



Delta Natural Gas Company, Inc.

3617 Lexington Road
Winchester, Kentucky 40391-9797



www.deltagas.com

PHONE: 859-744-6171

FAX: 859-744-3623

August 18, 2010

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

RECEIVED

AUG 19 2010

PUBLIC SERVICE
COMMISSION

**RE: APPLICATION OF DELTA NATURAL GAS COMPANY, INC.
FOR AN ADJUSTMENT OF RATES – Case No. 2010-00116
(Updates to Data Request Responses)**

Dear Mr. Derouen:

On May 7, 2010, in the above-referenced proceeding, Delta Natural Gas Company, Inc. filed an initial response to Question No. 52 of the First Data Request of Commission Staff dated March 31, 2010. On June 8, 2010, the Company filed initial responses to Question No. 4 of the Second Data Request of Commission Staff dated May 24, 2010 and Question Nos. 50 and 154 of the First Data Request of the Attorney General dated May 24, 2010. Pursuant to the directives in each of these data requests, Delta hereby provides an original and ten (10) copies of the following information:

- PSC-1 Question No. 52 – updated actual rate case expenses through June 30, 2010.
- PSC-2 Question No. 4.e. (2) – updated interest rate for Delta's short-term debt as of August 1, 2010.
- AG-1 Question No. 60 – updated pension plan actuarial study.
- AG-1 Question No. 154 – update of assumption of expected return on pension assets.

Please confirm your receipt of these documents by placing the File Stamp of your Office on the enclosed additional copy.

Mr. Jeff Derouen
Page 2
August 18, 2010

Please contact me if you have any questions about this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "John B. Brown", with a stylized flourish extending to the right.

John B. Brown
Chief Financial Officer, Treasurer
and Secretary

Copy: Dennis G. Howard, Assistant Attorney General
Robert M. Watt, Stoll Keenon Ogden PLLC

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

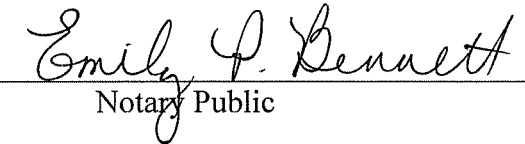
VERIFICATION

The undersigned, **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 18th day of August, 2010.

 (SEAL)

Notary Public

My Commission Expires:

6/20/12

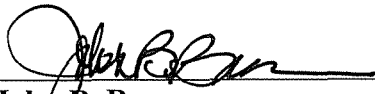
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

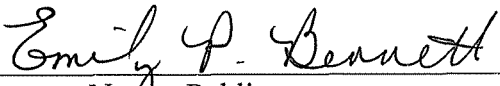
VERIFICATION

The undersigned, **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 18th day of August, 2010.

 (SEAL)

Notary Public

My Commission Expires:

6/20/12

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

**UPDATED RESPONSE TO
FIRST PSC DATA REQUEST
DATED MARCH 31, 2010
UPDATED RESPONSE FILED AUGUST 19, 2010**

52. Provide the following information concerning the costs for the preparation of this case:

a. A detailed schedule of expenses incurred to date for the following categories:

- (1) Accounting;
- (2) Engineering;
- (3) Legal;
- (4) Consultants; and
- (5) Other Expenses (identify separately).

For each category, the schedule should include the date of each transaction, check number or other document reference, the vendor, the hours worked, the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of any invoices, contracts, or other documentation that support charges incurred in the preparation of this rate case. Indicate any costs incurred for this case that occurred during the test year.

b. An itemized estimate of the total cost to be incurred for this case. Expenses should be broken down into the same categories as identified in (a) above, with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting workpapers and calculations.

c. During the course of this proceeding, provide monthly updates of the actual costs incurred, in the manner requested in (a) above. Updates will be due the last business day of each month, through the month of the public hearing.

RESPONSE:

c. See attached schedule 52 c through June 30, 2010.

Sponsoring Witness:

Matthew D. Wesolosky

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2010-00116

Rate Case Expenses

for period ended 12/31/2009

(Expenses thru 6/30/2010)

Line No.	AC#	Date	Check #	Vendor #	Vendor Name	Total Amount	Description	Hours	Rate/Hr	Amt
1	1.186.21	2010-04-15	272213	2635	YARBER, EUNICE	960	CONSULTING - YARBER	48.00	20	960
2	1.186.21	2010-04-15	272213	2635	YARBER, EUNICE	700	CONSULTING - YARBER	35.00	20	700
2	1.186.21	2010-04-30	272685	2635	YARBER, EUNICE	580	CONSULTING - YARBER	29.00	20	580
3	1.186.21	2010-04-15	272207	3640	PRIME GROUP LLC. THE	20,175	CONSULTING - SEELYE	16.00	200	3,200
4	1.186.21	2010-04-15	272207	3640	PRIME GROUP LLC. THE		CONSULTING - BLAKE	41.00	200	8,200
5	1.186.21	2010-04-15	272207	3640	PRIME GROUP LLC. THE		CONSULTING - GARCIA	47.00	150	7,050
6	1.186.21	2010-04-15	272207	3640	PRIME GROUP LLC. THE		CONSULTING - WERNERT	11.50	150	1,725
7	1.186.21	2010-04-30	272700	3640	PRIME GROUP LLC. THE	33,400	CONSULTING - SEELYE	64.00	200	12,800
8					PRIME GROUP LLC. THE		CONSULTING - BLAKE	19.00	200	3,800
9					PRIME GROUP LLC. THE		CONSULTING - GARCIA	47.00	150	7,050
10					PRIME GROUP LLC. THE		CONSULTING - WOLFRAM	57.50	150	8,625
11					PRIME GROUP LLC. THE		CONSULTING - WERNERT	7.50	150	1,125
12	1.186.21	2010-05-31	273365	3640	PRIME GROUP LLC. THE	9,450	CONSULTING - SEELYE	15.00	200	3,000
13					PRIME GROUP LLC. THE		CONSULTING - BLAKE	6.00	200	1,200
14					PRIME GROUP LLC. THE		CONSULTING - GARCIA	17.00	150	2,550
15					PRIME GROUP LLC. THE		CONSULTING - WOLFRAM	18.00	150	2,700
16	1.186.21	2010-06-30	274146	3640	PRIME GROUP LLC. THE	* 16,100	CONSULTING - SEELYE	26.00	200	5,200
17							CONSULTING - BLAKE	15.50	200	3,100
18							CONSULTING - GARCIA	18.50	150	2,775
19							CONSULTING - WOLFRAM	33.50	150	5,025
20	1.186.21	2010-06-30		4508	DELOITTE TAX LLP	* 4,080	CONSULTING	22.00	185.5	4,080
21					TOTAL CONSULTANTS	85,445		594.00		85,445
22	1.186.21	2010-03-31	272119	2334	STOLL, KEENON & OGDEN	1,813	ATTORNEY FEES - WATT	5.30	342	1,813
23	1.186.21	2010-04-30	272840	2334	STOLL, KEENON & OGDEN	6,075	ATTORNEY FEES - WATT	16.00	380	6,075

DELTA NATURAL GAS COMPANY, INC.

Item 52.c.
Page 2 of 3

CASE NO. 2010-00116

Rate Case Expenses

for period ended 12/31/2009

(Expenses thru 6/30/2010)

Line No.	AC#	Date	Check #	Vendor #	Vendor Name	Total Amount	Description	Hours	Rate/Hr	Amt
24	1.186.21	2010-05-31	273663	2334	STOLL, KEENON & OGDEN	4,092	ATTORNEY FEES - WATT	7.60	342	2,600
25							ATTORNEY FEES - INGRAM	3.00	275	825
26							ATORNEEY FEES - BRAUN	3.70	180	667
27	1.186.21	2010-05-31	273663	2334	STOLL, KEENON & OGDEN	329	ATTORNEY FEES - CAMENISCH	1.00	329	329
28	1.186.21	2010-06-30	274371	2334	STOLL, KEENON & OGDEN *	7230	ATTORNEY FEES - INGRAM	3.50	275	962
29							ATTORNEY FEES - WATT	14.10	342	4,822
30							ATTORNEY FEES - BRAUN	5.30	180	954
31							ATTORNEY FEES - KISSEL	1.90	180	342
32							ATTORNEY FEES - JORDAN	1.00	126	126
33							EXPENSES AND OTHER SERVICES			25
34										
35					TOTAL LEGAL	19,539		62.4		19,539
36	1.186.21	2010-05-31	273361	3758	KENTUCKY PRESS SERVICE	63,819	ADVERTISEMENT			63,819
37										
38					TOTAL NEWSPAPER ADS	63,819				63,819
39	1.186.21	2010-04-30	272523	4314	B B & T - VISA	36	CERTIFIED RECORDS FOR RATE CASE			36
40	1.186.21	2010-04-30	272496	4314	B B & T - VISA	1,759	SUPPLIES			1759
41	1.186.21	2010-04-30	272496	4314	B B & T - VISA	172	SUPPLIES			172
42	1.186.21	2010-05-31	273367	2046	REES OFFICE PRODUCTS	2,308	SUPPLIES			2308
43	1.186.21	2010-06-30	274287	900	FEDERAL EXPRESS CORP *	35	SHIPPING			35
44	1.186.21	2010-06-30	274105	2046	REES OFFICE PRODUCTS *	(538)	RETURN OF UNUSED SUPPLIES			(538)
45					TOTAL SUPPLIES - OTHER	3,772				3,772

DELTA NATURAL GAS COMPANY, INC.

CASE NO. 2010-00116

Rate Case Expenses
for period ended 12/31/2009
(Expenses thru 6/30/2010)

Line No.	AC#	Date	Check #	Vendor #	Vendor Name	Total Amount	Description	Hours	Rate/Hr	Amt
46						*				
47							Indicates Invoice copy included			
48					TOTAL RATE CASE #2009-0016 EXPENSE @ 2010-06-30	172,575				

The Prime Group

Invoice for Services Rendered

7/12 023

Invoice Date: July 1, 2010

Invoice Number 72010-1

To: Delta Natural Gas Company
3617 Lexington Road
R. R. #1, Box 30-A
Winchester, Kentucky 40391

Attn: Mr. John Brown

26.0 hours of consulting work by Steve Seelye @ \$200.00/hr performed during June for responding to data requests for a retail rate case in Kentucky. \$ 5,200.00

15.5 hours of consulting work by Marty Blake @ \$200.00/hr performed during June for responding to data requests for a retail rate case in Kentucky. \$ 3,100.00

18.5 hours of consulting work by Paul Garcia @ \$150.00/hr performed during June for responding to data requests for a retail rate case in Kentucky. \$ 2,775.00

33.5 hours of consulting work by John Wolfram @ \$150.00/hr performed during June for responding to data requests for a retail rate case in Kentucky. \$ 5,025.00

Total due for June \$ 16,100.00

Please remit payment to: The Prime Group, LLC
P.O. Box 837
Crestwood, KY 40014-0837

Rate Case
J Brown

The Prime Group, LLC
P. O. Box 837 • Crestwood, KY • 40014-0837
Phone 502-425-7882 FAX 502-326-9894

Deloitte.

INVOICE

Deloitte Tax LLP
 Taxpayer ID No. 861065772
 Billing Office:
 Cincinnati
 250 East 3th Street
 CINCINNATI OH 45201-5340

7/12
7/19

Date: June 30, 2010
 Invoice Number: **8001229553**
 Payment instructions:
 Please reference all 10 digits of the invoice number with your check or wire transfer. You may also include a copy of our invoice along with the payment.

Billing Address:
 MR. MATTHEW WESOLOSKY
 DELTA NATURAL GAS COMPANY, INC.
 3617 LEXINGTON ROAD
 WINCHESTER KY 40391-9706

Electronic payment submission information:
 Bank Name: CITIBANK
 ABA #: 031100209
 Account Name: Deloitte Tax LLP
 Account #: 3874-0725

RECEIVED
 JUL - 6 2010

Check payment mailing address:
 Deloitte Tax LLP
 PO Box 2079
 CAROL STREAM IL 60132-2079
 USA

Payment Terms: Due and Payable Upon Receipt

For Professional Services Rendered

Rate case consultation	\$4,080
Discussion and consultation related to the review of Delta outlined Gas From 1139 "Quick Carry back claim" for the FYE 6/30/09	\$1,890
Expenses hotel and mileage	\$287

PAID
 JUL 19 2010
 BY: _____

Amount Due
 All amounts represent USD

 \$ 6,257.00 *MW*

1099 code A

May include fees and expenses from affiliated and related entities.

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 July 8, 2010

7/19
 023
 025

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 655414
 SKO File No.: 5522/136948

Please Remit This Page With Payment To:
STOLL · KEENON · OGDEN
 PLLC
 P.O. Box 11969
 Lexington, Kentucky 40579-1969

Re: 2010 Rates

Our Reference: 005522/136948/RMW/1008

Fees rendered this bill	\$ 7,204.95
Disbursements	\$ 25.20
Total Current Charges This Matter	\$ 7,230.15

Handwritten mark

1099 code A

*PLEASE INDICATE INVOICE NUMBER 655414 ON PAYMENT

STOLL · KEENON · OGDEN
 PLLC
 300 West Vine Street
 Suite 2100
 Lexington, Kentucky 40507-1801
 (859) 231-3000
 Tax Id # 61-0421389
 July 8, 2010

Delta Natural Gas Company, Inc.
 Attn: Glenn R. Jennings, President
 3617 Lexington Road
 Winchester, KY 40391

INVOICE NO.: 655414
 SKO File No.: 5522/136948

MATTER NAME: 2010 Rates

TOTAL FEES FOR PROFESSIONAL SERVICES PER ATTACHED 8,005.50

COURTESY REDUCTION (800.55)

TOTAL CHARGES FOR EXPENSES AND OTHER SERVICES PER ATTACHED 25.20

INVOICE TOTAL \$ 7,230.15

TOTAL BALANCE DUE \$7,230.15

*PLEASE INDICATE INVOICE NUMBER 655414 ON PAYMENT

BILL DATE: July 8, 2010

Delta Natural Gas Company, Inc.
Attn: Glenn R. Jennings, President
3617 Lexington Road
Winchester, KY 40391

LEGAL FEES

DATE	IND	DESCRIPTION OF SERVICE	HOURS	RATE	AMOUNT
06/01/10	RMW	E-mail re data requests; examine certificate of completed notice and motion for deviation; e-mail re same	1.00	380.00	\$ 380.00
06/01/10	MLB	Drafting Certificate of Completed Notice; drafting Motion to Deviate from Rule; phone call with Mr. Hazelrigg	2.70	200.00	540.00
06/01/10	LWI	Attention to confidentiality petition and related matters; review case file for same.	1.50	305.00	457.50
06/02/10	MLB	Drafting the Motion to Deviate from Rule	1.60	200.00	320.00
06/02/10	LWI	Work on petition for confidential treatment; phone conference with client regarding same.	2.00	305.00	610.00
06/03/10	MLB	Drafting transmittal letter and compiling exhibits for Certificate of Completed Notice	0.60	200.00	120.00
06/04/10	KLJ	File Certificate of Completed Notice of Delta Natural Gas Company and Petition for Approval to Deviate from Rule with the Public Service Commission; conference with M. Braun	0.70	140.00	98.00
06/04/10	MLB	Filing certificate of completed notice and motion to deviate; notifying Mr. Hazelrigg of same	0.40	200.00	80.00
06/10/10	RMW	Examine responses to 2nd Staff data request	1.00	380.00	380.00
06/11/10	RMW	Examine responses to AG Data Requests; research re privacy issue	1.50	380.00	570.00
06/11/10	NK	Research disclosure issue for B. Watt; review state and federal law about consequences of disclosure of debt.	1.90	200.00	380.00

DATE	IND	DESCRIPTION OF SERVICE	HOURS	RATE	AMOUNT
06/14/10	RMW	Review responses to AG data requests; research re AG 1-94; telephone Brown and Mitchell; draft and have filed petition for confidential protection and motion to substitute response	2.50	380.00	950.00
06/14/10	KLJ	Conference with B. Watt; redact/highlight attachments in preparation of filing	0.30	140.00	42.00
06/21/10	RMW	E-mail re data requests; telephone Wolfram re storage loss; examine data requests from Staff and AG	1.00	380.00	380.00
06/23/10	RMW	Telephone Brown; examine documents re gas loss claim; examine and revise DR response re gas loss	2.00	380.00	760.00
06/24/10	RMW	Examine and revise data request responses and e-mail to client	1.00	380.00	380.00
06/25/10	RMW	Examine and revise Seelye DR responses; e-mail with Seelye	0.50	380.00	190.00
06/28/10	RMW	Examine Seelye data request responses; e-mail to client	0.30	380.00	114.00
06/29/10	RMW	Travel to Winchester; examine data request responses; conference Brown; travel to Lexington	3.00	380.00	1,140.00
06/30/10	RMW	Examine revised DR response and telephone Brown	0.30	380.00	114.00
SUBTOTAL			25.80		\$8,005.50

EXPENSES AND OTHER SERVICES

DATE	DESCRIPTION	AMOUNT
06/01/10	Telephone Expense	0.20
06/02/10	Telephone Expense	1.40
06/02/10	Telephone Expense	0.10
06/02/10	Telephone Expense	0.10
06/02/10	Telephone Expense	0.30
06/14/10	Duplicating Charges	12.80
06/14/10	Telephone Expense	0.30
06/18/10	long distance transportation, mileage	10.00
SUBTOTAL		25.20

*PLEASE INDICATE INVOICE NUMBER 655414 ON PAYMENT

DATE	DESCRIPTION	AMOUNT
GRAND TOTAL:		<u>\$8,030.70</u>

ATTORNEY/PARALEGAL SUMMARY

TIMEKEEPER	RANK	HOURS	RATE	AMOUNT
L. W Ingram, III	Member	3.50	305.00	\$1,067.50
R. M Watt	Member	14.10	380.00	\$5,358.00
M. Braun	Associate	5.30	200.00	\$1,060.00
N. Kissel	Associate	1.90	200.00	\$380.00
K. L Jordan	Paralegal	1.00	140.00	\$140.00

*PLEASE INDICATE INVOICE NUMBER 655414 ON PAYMENT



Invoice Number 7-148-06212	Invoice Date Jul 07, 2010	Account Number 0405-0485-0	Page 1 of 4
--------------------------------------	-------------------------------------	--------------------------------------	-----------------------

FedEx Tax ID: 71-0427007

Billing Address:

DELTA NATURAL GAS CORP
DENISA KING
3617 LEXINGTON RD
WINCHESTER KY 40391-9797

7/19
023

Shipping Address:

DELTA NATURAL GAS CORP
3617 LEXINGTON RD
WINCHESTER KY 40391-9797

**Invoice Questions?
Contact FedEx Revenue Services**

Phone: (800) 622-1147 M-Sa 7-6 (CST)
Fax: (800) 548-3020
Internet: www.fedex.com

Invoice Summary Jul 07, 2010

FedEx Express Services

Transportation Charges		38.40
Base Discount		-5.76
Special Handling Charges		2.77
Total Charges	USD	\$35.41
TOTAL THIS INVOICE	USD	\$35.41

FedEx News!

Better for you. Better for the environment. Choose FedEx Billing Online Plus to receive and pay your invoices. Sign up by July 31, 2010, and you will be entered for a chance to win. One winner will choose between a trip to Yosemite and the California coast or the canyons of Arizona and Utah. Other prizes include Apple iPads and the chance for FedEx to adopt an acre of land in need of protection in your name. You will also earn another chance to win for every eligible shipment you complete before July 31, 2010. Streamline your billing and take advantage of reporting features, notifications and more. Go to fedex.com/betterforyou to learn more and sign up today.

You saved \$5.76 in discounts this period!

Other discounts may apply.



RECEIVED
JUL 12 2010

To ensure proper credit, please return this portion with your payment to FedEx. Please do not staple or fold. Please make check payable to FedEx.

For change of address, check here and complete form on reverse side.

Invoice Number 7-148-06212	Account Number 0405-0485-0	Amount Due USD \$35.41
--------------------------------------	--------------------------------------	----------------------------------

Remittance Advice

Your payment is due by Jul 22, 2010

040504857148062123800000354101

DD31406 01 AT 0.354 **AUTO 16 3 118/ 40391-970617 -C01-P31437-11



DELTA NATURAL GAS CORP
DENISA KING
3617 LEXINGTON RD
WINCHESTER KY 40391-9797



FedEx
P.O. Box 371461
Pittsburgh PA 15250-7461



60064870055137

1187-01-00-0031406-0002-0079144

STATEMENT AS OF 07/01/10

DATE 07/01/10

REES OFFICE PRODUCTS
 E-MAIL:RICK@REESOP.COM
 301 WEST LEXINGTON AVENUE
 WINCHESTER KY 40391
 859-744-4785

REES OFFICE PRODUCTS
 E-MAIL:RICK@REESOP.C
 301 WEST LEXINGTON A
 WINCHESTER KY
 859-744-4785

*7/12
006*

DELTA NATURAL GAS # 6171 (SLSM) 2
 3617 LEXINGTON ROAD PHONE 859-744-6171
 WINCHESTER KY 40391 PAGE 1

DELTA NATURAL GAS
 6171

INVOICE #	DATE	REMARKS	CHECK/PO	AMOUNT	RUN. BALANCE
340123-0	06/08/10	INVOICE		432.23	432.23
340143-0	06/08/10	INVOICE		47.60	479.83
340172-0	06/09/10	INVOICE		4.76	484.59
340200-0	05/10/10	CREDIT RETURN		-590.17	-105.58
340255-0	06/17/10	INVOICE		7.64	-97.94
340351-0	06/18/10	INVOICE		254.34	156.40
340417-0	06/22/10	INVOICE	00000	61.30	217.70

RECEIVED

JUL - 6 2010

TERMS: DUE NET ON 10TH OF MONTH FOLLOWING PURCHASE.
 COLOR COPIES NOW AVAILABLE AT REES OFFICE PRODUCTS

1 TO 30	31 TO 60	61 TO 90	OVER 90	TOTAL DUE
217.70	.00	.00	.00	217.70
				TOTAL
				217.70

0

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

**UPDATED RESPONSE TO
SECOND PSC DATA REQUEST
DATED MAY 24, 2010
UPDATED RESPONSE FILED AUGUST 19, 2010**

4. Refer to Volume 1 of the Application, Tab 27
 - e. Refer to Schedule 8 and Item 10 of Staff's First Request
 - (2) Provide the interest rate for Delta's short-term debt as of June 1, 2010

RESPONSE:

- e. (2) The interest rate for Delta's short-term debt as of August 1, 2010 is 1.805%.

Sponsoring Witness:

John B. Brown

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

**UPDATED RESPONSE TO
ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED MAY 24, 2010
UPDATED RESPONSE FILED AUGUST 19, 2010**

60. Please provide a copy of the Company's most recent pension plan and post-retirement benefits actuarial studies.

RESPONSE:

See attached.

Sponsoring Witness:

John B. Brown

Delta Natural Gas Company, Inc.

Delta Natural Gas Company, Inc. Defined Benefit Retirement Plan

Report Providing Year-End Disclosures for the
Fiscal Year Ending June 30, 2010 and
Net Periodic Pension Cost for the
Fiscal Year Ending June 30, 2011
Determined in Accordance with Accounting Standards
Codification 715 of the Financial Accounting Standards Board

July 2010

Harbridge Consulting Group, LLC
Actuaries and Advisors





Harbridge Consulting Group, LLC

One Lincoln Center, 12th floor, Syracuse, NY 13202
Toll Free: 1.866.401.5272 | Direct: 315.703.8900 | Fax: 315.703.8989
www.bpas.com

PRIVATE AND CONFIDENTIAL

July 2010

Mr. John Brown
Chief Financial Officer
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, Kentucky 40391

Dear John:

Actuarial Certification

This report presents the net periodic pension cost and the final year-end disclosures of the Delta Natural Gas Company, Inc. Defined Benefit Retirement Plan for the fiscal year ending June 30, 2010 in accordance with Accounting Standards Codification 715 of the Financial Accounting Standards Board. This report also includes the development of the net periodic pension cost for the fiscal year ending June 30, 2011.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. The actuaries involved in this engagement are members of the Society of Actuaries and other professional actuarial organizations and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" to render the actuarial opinion outlined herein.

Our calculations were based upon employee data submitted as of March 31, 2010 and financial data as of June 30, 2010. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness, but have not audited it. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information which is the responsibility of those who supply the data.

The calculations reported have been made on a basis consistent with our understanding of Accounting Standards Codification 715. Determinations for purposes other than meeting the Company's financial accounting requirements may be significantly different from the results reported.

The disclosures reflect a discount rate of 5.25%, a salary scale of 4.00%, an expected long term rate of return of 7.00%, and the RP-2000 Mortality Table for annuitants and non-annuitants with projected mortality improvement; specifically as outlined in IRC Regulation 1.430(h)(3)-1 for 2010 valuations. Delta Natural Gas Company, Inc. determined the discount rate of 5.25% as of June 30, 2010 after a review of the Citigroup Pension Liability Index (CGPLI) for the same period. As a basis for comparison, the CGPLI spot rate for the same period was 5.45% based on an average duration of 16.5 years. We performed an analysis of the Plan's expected cash flows and calculated a spot rate of 5.16% based on the CGPLI and the Plan duration of 11.7 years.

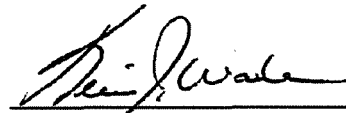
Mr. John Brown
July 2010
Page 2

Delta Natural Gas Company, Inc. has determined and taken responsibility for the economic assumptions, the accounting policies, and the methods employed. The balance of the demographic assumptions represents our best estimate of anticipated experience under the Plan. Accounting Standards Codification 715 requires that each significant assumption reflect the best estimate of the plan's future experience solely with respect to that assumption. We believe that the economic assumptions selected by the Company are reasonable and appropriate for the purpose for which they have been used.

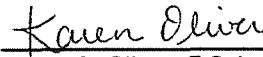
The information contained in this report was prepared for the use of Delta Natural Gas Company, Inc. and its auditors in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. To avoid misrepresentation, it is intended to be used in its entirety.

Respectfully submitted,

HARBRIDGE CONSULTING GROUP L.L.C.



Kevin J. Wade, E.A.
Member of the American Academy
of Actuaries



Karen A. Oliver, F.S.A., E.A.
Member of the American Academy
of Actuaries

KJW:KAO:cal:ami

N:\Client\DELNAT8858\Ret\2011\Reports\disx378401_20100630.doc

TABLE OF CONTENTS

	<u>Page</u>
Section I - Year-End Disclosures	1
Section II - Changes Recognized in Other Comprehensive Income	2
Section III - Annual Financial Statement Footnotes	3
Section IV - Determination of Net Periodic Pension Cost for 2011 Fiscal Year	4
Section V - Amortization Components	5
Section VI - Development of Amortization of (Gain)/Loss	6
Section VII - Actuarial Assumptions and Methods	7
Section VIII - Summary of Plan Provisions	10

SECTION I - YEAR-END DISCLOSURES

The following sets forth the funded status of the Plan, based upon the assumptions in Section VII.

	For fiscal year ending June 30,	
	2010	2009
Projected Benefit Obligation at beginning of fiscal year	\$ 14,058,533	\$ 12,772,749
Service Cost	727,692	846,163
Interest Cost	854,619	1,013,365
Plan Participants' Contributions	0	0
Amendments / Curtailments / Special Termination	0	0
Actuarial (Gain)/Loss	2,044,215	327,766
Acquisition	0	0
Benefits Paid	(1,178,525)	(901,510)
Projected Benefit Obligation at end of fiscal year	\$ 16,506,534	\$ 14,058,533
Fair Value of Plan Assets at beginning of fiscal year	\$ 13,628,438	\$ 14,196,681
Actual Return on Plan Assets	2,338,180	(2,343,930)
Acquisition	0	0
Employer Contributions	500,000	2,677,197
Plan Participants' Contributions	0	0
Benefits Paid	(1,178,525)	(901,510)
Fair Value of Plan Assets at end of fiscal year	\$ 15,288,093	\$ 13,628,438
Funded Status at End of Year	(\$ 1,218,441)	(\$ 430,095)
Amounts Recognized in Accumulated Other Comprehensive Income		
Unamortized Transition Obligation/(Asset)	0	0
Unamortized Prior Service Cost/(Credit)	(662,271)	(748,719)
Unamortized Net (Gain)/Loss	8,219,607	8,058,074
Amounts recognized in the statement of financial position consist of:		
Asset/(Liability) for benefits	(\$ 1,218,441)	(\$ 430,095)
Pre-tax Accumulated Other Comprehensive Income*	\$ 7,557,336	\$ 7,309,355
Accumulated Benefit Obligation	\$ 14,425,643	\$ 12,682,305

*Above amount needs to be further divided into a deferred tax asset and accumulated comprehensive income. The deferred tax asset will be based on the projected tax rate of the Company.

SECTION II – CHANGES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following sets forth changes in plan assets and obligations recognized in the Other Comprehensive Income, as required by Accounting Standards Codification 715.

	For fiscal year ending June 30,	
	2010	2009
Components of Net Periodic Pension Cost/(Income)		
Service Cost Component	\$ 727,692	\$ 846,163
Interest Cost on Projected Benefit Obligation	\$ 854,619	\$ 1,013,365
Expected Return on Assets	(\$ 952,972)	(\$ 1,262,946)
Amortization of Transition Obligation/(Asset)	0	0
Amortization of Prior Service Cost/(Credit)	(86,448)	(108,002)
Amortization of Net (Gain)/Loss	497,474	271,179
Net Periodic Pension Cost/(Income)	\$ 1,040,365	\$ 759,759
Change in Unamortized items		
Transition Obligation/(Asset)	0	0
Prior Service Cost/(Credit)	0	0
Actuarial (Gain)/Loss	659,007	3,934,642
Amortization of:		
Transition (Obligation)/Asset	0	0
Prior Service (Cost)/Credit	86,448	108,002
Actuarial Gain/(Loss)	(497,474)	(271,179)
Total Changes Recognized in Other Comprehensive Income	\$ 247,981	\$ 3,771,465
Total Recognized in Net Periodic Pension Cost and Other Comprehensive Income	\$ 1,288,346	\$ 4,531,224
Fiscal Year		
Expected effect in the accumulated comprehensive income next fiscal year		2011
Transition Obligation/(Asset)		\$ 0
Prior Service Cost/(Credit)		(\$ 86,448)
Net (Gain)/Loss		\$ 501,256

SECTION III - ANNUAL FINANCIAL STATEMENT FOOTNOTES

Plan Asset Information:

The Financial Accounting Standards Board released FASB Staff Position 132(R)-1 on December 30, 2008 related to Employer's Disclosures about Defined Benefit Plan and Postretirement Benefit Plan Assets. The disclosures about Plan Assets required by this FASB Staff Position shall be provided for fiscal years ending after December 15, 2009. Since the determination of the Plan Asset information necessary to meet the requirements of FASB Staff Position 132(R)-1 is outside the scope of our engagement, additional information related to Plan Assets disclosures are not provided in our report. Please refer to FASB Staff Position 132(R)-1, which resides within the new Accounting Standards Codification 715, for detail on the requirements.

Expected Contribution: \$500,000 for the fiscal year ending June 30, 2011.

Estimated Future Benefit Payments:

The following estimated benefit payments, which reflect future service, as appropriate, are expected to be paid:

July 1, 2010 - June 30, 2011	\$ 503,367
July 1, 2011 - June 30, 2012	\$ 661,004
July 1, 2012 - June 30, 2013	\$ 1,633,345
July 1, 2013 - June 30, 2014	\$ 880,228
July 1, 2014 - June 30, 2015	\$ 2,285,537
Fiscal Years Ending 2016 - 2020	\$ 5,370,228

SECTION IV - DETERMINATION OF NET PERIODIC PENSION COST FOR 2011 FISCAL YEAR

The following shows the development of the net periodic pension cost/(income) for the fiscal year ending June 30, 2011.

Discount Rate	5.25%
Salary increase	4.00%
Expected long-term return on assets	7.00%
1. Service Cost Component including interest	\$ 938,978
2. Interest Cost on Projected Benefit Obligation (PBO):	
(a) Total PBO	\$ 16,506,534
(b) Interest Cost = 5.25% X (a) less interest of \$13,044 on expected benefit payments	\$ 853,549
3. Expected Return on Assets:*	\$ 1,078,703
4. Amortization of:	
(a) Transition Obligation/(Asset)	0
(b) Prior Service Cost/(Credit)	(86,448)
(c) Net (Gain)/Loss	<u>501,256</u>
(d) Net Amortizations: (a) + (b) + (c)	\$ 414,808
5. Net Periodic Pension Cost/(Income): (1) + (2b) - (3) + (4d)	<u>\$ 1,128,632</u>
* Expected return for the Plan was determined as follows:	
(a) Market value of assets as of June 30, 2010	\$ 15,288,093
(b) 7.00% of (a)	1,070,167
(c) Interest on expected contributions	25,856
(d) Interest on expected benefit payments	<u>17,320</u>
(e) Total expected return: (b) + (c) - (d)	\$ 1,078,703

SECTION V - AMORTIZATION COMPONENTS

The following summarizes the components included in the net amortization and deferral portion of the Net Periodic Pension Cost:

Date Determined	Obligation/(Asset)		Initial Amortization		Unamortized Portion	
	Type	Amount	Period	Payment	06/30/2010	06/30/2011 **
11/01/2002	Prior Service Cost	N/A	N/A	(\$ 86,214)	(\$ 659,535)	(\$ 573,321)
06/30/2008	Prior Service Cost	(3,204)	13.713 Years	(234)	(2,736)	(2,502)
06/30/2010	Cumulative (Gain)/Loss	8,219,607	13.105 Years	501,256 *	8,219,607	7,718,351
	Total			\$ 414,808	\$ 7,557,336	\$ 7,142,528

* The amount of (gain)/loss to be amortized is the amount in excess of 10 percent of the greater of the projected benefit obligation or the market value of assets (see Section VI).

** Excludes any (gain)/loss which may occur during the period June 30, 2010 through June 30, 2011.

SECTION VI - DEVELOPMENT OF AMORTIZATION OF (GAIN)/LOSS

1.	Projected Benefit Obligation at June 30, 2010	\$ 16,506,534
2.	Plan Assets at June 30, 2010	15,288,093
3.	Unamortized Net (Gain)/Loss at June 30, 2010	8,219,607
4.	Ten Percent of Greater of (1) or (2)	1,650,653
5.	Unamortized (Gain)/Loss Subject to Amortization: (3) - (4), not less than zero	\$ 6,568,954
6.	Average Future Service of Active Plan Participants Expected to Receive Benefits (in years)	13.105
7.	Amortization of Net Unamortized (Gain)/Loss: (5)/(6)	\$ 501,256

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS

Measurement Date

June 30, 2010.

Weighted-Average Assumptions Used to Determine Benefit Obligations at June 30,*

	<u>2010</u>	<u>2009</u>
Discount Rate	5.25%	6.25%
Salary Increases	4.00%	4.00%
Expected Long-Term Return on Assets	7.00%	7.00%
Interest Rate to Convert Annuities to Actuarially Equivalent Lump Sum Amounts	5.75%	5.75%

Weighted-Average Assumptions Used to Determine Net Periodic Pension Cost/(Income) for fiscal year ending June 30,*

	<u>2010</u>	<u>2009</u>
Discount Rate	6.25%	6.50%
Salary Increases	4.00%	4.00%
Expected Long-Term Return on Assets	7.00%	7.00%
Interest Rate to Convert Annuities to Actuarially Equivalent Lump Sum Amounts	5.75%	5.75%

* As determined by Delta Natural Gas Company, Inc.

Mortality

Prior to June 30, 2010: The RP-2000 Mortality Table with sex distinct rates for pre-retirement and post-retirement mortality.

As of June 30, 2010: The RP-2000 Mortality Table for annuitants and non-annuitants with projected mortality improvements; specifically as outlined in IRC Regulation 1.430(h)(3)-1 for 2010 valuations.

Mortality (To Convert Annuities to Actuarially Equivalent Lump Sum Amounts)

The prevailing commissioners' standard mortality table (described in Internal Revenue Code Section 807(d)(5)(a)).

Turnover

For the first 5 Years of Service: Table T-5 of Actuary's Pension Handbook
For all future Years of Service: Table T-2 of Actuary's Pension Handbook

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
(Continued)

Assumed Retirement Age

The annual number of retirements expected per 1,000 active employees eligible to retire at each age is as follows:

<u>Ages</u>	<u>Retirements</u>
55-61	20
62	50
62-64	20
65	1,000

Assumed Form of Payment

Death – Immediate lump sum distribution.

Termination – Immediate lump sum distribution for benefits accrued prior to December 1, 2002; life annuity with ten years certain, deferred to normal retirement date for benefits accrued after December 1, 2002.

Retirement – Immediate lump sum distribution for benefits accrued prior to December 1, 2002; immediate life annuity with ten years certain for benefits accrued after December 1, 2002.

Asset Valuation Method

Assets of the Plan are valued at Fair Market Value.

Plan Expenses

None assumed.

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
(Continued)

Actuarial Cost Method

Costs were determined using the Projected Unit Credit Actuarial Cost Method, as required by Accounting Standards Codification 715 of the Financial Accounting Standards Board.

Under ASC 715,

- the Service Cost Component is defined as the actuarial present value of the benefits attributed by the pension benefit formula for service rendered by employees during the year beginning on the measurement date. The Service Cost Component is a portion of the Projected Benefit Obligation (PBO) and is unaffected by the funded status of the Plan.
- the Projected Benefit Obligation (PBO) is defined as the actuarial present value as of the measurement date of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date. The PBO is computed with an assumption for future compensation levels.
- the Accumulated Benefit Obligation (ABO) is defined as the actuarial present value as of the measurement date of both vested and non-vested benefits attributed by the pension benefit formula to employee service rendered before the measurement date and based on employee service and compensation prior to the measurement date. The Accumulated Benefit Obligation (ABO) differs from the Projected Benefit Obligation (PBO) in that it does not include assumptions as to future compensation levels.
- the Unamortized Prior Service Cost is defined as that portion of prior service cost that has not been amortized as a part of Net Periodic Pension Cost.

The Net Periodic Pension Cost for the Plan consists of the following items:

- (a) The Service Cost Component.
- (b) The Interest Cost; which is the increase in the PBO during the year due to the passage of time.
- (c) The Expected Return on Plan Assets; which is the expected rate of return during the fiscal year based on the fair value of assets.
- (d) Amortization of Unamortized Prior Service Cost; the difference in the PBO prior to and after plan amendments amortized over the average future service of the active Plan members expected to receive a plan benefit on a straight line basis.
- (e) Amortization of Unamortized Net Gain or Loss: ASC 715 specified that the net Gain or Loss is the sum of (i) the difference between the actual and expected return of Plan assets, plus (ii) the difference between the actual and expected projected benefit obligation at the measurement date, and (iii) the outstanding balance of the net gain or loss from the prior period. The amount of gain or loss amortized is equal to the amount that the net gain or loss exceeds 10% of the greater of plan assets or projected benefit obligation at the measurement date. Any excess must be amortized over the average remaining service period of the active plan participants. If most of the plan participants are inactive, the amortization period is the expected future lifetime of the inactive participants.
- (f) Amortization of the Unamortized Net Obligation/(Asset) existing as of the date of the initial application of the statement.

SECTION VIII – SUMMARY OF PLAN PROVISIONS

This summary is intended as an outline of plan provisions and does not alter the intent or meaning of the provisions contained in the plan document.

Eligibility

All employees who are employed on a basis to work 1,000 hours or more per year, and who, as of April 1 or October 1, have been employed for 12 months or longer. Participation was frozen for employees hired after May 9, 2008.

Credited Service

A year of credited service is granted for each plan year during which the employee completes 1,000 hours of service. Partial years of service (in months) are given for plan years containing the hire date or termination date.

Considered Compensation

Total basic monthly salary earned in the twelve month period ending January 31 preceding the valuation date including deferrals under IRC § 401(k) and 125.

Normal Retirement Date

First of the month coincident with or following the attainment of Age 65.

Normal Retirement Benefit

The monthly retirement benefit, payable at normal retirement date for 120 months certain and life, is equal to 1.6% of high-consecutive-five-year average monthly salary per year of credited service for service after November 1, 2002.

Prior to November 1, 2002, the monthly retirement benefit was equal to 1.8% of high-consecutive-five-year average monthly salary per year of credited service at normal retirement date, plus .55% of high-consecutive-five-year average monthly salary in excess of Social Security Covered Compensation Table II for each year of credited service not to exceed 35 years.

Early Retirement Benefit

A participant who has attained age 55 and has completed 7 or more years of service may retire and receive an immediate monthly retirement benefit equal to his accrued benefit reduced 5% (.4167% per month) for each year by which early retirement precedes normal retirement.

Pre-Retirement Death Benefit

The death benefit is the greater of the present value of the vested accrued benefit or \$1,000 for each \$10 of projected monthly retirement benefit. However, the death benefit for a participant employed beyond his normal retirement date is the present value of the accrued benefit. (Accrued Benefits provided under the Prior Plan Metropolitan Group Annuity Contract are not considered).

Disability Benefit

In the event a participant becomes totally and permanently disabled, as determined by the Plan Committee, he is entitled to receive the benefit provided by the present value of the accrued pension.

SECTION VIII - SUMMARY OF PLAN PROVISIONS
(Continued)

Vesting

Participants become vested in their accrued benefits in accordance with the following schedule:

<u>Years of Credited Service</u>	<u>Vested Percentage</u>
0-3	0%
3	20%
4	40%
5	60%
6	80%
7 & thereafter	100%

Single Sum Distribution Availability

Upon termination of employment, single sum distributions are available up to \$5,000. If the event of death, disability, normal retirement age or early retirement age, single sums are available regardless of the amount, for benefits accrued prior to December 1, 2002.

The \$5,000 restriction will apply to all accruals after December 1, 2002.

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

**UPDATED RESPONSE TO
ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION
DATED MAY 24, 2010
UPDATED RESPONSE FILED AUGUST 19, 2010**

154. Please provide the breakdown in the expected return on pension plan assets. Specifically, please provide the expected return on different asset classes (bonds, US stocks, international stocks, etc.) used in determining the expected return on plan assets. Please provide all associated source documents and workpapers.

RESPONSE:

The expected return on pension plan assets assumption for the valuation dated June 30, 2010 remained at 7%.

Sponsoring Witness:

John B. Brown