                   |                    |
| <b>DELTA NATURAL</b>                    | (778,614)                        | 461,186          | 898,792          | (2,167,520)                      | 1,549,680        | 2,812,945         | 38,091,241        | 34,000,210         |
| DELTA NATURAL UNBILLED GAS COST         | 173,454                          | 173,454          | 73,930           | 73,762                           | 73,762           | 99,229            | (242,448)         | 217,320            |
| DELTA RESOURCES                         | (498,314)                        | 353,586          | 1,056,164        | (1,077,796)                      | 1,302,204        | 3,501,543         | 8,834,707         | 15,967,324         |
| DELGASCO                                | (364,783)                        | 169,217          | 1,674,257        | (971,405)                        | 633,095          | 6,281,260         | 16,934,405        | 32,438,041         |
| TOTAL CONSOLIDATED                      | <u>(1,468,257)</u>               | <u>1,157,443</u> | <u>3,703,143</u> | <u>(4,142,959)</u>               | <u>3,558,741</u> | <u>12,694,977</u> | <u>63,617,905</u> | <u>82,622,895</u>  |
| <b>NET SALES:</b>                       |                                  |                  |                  |                                  |                  |                   |                   |                    |
| <b>DELTA NATURAL EXCLUDING UNBILLED</b> | (206,671)                        | 845,029          | 857,443          | (556,002)                        | 2,605,998        | 2,650,678         | 20,461,562        | 20,466,424         |
| DELTA NATURAL UNBILLED                  | 59,295                           | 59,295           | 104,169          | (36,424)                         | (36,424)         | (860)             | (11,757)          | 223,281            |
| DELTA RESOURCES TOTAL                   | 34,483                           | 123,783          | 149,721          | 1,689                            | 250,989          | 343,416           | 1,270,635         | 2,130,930          |
| DELGASCO                                | (27,244)                         | 21,056           | 119,907          | (64,455)                         | 80,645           | 476,217           | 2,174,461         | 3,836,951          |
| TOTAL CONSOLIDATED                      | <u>(140,137)</u>                 | <u>1,049,163</u> | <u>1,231,240</u> | <u>(655,192)</u>                 | <u>2,901,208</u> | <u>3,469,451</u>  | <u>23,894,901</u> | <u>26,657,586</u>  |
| <b>PER MCF:</b>                         |                                  |                  |                  |                                  |                  |                   |                   |                    |
| <b>DELTA NATURAL</b>                    |                                  |                  |                  |                                  |                  |                   |                   |                    |
| TOTAL SALES                             | 17.679                           | 25.729           | 33.628           | 18.009                           | 24.725           | 31.623            | 18.454            | 17.618             |
| COST OF GAS                             | 13.971                           | 9.084            | 17.210           | 14.333                           | 9.220            | 16.281            | 12.005            | 10.998             |
| NET SALES                               | 3.708                            | 16.645           | 16.418           | 3.677                            | 15.505           | 15.342            | 6.449             | 6.620              |
| <b>DELTA RESOURCES</b>                  |                                  |                  |                  |                                  |                  |                   |                   |                    |
| TOTAL SALES                             | 15.523                           | 5.199            | 10.075           | 18.577                           | 5.506            | 11.486            | 7.166             | 10.016             |
| COST OF GAS                             | 16.677                           | 3.851            | 8.824            | 18.606                           | 4.617            | 10.460            | 6.265             | 8.836              |
| NET SALES                               | (1.154)                          | 1.348            | 1.251            | (0.029)                          | 0.890            | 1.026             | 0.901             | 1.179              |
| <b>DELGASCO</b>                         |                                  |                  |                  |                                  |                  |                   |                   |                    |
| TOTAL SALES                             | 27.220                           | 3.209            | 9.612            | 26.481                           | 3.911            | 11.865            | 8.363             | 10.263             |
| COST OF GAS                             | 25.329                           | 2.854            | 8.969            | 24.833                           | 3.469            | 11.029            | 7.411             | 9.178              |
| NET SALES                               | 1.892                            | 0.355            | 0.642            | 1.648                            | 0.442            | 0.836             | 0.952             | 1.086              |
| <b>DELTA NATURAL ONLY:</b>              |                                  |                  |                  |                                  |                  |                   |                   |                    |
| % Change to Customers Between Yrs:      |                                  |                  |                  |                                  |                  |                   |                   |                    |
| Total Cost                              |                                  | -23.5%           |                  |                                  | -21.8%           |                   | 4.7%              |                    |
| Gas Cost                                |                                  | -24.2%           |                  |                                  | -22.3%           |                   | 5.7%              |                    |
| Net Sales                               |                                  | 0.7%             |                  |                                  | 0.5%             |                   | -1.0%             |                    |



DELTA NATURAL GAS CO., INC. A SIDIARIES  
 Income Statement - Delta Natural Gas Co  
 July 01, 2009 - September 30, 2009

|                                    | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|------------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 01                                 |                         |                                |                         |                              |                           |                          |                             |
| <b>OPERATING REVENUES</b>          |                         |                                |                         |                              |                           |                          |                             |
| <b>General Service Rate Billed</b> |                         |                                |                         |                              |                           |                          |                             |
| Residential                        | 832,554.19CR            | 1,012,714.47CR                 | 2,314,518.38CR          | 2,473,700.00CR               | 2,866,354.26CR            | 33,404,669.28CR          | 31,337,761.65CR             |
| Small Commercial                   | 231,016.64CR            | 281,659.09CR                   | 653,163.38CR            | 712,800.00CR                 | 848,866.32CR              | 10,047,315.96CR          | 9,198,789.20CR              |
| Other Commercial                   | 434,048.60CR            | 584,017.73CR                   | 1,118,131.98CR          | 3,652,500.00CR               | 1,673,694.65CR            | 13,350,241.80CR          | 12,423,796.87CR             |
| Industrial                         | 30,856.78CR             | 40,449.45CR                    | 75,703.78CR             | .00                          | 120,496.85CR              | 1,334,052.47CR           | 1,317,072.50CR              |
| Unmetered Gas Light                | 357.48CR                | 833.30CR                       | 1,104.46CR              | 2,300.00CR                   | 2,354.23CR                | 6,366.75CR               | 8,416.23CR                  |
| Residential WNA                    | .00                     | .00                            | .00                     | .00                          | .00                       | 191,282.46               | 134,604.03CR                |
| Small Non-Residential WNA          | .00                     | .00                            | .00                     | .00                          | .00                       | 60,140.00                | 40,607.40CR                 |
| Weather Normalization Revenue      | .00                     | .00                            | .00                     | .00                          | .00                       | 251,422.46               | 175,211.43CR                |
| Demand-Side Management Revenue     | 12.62CR                 | .00                            | 42.58CR                 | .00                          | .00                       | 636.90CR                 | .00                         |
| <b>Total General Service Ra</b>    | <b>1,528,846.31CR</b>   | <b>1,919,674.04CR</b>          | <b>4,162,664.56CR</b>   | <b>6,841,300.00CR</b>        | <b>5,511,766.31CR</b>     | <b>57,891,860.70CR</b>   | <b>54,461,047.88CR</b>      |
| <b>Interruptible Rate Billed</b>   |                         |                                |                         |                              |                           |                          |                             |
| Commercial                         | .00                     | .00                            | .00                     | .00                          | .00                       | 36,643.62CR              | 34,807.00CR                 |
| Industrial                         | 10,130.52CR             | 14,660.06CR                    | 30,393.75CR             | 37,900.00CR                  | 50,225.49CR               | 370,730.77CR             | 411,379.67CR                |
| <b>Total Interruptible Rate</b>    | <b>10,130.52CR</b>      | <b>14,660.06CR</b>             | <b>30,393.75CR</b>      | <b>37,900.00CR</b>           | <b>50,225.49CR</b>        | <b>407,374.39CR</b>      | <b>446,186.67CR</b>         |
| <b>Total Gas Revenue</b>           | <b>1,538,976.83CR</b>   | <b>1,934,334.10CR</b>          | <b>4,193,058.31CR</b>   | <b>6,879,200.00CR</b>        | <b>5,561,991.80CR</b>     | <b>58,289,235.09CR</b>   | <b>54,907,234.55CR</b>      |
| Miscellaneous Operating Revenue    | 9,850.00CR              | 12,820.00CR                    | 50,600.00CR             | 59,300.00CR                  | 59,195.00CR               | 323,775.00CR             | 319,488.00CR                |
| Off System Transportation Reven    | 219,009.42CR            | 289,548.95CR                   | 715,972.23CR            | 807,700.00CR                 | 931,935.62CR              | 3,569,904.23CR           | 3,971,125.04CR              |
| On System Transportation Revenue   | 300,542.74CR            | 295,822.26CR                   | 859,215.87CR            | 853,300.00CR                 | 857,980.76CR              | 4,119,137.63CR           | 4,485,980.69CR              |
| <b>TOTAL OPERATING REVENUE</b>     | <b>2,068,378.99CR</b>   | <b>2,532,525.31CR</b>          | <b>5,818,846.51CR</b>   | <b>8,599,500.00CR</b>        | <b>7,411,103.18CR</b>     | <b>66,312,051.95CR</b>   | <b>63,683,828.28CR</b>      |
| <b>OPERATING EXPENSES</b>          |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                      | 634,638.58              | 972,722.26                     | 1,623,442.11            | 3,717,200.00                 | 2,912,174.36              | 37,848,792.33            | 34,217,530.54               |
| Recovery of Canada Mountain        | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Purchased Gas, net                 | 634,638.58              | 972,722.26                     | 1,623,442.11            | 3,717,200.00                 | 2,912,174.36              | 37,848,792.33            | 34,217,530.54               |
| Operation Expense                  | 551,338.10              | 546,400.36                     | 1,633,901.57            | 1,666,500.00                 | 1,626,569.74              | 6,900,390.59             | 7,128,053.02                |
| Labor                              | 57,123.95               | 74,121.01                      | 205,095.75              | 236,700.00                   | 229,897.71                | 830,179.69               | 948,313.81                  |
| Transportation                     |                         |                                |                         |                              |                           |                          |                             |



DELTA NATURAL GAS CO., INC. AI SIDIARIES  
 Income Statement - Delta  
 July 01, 2009 - September 30, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| OPERATING INCOME                | 148,593.74              | 165,986.66CR                   | 407,899.37              | 88,000.00CR                  | 205,961.30CR              | 9,013,547.59CR           | 10,798,633.70CR             |
| Other Income and Expenses       |                         |                                |                         |                              |                           |                          |                             |
| Other Net Income                | 32,699.52CR             | 16,924.74                      | 55,297.76CR             | 6,700.00CR                   | 147,385.40CR              | 13,223.27CR              | 216,860.73CR                |
| Net Non Regulated Income        | 32,699.52CR             | 16,924.74                      | 55,297.76CR             | 6,700.00CR                   | 147,385.40CR              | 13,223.27CR              | 216,860.73CR                |
| Total Income Before Interest Ch | 115,894.22              | 149,061.92CR                   | 352,601.61              | 94,700.00CR                  | 353,346.70CR              | 9,026,770.86CR           | 11,015,494.43CR             |
| Interest Expense                |                         |                                |                         |                              |                           |                          |                             |
| Interest On Long-Term Debt      | 300,964.99              | 305,429.17                     | 904,140.00              | 909,600.00                   | 917,010.21                | 3,635,372.79             | 3,673,827.09                |
| Interest On Short-Term Debt     | 5,336.33                | 37,059.07                      | 6,344.47                | 164,000.00                   | 99,788.11                 | 142,480.08               | 393,084.31                  |
| Other Interest                  | 2,460.05                | 2,514.75                       | 7,259.78                | 9,300.00                     | 7,352.91                  | 33,134.10                | 32,917.07                   |
| Amortization of Debt Expense    | 32,271.88               | 32,271.88                      | 96,815.64               | 96,900.00                    | 96,815.64                 | 387,262.56               | 387,265.56                  |
| Total Interest Expense          | 341,033.25              | 377,274.87                     | 1,014,559.89            | 1,179,800.00                 | 1,120,966.87              | 4,198,249.53             | 4,487,094.03                |
| Net Income Before Income Taxes  | 456,927.47              | 228,212.95                     | 1,367,161.50            | 1,085,100.00                 | 767,620.17                | 4,828,521.33CR           | 6,528,400.40CR              |
| Current Federal                 | 3,336,830.22CR          | 87,009.00CR                    | 3,650,785.79CR          | 414,400.00CR                 | 339,309.00CR              | 3,679,515.33CR           | 254,625.00                  |
| Current State                   | 613,952.75CR            | .00                            | 672,893.09CR            | .00                          | .00                       | 572,205.64CR             | 56,100.00                   |
| Deferred Federal & State        | 3,755,024.02            | 5,350.00CR                     | 3,764,975.74            | .00                          | 16,050.00CR               | 5,990,609.44             | 2,074,900.00                |
| Investment Tax Credit-Net       | 7,650.00CR              | 2,775.00CR                     | 7,650.00CR              | .00                          | 8,325.00CR                | 32,625.00CR              | 35,174.97CR                 |
| Income Taxes Non-Regulated      | 12,412.74               | 6,400.00CR                     | 20,991.03               | 2,500.00                     | 55,400.00                 | 5,567.05                 | 81,900.00                   |
| Total Income Taxes              | 190,996.21CR            | 101,534.00CR                   | 545,362.11CR            | 411,900.00CR                 | 308,284.00CR              | 1,711,830.52             | 2,432,350.03                |
| Net Income - Delta Natural      | 265,931.26              | 126,678.95                     | 821,799.39              | 673,200.00                   | 459,336.17                | 3,116,690.81CR           | 4,096,050.37CR              |
| Subsidiary Net Income           |                         |                                |                         |                              |                           |                          |                             |
| Total Subsidiary Net Income     | 90,957.00CR             | 196,031.00CR                   | 258,795.00CR            | 300,200.00CR                 | 732,551.00CR              | 1,257,819.00CR           | 3,817,977.00CR              |
| Net Income - Consolidated       | 174,974.26              | 69,352.05CR                    | 563,004.39              | 373,000.00                   | 273,214.83CR              | 4,374,509.81CR           | 7,914,027.37CR              |

DELTA NATURAL GAS CO., INC. A SIDIARIES  
 Income Statement - Delta Resources  
 July 01, 2009 - September 30, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 02                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Sales To Parent                 | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Sales To Others                 | 635,792.62CR            | 1,406,604.65CR                 | 2,045,965.48CR          | 3,195,400.00CR               | 4,415,695.09CR            | 12,567,615.19CR          | 21,020,597.93CR             |
| Total Operating Revenues        | 635,792.62CR            | 1,406,604.65CR                 | 2,045,965.48CR          | 3,195,400.00CR               | 4,415,695.09CR            | 12,567,615.19CR          | 21,020,597.93CR             |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 353,585.81              | 1,056,163.96                   | 1,302,204.13            | 2,380,000.00                 | 3,501,542.82              | 8,834,706.91             | 15,967,323.59               |
| Total Operation,Maintenance and | 160,766.86              | 203,165.19                     | 500,942.39              | 571,700.00                   | 576,605.74                | 2,777,763.65             | 3,246,005.79                |
| Taxes Other than Income Tax     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expenses        | 514,352.67              | 1,259,329.15                   | 1,803,146.52            | 2,951,700.00                 | 4,078,148.56              | 11,612,470.56            | 19,213,329.38               |
| Total Other Income and Expenses | 5.06CR                  | .00                            | 5.06CR                  | .00                          | .00                       | 10.02                    | .00                         |
| Operating Income                | 121,445.01CR            | 147,275.50CR                   | 242,824.02CR            | 243,700.00CR                 | 337,546.53CR              | 955,134.61CR             | 1,807,268.55CR              |
| Interest Expense                | 1,900.00                | 4,000.00                       | 6,400.00                | 7,400.00                     | 7,400.00                  | 29,700.00                | 15,800.00                   |
| Net Income Before Income Taxes  | 119,545.01CR            | 143,275.50CR                   | 236,424.02CR            | 236,300.00CR                 | 330,146.53CR              | 925,434.61CR             | 1,791,468.55CR              |
| Income Tax Expense              | 45,379.29               | 52,500.00                      | 89,746.56               | 89,700.00                    | 119,800.00                | 356,818.60               | 680,100.00                  |
| Net Income                      | 74,165.72CR             | 90,775.50CR                    | 146,677.46CR            | 146,600.00CR                 | 210,346.53CR              | 568,616.01CR             | 1,111,368.55CR              |

DELTA NATURAL GAS CO., INC. A SIDIARIES  
 Income Statement - Deigasco  
 July 01, 2009 - September 30, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 03                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Sales To Affiliates             | 353,585.81CR            | 1,056,163.96CR                 | 1,302,204.13CR          | .00                          | 3,501,542.82CR            | 8,834,706.91CR           | 15,967,323.59CR             |
| Sales To Others                 | 210,057.80CR            | 1,856,949.79CR                 | 774,332.30CR            | 1,816,700.00CR               | 6,948,667.36CR            | 19,864,701.00CR          | 37,436,006.10CR             |
| Total Operating Revenues        | 563,643.61CR            | 2,913,113.75CR                 | 2,076,536.43CR          | 1,816,700.00CR               | 10,450,210.18CR           | 28,699,407.91CR          | 53,403,329.69CR             |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 522,802.64              | 2,730,421.07                   | 1,935,298.55            | 1,604,400.00                 | 9,782,802.64              | 25,769,111.47            | 48,405,364.76               |
| Operation and Maintenance       | 29,696.52               | 75,623.07                      | 5,659.59                | 93,000.00                    | 218,185.78                | 1,839,288.03             | 1,704,180.35                |
| Taxes Other Than Income Tax     | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Expense         | 552,499.16              | 2,806,044.14                   | 1,940,958.24            | 1,697,400.00                 | 10,000,988.42             | 27,608,409.50            | 50,109,545.11               |
| Operating Income                | 11,144.45CR             | 107,069.61CR                   | 135,578.19CR            | 119,300.00CR                 | 449,221.76CR              | 1,090,998.41CR           | 3,293,784.58CR              |
| TOTAL OTHER INCOME AND EXPENSES | .00                     | .00                            | .00                     | .00                          | .00                       | 201.70CR                 | .00                         |
| Total Interest Expense          | 7,600.00                | 18,600.00                      | 24,400.00               | 22,600.00                    | 22,600.00                 | 204,100.00               | 230,400.00                  |
| Net Income Before Income Taxes  | 3,544.45CR              | 88,469.61CR                    | 111,178.19CR            | 96,700.00CR                  | 426,621.76CR              | 887,100.11CR             | 3,063,384.58CR              |
| Income Tax Expense              | 1,345.47                | 34,700.00                      | 42,203.43               | 36,700.00                    | 167,300.00                | 331,389.12               | 1,166,900.00                |
| Net Income                      | 2,198.98CR              | 53,769.61CR                    | 68,974.76CR             | 60,000.00CR                  | 259,321.76CR              | 555,710.99CR             | 1,896,484.58CR              |

DELTA NATURAL GAS CO., INC. A  
 SIDIARIES  
 Income Statement - Enpro  
 July 01, 2009 - September 30, 2009

|                                 | Current<br>Month Amount | Last Year<br>Curr Month Amount | Current<br>Y-T-D Amount | Current Year<br>Y-T-D Budget | Last Year<br>Y-T-D Amount | 12 Month<br>Y-T-D Amount | Previous 12<br>Month Amount |
|---------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------|---------------------------|--------------------------|-----------------------------|
| 05                              |                         |                                |                         |                              |                           |                          |                             |
| Operating Revenues              |                         |                                |                         |                              |                           |                          |                             |
| Gas Production                  | 25,586.54CR             | 80,239.14CR                    | 96,381.47CR             | 164,600.00CR                 | 440,446.51CR              | 489,319.92CR             | 1,560,237.44CR              |
| Oil Production                  | 11,123.19CR             | 4,565.15CR                     | 23,790.14CR             | 9,600.00CR                   | 9,739.16CR                | 47,190.85CR              | 49,218.65CR                 |
| Royalty                         | 8,646.89CR              | 25,000.00CR                    | 21,379.88CR             | 51,000.00CR                  | 84,811.09CR               | 86,233.70CR              | 254,741.96CR                |
| Other                           | .00                     | .00                            | .00                     | .00                          | .00                       | .00                      | .00                         |
| Total Operating Revenues        | 45,356.62CR             | 109,804.29CR                   | 141,551.49CR            | 225,200.00CR                 | 534,996.76CR              | 622,744.47CR             | 1,864,198.05CR              |
| Operating Expenses              |                         |                                |                         |                              |                           |                          |                             |
| Purchased Gas                   | 6,539.00                | 14,631.62                      | 21,809.11               | 35,400.00                    | 68,565.48                 | 110,119.23               | 233,624.07                  |
| Operations and Maintenance      |                         |                                |                         |                              |                           |                          |                             |
| Total Operations and Maint. E   | 5,350.82                | 3,920.16                       | 20,165.71               | 14,300.00                    | 15,547.22                 | 167,403.39               | 208,097.12                  |
| Depreciation and Amortization   | 9,845.10                | 9,767.19                       | 29,535.30               | 29,600.00                    | 29,301.57                 | 118,192.35               | 117,825.25                  |
| Taxes Other Than Income Taxes   | .00                     | .00                            | .00                     | .00                          | .00                       | 23,315.16                | 23,371.77                   |
| Total Operating Expenses        | 21,734.92               | 28,318.97                      | 71,510.12               | 79,300.00                    | 113,414.27                | 419,030.13               | 582,918.21                  |
| Operating Income                | 23,621.70CR             | 81,485.32CR                    | 70,041.37CR             | 145,900.00CR                 | 421,582.49CR              | 203,714.34CR             | 1,281,279.84CR              |
| Total Other Income and Expenses | .00                     | .00                            | .00                     | .00                          | .00                       | 4,107.14CR               | 156.31                      |
| Interest Expense                | 100.00                  | 2,000.00CR                     | 500.00                  | 5,000.00CR                   | 5,000.00CR                | 4,500.00CR               | 25,900.00CR                 |
| Net Income Before Income Taxes  | 23,521.70CR             | 83,485.32CR                    | 69,541.37CR             | 150,900.00CR                 | 426,582.49CR              | 212,321.48CR             | 1,307,023.53CR              |
| Income Tax Expense              | 8,928.83                | 32,000.00                      | 26,397.90               | 57,300.00                    | 163,700.00                | 78,827.95                | 496,900.00                  |
| Net Income                      | 14,592.87CR             | 51,485.32CR                    | 43,143.47CR             | 93,600.00CR                  | 262,882.49CR              | 133,493.53CR             | 810,123.53CR                |



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
BUDGET REPORT BY AGENT

For Period 7/01/2009 - 9/30/2009

CAPITAL EXPENDITURES  
All Agents

BSR BRIAN S RAMSEY

|                    | Current<br>Month Amount | Curr Month Amt (-)<br>Last Yr Month Amt | Adopted                            |  | Current<br>Y-T-D Amount | Current Y-T-D (-)<br>Last Y-T-D Amount | Adopted                              |                                      | Percentage<br>Expended |
|--------------------|-------------------------|---|------------------------------------|--|-------------------------|--|--------------------------------------|--------------------------------------|------------------------|
|                    |                         |   | Cur No Budget (-)<br>Cur Mo Actual | Cur No Budget (-)<br>Cur Yr Budget (-) |                         |  | Cur YTD Budget (-)<br>Cur YTD Actual | Cur YTD Budget (-)<br>Cur YTD Actual |                        |
| 532523 INT INVESM  | .00                     | .00                                     | .00                                | .00                                    | .00                     | .00                                    | .00                                  | .00                                  | .00 %                  |
| 533101 GAS WELLS E | .00                     | .00                                     | 2,000.00                           | .00                                    | 14,478.88CR             | 4,000.00                               | 8,000.00                             | .00                                  | .00 %                  |
| 535006 GAS RST ST  | .00                     | .00                                     | .00                                | .00                                    | .00                     | .00                                    | .00                                  | .00                                  | .00 %                  |

Total BSR BSR

|              |                |            |            |                |            |            |
|--------------|----------------|------------|------------|----------------|------------|------------|
| 189,339.08CR | 1,054,900.57CR | 398,039.08 | 449,161.18 | 1,043,399.38CR | 490,938.82 | 628,238.82 |
|--------------|----------------|------------|------------|----------------|------------|------------|

GRJ GLENN R JENNINGS

|                   |     |     |     |     |     |     |            |     |       |
|-------------------|-----|-----|-----|-----|-----|-----|------------|-----|-------|
| 139909 CONTINGERC | .00 | .00 | .00 | .00 | .00 | .00 | 294,000.00 | .00 | .00 % |
| Total GRJ GRJ     | .00 | .00 | .00 | .00 | .00 | .00 | 294,000.00 | .00 | .00 % |

JBB JOHN B BROWN

|                   |     |             |           |           |              |            |            |      |        |
|-------------------|-----|-------------|-----------|-----------|--------------|------------|------------|------|--------|
| 139902 COMP SOFTW | .00 | 68,727.71CR | 17,200.00 | 12,500.00 | 118,612.41CR | 39,000.00  | 193,500.00 | 6.06 | 6.06 % |
| 139903 COMP HWARE | .00 | .00         | 21,800.00 | .00       | .00          | 65,400.00  | 261,700.00 | .00  | .00 %  |
| Total JBB JBB     | .00 | 68,727.71CR | 39,000.00 | 12,500.00 | 118,612.41CR | 104,400.00 | 455,200.00 |      |        |

JLC JOHNNY L CAUDILL

|                    |            |            |             |            |              |            |              |       |         |
|--------------------|------------|------------|-------------|------------|--------------|------------|--------------|-------|---------|
| 1121 NON U PROP    | .00        | .00        | .00         | .00        | .00          | .00        | .00          | .00   | .00 %   |
| 136501 LAND RIGHTS | .00        | .00        | .00         | .00        | .00          | 14,000.00  | 28,000.00    | .00   | .00 %   |
| 136502 TRAN ROW    | 17.00      | 17.00      | 17.00CR     | 517.00     | 517.00       | 517.00CR   | 517.00CR     | .00   | .00 %   |
| 1371 OTHR EQUIP    | 10,734.02  | 10,734.02  | 10,734.02CR | 17,714.76  | 17,714.76    | 16,585.24  | 50,885.24    | 25.82 | 25.82 % |
| 1374 LAND & ROW    | 251.00     | 204.50     | 249.00      | 370.00     | 147.50CR     | 1,130.00   | 5,630.00     | 6.16  | 6.16 %  |
| 1375 DIS STRUCT    | .00        | .00        | .00         | .00        | .00          | .00        | 5,000.00     | .00   | .00 %   |
| 1376 DIST MAINS    | 136,219.77 | 16,811.12  | 115,780.23  | 578,640.47 | 121,102.63CR | 177,359.53 | 1,828,359.53 | 24.03 | 24.03 % |
| 1378 REG STPATNS   | 11,380.35  | 1,990.38CR | 5,380.35CR  | 16,449.06  | 1,412.24     | 1,550.94   | 55,550.94    | 22.84 | 22.84 % |
| 1379 CG REG STA    | .00        | .00        | .00         | 14.81      | 14.81        | 14.81CR    | 14.81CR      | .00   | .00 %   |



DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
 BUDGET REPORT BY AGENT  
 For Period 7/01/2009 - 9/30/2009

CAPITAL EXPENDITURES

All Agents

JLC JOHNNY L CAUDILL

|                   | Current      |                   | Adopted            |               | Current      |                   | Adopted        |                    | Current Y-T-D (-) |                    | Adopted        |                    | Percentage Expended |                    |
|-------------------|--------------|-------------------|--------------------|---------------|--------------|-------------------|----------------|--------------------|-------------------|--------------------|----------------|--------------------|---------------------|--------------------|
|                   | Month Amount | Last Yr Month Amt | Curr Mo Budget (-) | Cur Mo Actual | Y-T-D Amount | Last Y-T-D Amount | Cur YTD Actual | Cur YTD Budget (-) | Cur YTD Actual    | Cur YTD Budget (-) | Cur YTD Actual | Cur YTD Budget (-) | Cur YTD Actual      | Cur YTD Budget (-) |
| 1380 DIST SERV    | 69,381.40    | 8,083.56          | 14,381.40CR        | 14,381.40CR   | 117,114.71   | 49,973.39CR       | 47,885.29      | 482,885.29         | 47,885.29         | 482,885.29         | 47,885.29      | 482,885.29         | 482,885.29          | 19.51 %            |
| 1381 METERS       | 4,113.89CR   | 4,113.89CR        | 15,713.89          | 15,713.89     | 3,889.03     | 21,145.95CR       | 30,910.97      | 134,710.97         | 30,910.97         | 134,710.97         | 30,910.97      | 134,710.97         | 134,710.97          | 2.80 %             |
| 1382 METERS IN    | 8,107.28     | 1,723.04          | 607.28CR           | 607.28CR      | 15,396.00    | 2,685.74CR        | 7,104.00       | 74,604.00          | 7,104.00          | 74,604.00          | 7,104.00       | 74,604.00          | 74,604.00           | 17.10 %            |
| 1383 REGULATORS   | 2,526.96     | 7,380.63CR        | 12,473.04          | 12,473.04     | 10,606.53    | 7,264.15CR        | 34,393.47      | 169,393.47         | 34,393.47         | 169,393.47         | 34,393.47      | 169,393.47         | 169,393.47          | 5.89 %             |
| 1385 IND METERS   | .00          | 413.48CR          | 5,000.00           | 5,000.00      | 12,867.17    | 12,470.60CR       | 2,132.83       | 47,132.83          | 2,132.83          | 47,132.83          | 2,132.83       | 47,132.83          | 47,132.83           | 21.41 %            |
| 1389 LAND&RGHTS   | .00          | .00               | .00                | .00           | .00          | .00               | .00            | .00                | .00               | .00                | .00            | .00                | .00                 | .00 %              |
| 1390 STRUCTURES   | .00          | .00               | 5,000.00           | 5,000.00      | .00          | 7,447.00CR        | 46,000.00      | 51,000.00          | 46,000.00         | 51,000.00          | 46,000.00      | 51,000.00          | 51,000.00           | .00 %              |
| 1391 FURN&EQUIP   | .00          | .00               | 1,000.00           | 1,000.00      | .00          | 3,757.70CR        | 3,000.00       | 12,000.00          | 3,000.00          | 12,000.00          | 3,000.00       | 12,000.00          | 12,000.00           | .00 %              |
| 1392 TRANSP EQP   | 63,726.25    | 63,726.25         | 63,726.25CR        | 63,726.25CR   | 73,561.76    | 40,712.76         | 73,561.76CR    | 386,438.24         | 73,561.76CR       | 386,438.24         | 73,561.76CR    | 386,438.24         | 386,438.24          | 15.99 %            |
| 1393 STORES EQP   | .00          | .00               | .00                | .00           | .00          | .00               | .00            | .00                | .00               | .00                | .00            | .00                | .00                 | .00 %              |
| 1394 TOOLS&EQIP   | .00          | 6,005.65CR        | 4,600.00           | 4,600.00      | 20,600.37    | 5,213.72          | 13,299.63      | 54,399.63          | 13,299.63         | 54,399.63          | 13,299.63      | 54,399.63          | 27.46 %             |                    |
| 139401 CNQ EQUIPM | .00          | .00               | .00                | .00           | .00          | .00               | .00            | .00                | .00               | .00                | .00            | .00                | .00                 | .00 %              |
| 1396 PO EQUIPMT   | .00          | .00               | .00                | .00           | 11,530.96    | 12,319.04CR       | 6,469.04       | 38,469.04          | 6,469.04          | 38,469.04          | 6,469.04       | 38,469.04          | 23.06 %             |                    |
| 1397 COMM EQUIP   | .00          | .00               | .00                | .00           | .00          | .00               | 2,000.00       | 6,000.00           | 2,000.00          | 6,000.00           | 2,000.00       | 6,000.00           | 6,000.00            | .00 %              |
| 1398 MISC EQUIP   | .00          | .00               | .00                | .00           | .00          | .00               | .00            | .00                | .00               | .00                | .00            | .00                | .00                 | .00 %              |
| 139901 MAPPING    | .00          | .00               | .00                | .00           | .00          | .00               | .00            | .00                | .00               | .00                | .00            | .00                | .00                 | .00 %              |
| 139931 OFFC EQUIP | .00          | 11,633.50CR       | 2,500.00           | 2,500.00      | .00          | 11,633.50CR       | 7,500.00       | 30,000.00          | 7,500.00          | 30,000.00          | 7,500.00       | 30,000.00          | 30,000.00           | .00 %              |
| -----             |              |                   |                    |               |              |                   |                |                    |                   |                    |                |                    |                     |                    |
| Total JLC JLC     | 298,230.14   | 69,761.96         | 67,469.86          | 67,469.86     | 879,272.63   | 184,361.91CR      | 337,227.37     | 3,459,927.37       | 337,227.37        | 3,459,927.37       | 337,227.37     | 3,459,927.37       | 3,459,927.37        |                    |
| -----             |              |                   |                    |               |              |                   |                |                    |                   |                    |                |                    |                     |                    |
| Grand Total       | 108,891.06   | 1,053,866.32CR    | 504,508.94         | 504,508.94    | 1,340,933.81 | 1,346,373.70CR    | 932,566.19     | 4,837,366.19       | 932,566.19        | 4,837,366.19       | 932,566.19     | 4,837,366.19       | 4,837,366.19        |                    |
| =====             |              |                   |                    |               |              |                   |                |                    |                   |                    |                |                    |                     |                    |



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

8. For comparison purposes, provide updates of calculations for Exhibits MJB 1 through 20 resulting from updated data (for example, any updates attributable to The Value Line Investment Survey – Small and Mid-Cap Edition, June 11, 2010).

Response:

Dr. Blake has revised Exhibits MJB-2 through MJB-20 to reflect the most current data and have attached them to this response.

Exhibits MJB-1 and MJB-11 through MJB-13 do not require updating.

Sponsoring Witness:

Martin J. Blake

## Ranking By Total Capitalization

## Exhibit MJB-2

|                                  | <b>12 Months<br/>Ending</b> | <b>Total<br/>Cap (000)</b> | <b>Percent<br/>Equity</b> |
|----------------------------------|-----------------------------|----------------------------|---------------------------|
| Atmos Energy Corp.               | 12/31/2009                  | \$ 4,607,389               | 49.0%                     |
| AGL Resources, Inc.              | 12/31/2009                  | \$ 4,395,000               | 40.5%                     |
| Piedmont Natural Gas Company     | 1/31/2010                   | \$ 2,077,918               | 47.8%                     |
| WGL Holdings, Inc.               | 12/31/2009                  | \$ 2,027,260               | 55.6%                     |
| Northwest Natural Gas Company    | 12/31/2009                  | \$ 1,399,767               | 47.2%                     |
| New Jersey Resources, Inc.       | 12/31/2009                  | \$ 1,389,232               | 52.0%                     |
| South Jersey Industries, Inc.    | 12/31/2009                  | \$ 1,089,076               | 49.9%                     |
| Laclede Group                    | 12/31/2009                  | \$ 1,065,968               | 49.9%                     |
| <b>Delta Natural Gas Company</b> | 12/31/2009                  | <b>\$ 128,912</b>          | <b>45.3%</b>              |
| RGC Resources, Inc.              | 12/31/2009                  | \$ 74,347                  | 62.3%                     |
| Energy Inc                       | 12/31/2009                  | \$ 63,339                  | 56.2%                     |
| Mean                             |                             | \$ 1,665,292               | 50.5%                     |
| Median                           |                             | \$ 1,389,232               | 49.9%                     |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010

## Ranking By Equity Percentage

## Exhibit MJB-3

|                                  | <b>12 Months<br/>Ending</b> | <b>Total<br/>Cap (000)</b> | <b>Percent<br/>Equity</b> |
|----------------------------------|-----------------------------|----------------------------|---------------------------|
| RGC Resources, Inc.              | 12/31/2009                  | \$ 74,347                  | 62.3%                     |
| Energy Inc                       | 12/31/2009                  | \$ 63,339                  | 56.2%                     |
| WGL Holdings, Inc.               | 12/31/2009                  | \$ 2,027,260               | 55.6%                     |
| New Jersey Resources, Inc.       | 12/31/2009                  | \$ 1,389,232               | 52.0%                     |
| South Jersey Industries, Inc.    | 12/31/2009                  | \$ 1,089,076               | 49.9%                     |
| Laclede Group                    | 12/31/2009                  | \$ 1,065,968               | 49.9%                     |
| Atmos Energy Corp.               | 12/31/2009                  | \$ 4,607,389               | 49.0%                     |
| Piedmont Natural Gas Company     | 1/31/2010                   | \$ 2,077,918               | 47.8%                     |
| Northwest Natural Gas Company    | 12/31/2009                  | \$ 1,399,767               | 47.2%                     |
| <b>Delta Natural Gas Company</b> | 12/31/2009                  | <b>\$ 128,912</b>          | <b>45.3%</b>              |
| AGL Resources, Inc.              | 12/31/2009                  | \$ 4,395,000               | 40.5%                     |
| Mean                             |                             | \$ 1,665,292               | 50.5%                     |
| Median                           |                             | \$ 1,389,232               | 49.9%                     |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010

## Ranking By Return On Common Equity

## Exhibit MJB-4

|  |             |
|--|-------------|
| Energy, Inc.                           | 21.3%       |
| Piedmont Natural Gas Company, Inc.     | 16.3%       |
| AGL Resources Inc.                     | 12.9%       |
| Northwest Natural Gas Company          | 11.5%       |
| South Jersey Industries, Inc.          | 10.9%       |
| Laclede Group, Inc.                    | 10.6%       |
| RGC Resources, Inc.                    | 10.5%       |
| WGL Holdings, Inc.                     | 10.1%       |
| Atmos Energy Corp.                     | 9.5%        |
| <b>Delta Natural Gas Company, Inc.</b> | <b>8.6%</b> |
| New Jersey Resources Corporation       | 6.9%        |
| Mean                                   | 11.7%       |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010

## Ranking By Dividend Payout

## Exhibit MJB-5

|  |           |
|--|-----------|
| New Jersey Resources Corporation       | 106       |
| <b>Delta Natural Gas Company, Inc.</b> | <b>84</b> |
| WGL Holdings, Inc.                     | 65        |
| South Jersey Industries, Inc.          | 63        |
| Laclede Group, Inc.                    | 62        |
| RGC Resources, Inc.                    | 61        |
| AGL Resources Inc.                     | 60        |
| Atmos Energy Corp.                     | 59        |
| Northwest Natural Gas Company          | 57        |
| Piedmont Natural Gas Company, Inc.     | 51        |
| Energy, Inc.                           | 34        |
| Mean                                   | 64        |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010

## Ranking By Pre-Tax Interest Coverage

## Exhibit MJB-6

|  |             |
|--|-------------|
| Energy, Inc.                           | 7.30        |
| South Jersey Industries, Inc.          | 5.75        |
| WGL Holdings, Inc.                     | 5.35        |
| RGC Resources, Inc.                    | 5.18        |
| Piedmont Natural Gas Company, Inc.     | 4.72        |
| AGL Resources Inc.                     | 4.58        |
| Laclede Group, Inc.                    | 3.94        |
| Northwest Natural Gas Company          | 3.91        |
| New Jersey Resources Corporation       | 3.74        |
| Atmos Energy Corp.                     | 3.01        |
| <b>Delta Natural Gas Company, Inc.</b> | <b>2.85</b> |
| Mean                                   | 4.58        |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010



## Ranking By Earnings Per Share Growth

## Exhibit MJB-7

|  |               |
|--|---------------|
| Energy, Inc.                           | 194.2%        |
| Piedmont Natural Gas Company, Inc.     | 43.2%         |
| Atmos Energy Corp.                     | 11.9%         |
| Northwest Natural Gas Company          | 8.4%          |
| AGL Resources Inc.                     | 1.4%          |
| RGC Resources, Inc.                    | 1.0%          |
| WGL Holdings, Inc.                     | -9.6%         |
| <b>Delta Natural Gas Company, Inc.</b> | <b>-24.1%</b> |
| South Jersey Industries, Inc.          | -24.8%        |
| Laclede Group, Inc.                    | -37.6%        |
| New Jersey Resources Corporation       | -57.8%        |
| Mean                                   | -10.1%        |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010

## Ranking By 5-Year Total Return

## Exhibit MJB-8

|  |              |
|--|--------------|
| Energy, Inc.                           | 165.8%       |
| South Jersey Industries, Inc.          | 74.2%        |
| Northwest Natural Gas Company          | 53.8%        |
| New Jersey Resources Corporation       | 52.6%        |
| RGC Resources, Inc.                    | 50.9%        |
| <b>Delta Natural Gas Company, Inc.</b> | <b>46.5%</b> |
| Piedmont Natural Gas Company, Inc.     | 45.2%        |
| Laclede Group, Inc.                    | 43.5%        |
| WGL Holdings, Inc.                     | 39.3%        |
| AGL Resources Inc.                     | 38.7%        |
| Atmos Energy Corp.                     | 33.9%        |
| Mean                                   | 58.6%        |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010

## Ranking By 5-Year Dividend Growth

## Exhibit MJB-9

|  |             |
|--|-------------|
| Energy, Inc.                           | NM          |
| South Jersey Industries, Inc.          | 9.2%        |
| New Jersey Resources Corporation       | 8.4%        |
| AGL Resources Inc.                     | 7.3%        |
| Northwest Natural Gas Company          | 5.0%        |
| Piedmont Natural Gas Company, Inc.     | 4.0%        |
| Laclede Group, Inc.                    | 2.7%        |
| WGL Holdings, Inc.                     | 2.6%        |
| RGC Resources, Inc.                    | 2.3%        |
| <b>Delta Natural Gas Company, Inc.</b> | <b>2.0%</b> |
| Atmos Energy Corp.                     | 1.6%        |
| Mean                                   | 4.5%        |

Source: Natural Gas Industry Summary Quarterly Financial & Common Stock Information,  
Edward Jones Co., March 31, 2010

**Exhibit MJB - 10**  
**Historical Comparison of Allowed and Actual ROE**  
**Delta Natural Gas Company**

|             | <b>Return on<br/>Equity<sup>1</sup></b> | <b>Allowed<br/>ROE</b>                 | <b>Difference</b> |                               |
|-------------|---|--|-------------------|-------------------------------|
| 1995        | 8.50%                                   | Black box settlement in last rate case |                   |                               |
| 1996        | 11.30%                                  | Black box settlement in last rate case |                   |                               |
| 1997        | 5.80%                                   | Black box settlement in last rate case |                   |                               |
| 1998        | 8.20%                                   | 11.60%                                 | -3.40%            | New Rates Effective Jan. 1998 |
| 1999        | 7.20%                                   | 11.60%                                 | -4.40%            |                               |
| 2000        | 11.10%                                  | 11.60%                                 | -0.50%            | New Rates Effective Jan. 2000 |
| 2001        | 11.10%                                  | 11.60%                                 | -0.50%            |                               |
| 2002        | 10.60%                                  | 11.60%                                 | -1.00%            |                               |
| 2003        | 8.60%                                   | 11.60%                                 | -3.00%            |                               |
| 2004        | 7.90%                                   | 10.50%                                 | -2.60%            | New Rates Effective Oct. 2004 |
| 2005        | 9.80%                                   | 10.50%                                 | -0.70%            |                               |
| 2006        | 9.50%                                   | 10.50%                                 | -1.00%            |                               |
| 2007        | 9.70%                                   | 10.50%                                 | -0.80%            | New Rates Effective Nov 2007  |
| 2008        | 11.90%                                  | 10.50%                                 | 1.40%             |                               |
| 2009        | 8.80%                                   | 10.50%                                 | -1.70%            |                               |
| <b>Mean</b> | <b>9.33%</b>                            | <b>11.05%</b>                          |                   |                               |

1: The Value Line Investment Survey - Small and Mid-Cap Edition, June 11, 2010

Exhibit MJB-14

Results of DCF Model for Delta Natural Gas Company  
Using 5-Year Average Growth for Edward Jones Natural Gas Distribution Utility Panel

|   | Variable Name |               |   |  |  |
|---|---------------|---------------|---|--|--|
| 2009 Annual Dividend                                    | D             | \$1.28        | 1 |  |  |
| High Price During 2009                                  | P             | \$29.80       | 1 |  |  |
| Low Price During 2009                                   | P             | \$18.46       | 1 |  |  |
| Avg. 5- Year Dividend Growth Rate of Edward Jones Panel | g             | 4.50%         | 2 |  |  |
| Shares Outstanding                                      |               | 3,331,269     | 1 |  |  |
| Earnings per Share in 2009                              |               | \$1.60        | 1 |  |  |
| Book Equity   |               | \$ 59,229,963 | 1 |  |  |
| Using the DCF formula:                                  |               | ROE = D/P + g |   |  |  |
| <b>ROE Based on the 2009 High Stock Price</b>           |               |               |   | <b>Market Capitalization 2009 High Stock Price</b> | <b>Expected Shareholder Returns High Stock Price</b> |
| ROE = (1.28 / 29.80) + .047 =                           |               | 8.80%         |   | 3,331,269 x 29.80 = \$99,271,816                   | \$99,271,816 x .088 = \$8,731,256                    |
| <b>ROE Based on the 2009 Low Stock Price</b>            |               |               |   | <b>Market Capitalization 2009 Low Stock Price</b>  | <b>Expected Shareholder Returns Low Stock Price</b>  |
| ROE = (1.28 / 18.46) + .047 =                           |               | 11.43%        |   | 3,331,269 x 18.46 = \$61,495,226                   | \$61,495,226 x .1143 = \$7,031,309                   |
| <b>Return on Book Equity 2009 High Stock Price</b>      |               |               |   |  |  |
| \$8,731,256 / \$99,229,963 =                            |               | 14.74%        |   |  |  |
| <b>Return on Book Equity 2009 Low Stock Price</b>       |               |               |   |  |  |
| \$7,031,309 / \$59,229,963 =                            |               | 11.87%        |   |  |  |

1. [The Value Line Investment Survey - Small and Mid-Cap Edition](#), June 11, 2010

2. [Natural Gas Industry Summary Quarterly Financial & Common Stock Information](#), Edward Jones Co., March 31, 2010, p. 29

Exhibit MJB-15  
Results of DCF Model for Delta Natural Gas Company  
Using Average Growth Rate for the Eight Companies in the Value Line Survey

Forecasted  
Dividend  
Growth Rate  
2006-2008 to  
2013 to 2015

2.50%  
2.00%  
2.50%  
5.50%  
5.50%  
3.50%  
6.00%  
3.00%  

---

3.81%

| Variable Name | Source | Company                            |
|---------------|--------|------------------------------------|
| D             | 1      | AGL Resources Inc.                 |
| P             | 1      | Atmos Energy Corp.                 |
| P             | 1      | Laclede Group, Inc.                |
| P             | 1      | New Jersey Resources Corporation   |
| P             | 1      | Northwest Natural Gas Company      |
| P             | 1      | Piedmont Natural Gas Company, Inc. |
| P             | 1      | South Jersey Industries, Inc.      |
| P             | 1      | WGL Holdings, Inc.                 |
| Average       |        |                                    |

|                            |               |  |
|----------------------------|---------------|--|
| 2009 Annual Dividend       | \$1.28        |  |
| High Price During 2009     | \$29.80       |  |
| Low Price During 2009      | \$18.46       |  |
| Average Growth Rate        | 3.81%         |  |
| Shares Outstanding         | 3,331,269     |  |
| Earnings per Share in 2009 | \$1.60        |  |
| Book Equity                | \$ 59,229,963 |  |

Using the DCF formula:  $ROE = D/P + g$

ROE Based on the 2009 High Stock Price

$$ROE = (1.28 / 29.80) + .0393 = 8.11\%$$

ROE Based on the 2009 Low Stock Price

$$ROE = (1.28 / 18.46) + .0393 = 10.75\%$$

Return on Book Equity 2009 High Stock Price

$$\$8,048,762 / \$59,229,963 = 13.59\%$$

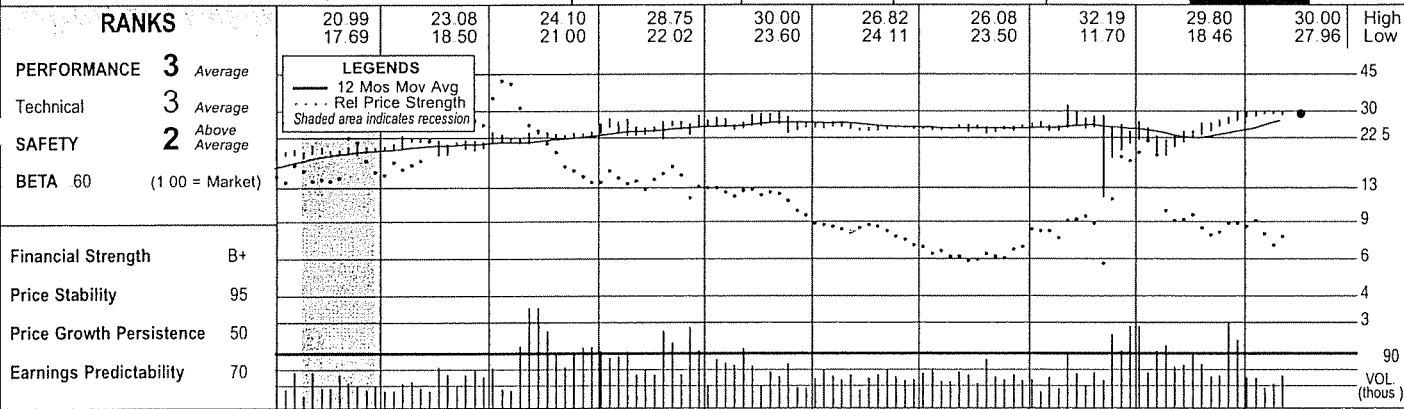
Return on Book Equity 2009 Low Stock Price

$$\$6,608,530 / \$59,229,963 = 11.16\%$$

| Market Capitalization 2009 High Stock Price | Expected Shareholder Returns High Stock Price |
|---|---|
| $3,331,269 \times 29.80 =$                  | $\$99,271,816$                                |
| $3,331,269 \times 18.46 =$                  | $\$61,495,226$                                |
| $3,331,269 \times 10.75 =$                  | $\$35,781,816$                                |
| $3,331,269 \times 11.16 =$                  | $\$37,181,816$                                |

# DELTA NAT. GAS NDQ--DGAS

RECENT PRICE **29.20** TRAILING P/E RATIO **18.8** RELATIVE P/E RATIO **1.10** DIV'D YLD **4.5%** VALUE LINE



|                           | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010/2011  |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
| SALES PER SH              | 28.36 | 22.11 | 21.59 | 24.74 | 26.06 | 36.01 | 29.96 | 34.18 | 31.84 |  |
| "CASH FLOW" PER SH        | 3.08  | 3.16  | 2.65  | 2.65  | 2.86  | 2.94  | 3.19  | 3.49  | 2.89  |  |
| EARNINGS PER SH           | 1.47  | 1.45  | 1.49  | 1.20  | 1.55  | 1.55  | 1.62  | 2.08  | 1.58  | 1.60 <sup>A,B</sup> /NA  |
| DIV'DS DECL'D PER SH      | 1.14  | 1.16  | 1.18  | 1.18  | 1.18  | 1.20  | 1.22  | 1.24  | 1.28  |  |
| CAP'L SPENDING PER SH     | 2.83  | 3.72  | 2.90  | 2.80  | 1.65  | 2.39  | 2.47  | 1.69  | 2.54  |  |
| BOOK VALUE PER SH         | 13.12 | 13.51 | 14.49 | 15.26 | 15.73 | 16.16 | 16.61 | 17.48 | 17.78 |  |
| COMMON SHS OUTST'G (MILL) | 2.50  | 2.53  | 3.17  | 3.20  | 3.23  | 3.26  | 3.28  | 3.30  | 3.32  |  |
| AVG ANN'L P/E RATIO       | 12.3  | 14.1  | 14.5  | 20.1  | 16.8  | 16.9  | 15.5  | 12.3  | 15.0  | 18.3/NA  |
| RELATIVE P/E RATIO        | 63    | 77    | 83    | 106   | 89    | 91    | 82    | 74    | 100   |  |
| AVG ANN'L DIV'D YIELD     | 6.3%  | 5.7%  | 5.5%  | 4.9%  | 4.5%  | 4.6%  | 4.9%  | 4.9%  | 5.4%  |  |
| SALES (\$MILL)            | 70.8  | 55.9  | 68.4  | 79.2  | 84.2  | 117.3 | 98.2  | 112.7 | 105.6 | <i>Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.</i> |
| OPERATING MARGIN          | 23.2% | 29.3% | 24.7% | 21.2% | 21.9% | 16.2% | 20.4% | 19.6% | 18.0% |  |
| DEPRECIATION (\$MILL)     | 4.0   | 4.4   | 4.5   | 4.7   | 4.3   | 4.6   | 5.2   | 4.7   | 4.4   |  |
| NET PROFIT (\$MILL)       | 3.6   | 3.6   | 3.9   | 3.8   | 5.0   | 5.0   | 5.3   | 6.8   | 5.2   |  |
| INCOME TAX RATE           | 38.0% | 38.2% | 38.0% | 38.1% | 38.3% | 36.6% | 37.3% | 37.8% | 36.6% |  |
| NET PROFIT MARGIN         | 5.1%  | 6.5%  | 5.8%  | 4.8%  | 5.9%  | 4.3%  | 5.4%  | 6.1%  | 4.9%  |  |
| WORKING CAP'L (\$MILL)    | d15.3 | d15.3 | d 2   | d 7   | .9    | 4.6   | 5.1   | 8.2   | 5.5   |  |
| LONG-TERM DEBT (\$MILL)   | 49.3  | 48.6  | 53.4  | 53.0  | 52.7  | 58.8  | 58.6  | 58.3  | 57.6  |  |
| SHR. EQUITY (\$MILL)      | 32.8  | 34.2  | 45.9  | 48.8  | 50.8  | 52.6  | 54.4  | 57.6  | 59.0  |  |
| RETURN ON TOTAL CAP'L     | 6.7%  | 6.6%  | 5.9%  | 5.6%  | 6.7%  | 6.7%  | 6.3%  | 7.6%  | 6.2%  |  |
| RETURN ON SHR. EQUITY     | 11.1% | 10.6% | 8.6%  | 7.9%  | 9.8%  | 9.5%  | 9.7%  | 11.9% | 8.8%  |  |
| RETAINED TO COM EQ        | 2.5%  | 2.1%  | 1.6%  | 2%    | 2.4%  | 2.1%  | 2.4%  | 4.8%  | 1.7%  |  |
| ALL DIV'DS TO NET PROF    | 78%   | 80%   | 81%   | 98%   | 76%   | 77%   | 75%   | 60%   | 81%   |  |

<sup>A</sup>No of analysts changing earn. est. in last 29 days: 0 up, 0 down, consensus 5-year earnings growth not available. <sup>B</sup>Based upon one analyst's estimate

| ANNUAL RATES            |                           |        |       |       | ASSETS (\$mill.)      |  |                     | INDUSTRY: Natural Gas (Div.)  |        |        |      |     |
|-------------------------|---------------------------|--------|-------|-------|-----------------------|--|---------------------|---|--------|--------|------|-----|
| of change (per share)   | 5 Yrs.                    | 1 Yr.  |       |       | 2008                  | 2009   | 3/31/10             | <p><b>BUSINESS:</b> Delta Natural Gas Company, Inc. sells natural gas to approximately 37,000 retail customers on its distribution system in central and southeastern Kentucky. Its Regulated segment sells natural gas to its retail customers, primarily in 23 rural counties. This segment also transports gas to industrial customers on its system who purchase gas in the open market, as well as transports gas on behalf of local producers not on its distribution system. The company's Non-Regulated segment purchases natural gas on the open market and from Kentucky producers, and resells this gas to industrial customers on its distribution system and to others not on its system. This segment also produces natural gas that is sold to Delgasco for resale. As of June 30, the company owned approximately 2,500 miles of natural gas gathering, transmission, distribution, storage, and service lines, as well as interests in oil and gas leases on 10,300 acres in Bell, Knox, and Whitley counties. Has 155 employees. Chairman, C.E.O. &amp; President: Glenn R. Jennings, Inc.: KY. Address: 3617 Lexington Road, Winchester, KY 40391. Tel.: (859) 744-6171. Internet: <a href="http://www.deltagas.com">http://www.deltagas.com</a>.</p> <p style="text-align: right;"><i>L. Y.</i></p> <p style="text-align: center;"><i>June 11, 2010</i></p> |        |        |      |     |
| Sales                   | 7.0%                      | -7.0%  |       |       | Cash Assets           | 3  | 1                   |   |        |        | 6.2  |     |
| "Cash Flow"             | 2.5%                      | -17.0% |       |       | Receivables           | 11.4   | 4.1                 |   |        |        | 12.6 |     |
| Earnings                | 5.0%                      | -24.0% |       |       | Inventory (Avg cost)  | 15.0   | 10.4                |   |        |        | 4.2  |     |
| Dividends               | 1.0%                      | 3.0%   |       |       | Other                 | 7.3  | 4.8                 |   |        |        | 1.1  |     |
| Book Value              | 3.5%                      | 2.0%   |       |       | Current Assets        | 34.0   | 19.4                |   |        |        | 24.1 |     |
| Fiscal Year             | QUARTERLY SALES (\$mill.) |        |       |       | LIABILITIES (\$mill.) |  |                     |   |        |        |      |     |
|                         | 1Q                        | 2Q     | 3Q    | 4Q    | Full Year             | Accts Payable                                      | 12.2                |   |        |        | 4.7  | 6.5 |
| 06/30/07                | 13.1                      | 28.4   | 41.0  | 15.7  | 98.2                  | Debt Due   | 8.0                 |   |        |        | 4.9  | 1.2 |
| 06/30/08                | 12.4                      | 29.3   | 48.4  | 22.6  | 112.7                 | Other  | 5.6                 |   |        |        | 4.3  | 4.8 |
| 06/30/09                | 18.1                      | 33.9   | 43.2  | 10.4  | 105.6                 | Current Liab                                       | 25.8                | 13.9  | 12.5   |        |      |     |
| 06/30/10                | 8.1                       | 21.1   | 36.1  |       |                       | LONG-TERM DEBT AND EQUITY as of 3/31/10            |                     |   |        |        |      |     |
| Fiscal Year             | EARNINGS PER SHARE        |        |       |       | Full Year             | Total Debt \$58.4 mill                             | Due in 5 Yrs        | NA  |        |        |      |     |
|                         | 1Q                        | 2Q     | 3Q    | 4Q    |                       | LT Debt \$57.2 mill                                |                     |   |        |        |      |     |
| 06/30/06                | d 18                      | 89     | 103   | d 19  | 1.55                  | Including Cap. Leases NA                           |                     |   |        |        |      |     |
| 06/30/07                | d 16                      | 73     | 112   | d 07  | 1.62                  | Leases, Uncapitalized Annual rentals NA            |                     |   |        |        |      |     |
| 06/30/08                | d 25                      | 75     | 1.65  | d 07  | 2.08                  | Pension Liability \$ 4 mill. in '09 vs None in '08 |                     |   |        |        |      |     |
| 06/30/09                | 08                        | 37     | 1.29  | d 16  | 1.58                  | Pfd Stock None                                     | Pfd Div'd Paid None |   |        |        |      |     |
| 06/30/10                | d 17                      | 58     | 1.30  |       |                       | Common Stock 3,331,269 shares                      |                     |   |        |        |      |     |
| Cal-endar               | QUARTERLY DIVIDENDS PAID  |        |       |       | Full Year             | TOTAL SHAREHOLDER RETURN                           |                     |   |        |        |      |     |
|                         | 1Q                        | 2Q     | 3Q    | 4Q    |                       | Dividends plus appreciation as of 5/31/2010        |                     |   |        |        |      |     |
| 2007                    | 305                       | 305    | .31   | .31   | 1.23                  | 3 Mos.   | 6 Mos.              | 1 Yr.   | 3 Yrs. | 5 Yrs. |      |     |
| 2008                    | 31                        | 31     | .32   | .32   | 1.26                  | 0.08%  | 11.67%              | 35.30%  | 33.31% | 44.78% |      |     |
| 2009                    | 32                        | 32     | .325  | .325  | 1.29                  |  |                     |   |        |        |      |     |
| 2010                    | 325                       | 325    |       |       |                       |  |                     |   |        |        |      |     |
| INSTITUTIONAL DECISIONS |                           |        |       |       |                       |  |                     |   |        |        |      |     |
|                         |                           | 2Q'09  | 3Q'09 | 4Q'09 |                       |  |                     |   |        |        |      |     |
| to Buy                  |                           | 9      | 11    | 12    |                       |  |                     |   |        |        |      |     |
| to Sell                 |                           | 9      | 6     | 8     |                       |  |                     |   |        |        |      |     |
| Hld's(000)              |                           | 568    | 588   | 615   |                       |  |                     |   |        |        |      |     |

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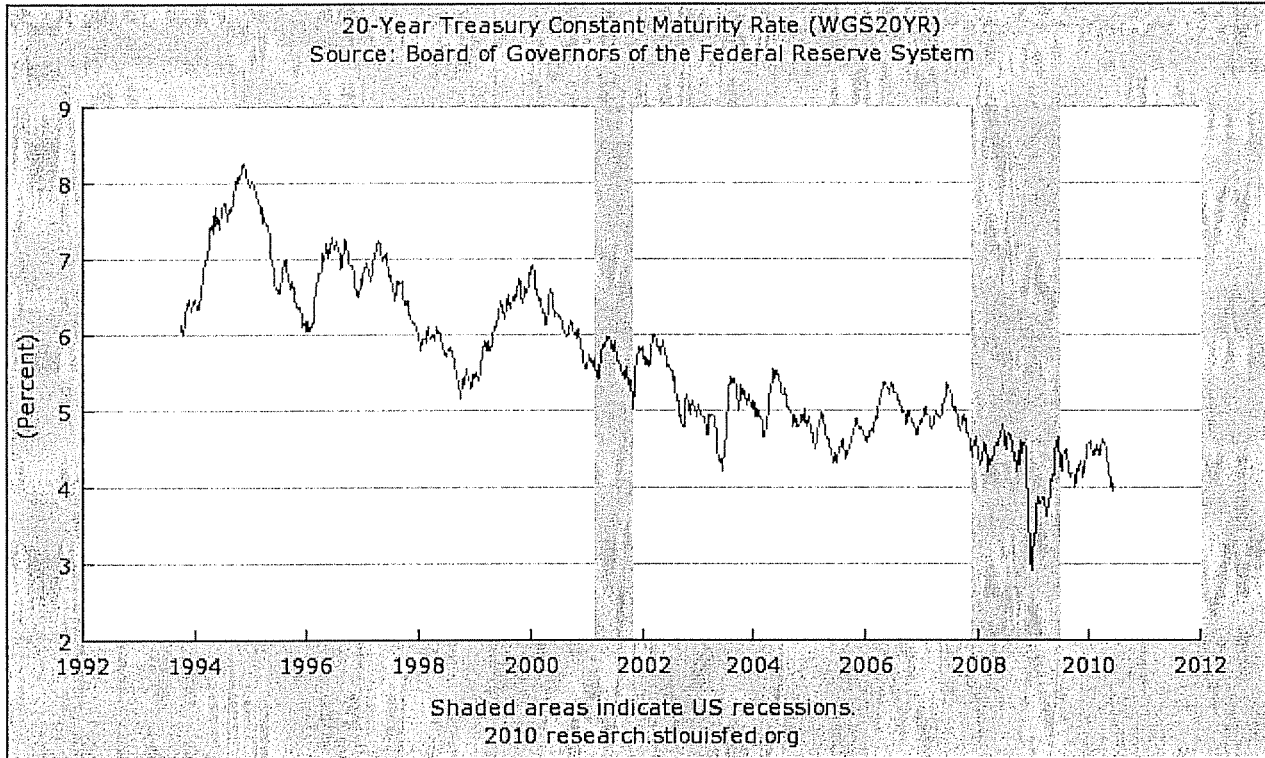
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**Units:** [Levels](#)

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**Latest Observations:**

**Date** 2010-05-21 2010-05-28 2010-06-04 2010-06-11 2010-06-18



Value 4.04            3.99            4.05            3.96            4.00

**Series Properties:**

**Series ID:** WGS20YR  
**Source(s):** Board of Governors of the Federal Reserve System  
**Release:** H.15 Selected Interest Rates  
**Units:** Percent  
**Frequency:** Weekly, Ending Friday  
**Seasonal Adjustment:** Not Applicable  
**Observation Range:** 1993-10-01 to 2010-06-18  
**Last Updated:** 2010-06-22 9:18 AM CDT  
**Notes:** Averages of business days. For further information regarding treasury constant maturity data, please refer to <http://www.federalreserve.gov/releases/h15/current/h15.pdf> and <http://www.treas.gov/offices/domestic-finance/debt-management/interest-rate/index.html>  
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**Exhibit MJB-18**  
**Results of the CAPM Analysis**  
**Delta Natural Gas Company**

|  |       | Variable<br>Name | <i>Data Source</i> |
|--|-------|------------------|--------------------|
| 20 - Year U. S. Treasury Bond Yield                                | 3.96% | Rf               | 1                  |
| Long - Horizon Expected Equity Risk Premium<br>for Large Companies | 6.70% | Rm - Rf          | 2                  |
| Calculated Beta Coefficient<br>for Delta Natural Gas               | 0.60  | B                | 3                  |
| Micro-Cap Size Premium for Delta                                   | 4.91% |                  | 4                  |

Using the CAPM Formula:  $ROE = R_f + B (R_m - R_f) + \text{size premium}$   
 $= 3.96 + 0.60(6.70) + 4.91 = 12.89$

ROE Estimate Including Micro-Cap Size Premium = 12.8900%

Data Sources:

1. Yield for 20-Year Treasury Constant Maturity Rate, June 11, 2010  
Federal Reserve Bank of St. Louis Economic Research
2. Ibbotson 2010 SBBI Valuation Yearbook, Morningstar, Inc., 2010, p. 59
3. The Value Line Investment Survey - Small and Mid-Cap Edition, June 11, 2010
4. Ibbotson 2010 SBBI Valuation Yearbook, Morningstar, Inc., 2010, p. 92

**Exhibit MJB-19**  
**Results of the Risk Premium Analysis**  
**Delta Natural Gas Company**

|  |       | Data Source |
|--|-------|-------------|
| 20 - Year U. S. Treasury Bond Yield  | 3.96% | 1           |
| Long - Horizon Expected Equity Risk Premium for Micro-Cap Companies (category 10x) | 9.69% | 2           |

Risk Premium Calculation

$$\text{ROE} = 0.0396 + 0.0969 = 13.65\%$$

Data Sources:

1. Yield for 20-Year Treasury Constant Maturity Rate, June 11, 2010  
Federal Reserve Bank of St. Louis Economic Research
2. Ibbotson 2010 SBBi Valuation Yearbook, Morningstar, Inc., 2010, p. 92

**Exhibit MJB-20**  
**Return on Equity for Companies of Comparable Risk**  
**As Measured by a Beta Value of 0.65**

| <b>Company Name</b>           | <b>Ticker Symbol</b> | <b>Industry</b> | <b>Beta</b> | <b>% Return on Common Equity</b> |
|-------------------------------|----------------------|-----------------|-------------|----------------------------------|
| Abbott Labs.                  | ABT                  | DRUG            | 0.6         | 27.08                            |
| Abviva Inc                    | ABVV                 | BIOTECH         | 0.6         | 191.28                           |
| Access National Corp.         | ANCX                 | BANK            | 0.6         | 14.21                            |
| ActionView Int'l Inc          | AVEW                 | ADVERT          | 0.6         | 50                               |
| ADCARE Health Systems Inc     | ADK                  | MEDSERV         | 0.6         | 5.66                             |
| Aerosonic Corp.               | AIM                  | DEFENSE         | 0.6         |                                  |
| Alliance Financial Corp       | ALNC                 | BANK            | 0.6         | 8.8                              |
| Allied Hlthcare Prod          | AHPI                 | MEDSUPPL        | 0.6         | -2.93                            |
| Allied Security Innovations   | ADSV                 | COMPUTER        | 0.6         | 13.6                             |
| Alternative Construction Tech | ACCY                 | BUILDING        | 0.6         | 76.77                            |
| Amarillo Biosciences          | AMAR                 | DRUG            | 0.6         | 36.46                            |
| AMCON Distributing Co.        | DIT                  | GROCERY         | 0.6         | 34.28                            |
| American River Bankshares     | AMRB                 | BANK            | 0.6         | 1.81                             |
| Apollo Group `A'              | APOL                 | EDUC            | 0.6         | 58.02                            |
| Arcadia Resources Inc         | KAD                  | MEDSUPPL        | 0.6         |                                  |
| Asia Time Corp                | ATYM                 | INSTRMNT        | 0.6         | 25.24                            |
| Atco Ltd                      | ACOEY.TO             | FGNEUTIL        | 0.6         | 14.09                            |
| Aware Inc Mass                | AWRE                 | SOFTWARE        | 0.6         | -6.34                            |
| Axesstel Inc                  | AXST                 | TELEQUIP        | 0.6         | 152.99                           |
| B.O.S. Better OnLine Solution | BOSC                 | INTERNET        | 0.6         |                                  |
| BackWeb Technologies Ltd      | BWEBF                | INTERNET        | 0.6         | -96.73                           |
| Badger Income Fund            | BADU.TO              | MACHINE         | 0.6         | 26.96                            |
| Bard (C.R.)                   | BCR                  | MEDSUPPL        | 0.6         | 23.22                            |
| Becton Dickinson              | BDX                  | MEDSUPPL        | 0.6         | 23.72                            |
| Beneficial Mutual Bancorp Inc | BNCL                 | THRIFT          | 0.6         | 2.71                             |
| BFC Financial Corp.           | BFCFB                | THRIFT          | 0.6         |                                  |
| BioSpecifics Tech. Corp       | BSTC                 | BIOTECH         | 0.6         | -32.12                           |
| Biotransplant Inc             | BTRNQ                | DRUG            | 0.6         |                                  |
| Bluefly Inc                   | BFLY                 | RETAILSP        | 0.6         | -18.96                           |
| BPI Energy Holdings Inc       | BPIGF                | OILPROD         | 0.6         | -74.46                           |
| Campbell Soup                 | CPB                  | FOODPROC        | 0.6         | 105.9                            |
| Canam Group Inc               | CAM.TO               | STEELINT        | 0.6         | 5.37                             |
| Canterbury Pk Hldg Corp       | CPHC                 | HOTELGAM        | 0.6         | 0.22                             |
| Capella Education Company     | CPLA                 | EDUC            | 0.6         | 23.15                            |
| Capstone Therapeutics         | CAPS                 | BIOTECH         | 0.6         | -37.78                           |
| Cardinal Bankshares Corp      | CDBK                 | BANK            | 0.6         | 1.79                             |
| Carver Bancorp Inc            | CARV                 | THRIFT          | 0.6         | -15.65                           |
| Castle Brands Inc             | ROX                  | BEVERAGE        | 0.6         | -99.46                           |
| CDSI Hldgs Inc                | CDSI                 | SOFTWARE        | 0.6         | 132                              |
| Central VA Bankshares         | CVBK                 | BANK            | 0.6         | -64.83                           |
| Centrue Financial Corporation | TRUE                 | BANKMID         | 0.6         | -49.89                           |

**Exhibit MJB-20**  
**Return on Equity for Companies of Comparable Risk**  
**As Measured by a Beta Value of 0.65**

| <b>Company Name</b>            | <b>Ticker Symbol</b> | <b>Industry</b> | <b>Beta</b> | <b>% Return on Common Equity</b> |
|--------------------------------|----------------------|-----------------|-------------|----------------------------------|
| Chicago Rivet & Mach Co        | CVR                  | METALFAB        | 0.6         | -6.06                            |
| Chino Commercial Bancorp       | CCBC                 | BANK            | 0.6         | 5.42                             |
| Church & Dwight                | CHD                  | HOUSEPRD        | 0.6         | 15.08                            |
| Cicero Inc                     | CICN                 | SOFTWARE        | 0.6         | 26.19                            |
| Ckrush Inc.                    | CKRU                 | ADVERT          | 0.6         | 55.59                            |
| Clean Diesel Technologies Inc  | CDTI                 | CHEMSPEC        | 0.6         | -66.06                           |
| ClearStory Systems Inc         | CSYS                 | SOFTWARE        | 0.6         |                                  |
| Clorox Co.                     | CLX                  | HOUSEPRD        | 0.6         |                                  |
| Coca-Cola                      | KO                   | BEVERAGE        | 0.6         | 27.51                            |
| Cogeco Cable Inc.              | CCA.TO               | CABLETV         | 0.6         | -24.88                           |
| Colony Bankcorp                | CBAN                 | BANK            | 0.6         | -33.25                           |
| Commercial Bancshares Inc /OH/ | CMOH                 | BANK            | 0.6         | 4.85                             |
| Competitive Technologies Inc.  | CTT                  | INDUSRV         | 0.6         |                                  |
| Comprehensive Care Corp.       | CHCR                 | MEDSERV         | 0.6         | 71.76                            |
| Conrad Inds Inc                | CNRD                 | INDUSRV         | 0.6         | 18.38                            |
| Consolidated Energy Inc.       | CEIW                 | POWER           | 0.6         |                                  |
| Consolidated Mercantile Inc.   | CSLMF                | FURNITUR        | 0.6         | -1.7                             |
| Continental Energy Corp.       | CPPXF                | OILPROD         | 0.6         |                                  |
| CopyTele Inc.                  | COPY                 | COMPUTER        | 0.6         |                                  |
| Crazy Woman Creek Bcp          | CRZY                 | THRIFT          | 0.6         |                                  |
| CTI Group Holdings Inc         | CTIG                 | SOFTWARE        | 0.6         | -15.61                           |
| Daleen Technologies Inc        | DALN                 | SOFTWARE        | 0.6         |                                  |
| Delta Natural Gas              | DGAS                 | GASDIVRS        | 0.6         | 8.83                             |
| Derma Sciences Inc             | DSCI                 | MEDSUPPL        | 0.6         | -23.05                           |
| DeVry Inc.                     | DV                   | EDUC            | 0.6         | 17.86                            |
| Dollar Tree Inc.               | DLTR                 | RETAIL          | 0.6         | 22.42                            |
| DPL Inc.                       | DPL                  | UTILCENT        | 0.6         | 20.73                            |
| Dynex Cap Inc                  | DX                   | REIT            | 0.6         |                                  |
| Eagle Financial Services Inc   | EFSI                 | BANK            | 0.6         | 8.65                             |
| Ecology & Environment          | EEI                  | ENVIRONM        | 0.6         | 12.75                            |
| eGain Communications Corp      | EGAN                 | INTERNET        | 0.6         | -53.26                           |
| Energy Inc                     | EGAS                 | GASDISTR        | 0.6         | 19.16                            |
| Environmental Elements Corp    | EECPQ                | ENVIRONM        | 0.6         |                                  |
| EPIQ Sys Inc                   | EPIQ                 | SOFTWARE        | 0.6         | 4.47                             |
| Eurobancshares Inc.            | EUBK                 | BANK            | 0.6         | -8.24                            |
| Female Health Co               | FHCO                 | MEDSUPPL        | 0.6         | 49.63                            |
| First Business Fin'l Svcs      | FBIZ                 | BANK            | 0.6         | 1.91                             |
| First Capital Bancorp Inc      | FCVA                 | BANK            | 0.6         | 0.48                             |
| First Chester County Corp      | FCEC                 | BANK            | 0.6         | 7.49                             |
| First Fed Bancshares of Ark.   | FFBH                 | THRIFT          | 0.6         |                                  |
| First Keystone Finl Inc        | FKFS                 | THRIFT          | 0.6         |                                  |

**Exhibit MJB-20**  
**Return on Equity for Companies of Comparable Risk**  
**As Measured by a Beta Value of 0.65**

| <b>Company Name</b>           | <b>Ticker Symbol</b> | <b>Industry</b> | <b>Beta</b> | <b>% Return on Common Equity</b> |
|-------------------------------|----------------------|-----------------|-------------|----------------------------------|
| First M&F Corp                | FMFC                 | BANK            | 0.6         | -81.56                           |
| Firstbank Corp Mich           | FBMI                 | BANK            | 0.6         | 10.62                            |
| Flagstone Reinsurance Hldgs   | FSR                  | INSPRPTY        | 0.6         | -18.99                           |
| Fox Chase Bancorp Inc         | FXCB                 | THRIFT          | 0.6         | 1                                |
| FRMO Corporation              | FRMO                 | FINSERV         | 0.6         |                                  |
| Gallery Of History Inc.       | HIST                 | RETAILSP        | 0.6         | -18.92                           |
| Geoworks                      | GWRX                 | SOFTWARE        | 0.6         |                                  |
| Global Environmental Energy C | GEECF                | MEDSUPPL        | 0.6         | 23.71                            |
| Golfsmith Intl Hldgs          | GOLF                 | RETAILSP        | 0.6         | -5.24                            |
| Gottschalks                   | GOTTQ                | RETAIL          | 0.6         | -10.73                           |
| Great China Intl Hldgs Inc    | GCIH                 | HOMEBUILD       | 0.6         | 0.3                              |
| GSI Technology Inc            | GSIT                 | SEMICOND        | 0.6         | 10.96                            |
| GTC Telecom Corp              | GTCC                 | TELESERV        | 0.6         | 68.09                            |
| Guardian Capital Group 'A'    | GCG/A.TO             | FUND-FGN        | 0.6         | 4.49                             |
| Haemonetics Corp.             | HAE                  | MEDSUPPL        | 0.6         | 11.85                            |
| Hampshire Group Ltd.          | HAMP                 | APPAREL         | 0.6         | -10.21                           |
| Hanger Orthopedic Grp         | HGR                  | MEDSERV         | 0.6         | 11.42                            |
| Hawthorn Bancshares Inc       | HWBK                 | BANK            | 0.6         | 4.62                             |
| HF Financial Corp.            | HFFC                 | THRIFT          | 0.6         | 8.04                             |
| Hickory Tech Corp             | HTCO                 | TELESERV        | 0.6         | 32.63                            |
| Hydron Technologies Inc.      | HTEC                 | COSMETIC        | 0.6         | 112.92                           |
| ImaRx Therapeutics Inc        | IMRX                 | DRUG            | 0.6         |                                  |
| Immunotech Laboratories Inc   | IMMB                 | BIOTECH         | 0.6         |                                  |
| Implant Sciences Corp.        | IMSC                 | MEDSUPPL        | 0.6         |                                  |
| Inca Designs Inc              | IDGI                 | APPAREL         | 0.6         | 76.77                            |
| InfuSystems Holdings Inc      | INHI                 | MEDSUPPL        | 0.6         | 0.95                             |
| Inhibitex Inc                 | INHX                 | BIOTECH         | 0.6         | -50.61                           |
| Integrated Environmental Tech | IEVM                 | MINING          | 0.6         |                                  |
| Integrity Bancshres Inc       | ITYCQ                | BANK            | 0.6         | 12.61                            |
| IntelliPharmaceutics Int'l In | IPCI                 | BIOTECH         | 0.6         |                                  |
| International Fuel Tech. Inc. | IFUE                 | ENVIRONM        | 0.6         |                                  |
| IntriCon Corp                 | IIN                  | MACHINE         | 0.6         | -10.3                            |
| ITT Educational               | ESI                  | EDUC            | 0.6         | 191.75                           |
| Johnson & Johnson             | JNJ                  | MEDSUPPL        | 0.6         | 25.51                            |
| Johnson Outdoors              | JOUT                 | RECREATE        | 0.6         | -8.38                            |
| JPS Industries                | JPST                 | DIVERSIF        | 0.6         |                                  |
| K V Pharmaceutical 'A'        | KV/A                 | DRUG            | 0.6         |                                  |
| Kellogg                       | K                    | FOODPROC        | 0.6         | 53.34                            |
| Kroger Co.                    | KR                   | GROCERY         | 0.6         | 23.22                            |
| Lance Inc.                    | LNCE                 | FOODPROC        | 0.6         | 13.03                            |
| Landmark Bancorp Inc          | LARK                 | THRIFT          | 0.6         | 12.2                             |

**Exhibit MJB-20**  
**Return on Equity for Companies of Comparable Risk**  
**As Measured by a Beta Value of 0.65**

| <b>Company Name</b>            | <b>Ticker Symbol</b> | <b>Industry</b> | <b>Beta</b> | <b>% Return on Common Equity</b> |
|--------------------------------|----------------------|-----------------|-------------|----------------------------------|
| LaPolla Industries Inc         | LPAD                 | CHEMSPEC        | 0.6         | 32.99                            |
| Leadis Technology Inc.         | LDIS                 | SEMICOND        | 0.6         |                                  |
| Lexon Technologies Inc         | LEXO                 | INTERNET        | 0.6         | 6.55                             |
| Life Quotes Inc                | QUOT                 | INDUSRV         | 0.6         | 13.15                            |
| LiveDeal Inc                   | LIVE                 | INTERNET        | 0.6         | -91.39                           |
| Loblaw Companies Limited       | L.TO                 | GROCERY         | 0.6         | 10.45                            |
| Mac-Gray Corp                  | TUC                  | INDUSRV         | 0.6         | 0.99                             |
| Magellan Health Svcs.          | MGLN                 | MEDSERV         | 0.6         | 11.22                            |
| Magyar Bancorp Inc             | MGYR                 | THRIFT          | 0.6         | 3.21                             |
| MedClean Technologies Inc      | MCLN                 | ENVIRONM        | 0.6         |                                  |
| MER Telemgmt                   | MTSL                 | TELEQUIP        | 0.6         | -32.08                           |
| MicroFinancial Inc             | MFI                  | FINSERV         | 0.6         | 6.18                             |
| Midsouth Bancorp               | MSL                  | BANK            | 0.6         | 3.43                             |
| Milestone Scientific           | MLSS                 | MEDSUPPL        | 0.6         | -57.93                           |
| MIV Therapeutics Inc           | MIVI                 | MEDSUPPL        | 0.6         |                                  |
| Molson Coors Brewing           | TAP                  | BEVERAGE        | 0.6         | 9.99                             |
| Monarch Cement Co              | MCEM                 | BUILDING        | 0.6         | 4.83                             |
| Nationwide Utilities Corp      | NWUC                 | INTERNET        | 0.6         | 58.53                            |
| Nat'l Healthcare Exchg Srvc    | NHCR                 | HLTHSYS         | 0.6         |                                  |
| New Horizons Worldwide         | NWRZ                 | EDUC            | 0.6         | -14.99                           |
| Nexus Lighting Inc             | NEXS                 | INDUSRV         | 0.6         | -38.04                           |
| Nobel Learning Communities Inc | NLCI                 | EDUC            | 0.6         | 8.57                             |
| Norsat Intl Inc                | NII.TO               | TELEQUIP        | 0.6         | 34.05                            |
| Nortech Systems Inc            | NSYS                 | ELECTRNX        | 0.6         | -20.75                           |
| North American Gaming and Ent  | NAGM                 | HOTELGAM        | 0.6         | -10.28                           |
| Northwest Bancorporation Inc.  | NBCT                 | BANK            | 0.6         | -16.59                           |
| Northwest Nat. Gas             | NWN                  | GASDISTR        | 0.6         | 11.38                            |
| Novadel Pharma Inc.            | NVDL                 | DRUG            | 0.6         | 174.54                           |
| Novartis AG ADR                | NVS                  | DRUG            | 0.6         | 14.71                            |
| NTS Realty Holdings Ltd        | NLP                  | REIT            | 0.6         |                                  |
| Onstream Media Corporation     | ONSM                 | ADVERT          | 0.6         | -62.3                            |
| OPTi Inc.                      | OPTI                 | SOFTWARE        | 0.6         | -69.99                           |
| Orchids Paper Products Co      | TIS                  | PAPER           | 0.6         | 21.47                            |
| Oryx Technology Corp           | ORYX                 | INSTRMNT        | 0.6         | -73.19                           |
| P&F Industries                 | PFIN                 | METALFAB        | 0.6         | -33.02                           |
| Pacific CMA Inc.               | PACC                 | AIRTRANS        | 0.6         | -24.5                            |
| Palatin Technologies Inc       | PTN                  | BIOTECH         | 0.6         |                                  |
| Patch International Inc        | PTCHF                | OILPROD         | 0.6         | 3.36                             |
| Payment Data Systems Inc       | PYDS                 | INTERNET        | 0.6         | 90.95                            |
| PepsiCo Inc.                   | PEP                  | BEVERAGE        | 0.6         | 34.15                            |
| Pervasive Software             | PVSW                 | SOFTWARE        | 0.6         | 6.39                             |

**Exhibit MJB-20**  
**Return on Equity for Companies of Comparable Risk**  
**As Measured by a Beta Value of 0.65**

| <b>Company Name</b>           | <b>Ticker Symbol</b> | <b>Industry</b> | <b>Beta</b> | <b>% Return on Common Equity</b> |
|-------------------------------|----------------------|-----------------|-------------|----------------------------------|
| Phoenix Footwear Group Inc    | PXG                  | RETAILSP        | 0.6         | -53.37                           |
| Pinnacle Bankshares Corp      | PPBN                 | BANK            | 0.6         | 1.35                             |
| Pizza Inn Inc.                | PZZI                 | GROCERY         | 0.6         | 49.86                            |
| Plumas Bancorp                | PLBC                 | BANK            | 0.6         | -36.59                           |
| Pointer Telocation Ltd        | PNTR                 | INDUSRV         | 0.6         | -0.54                            |
| Porter Bancorp Inc            | PBIB                 | BANK            | 0.6         | 6.95                             |
| Power Sports Factory Inc.     | PSPF                 | AUTO            | 0.6         | 83.2                             |
| Precision Aerospace Component | PAOS                 | DEFENSE         | 0.6         | -74.13                           |
| Procter & Gamble              | PG                   | HOUSEPRD        | 0.6         | 17.97                            |
| Progress Energy               | PGN                  | UTILEAST        | 0.6         | 8.04                             |
| PSB Holdings Inc.             | PSBH                 | THRIFT          | 0.6         |                                  |
| Pure Cycle Corp               | PCYO                 | ENVIRONM        | 0.6         | -11.99                           |
| QCR Holdings Inc              | QCRH                 | BANK            | 0.6         | -1.73                            |
| RBC Life Sciences Inc         | RBCL                 | DRUG            | 0.6         | -3.63                            |
| Refocus Group Inc.            | RFCS                 | MEDSERV         | 0.6         |                                  |
| Reynolds American             | RAI                  | TOBACCO         | 0.6         | 20.82                            |
| Roberts Realty Investors Inc  | RPI                  | REIT            | 0.6         |                                  |
| Robotic Vision Sys.           | RVSIQ                | INSTRMNT        | 0.6         |                                  |
| Ruddick Corp.                 | RDK                  | GROCERY         | 0.6         | 11.35                            |
| SAIC Inc.                     | SAI                  | INDUSRV         | 0.6         | 21.82                            |
| Scailex Corporation Ltd       | SCIXF                | INSTRMNT        | 0.6         | 28.86                            |
| Schmitt Inds Inc OR           | SMIT                 | MACHINE         | 0.6         | -18.38                           |
| Schuff International Inc      | SHFK                 | STEELINT        | 0.6         | 11.43                            |
| Scott's Liquid Gold Inc       | SLGD                 | COSMETIC        | 0.6         | -14.34                           |
| Selectica Inc                 | SLTC                 | INTERNET        | 0.6         | -44.83                           |
| Servidyne Inc                 | SERV                 | PROPMGMT        | 0.6         | -13.84                           |
| Servotronics Inc              | SVT                  | ELECTRNX        | 0.6         | 9.6                              |
| Shell's Seafood Restaurantsn  | SHLLQ                | RESTRNT         | 0.6         |                                  |
| Shiloh Inds.                  | SHLO                 | STEELINT        | 0.6         | -17.52                           |
| ShoLodge Inc.                 | LODG                 | HOTELGAM        | 0.6         |                                  |
| Shopsmith Inc                 | SSMH                 | MACHINE         | 0.6         |                                  |
| Siboney Corp.                 | SBON                 | EDUC            | 0.6         | -82.24                           |
| Skinny Nutritional Corp       | SKNY                 | FOODPROC        | 0.6         |                                  |
| Smart Energy Solutions Inc    | SMGY                 | INTERNET        | 0.6         |                                  |
| Sonic Foundry Inc.            | SOFO                 | SOFTWARE        | 0.6         | -40.07                           |
| SourcingLink.net Inc          | SNET                 | SOFTWARE        | 0.6         |                                  |
| South Jersey Inds.            | SJI                  | GASDISTR        | 0.6         | 13.13                            |
| Southcoast Financial Corp     | SOCB                 | BANK            | 0.6         | -19.79                           |
| Specialty Underwriters Allnce | SUAI                 | INSPRPTY        | 0.6         | 7.37                             |
| Star Buffet                   | STRZ                 | RESTRNT         | 0.6         | 6.48                             |
| Stem Cell Innovations Inc     | SCLL                 | DRUG            | 0.6         |                                  |



**Exhibit MJB-20**  
**Return on Equity for Companies of Comparable Risk**  
**As Measured by a Beta Value of 0.65**

| <b>Company Name</b>            | <b>Ticker Symbol</b> | <b>Industry</b> | <b>Beta</b> | <b>% Return on Common Equity</b> |
|--------------------------------|----------------------|-----------------|-------------|----------------------------------|
| Stephan Co                     | SPCO                 | COSMETIC        | 0.6         | 3.67                             |
| Strayer Education              | STRA                 | EDUC            | 0.6         | 55.35                            |
| Streamline Health Solutions    | STRM                 | HLTHSYS         | 0.6         | 14.75                            |
| Tandy Leather Factory Inc      | TLF                  | RETAILSP        | 0.6         | 9.77                             |
| TCW Strategic Income Fund      | TSI                  | FUND-INC        | 0.6         |                                  |
| Teamstaff Inc                  | TSTF                 | INDUSRV         | 0.6         | 2.87                             |
| TearLab Corp                   | TEAR                 | MEDSUPPL        | 0.6         | -64.89                           |
| Technology Research            | TRCI                 | ELECTRNX        | 0.6         | 7.63                             |
| TELUS Corporation              | T.TO                 | TELESERV        | 0.6         | 13.22                            |
| TESSCO Tech. Inc               | TESS                 | TELEQUIP        | 0.6         | 10.51                            |
| TGFIN Holdings Inc             | TGFN                 | INDUSRV         | 0.6         | 39.19                            |
| Tidelands Bancshares Inc       | TDBK                 | BANK            | 0.6         | -44.57                           |
| Titan Technologies Inc         | TITT                 | ENVIRONM        | 0.6         | 35.02                            |
| Todd Shipyards                 | TOD                  | MARITIME        | 0.6         | 7.35                             |
| Tofutti Brands                 | TOF                  | FOODPROC        | 0.6         | 12.28                            |
| Tollgrade Communic.            | TLGD                 | INSTRMNT        | 0.6         | -5.93                            |
| Top Image Systems              | TISA                 | COMPUTER        | 0.6         | 26.13                            |
| Transtech Inds Inc.            | TRTI                 | INDUSRV         | 0.6         | -36.58                           |
| TreeHouse Foods                | THS                  | FOODPROC        | 0.6         | 9.66                             |
| Union National Financial Corp  | UNNF                 | BANK            | 0.6         | -2.37                            |
| United Financial Bancorp       | UBNK                 | THRIFT          | 0.6         | 3.57                             |
| United Fuel & Energy Crop      | UFEN                 | B2B             | 0.6         | -12.19                           |
| United Security Bancshares Inc | USBI                 | BANK            | 0.6         | 5.83                             |
| United-Guardian Inc.           | UG                   | DRUG            | 0.6         | 24.77                            |
| Velocity Portfolio Group Inc   | VPGI                 | FINSERV         | 0.6         | -39.51                           |
| Veridien Corp                  | VRDE                 | BIOTECH         | 0.6         |                                  |
| ViewCast.com Inc               | VCST                 | SOFTWARE        | 0.6         | 8.14                             |
| Wal-Mart Stores                | WMT                  | RETAIL          | 0.6         | 20.07                            |
| WCA Waste Corp                 | WCAA                 | ENVIRONM        | 0.6         | 1.56                             |
| Wegener Corp.                  | WGNR                 | TELEQUIP        | 0.6         |                                  |
| Wesco Financial Corp.          | WSC                  | DIVERSIF        | 0.6         | 2.12                             |
| Weststar Financial Services Co | WFSC                 | BANK            | 0.6         | -0.43                            |
| Williams Industries Inc.       | WMSI                 | MACHINE         | 0.6         |                                  |
| Willis Lease Finance           | WLFC                 | AIRTRANS        | 0.6         | 10.34                            |
| Womens Golf Unlimited Inc      | WGLF                 | RECREATE        | 0.6         |                                  |
|                                |                      | Mean            |             | 6.37                             |
|                                |                      | Median          |             | 6.48                             |



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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

9. Refer to Delta's response to Item 27 of Staff's Second Request. For the years 2005 through 2009 provide:
- a. Collection revenues;
  - b. Reconnect revenues;
  - c. Number of reconnects, broken down by reconnects following non-pay disconnects and reconnects following disconnect at customers' request;
  - d. Meter test revenue;
  - e. Bad check revenue; and
  - f. Other operating revenue.

Response:

|  | <u>2009</u>  | <u>2008</u>  | <u>2007</u>  | <u>2006</u>  | <u>2005</u>  |
|--|--------------|--------------|--------------|--------------|--------------|
| a. 1.488.01 Collection Revenues  | \$ (177,360) | \$ (194,200) | \$ (123,110) | \$ (137,310) | \$ (119,865) |
| b. 1.488.02 Reconnect Revenues   | \$ (111,420) | \$ (135,480) | \$ (103,680) | \$ (113,856) | \$ (106,272) |
| c. Total Reconnects  | 1,857        | 2,257        | 1,991        | 2,372        | 2,214        |
| Delta does not separately track reconnects following non-pay disconnects versus reconnects following disconnect at customers' request. |              |              |              |              |              |
| d. 1.488.03 Meter Test Revenue   | \$ -         | \$ -         | \$ (16)      | \$ (40)      | \$ (12)      |
| e. 1.488.04 Bad Check Revenue  | \$ (13,800)  | \$ (16,665)  | \$ (11,020)  | \$ (10,095)  | \$ (9,370)   |
| f. 1.488.10 Other Operating Revenue  | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |

Sponsoring Witness:

Matthew D. Wesolosky



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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

10. Refer to Delta's response to Item 29 of Staff's Second Request. Describe what Delta is willing to consider in terms of simplifying its rate structure.

Response:

In the current economic environment, Delta proposes to retain its current rate structure. While there were no sales volumes for sales under the two tail blocks of its Large Non-Residential General Service schedule, there were significant transportation volumes under Large Non-Residential General Service - Transportation service. Although the Company does not have major concerns with eliminating the two tail blocks for sales service, Delta does not believe that it is appropriate in the current economic environment to flatten the block structure of its transportation rates. The Company is concerned that increasing the tail blocks for transportation service could prompt customers to close their facilities or relocate their facilities outside of Delta's service territory thus causing the loss of employment opportunities in Eastern Kentucky. However, it should be pointed out that flattening the block structure of the rates for sales service but not for transportation service would require major changes to the transportation service schedule which is linked to the rates for sales service. Specifically, the rates for on-system transportation service are "net margin rates" based on the charges set forth in the rate schedules for sales service. Therefore, it is Delta's recommendation to retain its current rate structure in this proceeding and to consider flattening the block structure of its rates for sales service in its next rate case, when the economic environment may have improved.

Sponsoring Witness:

William Steven Seelye



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

11. Refer to Delta's response to Item 30 of Staff's Second Request. Give examples of alternative rate structures that Delta is willing to consider along with what it considers appropriate revisions to the balance of rates for each alternative.

Response:

Please see response to PSC 3-10.

Sponsoring Witness:

William Steven Seelye





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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

12. Refer to Delta's response to Item 42 of Staff's Second Request, Seelye Exhibit C, and Tab 27, Schedule 4, of Delta's application. Provide a revised Exhibit C and Schedule 4 which reflect the adjusted level of depreciation expense based on the corrections to the various depreciation rates shown in the data response.

Response:

Delta presumes that reference in the question to Seelye Exhibit C refers to Seelye Exhibit 11 Appendix C, in the Depreciation Study. The corrections to the various depreciation rates do not impact Appendix C as filed. This appendix tabulates the historical data and average remaining life calculations for each account. The only Appendix that must be revised as a result of the corrected depreciation rates is Appendix A, which was provided in response to item 42 of Staff's Second Request.

See attached for the revision of Schedule 4.

Sponsoring Witness:

John B. Brown and William Steven Seelye

DELTA NATURAL GAS COMPANY, INC.  
Depreciation Expense  
Test Year Ended 12/31/09

| LINE<br>NUMBER       | ACCT<br>NO | DESCRIPTION                             | PLANT<br>12/31/2009 | DEPR<br>RATE | DEPR<br>EXPENSE  |
|----------------------|------------|---|---------------------|--------------|------------------|
| 1                    | 301        | Organization                            | 53,151              | 0.00%        | 0                |
| 2                    | 302        | Franchise & Consent                     | -                   | 0.00%        | 0                |
| 3                    |            | Sub Total                               | <u>53,151</u>       |              | <u>0</u>         |
|                      |            |   |                     |              |                  |
| PRODUCTION           |            |   |                     |              |                  |
| 4                    | 304        | Land & Rights                           |                     | 0.00%        | 0                |
| 5                    | 305        | Structures & Improvements               |                     | 2.20%        | 0                |
| 6                    | 325        | Right of Ways                           | 79,004              | 3.00%        | 2,370            |
| 7                    | 327        | Comp Stations Structures                | 45,721              | 3.00%        | 1,372            |
| 8                    | 331        | Well Equipment                          | 7,795               | 4.00%        | 312              |
| 9                    | 332        | Field Lines                             | 1,915,975           | 2.25%        | 43,109           |
| 10                   | 333        | Compressor Station Equipment            | 749,211             | 4.00%        | 29,968           |
| 11                   | 334        | Measuring & Regulator Stations          | 147,297             | 2.72%        | 4,006            |
| 12                   |            | Sub Total                               | <u>2,945,003</u>    |              | <u>81,137</u>    |
|                      |            |   |                     |              |                  |
| STORAGE & PROCESSING |            |   |                     |              |                  |
| 13                   | 35001      | Storage Land                            | 14,142              | 0.00%        | 0                |
| 14                   | 35002      | Storage Right of Way                    | 177,425             | 0.00%        | 0                |
| 15                   | 35005      | Gas Rights Well                         | 1,495               | 0.00%        | 0                |
| 16                   | 35006      | Gas Rights Storage                      | -                   | 5.00%        | 0                |
| 17                   | 351        | Structures and Improvements             | 292,484             | 2.58%        | 7,546            |
| 18                   | 352        | Storage Wells                           | 2,876,146           | 3.19%        | 91,749           |
| 19                   | 35201      | Storage Rights                          | 860,396             | 1.85%        | 15,917           |
| 20                   | 35202      | Storage Reservoirs                      | 1,881,731           | 1.83%        | 34,436           |
| 21                   | 35203      | Non-Recoverable Natural Gas             | 294,307             | 1.75%        | 5,150            |
| 22                   | 353        | Storage Lines                           | 5,102,436           | 2.05%        | 104,600          |
| 23                   | 354        | Storage Compressor Station Equipment    | 2,526,069           | 1.96%        | 49,511           |
| 24                   | 355        | Storage Measuring & Regulator Equipment | 438,951             | 2.59%        | 11,369           |
| 25                   | 356        | Purification Equipment                  | 409,570             | 3.19%        | 13,065           |
| 26                   | 357        | Storage Other Equipment                 | 47,209              | 0.51%        | 241              |
| 27                   |            | Sub Total                               | <u>14,922,361</u>   |              | <u>333,584</u>   |
|                      |            |   |                     |              |                  |
| TRANSMISSION         |            |   |                     |              |                  |
| 28                   | 3651       | Land and Rights                         | 140,670             | 0.00%        | 0                |
| 29                   | 3652       | Rights of Way                           | 1,215,558           | 0.00%        | 0                |
| 30                   | 3653       | Land Rights CVPL                        | 163,626             | 2.50%        | 4,091            |
| 31                   | 366        | Structures and Improvements             | 250,172             | 2.30%        | 5,754            |
| 32                   | 367        | Transmission Mains                      | 42,032,176          | 2.35%        | 987,756          |
| 33                   | 368        | Compressor Station Equipment            | 7,576,006           | 3.26%        | 246,978          |
| 34                   | 369        | Measuring & Regulator Station Equipment | 3,384,707           | 3.53%        | 119,480          |
| 35                   | 371        | Other Equipment                         | 448,106             | 2.19%        | 9,814            |
| 36                   |            | Sub Total                               | <u>55,211,021</u>   |              | <u>1,373,873</u> |

DELTA NATURAL GAS COMPANY, INC.  
Depreciation Expense  
Test Year Ended 12/31/09

| <u>LINE</u><br><u>NUMBER</u> | <u>ACCT</u><br><u>NO</u> | <u>DESCRIPTION</u>                        | <u>PLANT</u><br><u>12/31/2009</u> | <u>DEPR</u><br><u>RATE</u> | <u>DEPR</u><br><u>EXPENSE</u> |
|------------------------------|--------------------------|---|-----------------------------------|----------------------------|-------------------------------|
| DISTRIBUTION                 |                          |   |                                   |                            |                               |
| 1                            | 374                      | Distribution Rights of Way                | 264,479                           | 0.00%                      | 0                             |
| 2                            | 37401                    | Distribution Land                         | 63,206                            | 0.00%                      | 0                             |
| 3                            | 375                      | Structures & Improvements                 | 112,359                           | 2.34%                      | 2,629                         |
| 4                            | 376                      | Distribution Mains                        | 66,875,341                        | 3.11%                      | 2,079,823                     |
| 5                            | 378                      | Measuring & Regulator Station - General   | 1,435,143                         | 3.18%                      | 45,638                        |
| 6                            | 379                      | Measuring & Regulator Station - City Gate | 500,033                           | 2.17%                      | 10,851                        |
| 7                            | 380                      | Services                                  | 13,709,008                        | 3.11%                      | 426,350                       |
| 8                            | 381                      | Meters                                    | 9,302,928                         | 2.90%                      | 269,785                       |
| 9                            | 382                      | Meter and Regulator Installation          | 3,186,037                         | 4.00%                      | 127,441                       |
| 10                           | 383                      | House Regulators                          | 3,478,550                         | 4.13%                      | 143,664                       |
| 11                           | 385                      | Industrial Meter Sets                     | 1,597,032                         | 2.15%                      | 34,336                        |
| 12                           |                          | Sub Total                                 | <u>100,524,116</u>                |                            | <u>3,140,517</u>              |
| GENERAL                      |                          |   |                                   |                            |                               |
| 13                           | 389                      | Land and Rights                           | 999,354                           | 0.00%                      | 0                             |
| 14                           | 390                      | Structures and Improvements               | 5,355,492                         | 2.00%                      | 107,110                       |
| 15                           | 391                      | Office Furniture and Equipment            | 146,777                           | 1.00%                      | 1,468                         |
| 16                           | 392                      | Autos and Trucks                          | 4,201,697                         | 8.14%                      | 342,018                       |
| 17                           | 393                      | Stores Equipment                          | 36,011                            | 2.00%                      | 720                           |
| 18                           | 394                      | Tools and Work Equipment                  | 703,034                           | 4.00%                      | 28,121                        |
| 19                           | 39401                    | Comp NG Stat and Equipment                | 283,352                           | 0.00%                      | 0                             |
| 20                           | 395                      | Laboratory Equipment                      | 237,610                           | 5.00%                      | 11,881                        |
| 21                           | 396                      | Power Operated Equipment                  | 3,294,567                         | 2.00%                      | 65,891                        |
| 22                           | 397                      | Communication Equipment                   | 386,003                           | 5.00%                      | 19,300                        |
| 23                           | 398                      | Miscellaneous Equipment                   | 44,382                            | 2.00%                      | 888                           |
| 24                           | 3991                     | Other Tangible Equipment                  | 638,509                           | 4.00%                      | 25,540                        |
| 25                           | 3992                     | Computer Software                         | 3,720,474                         | 10.00%                     | 372,047                       |
| 26                           | 3993                     | Computer Hardware                         | 968,541                           | 10.00%                     | 96,854                        |
| 27                           | 399031                   | Computerized Office Equipment             | 226,689                           | 10.00%                     | 22,669                        |
| 28                           |                          | Sub Total                                 | <u>21,242,492</u>                 |                            | <u>1,094,507</u>              |
| 29                           |                          | TOTAL A/C 101 and 106 less ARO's          | <u>194,898,144</u>                |                            | <u>6,023,618</u>              |
| CWIP                         |                          |   |                                   |                            |                               |
|                              | 366                      |   | 174                               | 2.30%                      | 4                             |
|                              | 367                      |   | 1,836                             | 2.35%                      | 43                            |
|                              | 368                      |   | 835                               | 3.26%                      | 27                            |
|                              | 369                      |   | 50,510                            | 3.53%                      | 1,783                         |
|                              | 371                      |   | 17,802                            | 2.19%                      | 390                           |
|                              | 376                      |   | (38,587)                          | 3.11%                      | (1,200)                       |
|                              | 378                      |   | 23,918                            | 3.18%                      | 761                           |
|                              | 380                      |   | 3,493                             | 3.11%                      | 109                           |
|                              | Overhead                 | 53010                                     | 441,990                           |                            |                               |
|                              |                          | Total CWIP                                | <u>501,971</u>                    |                            | <u>1,917</u>                  |

DELTA NATURAL GAS COMPANY, INC.  
 Depreciation Expense  
 Test Year Ended 12/31/09

| <u>LINE</u><br><u>NUMBER</u> | <u>ACCT</u><br><u>NO</u> | <u>DESCRIPTION</u>                 | <u>PLANT</u><br><u>12/31/2009</u> | <u>DEPR</u><br><u>RATE</u> | <u>DEPR</u><br><u>EXPENSE</u> |
|------------------------------|--------------------------|------------------------------------|-----------------------------------|----------------------------|-------------------------------|
|                              |                          | ACQUISITION ADJUSTMENT             |                                   |                            |                               |
| 1                            | 1.114                    | Tranex                             | (1,045,704)                       |                            | (58,800)                      |
| 2                            | 1.114.01                 | Mt. Olivet                         | 464,945                           |                            | 0                             |
| 3                            |                          | Total Acquisition Adjustment       | (580,759)                         |                            | (58,800)                      |
| 4                            | 1.117                    | Gas Stored Underground             | 4,208,069                         |                            |                               |
| 5                            |                          |                                    |                                   |                            |                               |
| 6                            |                          | Total Utility Plant In Service     | 199,027,425                       |                            | 5,966,735                     |
|                              |                          | ASSET RETIREMENT OBLIGATION        |                                   |                            |                               |
|                              | 339                      | Gathering Asset Retirement Cost    | 10,790                            |                            |                               |
|                              | 358                      | Storage Asset Retirement Cost      | 11,721                            |                            |                               |
|                              | 372                      | Transmission Asset Retirement Cost | 34,920                            |                            |                               |
|                              | 388                      | Distribution Asset Retirement Cost | 80,914                            |                            |                               |
|                              |                          | Excluded from plant accounts above | 138,345                           |                            |                               |
| 10                           |                          | Reconciled Total                   | 199,165,770                       |                            |                               |
| 11                           |                          | Per Delta Balance Sheet            | 199,165,770                       |                            |                               |
| 12                           |                          | Difference                         | 0                                 |                            |                               |
|                              |                          | TRANSPORTATION CLEARING            |                                   |                            |                               |
| 13                           |                          | Transportation Equipment           |                                   |                            | (339,000)                     |
| 14                           |                          | Power Operated Equipment           |                                   |                            | (65,400)                      |
| 15                           |                          | Pro Forma Depreciation Expense     |                                   |                            | 5,562,335                     |
| 16                           |                          | Per Delta Income Statement         |                                   |                            | 3,792,258                     |
| 17                           |                          | Depreciation Expense Adjustment    |                                   |                            | 1,770,077                     |



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

13. Refer to Delta's response to Item 43 of Staff's Second Request. Identify the historical period reviewed in performing the visual review of retirements for each plant account and explain why that specific historical period was chosen.

Response:

For Accounts 369, 378, 379, 382, 383, 385, and 390, the historical period reviewed was 1951 through 2009. This period was reviewed because it includes the most recent set of retirement data available for these accounts.

For Accounts 391, 392, 394, 396, 397, and 398, the historical period reviewed was 1951 through 2002. This period was reviewed because it is identical to that utilized in Delta's last rate case, Case No. 2007-00089.

Sponsoring Witness:

William Steven Seelye



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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

14. Refer to Delta's response to Item 45 of Staff's Second Request and Item 3 of Staff's Initial Data Request dated March 31, 2010. In the same format as used in the response to Item 3 of the initial request, provide Delta's capital structure for each month since the end of the calendar year 2009 test year.

Response:

See attached.

Sponsoring Witness:

John B. Brown



DELTA NATURAL GAS COMPANY, INC.  
CASE NO. 2010-00116  
CAPITAL STRUCTURE  
JANUARY - APRIL 2010  
"000 Omitted"

| Line No. | Item                      | Total Capital<br>(b) | Long-Term Debt<br>(c) | Short-Term Debt<br>(d) | Preferred Stock<br>(e) | Common Stock<br>(f) | Retained Earnings<br>(g) | Total Common Equity<br>(h) |
|----------|---------------------------|----------------------|-----------------------|------------------------|------------------------|---------------------|--------------------------|----------------------------|
| 2        | 1st Month -- January '10  | 125,116              | 58,434                | 8,368                  |                        | 48,040              | 10,274                   | 58,314                     |
| 3        | 2nd Month -- February '10 | 120,793              | 58,429                | 2,646                  |                        | 48,043              | 11,675                   | 59,718                     |
| 4        | 3rd Month -- March '10    | 118,534              | 58,379                | 0                      |                        | 48,112              | 12,043                   | 60,155                     |
| 5        | 4th Month -- April '10    | 119,443              | 58,365                | 0                      |                        | 48,116              | 12,962                   | 61,078                     |



**DELTA NATURAL GAS COMPANY, INC.**  
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**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

15. Refer to Delta's response to Item 46 of Staff's Second Request.
- a. Provide all correspondence, e-mails, notes from telephone calls, and any other communication between Delta and its insurance carrier, regarding the storage gas loss that occurred from October 2006 through October 2007.
  - b. Given that the gas loss in question occurred in 2006 and 2007, explain why the original charge was not booked until December 2008.
  - c. Given that the expense for the gas storage loss was initially booked in December 2008, explain how the "[t]iming of the base rate case," filed 16 months after the expense was initially booked, factored into the proposed method of recovery.
  - d. While there may be merit to the claim that the gas storage loss is a "[I]egitimate above-the-line expense," explain why the expense for a loss that occurred prior to the test year should be recognized for ratemaking purposes. Also, give the infrequency of such losses, explain why such a cost should be recovered and "locked-in" to Delta's base rates.

Response:

- a. See CD containing communications saved in PDF format.
- b. Although the gas was lost between the latter part of 2006 and December, 2007, Delta did not have sufficient data prior to December, 2008 to estimate the amount of gas lost. Twice annually Delta performs a shut-in of the storage wells which allows the Company to analyze the volumes, pressure and other data relating to the storage field in order to substantiate the gas inventory carried in its perpetual inventory records. Additional shut-in data, obtained after December, 2007, was required to determine the quantity of lost gas. That data and the subsequent determination of the estimate of the amount of gas lost was not available prior to January, 2009, at which point the original expense was accrued on Delta's December, 2008 financial statements.
- c. Delta's original strategy was to resolve the issue with the insurance company prior to seeking regulatory recovery. In the sixteen months after the expense was initially booked, Delta actively pursued recovery of the cost of the lost gas from its insurance carrier. While drafting the filing requirements for the current case, Delta re-evaluated its strategy knowing that the rate filing would give Delta the opportunity to bring the issue before the Commission to consider the expense along with other Company expenses and revenues in their entirety. Given the passage of time and the lack of progress with respect to the recovery of the cost of the lost gas from the insurance carrier, Delta

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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

determined that sufficient uncertainty surrounded the insurance recovery to warrant seeking regulatory recovery in the rate filing.

Therefore, the timing of the case influenced the decision of when to seek regulatory recovery more than the method of recovery.

- d. The expense for this gas storage loss should be recognized for ratemaking purposes because it is a legitimate above-the-line expense. While the loss itself occurred prior to the test year, the loss became known and measureable during the test year (on January 28, 2009). The loss was accrued on Delta's books as of December, 2008 for SEC reporting purposes because the Company became aware of the amount prior to releasing Delta's December, 2008 financial statements. The plan with respect to recovery of the cost of the lost gas was publicly disclosed in Note 12 to the Consolidated Financial Statements in Delta's December, 2008 Form 10Q as follows: "Depending on the outcome of our pursuit of insurance recovery, we will also evaluate whether any unreimbursed gas losses are eligible for regulatory recovery under our gas cost recovery mechanism, or other appropriate methods." The insurance carrier's position surrounding Delta's ability to recover insurance proceeds for the lost gas did not become clear until the beginning of 2010. Delta was of the opinion that seeking regulatory recovery of the loss, although known and measurable, was premature while insurance recovery seemed probable.

Delta agrees that losses of this magnitude are infrequent and is not opposed to the treatment of this amount as a regulatory asset rather than the inclusion of the full amount in test year expenses. Delta has not historically suffered losses such as this and therefore has no precedent with the Commission for recovering such costs. In this regard, the gas storage loss is more analogous to the costs that electric utilities incur for uncommonly severe storms, which are more aptly dealt with via regulatory asset treatment. The Company recognizes that to "lock in" the full amount annualized in base rates is not the preferred method to recover these costs. In hindsight, Delta acknowledges that it would have been preferable for the Company to propose in its Application the establishment of a regulatory asset for this amount, rather than including the full amount of the gas storage losses in test year expenses. An amortization over three years would be a more appropriate way to recover these costs since the full amount considerably exceeds the normal annual amount of gas storage losses Delta incurs.

Finally, another cost recovery vehicle -- albeit a less conventional one -- is the GCR. Prospectively, Delta suggests that the GCR is an appropriate mechanism for allowing recovery of gas storage losses like this, and other storage inventory adjustments, on a near-real-time basis, without the undesired base rate "lock-in" effect noted above. See the proposed revisions to the Gas Cost Adjustment Clause, Sheet No. 13, found in the Application Filing Requirements, Volume 1 of 3, Tab 8.

Sponsoring Witness:

John B. Brown and Matthew D. Wesolosky



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

16. Refer to Delta's responses to Items 49 and 52 of Staff's Second Request.
- a. Of the \$138,935 increase in Outside Services Accounting attributed to additional work performed by Deloitte and Touche, LLP ("Deloitte"), provide the amount specifically related to its review of the accounting and disclosure treatment of the storage gas loss.
  - b. Provide the amount charged by Deloitte for its services related to the change in income tax method of accounting repairs under IRC Section 162 and explain whether Delta undertakes this type of change on a regular recurring basis.
  - c. Identify the third party currently providing the consulting services that were provided by former employees Heath and Russell during the test year.

Response:

- a. \$4,750.
- b. \$132,589 was charged for the method change under IRC section 162. Delta has filed a different method change in each of its three most recent tax years. The costs incurred for the method change under IRC 162 have already proved beneficial to the customer by accelerating tax deductions which reduced rate base in this case by approximately \$3,200,000.
- c. Paul Dubois, John Wright and Nitec.

Sponsoring Witness:

Matthew D. Wesolosky



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

17. Refer to Delta's responses to Items 49 and 53 of Staff's Second Request. The response in Item 49 regarding medical coverage refers to insurance premiums charged to employees increasing 15 percent. The response to Item 53 refers to the change effective May 9, 2008, under which new hires are not eligible for the defined benefit pension plan. Identify and describe any other actions undertaken by Delta since May 2008 to minimize its costs for employee pensions and benefits.

Response:

Question 68 of the Attorney General's Initial Request For Information lists all of the steps the Company has taken to reduce the cost of medical insurance. No significant changes have been made to the retirement plans since the defined benefit plan was frozen to new entrants effective May 9, 2008.

Sponsoring Witness:

John B. Brown





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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

18. Refer to Delta's response to Item 53.b. of Staff's Second Request. Delta states that \$1,200 was contributed to account 1.926.03, Employee 401(k) Plan, for one participant. Provide an explanation for the amount of \$297,261 recorded in the same account on the Trial Balance at Item 10 of Delta's Response to Commission Staff's First Data Request.

Response:

Account 1.926.03 includes \$296,061 of expense for the company matching of employee contributions to our 401(k) Plan and related Plan expenses. The remaining \$1,200 of expense relates to the nonelective contribution to the one participant who is ineligible to participate in Delta's defined benefit plan.

Sponsoring Witness:

John B. Brown



**DELTA NATURAL GAS COMPANY, INC.**  
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**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

19. Refer to Delta's response to Item 6 of Attorney General's Data Request ("AG's Data Request"). Provide an explanation for the amount of \$890,662 identified as "Misc Non Operating Income" for 2009.

Response:

As noted in our response to PSC-2, Item 46 in April, 2009 we reclassified the gas storage losses from Miscellaneous Non-Operating Expenses to Gas Storage Losses. The credit balance in Misc Non-Operating Expenses is primarily due to the reclassification.

Sponsoring Witness:

Matthew D. Wesolosky



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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

- 20: Refer to Delta's response to Item 10 of AG's Data Request, page 5 of 5, JE #132, Reclass Bad Debt Reserve to Delgasco in the amount of \$938,000. Provide an explanation of why the amount of \$938,000 differs from the amount of \$469,000 described as "Transfer of reserve for Subsidiaries to Subsidiary books" in Item 27, Schedule 3.3, of Delta's Application, Volume 1.

Response:

The amount \$938,000 is the control total for the entire entry. As the attached journal entry copy shows, JE132 includes both a \$469,000 entry to remove the expense from Delta's books and a \$469,000 entry to record the expense on Delgasco's books.

Sponsoring Witness:

John B. Brown

DELTA NATURAL GAS CO., INC. AND SUBSIDIARIES  
Manual Journal Entries Post

Batch: JE132

Reference: JE132 RECLASS NRC RESERVE TO DELGASCO Reversing Entries- NO  
Date: 6/30/2009

| Seq | D i s t r i b u t i o n                         | A m o u n t  |
|-----|---|--------------|
| 1   | G/L # - 1.144.0000 PROVISION FOR UNCOLLECTIBLES | 469,000.00   |
| 2   | G/L # - 1.904.0000 UNCOLLECTIBLE ACCOUNTS       | 469,000.00CR |
| 3   | G/L # - 3.144.0000 PROVISION FOR UNCOLLECTIBLES | 469,000.00CR |
| 4   | G/L # - 3.904.0000 UNCOLLECTIBLE ACCOUNTS       | 469,000.00   |
|     |   | .00 *        |
|     |   | .00 **       |

Grand Total

-- Batch is in Balance --





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

**THIRD PSC DATA REQUEST**  
**DATED JUNE 21, 2010**

21. Refer to Delta's response to Item 22 of AG's Data Request. Delta's response in Item 5 as its answer to the AG's questions in Item 22 is incomplete. Provide the requested information to the AG's Item 22, specifically stating whether, when and in what manner the property sold had been included in rate base and show the details of how the gain or loss was calculated.

Response:

See attached schedules.

The company has not sold any property included in Plant Held for Future Use but has sold Plant Utility Property (Account 101) for the years requested.

Sponsoring Witness:

Matthew D. Wesolosky

Delta Natural Gas  
 Plant Property Sold  
 Calendar Year 2009

ITEM 21

| Plant Account | Asset Number | Description                                 | Year Purchased** | Month Sold | Cost      | Salvage Received | Gain/(Loss) Realized |
|---------------|--------------|---|------------------|------------|-----------|------------------|----------------------|
| 381 *         | 9555172      | MODULE, ITRON ERT 40 G GAS MTR              | 1996             | 1/1/2009   | 80.36     | 60.00            | 0.00                 |
| 381 *         | 9555172      | MODULE, ITRON ERT 40 G GAS MTR              | 1996             | 4/1/2009   | 80.36     | 60.00            | 0.00                 |
| 381 *         | 9554294      | METER, AMERICAN 175 AL                      | 1981             | 4/1/2009   | 85.55     | 60.00            | 0.00                 |
| 383 *         | 9613469      | RESIDENTIAL REGULATORS - 1" 1813C           | 2008             | 3/1/2009   | 154.49    | 144.00           | 0.00                 |
| 383 *         | 9555804      | REGULATOR, AMER 1" 1813C                    | 1995             | 4/1/2009   | 26.26     | 24.00            | 0.00                 |
| 383 *         | 9621290      | RESIDENTIAL REGULATORS - 1" 1813C           | 2008             | 6/1/2009   | 314.97    | 168.00           | 0.00                 |
| 383 *         | 9555928      | REGULATOR, AMER 1 1/4" 1813C                | 2003             | 9/1/2009   | 37.02     | 33.35            | 0.00                 |
| 392 *         | 9550296      | 2000 FORD F150 4X2 TRUCK: MIDDLESBORO       | 1999             | 1/1/2009   | 13,474.84 | 2,166.00         | 0.00                 |
| 392 *         | 9550400      | 2004 CHEV SILVERADO TRUCK                   | 2003             | 1/1/2009   | 18,899.00 | 5,198.40         | 0.00                 |
| 392 *         | 9550362      | 2003 CHEV SILVERADO TRUCK TRANSMISSION      | 2002             | 2/1/2009   | 23,357.00 | 5,286.40         | 0.00                 |
| 392 *         | 9550427      | 2005 CHRYSLER PACIFICA                      | 2004             | 3/1/2009   | 33,187.36 | 4,000.00         | 0.00                 |
| 392 *         | 9550367      | 2003 FORD F250 TRUCK                        | 2002             | 3/1/2009   | 23,088.44 | 6,000.00         | 0.00                 |
| 392 *         | 9550342      | CHEV VENTURE VAN                            | 2002             | 4/1/2009   | 24,074.55 | 2,500.00         | 0.00                 |
| 392 *         | 9550366      | 2003 FORD F150 TRUCK: BARBOURVILLE          | 2002             | 4/1/2009   | 19,528.08 | 2,628.00         | 0.00                 |
| 392 *         | 9550383      | 2003 CHEV SILVERADO TRUCK                   | 2003             | 4/1/2009   | 26,957.22 | 7,168.40         | 0.00                 |
| 392 *         | 9550381      | 2003 CHEV SILVERADO TRUCK: BEREA            | 2003             | 5/1/2009   | 16,519.67 | 4,500.00         | 0.00                 |
| 392 *         | 9550370      | 2003 CHEV SILVERADO                         | 2002             | 5/1/2009   | 23,563.24 | 5,168.40         | 0.00                 |
| 392 *         | 9550365      | 2003 CHEVROLET SILVERADO: MANCHESTER        | 2002             | 5/1/2009   | 21,485.68 | 5,500.00         | 0.00                 |
| 392 *         | 9550418      | 2007 CHEVROLET SAHOE                        | 2006             | 5/1/2009   | 43,715.27 | 16,106.00        | 0.00                 |
| 392 *         | 9550055      | 2004 CHEV SILVERADO TRK TRANSM              | 2004             | 6/1/2009   | 18,561.16 | 4,750.00         | 0.00                 |
| 392 *         | 9667007      | 79 FRUEHAUF LOW BODY TRAILER                | 1989             | 6/1/2009   | 8,159.99  | 5,381.00         | 0.00                 |
| 392 *         | 9550324      | 96 FORD TRUCK                               | 1995             | 8/1/2009   | 13,484.64 | 750.00           | 0.00                 |
| 392 *         | 9574276      | 2001 CHEV SILVERADO TRUCK: CORBIN OFFICE    | 2001             | 8/1/2009   | 18,728.16 | 1,900.00         | 0.00                 |
| 392 *         | 9550419      | 2000 CHEV C1500 TRUCK                       | 1999             | 8/1/2009   | 13,852.32 | 2,507.00         | 0.00                 |
| 392 *         | 9550428      | 2005 CHEVROLET TRUCK                        | 2004             | 8/1/2009   | 26,014.70 | 8,000.00         | 0.00                 |
| 392 *         | 9550371      | 2004 CHEV ASTRO VAN                         | 2004             | 9/1/2009   | 21,413.03 | 3,000.00         | 0.00                 |
| 392 *         | 9550372      | 2003 FORD F450 4X4 TRUCK #209 TRANSMISSION  | 2002             | 9/1/2009   | 34,474.00 | 10,336.83        | 0.00                 |
| 392 *         | 9666907      | 2003 CHEVROLET SILVERADO UNIT 31            | 2002             | 10/1/2009  | 21,673.00 | 5,500.00         | 0.00                 |
| 392 *         | 9550390      | 2002 CHEV SILVERADO TRUCK                   | 2002             | 11/1/2009  | 19,097.78 | 3,000.00         | 0.00                 |
| 392 *         | 9550416      | 2003 CHEV SILVERADO TRUCK                   | 2003             | 11/1/2009  | 22,495.00 | 6,000.00         | 0.00                 |
| 392 *         | 9550399      | 2004 CHEVROLET TRUCK: BEREA - CORROSION     | 2004             | 11/1/2009  | 19,011.13 | 6,360.00         | 0.00                 |
| 392 *         | 9550358      | 2004 CHEVROLET SILVERADO TRUCK: OWINGSVILLE | 2003             | 11/1/2009  | 19,368.46 | 6,500.00         | 0.00                 |
| 392 *         | 9550327      | 2002 CHEV K1500 TRUCK: LONDON               | 2002             | 12/1/2009  | 18,433.72 | 3,240.94         | 0.00                 |
| 392 *         | 9550455      | 2001 CHEV TRUCK: MIDDLESBORO                | 2001             | 12/1/2009  | 24,843.83 | 5,325.50         | 0.00                 |
| 392 *         | 9550461      | 2006 SILVERADO TRUCK                        | 2005             | 12/1/2009  | 22,490.00 | 8,241.40         | 0.00                 |
| 392 *         | 9550401      | 2006 CHEV SILVERADO TRUCK                   | 2006             | 12/1/2009  | 20,398.00 | 10,500.00        | 0.00                 |
| 392 *         | 9550401      | 2004 CHEVROLET SILVERADO                    | 2003             | 12/1/2009  | 26,552.41 | 10,775.00        | 0.00                 |
| 396 *         | 9551603      | T-12 DITCH WITCH TRAILER                    | 1996             | 6/1/2009   | 6,641.96  | 1,176.00         | 0.00                 |
| 396 *         | 9551554      | DITCH WITCH TRENCHER                        | 1993             | 6/1/2009   | 38,862.94 | 5,152.00         | 0.00                 |

Delta Natural Gas  
 Plant Property Sold  
 Calendar Year 2009

| Plant Account | Asset Number | Description                           | Year Purchased ** | Month Sold | Cost       | Salvage Received | Gain/(Loss) Realized |
|---------------|--------------|---------------------------------------|-------------------|------------|------------|------------------|----------------------|
| 381 *         | 9555172      | MODULE, ITRON ERT 40 G GAS MTR        | 1996              | 1/1/2009   | 80.36      | 60.00            | 0.00                 |
| 396 *         | 9655509      | CASE SUPER E580 LOADER BACKHOE        | 1984              | 6/1/2009   | 34,125.00  | 8,025.00         | 0.00                 |
| 397 *         | 9552099      | CISCO 3660 ROUTER                     | 2001              | 7/1/2009   | 25,230.28  | 1,015.62         | 0.00                 |
| 397 *         | 9552098      | CISCO 3660 ROUTER                     | 2001              | 7/1/2009   | 25,905.27  | 1,015.63         | 0.00                 |
| 39903 *       | 9553108      | DELL COMPUTER - HR SCAN OPTIPLX GX240 | 2002              | 1/1/2009   | 1,841.53   | 130.00           | 0.00                 |
| 39903 *       | 9553045      | CATALYST 3524 XL ENTERPRISE           | 2001              | 4/1/2009   | 2,224.15   | 371.00           | 0.00                 |
| 39903 *       | 9553044      | CATALYST 3524 XL ENTERPRISE           | 2001              | 4/1/2009   | 2,378.39   | 371.00           | 0.00                 |
| 39903 *       | 9553043      | CATALYST 3548 XL ENTERPRISE           | 2001              | 4/1/2009   | 3,650.38   | 371.00           | 0.00                 |
|               |              |                                       |                   |            | 798,540.59 | 186,465.87       | 0.00                 |

\* No gain or loss recognized for this plant account. Salvage in excess of cost is charged to accumulated depreciation, as Delta utilizes group depreciation for these assets.

\*\* Any assets purchased prior to December, 2006 were included in rate base in Case No. 2007-00089, as a component of utility plant in service. These assets, as they have been sold, are not included in rate base for the current case.

Delta Natural Gas  
Plant Property Sold  
Calendar Year 2008

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| Plant Account | Asset Number | Description                                    | Year Purchased ** | Month Sold | Cost      | Salvage Received | Gain/(Loss) Realized |
|---------------|--------------|--|-------------------|------------|-----------|------------------|----------------------|
| 383 *         | 955854       | REGULATOR, AMER 1" 1813C                       | 2002              | 3/1/2008   | 20.61     | 24.00            | 0.00                 |
| 383 *         | 9561512      | 1" 1813C REGULATORS                            | 2007              | 6/1/2008   | 28.10     | 24.00            | 0.00                 |
| 383 *         | 9555777      | REGULATOR, AMER 2" 1813B                       | 2002              | 11/1/2008  | 483.36    | 616.00           | 0.00                 |
| 383 *         | 9561512      | 1" 1813C REGULATORS                            | 2007              | 11/1/2008  | 56.21     | 48.00            | 0.00                 |
| 389           | 9548943      | OFFICE LAND BOB-O-LINK DR BEREA, KY            | 1955              | 8/1/2008   | 2,750.00  | 87,880.00        | 85,130.00 ***        |
| 389           | 9548970      | OFFICE LAND 230 CUMBERLAND AVE BARBOURVILLE    | 1980              | 8/1/2008   | 4,037.50  | 74,930.00        | 70,892.50 ***        |
| 390 *         | 9548992      | 1 STORY BRICK OFFICE BLDG BEREA                | 1957              | 8/1/2008   | 19,485.97 | 72,515.00        | 0.00                 |
| 390 *         | 9549092      | 1 STORY OFFICE BLDG BARBOURVILLE               | 1980              | 8/1/2008   | 24,268.18 | 99,895.00        | 0.00                 |
| 392 *         | 9550275      | 99 CHEV SILVERADO TRK UNIT 36, NICHOLASVILLE   | 1999              | 1/1/2008   | 20,556.00 | 4,400.00         | 0.00                 |
| 392 *         | 9550350      | 2002 CHEV SILVERADO TRUCK-POOL: BARBOURVILLE   | 2002              | 1/1/2008   | 21,774.62 | 4,000.00         | 0.00                 |
| 392 *         | 9550354      | 2002 CHEV SILVERADO TRUCK: NICHOLASVILLE       | 2002              | 1/1/2008   | 19,097.78 | 4,500.00         | 0.00                 |
| 392 *         | 9550374      | 2004 CHEV SILVERADO TRK #14 DB: OWINGSVILLE    | 2004              | 1/1/2008   | 19,090.94 | 7,501.01         | 0.00                 |
| 392 *         | 9550409      | 2004 CHEVROLET TAHOE                           | 2003              | 1/1/2008   | 31,345.64 | 12,000.00        | 0.00                 |
| 392 *         | 9550347      | 2002 CHEV SILVERADO TRUCK: BARBOURVILLE        | 2002              | 2/1/2008   | 24,948.73 | 6,000.00         | 0.00                 |
| 392 *         | 9550450      | 2005 CHEV TAHOE #506 A HEATH: WINCHESTER       | 2005              | 2/1/2008   | 35,637.38 | 16,118.50        | 0.00                 |
| 392 *         | 9550386      | 2003 FORD F150 4x4 TRUCK                       | 2003              | 6/1/2008   | 21,691.96 | 3,800.00         | 0.00                 |
| 392 *         | 9550116      | INTERSTATE TRAILER                             | 1990              | 3/1/2008   | 8,474.70  | 2,552.00         | 0.00                 |
| 392 *         | 9550225      | 98 FORD F700 CAB AND CHASSIS                   | 1997              | 3/1/2008   | 29,686.36 | 7,052.00         | 0.00                 |
| 392 *         | 9550402      | 2004 CHEVROLET SILVERADO TRUC                  | 2003              | 5/1/2008   | 21,759.53 | 4,500.00         | 0.00                 |
| 392 *         | 9550278      | 99 CHEV MALIBU #291 POOL: WINCHESTER           | 1999              | 8/1/2008   | 16,645.00 | 3,202.00         | 0.00                 |
| 392 *         | 9550408      | 2004 FORD ESCAPE VAN                           | 2003              | 11/1/2008  | 21,722.83 | 5,594.40         | 0.00                 |
| 392 *         | 9550375      | 2003 CHEV SILVERADO TRUCK: MIDDLESBORO         | 2003              | 12/1/2008  | 23,170.23 | 5,268.40         | 0.00                 |
| 392 *         | 9550397      | 2004 CHEV SILVERADO TRUCK: BEREA               | 2003              | 12/1/2008  | 16,252.76 | 3,646.40         | 0.00                 |
| 392 *         | 9612232      | 2008 CHEVY TAHOE                               | 2008              | 12/1/2008  | 33,583.00 | 24,000.00        | 0.00                 |
| 392 *         | 9616049      | 2008 CHEVROLET AVALANCHE TRUCK                 | 2008              | 12/1/2008  | 35,608.50 | 24,000.00        | 0.00                 |
| 394 *         | 9551199      | WOODS DITCH BANK MOWER: BARBOURVILLE           | 1999              | 8/1/2008   | 5,248.86  | 200.00           | 0.00                 |
| 394 *         | 9551233      | BUSH HOG MODEL 176                             | 2001              | 8/1/2008   | 3,657.00  | 327.00           | 0.00                 |
| 396 *         | 9551637      | CASE 580SL BACKHOE CASE TRACTOR-LOADER-BACKHOE | 1999              | 5/1/2008   | 53,397.50 | 21,044.00        | 0.00                 |
| 39903 *       | 9553082      | DELL OPTIPLEX COMPUTER                         | 2002              | 10/1/2008  | 1,841.53  | 100.00           | 0.00                 |
| 39903 *       | 9553083      | DELL OPTIPLEX COMPUTER                         | 2002              | 10/1/2008  | 1,841.53  | 100.00           | 0.00                 |
| 39903 *       | 9553085      | DELL OPTIPLEX COMPUTER                         | 2002              | 10/1/2008  | 1,841.53  | 100.00           | 0.00                 |
| 39903 *       | 9553087      | DELL OPTIPLEX COMPUTER                         | 2002              | 10/1/2008  | 1,841.53  | 100.00           | 0.00                 |

Delta Natural Gas  
 Plant Property Sold  
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| <u>Plant Account</u> | <u>Asset Number</u> | <u>Description</u>                          | <u>Year Purchased **</u> | <u>Month Sold</u> | <u>Cost</u> | <u>Salvage Received</u> | <u>Gain/(Loss) Realized</u> |
|----------------------|---------------------|---|--------------------------|-------------------|-------------|-------------------------|-----------------------------|
| 39903 *              | 9553089             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553090             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553091             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553093             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553094             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553095             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553096             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553097             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553098             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553099             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553100             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553101             | DELL OPTIPLX GX240 COMPUTR                  | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553104             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553105             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553106             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553107             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553109             | DELL OPTIPLX GX240 COMPUTER                 | 2002                     | 10/1/2008         | 1,841.53    | 100.00                  | 0.00                        |
| 39903 *              | 9553110             | DELL OPTIPLX GX240 COMPUTER                 | 2002                     | 10/1/2008         | 1,841.54    | 100.00                  | 0.00                        |
| 39903 *              | 9553111             | DELL OPTIPLX GX240 COMPUTER WITH MODEM      | 2002                     | 10/1/2008         | 1,902.35    | 100.00                  | 0.00                        |
| 39903 *              | 9553103             | DELL OPTIPLX COMPUTER                       | 2002                     | 10/1/2008         | 1,902.35    | 100.00                  | 0.00                        |
| 39903 *              | 9553172             | DELL PC FOR MOBILE COLLECTOR: BERE A OFFICE | 2002                     | 11/1/2008         | 1,841.53    | 130.00                  | 0.00                        |
| 39903 *              | 9553173             | DELL PC FOR MOBILE COLLECTOR: MIDDLESBORO   | 2004                     | 12/1/2008         | 721.94      | 100.00                  | 0.00                        |
| 39903 *              | 9553174             | DELL PC FOR MOBILE COLLECTOR: CORBIN OFFICE | 2004                     | 12/1/2008         | 721.94      | 130.00                  | 0.00                        |
| 39903 *              | 9553175             | DELL PC FOR MOBILE COLLECTOR: NICHOLASVILLE | 2004                     | 12/1/2008         | 721.94      | 105.00                  | 0.00                        |
| 39903 *              | 9553176             | DELL PC FOR MOBILE COLLECTOR: MANCHESTER    | 2004                     | 12/1/2008         | 721.94      | 100.00                  | 0.00                        |
| 399031 *             | 9553221             | PITNEY BOWES INSERTING MACHINE              | 1997                     | 9/1/2008          | 85,394.66   | 2,000.00                | 0.00                        |
|                      |                     |   |                          |                   | 647,801.98  | 500,607.71              | 156,022.50                  |

\* No gain or loss recognized for this plant account. Salvage in excess of cost is charged to accumulated depreciation, as Delta utilizes group depreciation for these assets.

\*\* Any assets purchased prior to December, 2006 were included in rate base in Case No. 2007-00089, as a componet of utility plant in service. These assets, as they have been sold, are not included in rate base for the current case.

\*\*\* Gain was recorded to account 421.

| Plant Account | Asset Number | Description                             | Year Purchased ** | Month Sold | Cost       | Salvage Received | Gain/(Loss) Realized |
|---------------|--------------|---|-------------------|------------|------------|------------------|----------------------|
| 383 *         | 9555551      | REGULATOR, FISHER 1 1/2" S301D          | 2006              | 10/1/2007  | 329.40     | 290.19           | 0.00                 |
| 383 *         | 9555919      | REGULATOR, AMER 1" 1813C                | 2007              | 12/1/2007  | 331.13     | 264.00           | 0.00                 |
| 389           | 9548958      | OFFICE LAND AND LOT CORBIN, KY          | 1983              | 10/1/2007  | 32,600.00  | 49,555.00        | 16,955.00 ***        |
| 390 *         | 9549199      | ROOF ON CONCRETE BLDG - CORBIN: MAIN ST | 1999              | 10/1/2007  | 2,300.00   | 1,878.00         | 0.00                 |
| 390 *         | 9549209      | ROOF ON CORBIN OFFICE                   | 2000              | 10/1/2007  | 10,000.00  | 8,384.00         | 0.00                 |
| 390 *         | 9549062      | CONCRETE BLDG-601 S MAIN ST.            | 1983              | 10/1/2007  | 7,000.00   | 11,331.00        | 0.00                 |
| 390 *         | 9549063      | BRICK OFFC BLDG-513 S MAIN ST.          | 1983              | 10/1/2007  | 44,800.00  | 87,427.00        | 0.00                 |
| 392 *         | 1920487      | 2002 CHEVROLET EXPRESS VAN              | 2006              | 1/1/2007   | 4,875.00   | 4,207.44         | 0.00                 |
| 392 *         | 9550330      | 2001 CHEVROLET IMPALA                   | 2001              | 2/1/2007   | 18,950.20  | 4,192.00         | 0.00                 |
| 392 *         | 9550304      | 2000 CHEV VENTURE VAN                   | 2000              | 3/1/2007   | 15,082.25  | 2,530.00         | 0.00                 |
| 392 *         | 9550329      | 2001 CHEVROLET IMPALA                   | 2001              | 3/1/2007   | 19,920.60  | 4,192.00         | 0.00                 |
| 392 *         | 9550407      | 2003 CHEV SUBURBAN                      | 2003              | 3/1/2007   | 38,865.50  | 11,852.40        | 0.00                 |
| 392 *         | 9550044      | 95 CHEVROLET PICKUP TRUCK               | 1995              | 4/1/2007   | 11,980.08  | 2,070.00         | 0.00                 |
| 392 *         | 9550295      | 2000 FORD F150 4X2 TRUCK                | 1999              | 4/1/2007   | 15,472.00  | 2,547.93         | 0.00                 |
| 392 *         | 9550128      | 96 FORD F155 4X2 TRUCK                  | 1995              | 5/1/2007   | 18,243.00  | 1,175.00         | 0.00                 |
| 392 *         | 9550353      | 2002 CHEV SILVERADO TRUCK               | 2002              | 5/1/2007   | 20,089.16  | 6,000.00         | 0.00                 |
| 392 *         | 9550349      | 2002 CHEV SILVERADO TRUCK               | 2002              | 5/1/2007   | 21,524.00  | 5,000.00         | 0.00                 |
| 392 *         | 9550451      | 2005 CHEV TAHOE                         | 2005              | 6/1/2007   | 37,158.53  | 26,100.00        | 0.00                 |
| 392 *         | 9550260      | 99 FORD F550 TRUCK                      | 1998              | 8/1/2007   | 31,743.62  | 4,400.00         | 0.00                 |
| 396 *         | 9551581      | DITCH WITCH TRENCHER: MIDDLESBORO       | 1989              | 10/1/2007  | 3,656.50   | 800.00           | 0.00                 |
| 398 *         | 9552280      | BREATH ALCOHOL TEST INSTRUMENT          | 1996              | 3/1/2007   | 2,849.30   | 47.17            | 0.00                 |
| 398 *         | 9552281      | BREATH ALCOHOL TEST INSTRUMENT          | 1996              | 3/1/2007   | 2,849.30   | 47.17            | 0.00                 |
|               |              |   |                   |            | 360,619.57 | 234,290.30       | 16,955.00            |

\* No gain or loss recognized for this plant account. Salvage in excess of cost is charged to accumulated depreciation, as Delta utilizes group depreciation for these assets.

\*\* Any assets purchased prior to December, 2006 were included in rate base in Case No. 2007-00089, as a component of utility plant in service. These assets, as they have been sold, are not included in rate base for the current case.

\*\*\* Gain was recorded to account 421.



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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

22. Refer to Delta's response to Item 42 of AG's Data Request. Provide a description of the facts for protesting the 2009 property tax assessment and the amount in dispute. Include in the response an estimate of the likelihood of success in the proceeding.

Response:

Delta has protested the 2009 Kentucky Department of Revenue's property tax assessment of \$155,791,000. The Department utilized three methods to determine the 2009 assessed value of Delta's property: the cost approach, the income approach and the market approach. The market approach typically yields the highest assessed value and is more heavily weighted in the final assessed value by the Department than the other two methodologies. Delta believes that an assessment based on the cost approach is the method most representative of the value of Delta's property in its regulated environment as historical cost is the basis for the rates Delta charges its customers. An assessment based on the cost approach produces an assessment of \$136,536,000. Delta is unable to predict the likelihood of success in the proceeding.

Sponsoring Witness:

Matthew D. Wesolosky





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

**THIRD PSC DATA REQUEST  
DATED JUNE 21, 2010**

23. Refer to Delta's response to Item 100 of AG's Data Request. State whether the four percent portion of Delta's American Gas Association dues attributable to lobbying activities has been removed for rate making purposes.

Response:

Four percent of Delta's American Gas Association dues attributable to lobbying activities have been removed for rate making purposes.

Sponsoring Witness:

Matthew D. Wesolosky