RICHARD S. TAYLOR
ATTORNEY AT LAW

225 Capital Avenue
Frankfort, Kentucky 40601

Phone: 502/223-8967 Fax: 502/226-6383 Email: attysmitty@aol.com

January 24, 2012

Mr. Jeff Derouen
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RECEIVED
JAN 24 2012
PUBLIC SERVICE COMMISSION

Dear Mr. Derouen:

I am filing the Joint Application of Gas Natural, Inc. and Kentucky Energy Development, LLC seeking an order approving a transfer and acquisition of ownership and control of Public Gas Company, Inc.

I am also filing Petition for Confidential Treatment pursuant to KRS 61.878, et seq. and 807KAR5:001(7).

I personally have also delivered copies of the documents to the office of the Attorney General Utility Rate Intervention Division.

Sincerely,

Richard S. Taylor

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE JOINT APPLICATION OF GAS NATURAL	)	
INC. AND KENTUCKY ENERGY	)	Case No. 2011-_________
DEVELOPMENT, LLC FOR AN ORDER	)	
APPROVING A TRANSFER AND ACQUISITION	)	
OF OWNERSHIP AND CONTROL OF PUBLIC	)	
GAS COMPANY, INC.	)	

RECEIVED
JAN 24 2012
PUBLIC SERVICE
COMMISSION

JOINT APPLICATION PURSUANT TO KRS 278.020

Gas Natural Inc. ("Gas Natural") and Kentucky Energy Development, LLC ("Kentucky Energy") (collectively, the "Joint Applicants") jointly apply to the Kentucky Public Service Commission pursuant to KRS 278.020(5) and (6), and 807 KAR 5:001, Section 8 for an Order approving the acquisition of Gas Natural of all of the issued and outstanding capital stock of Public Gas Company, Inc. ("Public Gas"). In support of this Joint Application, Joint Applicants state:

1. Gas Natural is a holding company whose affiliated wholly-owned utility companies provide retail natural gas distribution to approximately 63,500 customers in the states of Maine, Montana, North Carolina, Ohio, Pennsylvania and Wyoming. It is a corporation organized and existing under the laws of the State of Ohio. Its principal office is located at 8500 Station Street, Suite100, Mentor, Ohio 44060. As Required by 800 KAR 5:001 Section 8, a certified copy of its articles of incorporation is annexed hereto and marked Joint Application Exhibit 1.

2. Kentucky Energy is a Limited Liability Company organized under the laws of the Commonwealth of Kentucky. Its principal office is located at 220 Lexington Green Circle, Suite #130, Lexington, Kentucky 40503. Kentucky Energy owns one hundred percent of the capital stock of Public Gas. Public Gas serves approximately 1,580 customers in Breathitt, Jackson, Johnson, Lawrence, Lee, Magoffin, Morgan and Wolf Counties. In Case No. 1001-00374, the Commission authorized Kentucky Energy to acquire the issued and outstanding capital stock from Public Gas, by Order entered on December 10, 2002.

3. The names and addresses of Joint Applicants' counsel who are authorized to receive notices and communications regarding this Application is as follows:

Andrew J. Sonderman
Kegler Brown Hill & Ritter LPA
Capitol South, Suite 1800
65 East State Street
Columbus, Ohio 43215-4294
Telephone: (614) 462-5496
asonderman@keglerbrown.com

Richard S. Taylor
Attorney at Law
225 Capital Avenue
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
attysmitty@aol.com

4. Attached hereto as Joint Application Exhibit 2 and incorporated herein by reference as if fully set forth is a Stock Purchase Agreement executed on November 11, 2011 by Kentucky Energy as Seller and Gas Natural as Purchaser of the issued and outstanding Public Gas capital stock. Closing is expressly conditioned on receipt of this Commission's approval of the change in ownership

of Public Gas's capital stock from Kentucky Energy to Gas Natural (See Joint Application Exhibit 2 Section 7(d)).

5. Public Gas will continue to be operated by Gas Natural in the same manner after the transfer of stock as it is now being operated, with the additional benefit of Gas Natural's utility management skill and experience. Public Gas currently has two full time employees, Ray Jenkins and Stasia Kruse, and one part-time employee, Tina Hart, who are to be retained after the closing of the Transaction. The operational and technical expertise and experience of these employees will continue to be utilized subsequent to the change in stock ownership. Pursuant to the Stock Purchase Agreement, Joint Application Exhibit 2, Public Gas will also have the option to utilize contractual operational support provided by employees of Kentucky Energy's Affiliate, Jefferson Gas, LLC, for services as requested by Public Gas on an hourly basis at competitive rates. Public Gas will also have access to office and storage space available under lease from Kentucky Energy or its affiliates in Lexington and Jackson, Kentucky.

6. The consumers served by Public Gas also will benefit from the financial, technical and operational experience of the management of Gas Natural.
The President and Chief Operating Officer of Gas Natural, Kevin J. Degenstein, a Registered Professional Engineer, held various operating positions at Nicor Gas, an Illinois natural gas utility for 19 years, joining Energy West (Gas Natural's public utility operating in Montana and Wyoming) in 2006. Its Chief Financial Officer, Thomas J. Smith, has held that position since 2007. He has been a Certified Public Accountant, and has held a number of accounting and managerial

positions prior to his employment by Gas Natural in banking and retail sales operations. Mr. Smith will serve as President of Public Gas. Mr. Smith is currently President of the following natural gas utilities wholly-owned by Gas Natural: Brainard Gas Corporation, Orwell Natural Gas Company and Northeast Ohio Natural Gas Corporation, which together serve approximately 24,000 retail customers in Ohio and Pennsylvania. Gas Natural's Vice President of Administration, Jed D. Henthorne, joined Energy West in 1988 and has served in professional and management capacities since that time in customer service, information technology and accounting.

7. Attached hereto as Joint Application Exhibit 3 is a corporate organization table for Gas Natural after acquiring the capital stock of Public Gas. As of September 30, 2011, Gas Natural had a market capitalization of $87.55 million and total shares outstanding of 8.15 million. Net Income for the nine months ended September 2011 was $4.8 million, eighty-seven percent of which was derived from its natural gas utility operations.

8. Public Gas currently has one contract in place. This is a gas purchase agreement with Jefferson Gas, LLC and is attached to the Stock Purchase Agreement (Joint Application Exhibit 2) as Exhibit A thereto. Pursuant to this contract Jefferson Gas will continue to provide the full requirements of Public Gas for customers of record as of November 11, 2011 regardless of weather conditions and demand changes.

9. Joint Applicants submit with this Joint Application the written testimony of Thomas J. Smith. See Joint Application Exhibit 4. The purpose of this testimony

is to describe the stock purchase in greater detail and how Gas Natural satisfies the statutory requirements with respect to financial, technical and operational capabilities. This testimony also describes the ongoing operations of Public Gas subsequent to approval of this proposed transaction by the Commission.

10. The following additional information is provided:

    a. System Map, Joint Application Exhibit 5;

    b. Most Recent PSC Annual Inspection Report, Joint Application Exhibit 6;

    c. Gas Natural SEC Form 10Q filed November 14, 2011, Joint Application Exhibit 7.

11. Joint Applicants submit that filing a tariff Adoption Notice pursuant to the provisions of 807 KAR 5:011, Section 11 is not required as a result of this transaction because: (1) Public Gas will remain as the "utility" under KRS 278.010(3) owning, controlling, operating and managing the facilities used to distribute natural gas to consumers subject to the jurisdiction of the Commission, and (2) none of Public Gas's "rates, rules, classifications or administrative regulations" will change. In the event, however, that the Commission finds that 807 KAR 5:011, Section 11 is applicable to this transaction, Joint Applicants request that the Commission approve a deviation as expressly permitted under 807 KAR 5:011, Section 14, thereby relieving Joint Applicants from the requirements of 807 KAR 5:011, Section 11.

12. Joint Applicants submit that the information submitted in this Application and its Exhibits demonstrate that Gas Natural possesses the financial, technical and operational ability necessary for Public Gas to continue to provide reasonable

service to Kentucky customers. The transaction will not diminish, but will enhance, Public Gas's ability to provide reliable gas service at reasonable rates to its retail customers in Kentucky, and will otherwise promote the public interest. Since this is a sale and purchase of the stock of Public Gas by the Joint Applicants, the retail customers of Public Gas will enjoy a transparent and seamless transition without any adverse impact on the quality of natural gas distribution services they currently receive. In fact, Public Gas will become part of a larger, stronger, more substantial and diversified entity. Public Gas will not incur any indebtedness and will not issue securities to finance any part of the stock purchase price paid by Gas Natural.

13. Public Gas has demonstrated a longstanding commitment to provide safe and reliable service to its retail customers at just and reasonable rates. This commitment is unaffected by the proposed transaction, after which Public Gas will continue to own and operate all of its gas distribution facilities just as before, at the same level of service to its retail customers that it has historically achieved.

14. Moreover, it is submitted that the proposed acquisition is in accordance with law, made for a proper purpose, violates no statutory prohibition and is consistent with the public interest. The sale and purchase of the capital stock of Public Gas has received all necessary approvals from the Board of Directors of Gas Natural, and the Members of Kentucky Energy. The closing of this transaction is subject only to the approval by this Commission.

15. The Transaction is scheduled to be completed no later than March 13, 2012. Joint Applicants respectfully request that the review and approval of the transfer of capital stock be expedited and that an order be issued no later than March 9, 2012.

WHEREFORE, the Joint Applicants respectfully request that the Commission, after reviewing the information submitted enter a final Order as follows:

1. Find that the record contains sufficient evidence for a ruling on the proposed Transaction;
2. Find that Public Gas after the acquisition of its capital stock by Gas Natural will continue to have the financial, technical and managerial abilities to provide reasonable natural gas utility service, and that the proposed acquisition by Gas Natural resulting from this transaction is in accordance with law, for a proper purpose and is consistent with the public interest;
3. Find that Gas Natural or any affiliate of Gas Natural, will not, by reason of its acquisition of the capital stock of Public Gas, be "utilities" as defined in KRS 278.010(3);
4. Find that 807 KAR 5:011, Section 11 does not apply to this case, or in the alternative, if the Commission determines that 807 KAR 5:011, Section 11 does apply, approve a deviation pursuant to 807 KAR 5:011, Section 14 relieving Joint Applicants from the requirements of 807 KAR 5:011, Section 11;
5. Approves the acquisition by Gas Natural of the capital stock of Public Gas; and
6. Grant such other relief as it may determine appropriate in these premises.

[Remainder of page intentionally left blank]

Respectfully submitted,

AJS per Agreement

Andrew J. Sonderman
Kegler Brown Hill & Ritter LPA
Capitol South, Suite 1800
65 East State Street
Columbus, Ohio 43215-4294
Telephone: (614) 462-5496
asonderman@keglerbrown.com

Richard S. Taylor
Attorney at Law
225 Capital Avenue
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
attysmitty@aol.com

Counsel for Joint Applicants,
Gas Natural, Inc.
Kentucky Energy Development, LLC

VERIFICATION

State of Ohio	)	
	)	**SS:**
County of Lake	)	

The undersigned, Thomas J. Smith, being first duly cautioned and sworn, deposes and says that he is the Chief Financial Officer of Gas Natural Inc. and that he has personal knowledge of the matters set forth in the foregoing Direct Testimony, and that the answers contained in the Direct Testimony are true and correct to the best of his information, knowledge and belief.

Thomas J. Smith, Affiant

Sworn and subscribed before me, a Notary Public for the State of Ohio on this 20th day of January, 2012.

NOTARY PUBLIC

MEGAN RICHARDS
Notary Public
In and for the State of Ohio
My Commission Expires
July 18, 2015

VERIFICATION

Commonwealth of Kentucky	)	
	)	**SS:**
County of Lake	)	

The undersigned, Bert R. Layne, being first duly cautioned and sworn, deposes and says that he is the Chief Financial Officer of Kentucky Energy Development, LLC. and that he has personal knowledge of the matters set forth in the foregoing Joint Application and that the statements made in the Joint Application are true and correct to the best of his information, knowledge and belief.

Bert R. Layne, Affiant

Sworn and subscribed before me, a Notary Public for the Commonwealth on this 20th day of January, 2012.

Tracy A Neil 10-2-13

NOTARY PUBLIC 405995

JOINT APPLICATION
EXHIBIT 1

UNITED STATES OF AMERICA
STATE OF OHIO
OFFICE OF THE SECRETARY OF STATE

I, Jon Husted, do hereby certify that I am the duly elected, qualified and present acting Secretary of State for the State of Ohio, and as such have custody of the records of Ohio and Foreign business entities; that said records show GAS NATURAL INC., an Ohio Corporation, Charter No. 1947340, having its principal location in Mentor, County of Lake, was incorporated on July 01, 2010, and is currently in GOOD STANDING upon the records of this office.

THE SEAL OF THE SECRETARY OF STATE OF OHIO

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 20th day of January, A.D. 2012.

Jon Husted

Ohio Secretary of State

Validation Number: 201202000062

Doc ID --> 201018300238

DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
07/02/2010	201018300238	DOMESTIC ARTICLES/FOR PROFIT (ARF)	43,850.00	200.00		.00	.00

Receipt

This is not a bill. Please do not remit payment.

CT CORPORATION SYSTEM
JADE HINES
4400 EASTON COMMONS WAY, STE. 125
COLUMBUS, OH 43219

STATE OF OHIO

CERTIFICATE

Ohio Secretary of State, Jennifer Brunner

1947340

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

GAS NATURAL INC.

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
DOMESTIC ARTICLES/FOR PROFIT	**201018300238**

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 1st day of July, A.D. 2010.

United States of America
State of Ohio
Office of the Secretary of State

Ohio Secretary of State

Doc ID --> 201018300238

Prescribed by:
The Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.sos.state.oh.us
e-mail: busserv@sos state.oh.us

Expedite this Form: (Select One)	
Mail Form to one of the Following:	
◉ Yes	PO Box 1390 Columbus, OH 43216 *** Requires an additional fee of $100 ***
○ No	PO Box 670 Columbus, OH 43216

INITIAL ARTICLES OF INCORPORATION

(For Domestic Profit or Nonprofit)
Filing Fee $125.00

THE UNDERSIGNED HEREBY STATES THE FOLLOWING:

(CHECK ONLY ONE (1) BOX)

(1) ☑ Articles of Incorporation Profit	(2) ☐ Articles of Incorporation Non-Profit	(3) ☐ Articles of Incorporation Professional
(113-ARF) ORC 1701	(114-ARN) ORC 1702	(170-ARP) Profession ORC 1785

Complete the general information in this section for the box checked above.

FIRST: Name of Corporation Gas Natural Inc.

SECOND: Location Mentor *(City)* Lake *(County)*

Effective Date **(Optional)** ________ *(mm/dd/yyyy)* ***Date specified can be no more than 90 days after date of filing. If a date is specified, the date must be a date on or after the date of filing.***

☑ ***Check here if additional provisions are attached***

Complete the information in this section if box (2) or (3) is checked. Completing this section is optional if box (1) is checked.

THIRD: Purpose for which corporation is formed

See attachment

Complete the information in this section if box (1) or (3) is checked.

FOURTH: The number of shares which the corporation is authorized to have outstanding (Please state if shares are common or preferred and their par value if any) See attachment *(No. of Shares)* ________ *(Type)* ________ *(Par Value)*

(Refer to instructions if needed)

Completing the information in this section is optional

FIFTH: The following are the names and addresses of the individuals who are to serve as initial Directors.

(Name)

(Street) ***NOTE: P.O. Box Addresses are NOT acceptable.***

(City) *(State)* *(Zip Code)*

(Name)

(Street) ***NOTE: P.O. Box Addresses are NOT acceptable.***

(City) *(State)* *(Zip Code)*

(Name)

(Street) ***NOTE: P.O. Box Addresses are NOT acceptable.***

(City) *(State)* *(Zip Code)*

REQUIRED
Must be authenticated **(signed)** by an authorized representative
(See Instructions)

1600 CNB Corp.

Authorized Representative

Date: June 23, 2010

Christopher J. Hubbert, Assistant Secretary
(Print Name)

Authorized Representative

Date

(Print Name)

Authorized Representative

Date

(Print Name)

Complete the information in this section if box (1) (2) or (3) is checked.

ORIGINAL APPOINTMENT OF STATUTORY AGENT

The undersigned, being at least a majority of the incorporators of Gas Natural Inc. hereby appoint the following to be statutory agent upon whom any process, notice or demand required or permitted by statute to be served upon the corporation may be served. The complete address of the agent is

1600 CNB Corp.
(Name)
1375 East 9th Street, 20th Floor
(Street) ***NOTE: P.O. Box Addresses are NOT acceptable.***

Cleveland, Ohio 44114
(City) *(Zip Code)*

Must be authenticated by an authorized representative

1600 CNB Corp.
Authorized Representative — Christopher J. Hubbert, Assistant Secretary
Date: 6/23/2010

Authorized Representative
Date

Authorized Representative
Date

ACCEPTANCE OF APPOINTMENT

The Undersigned, 1600 CNB Corp., named herein as the Statutory agent for, Gas Natural Inc., hereby acknowledges and accepts the appointment of statutory agent for said entity.

1600 CNB Corp.
Signature:
(Statutory Agent)
Christopher J. Hubbert, Assistant Secretary

ATTACHMENT
TO
ARTICLES OF INCORPORATION
OF
GAS NATURAL INC.

ARTICLE III
PURPOSE

3.1 The Corporation is formed for the purpose of:

(a) serving as a holding company for business entities that, directly or indirectly, engage in the distribution of natural gas as regulated utilities and any and all other business activities related to natural gas, whether regulated or non-regulated;

(b) doing each and every thing necessary, proper or convenient for the accomplishment of any such purposes; and

(c) engaging in any and all other lawful acts or activities for which corporations may be formed under Section 1701.01 to Section 1701.98, inclusive, of the Ohio Revised Code.

3.2 Each purpose identified in this Article shall be deemed to be independent of all other purposes, and shall not be limited or restricted by any other clause or paragraph of these Articles of Incorporation.

3.3 The Corporation reserves the right at any time and from time to time to change its purposes in any manner that is permitted by statute or that has been authorized or approved by these Articles of Incorporation, if applicable. A properly approved or authorized change of purpose shall be binding and conclusive upon every shareholder of the Corporation, including shareholders who vote against the change. No shareholder shall be entitled to payment of the fair cash value of his shares due to a change in purpose of the Corporation.

ARTICLE IV
SHARE STRUCTURE

The total authorized number of shares of this Corporation is 16,500,000, of which 15,000,000 shall be shares of Common Stock of the par value of $0.15 each and of which 1,500,000 shall be shares of preferred stock of the par value of $0.15 each. The shares of Preferred Stock may be issued from time to time by the Board of Directors in one or more series with such designations, relative rights, preferences, limitations, dividend rates, redemption process, liquidation prices, conversion rights, sinking or purchase fund rights, and other provisions as the Board of Directors may establish, fix and determine. The holders of shares of Common Stock shall have one vote for each share of Common Stock held on each matter submitted to the holders of shares of Common Stock.

ARTICLE VI
ELECTION OF DIRECTORS

At all elections of directors, the candidates receiving the greatest number of votes shall be elected. No shareholder shall have the right to vote cumulatively in any election of directors of the Corporation.

ARTICLE VII
INDEMNIFICATION

7.1 Right to Indemnification.

(a) *Non-derivative Actions and Certain Other Actions.* To the maximum extent permitted under Title 17 of the Ohio Revised Code as it presently exists or may be amended in the future, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines, and amounts actually and reasonably incurred by such person in connection with the defense or settlement of such action, suit or proceeding, so long as:

(i) such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; and

(ii) with respect to any criminal action or proceeding, such person had no reasonable cause to believe such person's conduct was unlawful.

(b) *Derivative Actions and Certain Other Actions.* To the maximum extent permitted under Title 17 of the Ohio Revised Code as it presently exists or may be amended in the future, the Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action or suit by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that such person is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee, member, manager, or agent of another Corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any of the following:

(i) Any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless, and only to the extent that, the court of common pleas or the court in which such action or suit was brought determines, upon application, that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper;

(ii) Any action or suit in which the only liability asserted against a director is pursuant to section 1701.95 of the Revised Code.

(c) *Successful Defense of Suit.* The Corporation shall indemnify any director, officer, employee or agent who has been successful on the merits or otherwise in defense of any action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all expenses (including attorney's fees) actually and reasonably incurred, without the necessity of an independent determination that such director, officer, employee or agent met any appropriate standard of conduct.

7.2 Advancing Expenses.

(a) *Opt-out.* The provisions of §1701.13(E)(5)(a) of the Ohio Revised Code shall not apply to the Corporation.

(b) *Directors and Officers – Undertaking to Repay.* To the maximum extent permitted under Title 17 of the Ohio Revised Code as it presently exists or may be amended in the future, expenses, including attorney's fees, incurred by a director or officer of the Corporation in defending any action, suit, or proceeding referred to in Section 7.1(a) or (b) shall be paid by the Corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay such amounts if it ultimately is determined that such person is not entitled to be indemnified by the Corporation.

(c) *Certain Actions Against Officers Excluded.* Notwithstanding the provisions of Section 7.2(b), the Corporation is not required to advance expenses to an officer with respect to any action, suit or proceeding brought by the Corporation on its own behalf.

7.3 Nonexclusivity. The rights of indemnification granted pursuant to this Article shall not be exclusive of other indemnification rights, if any, granted to such person and shall inure to the benefit of the heirs and legal representatives of such person.

7.4 Effect of Amendment, Repeal or Termination. No repeal of or restrictive amendment of this Article and no repeal, restrictive amendment or termination of effectiveness of any law authorizing this Article shall apply to or affect adversely any right or protection of any person for or with respect to any acts or omissions of such person occurring prior to such repeal, restrictive amendment or termination of effectiveness.

7.5 Prior Acts or Omissions. The indemnification and advancement of expenses provided by this Article shall apply with respect to acts or omissions occurring prior to the adoption hereof to the fullest extent permitted by law.

7.6 Severability. In the event that any of the provisions of this Article are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions hereof are severable and shall remain enforceable to the fullest extent permitted by law.

7.7 Prior Service. The indemnification provided for in this Article shall continue as to any person who has ceased to be a director, officer, employee or agent of the Corporation, and shall inure to the benefit of the heirs, executors, and administrators of such person.

ARTICLE VIII
PRE-EMPTIVE RIGHTS

Except as otherwise expressly provided herein, no shareholder of the Corporation shall by reason of holding shares of any class have any pre-emptive or preferential right to purchase or subscribe for any share of any series or class of the Corporation, now or hereafter authorized, or any note, debenture, bond or other security convertible into or carrying options or warrants to purchase shares of any class, now or hereafter authorized; provided, however, that the Board of Directors may, in its discretion, grant such preferential subscription rights at such price and upon such other terms and conditions as it may determine from time to time.

ARTICLE IX
VOTE REQUIREMENTS

9.1 Shareholder Action. Except as otherwise provided by the Ohio Revised Code or by Section 9.2 of this Article, the Corporation may take an action if, at any annual or special meeting at which a quorum is present and such action is properly brought before the shareholders, the votes cast in favor of such action exceed the votes cast against such action.

9.2 Elimination of Supermajority Requirements. The Corporation may take an action upon the affirmative vote of the holders of shares representing a majority of the voting power of the Corporation wherever the General Corporation Law of the State of Ohio (a) requires the affirmative vote of the holders of shares representing a stated percentage of the voting power for such action, which percentage is greater than a majority, but (b) allows the Corporation to provide, in its articles of incorporation or code of regulations, that such action may be taken upon the affirmative vote of the holders of shares representing a lesser percentage than the percentage stated in the statute.

ARTICLE X
TREASURY STOCK

The Corporation may from time to time purchase, repurchase, redeem or otherwise acquire shares of any class or series of the Corporation's stock or any other securities or obligations of the Corporation in the open market, at private or public sale or in any other manner, upon such terms and in such amounts as the Board of Directors shall determine, subject, however, to any provisions, limitations and restrictions relating to such purchase or acquisition as are contained in the express terms of either the shares being acquired or any other securities of the Corporation outstanding at the time of any such purchase or acquisition. Such purchases, repurchases, redemptions and other acquisitions need not be made on a pro rata basis or by lot. The Board of Directors shall be entitled to take any of the foregoing actions in its sole discretion and without action by the shareholders, and this Article X shall be construed to provide the Board of Directors with the maximum authority permitted by the Ohio Revised Code with respect to the purchase, repurchase, redemption or other acquisition of shares of any class or series of the Corporation's stock or any other securities or obligations of the Corporation.

ARTICLE XI
AMENDMENT OF REGULATIONS

11.1 By the Shareholders. The Code of Regulations of the Corporation may be altered, amended or repealed, and new regulations may be adopted, by the vote or written consent of shareholders entitled to exercise a majority of the voting power of the Corporation; provided that such Regulations as adopted or amended are not in conflict with applicable law.

11.2 By the Directors. The Code of Regulations may also be altered, amended or repealed, and new regulations may be adopted, by the vote or the written consent of the Board of Directors, provided that no provision of these Articles of Incorporation or the Code of Regulations may (a) divest shareholders of the power, or limit the shareholders' power, to adopt, amend or repeal the Code of Regulations, or (b) otherwise conflict with applicable law.

ARTICLE XII
DURATION

The term of existence of the Corporation shall be perpetual.

Prescribed by:
The Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.sos.state.oh.us
e-mail: busserv@sos.state.oh.us

CONSENT FOR USE OF SIMILAR NAME

(For Domestic / Foreign, Profit or Nonprofit)
Must Be Accompanied By Another Form

THE UNDERSIGNED DESIRING TO FILE A:

(CHECK ONLY ONE (1) BOX) **This filing does not extend the registration period**

☑ Where consenting entity is a a corporation (147-CSC)	Where consenting entity is a registrant of ☐ Trade Name ☐ Service Mark ☐ Trade Mark (149-CSN)	Where consenting entity is a ☐ Limited Liability Company ☐ Limited Partnership ☐ Partnership Having Limited Liability (148-CSL)

☐ ***Check here if additional provisions are attached***

Charter or Registration No. of Entity Giving Consent 1569880

Name of Entity Giving Consent Gas Natural, Inc.

Gives its Consent To Gas Natural Inc.

To Use The Name Gas Natural Inc.

REQUIRED
Must be authenticated (**signed**) by an authorized representative

Authorized Representative ____________ Date 6/23/10

Authorized Representative ____________ Date ____________

If the consenting party is a partnership, all general partners must sign. If only one partner is authorized to sign, a copy of the resolution authorizing the signature must be included.

Doc ID --> 201018800028

DATE	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
07/07/2010	201018800028	MERGER/DOMESTIC (MER)	125 00	200.00		.00	00

Receipt

This is not a bill. Please do not remit payment.

CT CORPORATION SYSTEM
4400 EASTON COMMONS WAY, SUITE 125
TIMOTHY ROBERTSON
COLUMBUS, OH 43219

STATE OF OHIO

CERTIFICATE

Ohio Secretary of State, Jennifer Brunner

1947340

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

GAS NATURAL INC.

and, that said business records show the filing and recording of:

Document(s):	Document No(s):
MERGER/DOMESTIC	**201018800028**

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 9th day of July, A.D. 2010.

United States of America
State of Ohio
Office of the Secretary of State

Ohio Secretary of State

Form 551 Prescribed by the:
Ohio Secretary of State

Central Ohio: (614) 466-3910
Toll Free: (877) SOS-FILE (767-3453)

www.sos.state.oh.us
Busserv@sos.state.oh.us

Expedite this form: (select one)
Mail form to one of the following:

PO Box 1390
Columbus, OH 43216 ☒ Expedite

*** Requires an additional fee of $100 ***

PO Box 1329
Columbus, OH 43216 ☐ Non Expedite

CERTIFICATE OF MERGER

Filing Fee $125
(154-MER)

In accordance with the requirements of Ohio law, the undersigned corporations, banks, savings banks, savings and loan associations, limited liability companies, partnerships, limited partnerships and/or limited liability partnerships, desiring to effect a merger, set forth the following facts

I. **SURVIVING ENTITY**

A. Name of the entity surviving the merger Gas Natural Inc.

B. Name Change: As a result of this merger, the name of the surviving entity has been changed to the following

____
(Complete only if name of surviving entity is changing through the merger)

C. The surviving entity is a **(Please check the appropriate box and fill in the appropriate blanks)**

☒ Domestic (Ohio) For-Profit Corporation, charter number 1947340

☐ Domestic (Ohio) Nonprofit Corporation, charter number ________

☐ Foreign (Non-Ohio) For-Profit Corporation incorporated under the laws of the jurisdiction of ________
and licensed to transact business in the state of Ohio under license number ________

☐ Foreign (Non-Ohio) For-Profit Corporation incorporated under the laws of the jurisdiction of ________
and **NOT** licensed to transact business in the state of Ohio

☐ Foreign (Non-Ohio) Nonprofit Corporation under the laws of the jurisdiction of ________
and licensed to transact buiness in the state of Ohio under license number ________

☐ Foreign (Non-Ohio) Nonprofit Corporation under the laws of the jurisdiction of ________
and NOT licensed to transact business in the state of Ohio

☐ Domestic (Ohio) For-Profit Limited Liability Company, with registration number ________

☐ Domestic (Ohio) Nonprofit Limited Liability Company, with registration number ________

☐ Foreign (Non-Ohio) For-Profit Limited Liability Company organized under the laws of the jurisdiction of ________
registered to do business in the state of Ohio under registration number ________

☐ Foreign (Non-Ohio) For-Profit Limited Liability Company organized under the laws of the jurisdiction of ________
and **NOT** registered to do business in the state of Ohio

☐ *Foreign (Non-Ohio) Nonprofit Limited Liability Company organized under the laws of the jurisdiction of* ________
and registered to do business in the state of Ohio under registration number ________

☐ Foreign (Non-Ohio) Nonprofit Limited Liability Company organized under the laws of the jurisdiction of ________
and **NOT** registered to do business in the State of Ohio

☐ Partnership, registration number, if any, ________

☐ Partnership **NOT** registered with the state of Ohio ________

☐ Domestic (Ohio) Limited Partnership, with registration number ________

☐ Foreign (Non-Ohio) Limited Partnership organized under the laws of the jurisdiction of ________
and registered to do business in the state of Ohio under registration number ________

☐ Foreign (Non-Ohio) Limited Partnership organized under the laws of the jurisdiction of ________
and **NOT** registered to do business in the state of Ohio

☐ Domestic (Ohio) Limited Liability Partnership, with the registration number ________

☐ Foreign (Non-Ohio) Limited Liability Partnership organized under the laws of the jurisdiction of ________
and registered to do business in the state of Ohio under registration number ________

☐ Foreign (Non-Ohio) Limited Liability Partnership organized under the laws of the jurisdiction of ________
and NOT registered to do business in the state of Ohio

II. **CONSTITUENT ENTITY**

Provide the name, charter/license/registration number, type of entity, jurisdiction of formation, for each entity merging out of existence. **(If this is insufficient space to reflect all merging entities, please attach a separate sheet listing the additional merging entities)**

Name	Charter, License, Registration, or Registration Number	Jurisdiction of Formation	Type of Entity
Energy, Inc.	999821	Montana	Corporation

III. **MERGER AGREEMENT ON FILE**

The name and mailing address of the person or entity from whom/which eligible persons may obtain a copy of the merger agreement upon written request

1600 CNB Corp.
Name

1375 East 9th Street, 20th Floor
Mailing Address

Cleveland
City

Ohio
State

44114
Zip Code

IV. **EFFECTIVE DATE OF MERGER**
This merger is to be effective on 9-Jul-10 (The date specified must be on or after the date of the filing; the effective date of the merger cannot be earlier than the date of filing, if no date is specified, the date of filing will be the effective date of the merger).

V. **MERGER AUTHORIZED**
Each constituent entity has complied with all of the laws under which it exists and the laws permit the merger. The agreement of merger is authorized on behalf of each constituent entity and each person who signed the certificate on behalf of each entity is authorized to do so.

VI. **STATEMENT OF MERGER**
Upon filing this Certificate of Merger, or upon such later date as specified herein, the merging entity/entities listed herein shall merge into the listed surviving entity.

VII. **STATUTORY AGENT**
If the surviving entity is a foreign entity **NOT** licensed to transact business in Ohio, **OR** if the surviving entity is a domestic corporation, limited liability company, or limited partnership entity updating its agent information, provide the name and address of statutory agent upon whom any process, notice or demand may be served.

Name ______________________ Mailing Address ______________________

City ______________________ State *Ohio* Zip Code ______________________

VIII **ACCEPTANCE OF AGENT**
If the new entity is a domestic corporation, domestic limited liability company, partnership or domestic limited partnership, then the agent must accept appointment.

The undersigned, named herein as the statutory agent upon whom service of process against any constituent entity or the surviving entity may be served, hereby acknowledges and accepts the appointment of statutory agent.

Signature of Agent ______________________ Date ______________________

☐ **If the agent is an individual using a P.O. Box, the agent must check this box to confirm that he or she is an Ohio resident**

IX **AMENDMENTS**
In the case of a merger into a domestic corporation, limited liability company, or limited partnership, any amendments to the articles of incorporation, articles of organization, or certificate of limited partnership of the surviving domestic entity shall be filed with the certificate of merger.

☐ Amendments are attached ☑ No Amendments

X **REQUIREMENTS OF CORPORATIONS MERGING OUT OF EXISTENCE**
If a domestic or foreign corporation licensed to transact business in Ohio is a constituent entity and the surviving or new entity resulting from the merger is not a domestic or foreign corporation that is to be licensed to transact business in Ohio, the certificate of merger must be accompanied by the affidavits, receipts, certificates, or other evidence required by division (H) of section 1701.86 and division (G) of section 1702.47 of the Revised Code with respect to each domestic corporation, and by the affidavits, receipts, certificates, or other evidence required by division (C) or (D) of section 1703.17 of the Revised Code with respect to each foreign constituent corporation licensed to transact business in Ohio.

XI **QUALIFICATION OR LICENSURE OF FOREIGN SURVIVING ENTITY**

A. The surviving foreign entity desires to transact business in Ohio as a foreign corporation. bank, savings bank, savings and loan, limited liability company, partnership, limited partnership, or limited liability partnership, and hereby appoints the following as its statutory agent upon whom process, notice or demand against the entity may be served in the state of Ohio.

Name ______________________ Mailing Address ______________________

City ______________________ State Ohio ______ Zip Code ______

☐ **If the agent is an individual using a P.O. Box, check the box to confirm that the agent is an Ohio resident.**

The surviving foreign corporation, bank, savings bank, savings and loan, limited liability company, limited partnership, or limited liability partnership ("surviving entity") irrevocably consents to (1) service of process on the statutory agent listed above as long as authority of the agent continues, and (2) to service of process upon the Secretary of State of Ohio if the agent cannot be found. If the surviving entity fails to designate another agent, as required by Ohio law, the surviving entity's license or registration to do business in Ohio expires or is canceled.

B. The qualifying entity also states as follows: (Complete only if applicable)

1. **Foreign Qualifying Corporation (Section 1703.04)**
(If the qualifying entity is a foreign corporation, the following information must be completed.)

(a) Name of the corporation in its jurisdiction of formation

____

(b) If the corporate name is not available, the trade name under which it will do business in Ohio

____

(c) Location and complete address of its principal office

Mailing Address ______________________

City ______________________ State ______ Zip Code ______

(d) Name of the county in which its principal office in Ohio, if any, is to be located

____

(e) A brief summary of the cororate purpose to be exercised within Ohio

____

____

____

(f) To procure a license to transact business in Ohio, a foreign corporation for-profit must file with the secretary of state a certificate of good standing or subsistence, dated not earlier than 90 days prior to the filing of the application, under the seal of the secretary of state, or other proper official, of the jurisdiction under the laws of which said corporation was incorporated, setting forth: (1) the exact corporate title; (2) the date of incorporation; and (3) the fact that the corporation is in good standing or is a subsisting corporation.

2 **Foreign Notice (Section 1703.031)**
(If the qualifying entity is a foreign bank, savings bank, or savings and loan, the following information must be completed.)

(a) Name of the Foreign nationally/federally chartered bank, savings bank, or savings and loan association

____

(b) Any trade name(s) under which the corporation will conduct business in Ohio

____

____

(c) Location of the corporation's main office (Non-Ohio)

____
Mailing Address

________________ ________ __________
City State Zip Code

(d) Principal office location in Ohio

____
Mailing Address

________________ Ohio __________
City State Zip Code

(If there will not be an office in Ohio, please state "None" on the form)

(e) The corporation will exercise the following purpose(s) in Ohio

____

____

3. **Foreign Qualifying Limited Liability Company (Section 1705.54)**
(If the qualifying entity is a foreign limited liability company, the following information must be completed.)

(a) Name of the For-Profit or Nonprofit limited liability company in its jurisdiction of formation

____

(b) Name under which the limited liability company desires to transact business in Ohio (if different from its name in its jurisdiction of formation)

____

(c) The limited liability company was formed on ________________
Date

under the laws of the jurisdiction of ________________
Jurisdiction

(d) Address to which interested persons may direct requests for copies of the articles of organization, operating agreement, bylaws, or other charter documents of the company

Mailing Address

City State Zip Code

4. **Foreign Qualifying Limited Partnership under section 1782.49**
(If the qualifying entity is a foreign limited partnership, the following information must be completed.)

(a) Name of the limited partnership

(b) The limited partnership was formed on

Date

Under the laws of the jurisdiction of

Jurisdiction

(c) Address of the office of the limited partnership in its jurisdiction of formation

Mailing Address

City State Zip Code

(d) Address of the limited partnership's principal office

Mailing Address

City State Zip Code

(e) The names and business or residence addresses of the general partners of the partnership are as follows:

Name Mailing Address

Name Mailing Address

Name Mailing Address

Name Mailing Address

(Please attach additional separate sheet(s) listing other general partners and their addresses as needed)

(f) The address of the office where a list of the names and business or residence addresses of the *limited partners and their respective capital contributions is to be maintained*

Mailing Address

City State Zip Code

The limited partnership hereby certifies that it shall maintain such records until the registration of the limited partnership in Ohio is canceled or withdrawn.

5. **Foreign Qualifying Limited Liability Partnership (Section 1776.86)** (if the qualifying entity is a foreign limited liability partnership, the following information must be completed.)

(a) Name of the partnership

Name must include one of the folling phrases or abbreviations: "registered limited liability partnership," "limited liability partnership," " R.L.L.P.," "L.L.P.," "RLLP," or "LLP."

(b) The partnership was formed under the laws of the jurisdiction of

(c) Address of the partnership's chief executive office

Mailing Address

City State Zip Code

(d) If the chief executive office is not in Ohio, the address of any office of the partnership in Ohio, if one exists

Mailing Address

City Ohio State Zip Code

(e) Foreign limited liability partnership must attach evidence of existence in its jurisdiction of formation (origin).

(Proceed to page 8 for signatures of authorized officers, partners and representatives.)

The undersigned constituent entities have caused this certificate of merger to be signed by its duly authorized officers, partners and representatives on the date(s) stated below

Gas Natural Inc.
Exact name of entity

By: ______________________
Signature

Its: Chief Fiancial Officer
Title

Date: July 6, 2010

Energy, Inc.
Exact name of entity

By: ______________________
Signature

Its: Chief FInancial Officer
Title

Date: July 6, 2010

____

Exact name of entity

By: ______________________
Signature

Its: ______________________
Title

Date: ______________________

Exact name of entity

By: ______________________
Signature

Its: ______________________
Title

Date: ______________________

Exact name of entity

By: ______________________
Signature

Its: ______________________
Title

Date: ______________________

An authorized representative of each constituent corporation, partnership, or entity must sign the merger certificate (ORC 1701.81(A), 1702.43 (A), 1705.38(A), 1776.70(A), 1782.433(A)).

JOINT APPLICATION
EXHIBIT 2

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is entered into as of this 11th day of November, 2011 (the "Effective Date") by and between **KENTUCKY ENERGY DEVELOPMENT, LLC**, a Kentucky limited liability company (collectively referred to herein as "Seller"), and **GAS NATURAL INC.**, an Ohio Corporation, or its nominee ("Purchaser") with reference to the following:

WITNESSETH:

WHEREAS, Seller owns one hundred percent (100%) of the issued and outstanding capital stock **PUBLIC GAS COMPANY, INC.**, a corporation organized under the laws of the State of Kentucky (the "Company"); and

WHEREAS, Purchaser desires to purchase from the Seller and the Seller desires to sell to Purchaser all of the issued and outstanding capital stock of the Company (the "Purchased Shares"), in accordance with the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations, warranties and covenants hereinafter set forth, the parties hereto agree as follows:

1. DEFINITIONS

Certain Definitions. As used herein, the following capitalized terms have the following meanings:

(a) "Affiliate" means, with respect to a Person, any other Person whom, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of this definition, a Person has "control" over another Person if such Person has the ability to exercise a controlling influence over the management and policies of the other Person, whether through the ownership of voting securities, by contract or otherwise.

(b) "Damages" means and includes any and all costs, obligations, penalties, losses, liabilities, claims, out-of-pocket expenses (including reasonable attorneys' fees and other costs and expenses of litigation) and other damages of any kind whatsoever.

(c) "Environmental Law" means any and all applicable federal, state, regional or local law, requirement, statute, role, regulation, policy guidelines, or ordinance governing or with respect to any pollutant, contaminant, petroleum, crude oil or hazardous substance or otherwise relating to the protection of public health safety or the environment, including the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980, as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Hazardous & Solid Waste Amendment Act of 1984, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials

Transportation Act, as amended, the Oil Pollution Act of 1990, any state laws implementing the foregoing federal laws; and any state laws pertaining to the handling of oil and gas exploration and production wastes or the use, maintenance, and closure of pits and impoundments, and all other environmental conservation or protection laws.

(d) "Governmental Approval" means any consent, approval, order or authorization, or registration, declaration, qualification or filing with, any Governmental Authority.

(e) "Governmental Authority" means any court, administrative agency, commission, regulatory authority or other governmental authority or instrumentality, having jurisdiction.

(f) "Knowledge" means with regard to either Seller or the Purchaser, shall mean actual knowledge of the party after a reasonable internal review of the party's business records and data.

(g) "Person" means and includes any individual, sole proprietorship, corporation, partnership (whether general, limited, limited liability or special), joint venture, limited liability company, institution, trust, association, organization (whether not a legal entity), or Governmental Authority

2. **PURCHASE AND SALE; DUE DILIGENCE**

(a) On the Closing Date, and subject to the terms and conditions of this Agreement, and upon the agreements, representations and warranties herein contained, Seller hereby sells, conveys, transfers, assigns, sets over and delivers to Purchaser free and clear of all liens, encumbrances, liabilities, and rights of third parties whatsoever and Purchaser shall purchase from Seller the Purchased Shares.

(b) Due Diligence. The "Due Diligence Period" shall commence on the Effective Date and shall expire at 5:00 p.m. EST on the date occurring sixty (60) days after the Effective Date (the "Due Diligence Period"). During the Due Diligence Period, Purchaser, its agents, contractors and engineers shall have the right to enter upon and inspect the Assets for the purpose of inspecting the physical condition of the Assets and conducting its due diligence investigation to determine the suitability of the Assets for Purchaser's intended uses thereof ("Due Diligence Investigations"). The right to conduct Due Diligence Investigations includes the right of Purchaser and Purchaser's employees, agents and contractors to enter upon any portion of the rights of way, licenses, or easements (the "ROW Property") to take measurements, make inspections, conduct test borings, make boundary and topographical survey maps, and to conduct geotechnical, soil, environmental, groundwater, wetland and other studies required by Purchaser in its sole discretion.

(i) Purchaser shall give reasonable notice to Seller prior to entering upon the ROW Property during the Due Diligence Period, and agrees to adhere to all ROW Property restrictions as contained in any easement or similar document regarding access and, if requested by Seller, shall have all employees, contractors, and agents execute an Assumption of Risk Agreement and Release Agreement prior to entering such ROW Property.

(ii) Purchaser shall indemnify and defend Seller against and hold Seller harmless from any and all loss, cost, liability, or expense (including reasonable attorneys' fees) arising out of Purchaser's activities relating to the Assets during the Due Diligence Investigations; provided, that, such indemnity shall not cover or extend to (1) any claims of diminution in the value of the Assets as a consequence of the results revealed by the Due Diligence Investigations, or (2) the exposure or release of hazardous substances or materials located in, on, or under the Assets, unless such exposure or release is attributable to the activities of Purchaser. Notwithstanding any other provision hereof, this indemnity obligation shall survive the termination of this Agreement for a period of two (2) years. No such Due Diligence Investigations shall constitute a waiver or relinquishment on the part of Purchaser of its rights under any covenant, condition, representation, or warranty of Seller under this Agreement. Upon execution of this Agreement, Seller shall deliver to Purchaser, at no cost to Purchaser, such of the following documents which relate to the Assets to the extent that they are in Seller's possession or control: existing soil and groundwater tests, surveys, title commitment policies, environmental reports, underground storage tank test results, waste disposal records, permit records, other engineering tests and studies, contracts, and other books and records.

(iii) Prior to the end of the Due Diligence Period, Purchaser shall deliver written notice of its election to proceed or not to proceed with the purchase of the Assets and, if Purchaser elects to proceed with the purchase of the Assets, this Agreement shall remain in effect and the parties shall proceed to close this transaction, subject to the terms and conditions hereof.

(iv) If Purchaser elects not to proceed with the purchase of the Assets, then Purchaser shall deliver written notice of such election (the "Termination Notice") prior to the end of the Due Diligence Period. In the event that this Agreement is terminated pursuant to this Article, all documents shall be returned to the disclosing party; Seller and Purchaser shall pay the costs and expenses of this transaction chargeable to them; and Seller and Purchaser shall have no further rights or obligations hereunder, except for any obligations which expressly survive the Closing pursuant to the terms of this Agreement.

3. <u>ASSETS; EMPLOYEES</u>

Seller hereby warrants and represents that the following is a complete and accurate list of all of the assets owned by the Company and employees of the Company as of the Closing Date (collectively the "Assets"):

(a) <u>Contracts, Rights, and Other Personal Property</u>. All of Company's interest in its natural gas distribution business consisting of approximately one thousand five hundred eighty one (1,581) customers located in the State of Kentucky counties of Breathitt, Jackson, Johnson, Lawrence, Lee, Magoffin, Morgan, and Wolf including, but not limited to (i) the company name; (ii) all pipelines, meters, inventory including gas, work in progress, rights of way, licenses, easements, pipeline interconnections, office equipment, leases, fixtures, machinery, equipment, pipe and vehicles (collectively the "Personal Property"); and (iii) all of Company's contracts and agreements with its suppliers, contractors, and customers (the "Contracts")

(b) Employees. Employment of all full time and part-time employees as of the Closing Date. Full time employees as of the Effective Date are Ray Jenkins and Stasia Kruse, and the part time employee is Tina Hart.

(c) Supporting Documents. All of Seller's files and records pertaining to the Assets, including, but not limited to Seller's land files, land maps, gas contract flies, federal or state regulatory flies, engineering studies and reports, and copies of all accounting records and so far as they are applicable to the Assets (the "Records").

4. **PURCHASE PRICE**

(a) Price; Payment. Upon the terms and subject to the conditions hereinafter set forth, in consideration of the delivery by Seller of the Purchased Shares, Purchaser shall pay to Seller at the Closing an amount equal to [redacted] subject to adjustments pursuant to the terms of this Agreement (the "Purchase Price"). The Purchase Price shall be paid by Purchaser as follows: (i) an amount equal to the Company's account payable to Jefferson Gas at Closing, approximately [redacted] as of the Effective Date (the "Jefferson Receivable"), paid in immediately available funds directly to Seller's Affiliate Jefferson Gas at Closing; (ii) the remainder of the Purchase Price in immediately available funds at Closing, including reconciliation for accounts payable and accounts receivable ("reconciliation") pursuant to Section 4(d) herein, less an amount equal to twenty percent (20%) of the Company's total receivables due at Closing (the "Receivable Holdback") which shall be paid pursuant to Section 4(e) herein and subject to the reconciliation detailed in Section 4(d).

(b) On the Closing Date, Seller shall surrender and deliver all certificates representing the Purchased Shares or, if applicable, replacement certificates together with lost certificate affidavits and indemnifications (in form and substance reasonably acceptable to Purchaser), duly endorsed for transfer or accompanied with executed blank stock powers (in form and substance reasonably acceptable to Purchaser), together with a new certificate representing such shares issued in the name of Purchaser.

(c) Customer Price Adjustment. At Closing, if Company has less than [redacted] customers, the Purchase Price shall be reduced [redacted] for each customer under that amount or if the Company has more than [redacted] customers, the Purchase Price shall be increased [redacted] for each customer over that amount. "Customer" shall mean any individual or entity having received at least one monthly bill from Company for gas delivered during the ninety (90) day period prior to the Closing Date. By way of example only, if at Closing Company has [redacted] customers then the Purchase Price shall be reduced by [redacted].

(d) Accounts Reconciliation Purchase Price Adjustment. On the Closing Date, Seller shall reconcile its accounts receivable and its accounts payable and the Purchase Price shall be adjusted upward or downward, dollar for dollar, as the case may be, up for a positive net amount and down for a negative net amount, less the Receivable Holdback outlined in Section 4(e). As an example only, Exhibit "D" sets forth how the account reconciliation shall operate pursuant to this Section 4(d).

(e) Receivable Holdback Purchase Price Adjustment. The Receivable Holdback shall be held by Purchaser for a period of forty-five (45) days after Closing (the "Receivable Holdback Period"). During the Receivable Holdback Period, the Company shall use all commercially reasonable efforts to collect all of its outstanding accounts receivable from its customers in the ordinary course of business. At the end of the Receivable Holdback Period any and all receivables that were due, but not yet paid, at Closing, that were not collected during the Holdback Period and any liabilities paid by the Company during the Holdback Period that accrued prior to Closing, excluding the Jefferson Receivable, shall be deducted from the Receivable Holdback. The remainder of the Receivable Holdback shall be paid to Seller within three (3) business days. For a period of one hundred and thirty-five days (135) days after termination of the Receivable Holdback Period (the "Extended Collection Period"), Purchaser shall attempt to collect any outstanding receivables that were due, but not paid, at Closing in the ordinary course of business. Purchaser shall pay Seller [redacted]ercent [redacted] of any outstanding receivables that were due, but not paid, at Closing collected during the Extended Collection Period at the termination of the Extended Collection Period. As an example only, Exhibit "D" sets forth how the Receivable Holdback Adjustment shall operate pursuant to this Section 4(e).

5. ASSUMPTIONS OF OBLIGATIONS AND RISKS

Except as otherwise set forth herein, as of the Closing Date, Purchaser shall assume and be solely responsible for only the following liabilities and obligations of the Company (hereinafter collectively referred to as the "Assumed Liabilities"):

(a) the payment, performance, observance and fulfillment from and after the Closing Date of all duties, liabilities (provided that the events and/or circumstances giving rise to the liabilities occurred from and after the Closing Date) and obligations of Seller under the Leases and all permits relating to the ownership and operation of the Assets;

(b) all risk of loss or damage with respect to the Assets from and after the Closing Date;

(c) any Damages resulting from any claim, lawsuit or otherwise relating to the Assets, provided that the events and/or circumstances giving rise to the Damages occurred from and after the Closing Date;

(d) all other actions or omissions or any matter otherwise related to the Assets from and after the Closing Date; and

(e) Seller's obligations and liabilities from and after the Closing Date under the Contracts.

6. TAXES

Seller shall be responsible for the preparation and filing of any and all tax returns and for the payment of any and all taxes, including fees, interest, penalties and expenses related thereto, imposed on or with respect to the Company or the Assets and that are attributable to any time prior to and including the Closing Date. Purchaser shall be responsible for the preparation and fiing of any and all tax returns that are required to be filed subsequent to the Closing Date and shall be responsible for the payment of any and all taxes, including fines, interest, penalties, and expenses related thereto imposed on or with respect to the Company or the Assets and that are attributable to any time after the Closing Date.

7. PURCHASER'S CONDITIONS TO CLOSING

Purchaser's obligation to close the transactions contemplated hereby is subject to the following conditions having been fulfilled (or waived by Purchaser) on or prior to the Closing Date:

(a) Representations and Warranties. All of the representations and warranties made by Seller under this Agreement are true and correct in all material respects.

(b) Covenants. Seller has complied with and performed in all material respects all the terms, covenants, and conditions of this Agreement to be complied with and performed by Seller.

(c) No Suits or Actions. No suit, action, administrative proceeding or other proceeding is pending against Seller or Purchaser to restrain, enjoin or otherwise prevent the consummation of this Agreement or the transactions contemplated hereby.

(d) Consents, Authorizations and Approvals. Seller has obtained all permits, orders, approvals and consents of any individual, association, person, corporation or Governmental Authority required to be obtained by Seller in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated under this Agreement. Specifically, but not limited to, Purchaser shall have received approval of the change in ownership from Seller to Purchaser from the Kentucky Public Service Commission ("KPSC"). Obtaining approval from the KPSC shall be the Purchaser's responsibility.

(e) Termination of the Due Diligence Period. Purchaser has not terminated this Agreement pursuant to Section 2(b)(iv) hereof and the Due Diligence Period has terminated.

(f) Delivery of Documents. All documents required to be delivered to Purchaser pursuant to the terms hereof at Closing have been delivered and properly executed.

8. SELLER'S CONDITIONS TO CLOSING

Seller's obligation to close the transactions contemplated hereby is subject to the following conditions having been fulfilled (or waived by Seller) on or prior to the Closing Date:

(a) Representations and Warranties. All of the representations and warranties made by Purchaser under this Agreement are true and correct in all material respects.

(b) Covenants. Purchaser has complied with and performed in all material respects all the terms, covenants, and conditions of this Agreement to be complied with and performed by Purchaser.

(c) No Suits or Actions. No suit, action, administrative proceeding or other proceeding is pending against Seller or Purchaser to restrain, enjoin or otherwise prevent the consummation of this Agreement or the transactions contemplated hereby.

(d) Consents, Authorizations and Approvals. Purchaser have obtained all permits, orders, approvals and consents, if any, of any individual, association, person, corporation or Governmental Authority required to be obtained by Purchaser in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated under this Agreement.

(e) Delivery of Documents and Purchase Price. All documents required to be delivered to Seller pursuant to the terms hereof at or prior to the Closing Date have been delivered and properly executed, and payment of the Purchase Price has been made.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER

Seller represents and warrants to the Purchaser as of the Closing Date as follows:

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Kentucky, and has all requisite corporate power and authority to own the Assets it currently owns and to carry on its business as such business is currently conducted.

(b) The Company is duly licensed, registered and qualified to do business and is in good standing in all jurisdictions in which the ownership, leasing or operation of its assets or the conduct of its business as currently conducted requires such qualification under applicable law.

(c) Seller has heretofore made available to Purchaser true, correct and complete copies of the organizational documents, and all other corporate records, each as amended to the date hereof, of the Company.

(d) Seller is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Kentucky and has all requisite power and authority to own and operate the Company as indicated herein, specifically including that the Company believes it has the rights to each and every easement, right of way, permit, or license utilized by it for transportation of its natural gas to its customers. Seller shall cure any and all title defects to the easements, rights of way, permits, and/or licenses should any be found to exist during due diligence, before Closing, or up to one (1) year after Closing.

(e) Seller has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder.

(f) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Seller, and no other corporate proceedings on the part of Seller or the Company are required to be taken or obtained in order to authorize this Agreement or the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting the rights and remedies of creditors, or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), including the availability of specific performance.

(g) The execution and delivery of this Agreement and the consummation of the transactions, contemplated hereby will not (i) conflict with or result in any violation of (a) any statute, law, rule, regulation, judgment, order, decree, or ordinance applicable to Seller, the Company or the Assets, nor (b) any material agreement to which Seller, the Company or the Assets are bound or (ii) result in the creation of a lien or encumbrance on any of the Assets pursuant to (a) any provision of the organization of Seller or the Company, or (b) any material agreement to which Seller or the Company is a party or by which Seller or any of the Assets is bound.

(h) Exhibit "A" sets forth a true, complete and accurate list of all contracts (i) to which the Company is a party or otherwise obligated and/or (ii) to which the Seller is a party of otherwise obligated in connection to the Assets. As of the date of this Agreement, Seller has made available to Purchaser true, correct and complete copies of all Contracts. Each Contract is in full force and effect, and is valid and binding on the Company and the other parties thereto, and is enforceable against the Company or the other parties thereto in accordance with the terms thereof, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws of general application relating to or affecting the rights and remedies of creditors, or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), including the availability of specific performance. The Company and the Seller have performed all material obligations required to be performed by it through the Closing Date under such Assumed Contract, and neither the Company nor the Seller nor any other party thereto is in default under such Assumed Contract, nor does any condition exist that with notice or lapse of time would constitute a default thereunder.

(i) Since April 1, 2011, neither the Company nor the Seller has: (i) transferred, assigned or conveyed any Assets except in the ordinary course of business; (ii) suffered any material destruction, damage or loss to any Assets (casualty or other), whether or not covered by insurance; (iii) entered into any material contract; (iv) terminated or amended or suffered the termination or amendment of, failed to perform in all material respects its obligations under, or suffered or permitted any default to exist under, any Assumed Contract; (v) caused or consented to the imposition of a material lien on any Asset; (vi) made any distributions to Seller in the form of the return of capital, dividends or cash distributions; (vii) incurred or assumed any indebtedness for borrowed money or issued any debt security; (viii) waived any material right of the Company of cancelled any debt or claim held by the Company or the Seller; (ix) made any loan to any officer, director, employee or shareholder of the Company or the Seller; (x) taken or suffered any other act that may reasonably be expected to cause or result in a material adverse effect to the financial condition of the company or the Assets; or (xi) taken or suffered any act outside the ordinary course of business; or (xii) agreed to do any of the foregoing items of this Section 7(i).

(j) There are no actual or, to the knowledge of Seller, threatened actions, suits, Claims or proceedings against or involving the Company or affecting the Assets in any court or before or by any Governmental Authority.

(k) The Company has valid marketable title to the Assets. The Assets are free and clear of any all liens and encumbrances.

(l) Neither Seller, the Company, nor any of their Affiliates has employed any investment banker, broker or finder in connection with the transaction contemplated by this Agreement, nor has any of them take any action which would give rise to a valid claim against any party, for a brokerage commission, finder's fee, or other like payment.

(m) Neither Seller nor the Company has received any notice and Seller has no knowledge of any violation of applicable federal, state or local laws relating to the Company or the Assets, including any violation of any Environmental Law.

(n) Seller has filed or has caused the Company to file or will file with the appropriate governmental agencies, all tax returns relating to the Assets or the Company required to be filed by Seller or the Company on or before the Closing Date and have paid or will pay the tax due for the Assets and/or the Company through the Closing Date as shown on said returns. All taxes owing by Seller or the Company with regard to the Assets or the Company (except amounts which may be owing as a result of subsequent audits) have been paid or will be paid when due, including all estimated tax payments due and payable through the Closing Date.

(o) Neither Seller nor the Company has granted to any other Person or entity an option or other right to purchase all or any part of the Assets.

(p) To Seller's knowledge, the Records, and all other written reports, financial or production data, business plans, projections, forecasts, reserve reports or evaluations, or any environmental reports, audits, studies or assessments, or any other written materials, copies of which may have been furnished to Purchaser or as to which Purchaser may have been provided access in connection with the transactions contemplated by this Agreement are true and accurate in all material respects.

(q) To Seller's Knowledge, there are no environmental hazards that will materially adversely affect the Assets. Seller has complied with all Environmental Laws pertaining to the Assets.

(r) Seller will fully cooperate with Purchaser in the approval process and obtaining the approval of the KPSC for this Agreement.

10. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows as of the Closing Date:

(a) Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Ohio, and has all requisite power and authority to purchase the Assets, to enter into this Agreement and to perform its obligations hereunder.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Purchaser, and no other corporate proceedings on the part of Purchaser are required to be taken or obtained in order to authorize this Agreement or the transactions contemplated hereby. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting the rights and remedies of creditors, or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), including the availability of specific performance

(c) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with or result in any violation of any state, law, rule, regulation, judgment, order, decree, or ordinance applicable to Purchaser.

(d) To Seller's Knowledge, no Governmental Approvals are required to be made or obtained by Purchaser in connection with the execution and delivery of this Agreement by Purchaser or the consummation by Purchaser of the transactions contemplated hereby, except for Governmental Approvals as referenced herein which must be obtained by the parties prior to the Closing Date.

(e) There are no actual or, to the knowledge of Purchaser, threatened actions, suits, claims or proceedings against or involving Purchaser in any court or before or by any Governmental Authority which (i) questions the validity of this Agreement or seeks to restrain, prohibit, invalidate, set aside, prevent or make unlawful this Agreement or any of the transactions contemplated hereby, or (ii) if adversely determined would in any material respect prevent or impair the ability of Purchaser to purchase the Assets or perform any of its obligations under this Agreement.

(f) Neither Purchaser nor any of its Affiliates has employed any investment banker, broker, or finder in connection with the transactions contemplated by this Agreement, nor have any of them taken any action which would give rise to a valid claim against any party for a brokerage commission, finder's fee, or other like payment.

(g) Purchaser is engaged in the business of gathering, transporting and distributing natural gas, is familiar with all federal, state and local statutes, laws, ordinances, rules and regulations applicable to the Assets and any associated business Purchaser intends to conduct after the Closing, and has the expertise necessary to independently evaluate Seller's title to, and the condition, operation, suitability, performance and prospects of the Assets.

(h) Purchaser acknowledges that, during its Due Diligence Investigations, (i) it has been afforded access to and the opportunity to inspect the Assets, (ii) it has inspected the Assets to the extent it deems necessary or advisable, and (iii) it is relying upon its own inspections and investigation in order to satisfy itself as to the condition and suitability of the Assets. Subject to Seller's representations and warranties contained herein, Purchaser accepts the Assets **"AS IS"** and **"WHERE IS"** and assumes all risks with respect to the Assets, except as otherwise provided herein.

(i) Purchaser acknowledges that, during its Due Diligence Investigations, it independently conducted such environmental inspections and investigations or obtained such environmental reports, audits, studies, assessments and inspections as it has deemed necessary or advisable and that, subject to Seller's representations and warranties contained herein, it is relying upon its own inspections and investigation in order to satisfy itself as to environmental matters pertaining to the Assets.

(j) Purchaser has relied upon the statements, representations, covenants, or warranties that may have been made by or on behalf of Seller, or any Affiliate of Seller, or upon any written reports, financial or production data, business plans, projections, forecasts, reserve reports or evaluations, or any environmental reports, audits, studies or assessments, or any other written materials, copies of which may have been furnished to Purchaser or as to which Purchaser may have been provided access in connection with the transactions contemplated by this Agreement.

11. <u>CONDUCT AND TRANSACTIONS PRIOR TO CLOSING</u>

(a) Seller will, during the period commencing on the date hereof and continuing through the Closing Date, continue to operate the Company and the Assets in a commercially reasonable manner consistent with Seller's historic operation of the Company and the Assets.

(b) In the event of any loss or damage to or destruction of any material portion of the Assets as a whole occurring after the date hereof and prior to the Closing, Seller will notify Purchaser of such casualty loss. At Purchaser's option, such casualty shall result in the termination of this Agreement.

(c) Seller and Purchaser acknowledge and agree that the terms of this Agreement are confidential. Seller and Purchaser each agree that they and their respective partners, officers, directors, employees and attorneys, if any, shall not disclose the terms and conditions of this Agreement (but may disclose the existence of this Agreement), to any other person or entity without the prior written consent of the other party (which consent shall not be unreasonably withheld); provided, however, that either party may disclose the terms of this Agreement to administrative or regulatory agencies as may be required, or to the extent disclosure of such terms are required by law or are already public knowledge through no fault of the disclosing party, except Purchaser may disclose the terms and conditions of this Agreement to its attorneys, accountants, and consultants assisting Purchaser in the within transaction. It is understood and agreed that damages alone would be an inadequate remedy for the irreparable harm caused by a breach of this provision by Seller or Purchaser, and Seller and Purchaser shall each also have the right to seek specific performance of this provision and to seek injunctive relief to prevent its breach or continued breach.

(d) Subject to the Purchaser's right to terminate this Agreement pursuant to Section 2(b)(iv) hereof, Seller and Purchaser will each use reasonable commercial efforts to effectuate the transactions contemplated hereby and to satisfy their respective obligations to be satisfied as conditions to Closing under this Agreement. In the event that either party hereto, prior to Closing, becomes aware of any fact that causes a breach of any warranty or any misrepresentation of the other party, it shall notify the other party of such breach and afford it a reasonable period of time (not to exceed 30 days) in which to cure such breach or take such action as may be appropriate to correct the circumstances giving rise to the breach or misrepresentation prior to the Closing.

(e) Following execution of this Agreement but prior to the Closing, Purchaser shall have full access, during reasonable hours, to the records, documents, materials and files in Seller's possession relating to the Assets. Seller shall allow Purchaser to copy any such records, documents, materials and files in Seller's possession (with the understanding that if this Agreement is terminated and the Closing does not occur, Purchaser shall immediately deliver to Seller all such copies). Purchaser shall make such other examination of title to the Assets as Purchaser, acting in its sole discretion, deems necessary or advisable. Purchaser shall have full access to Assets for inspection, and may conduct or cause to be conducted such environmental survey(s) in connection therewith which Purchaser, in its sole discretion, deems advisable or prudent.

(f) As early as practical, Purchaser shall furnish written notice to Seller advising in full detail of any title defects found by Purchaser to adversely affect title to the Assets. Such notice shall include Purchaser's suggested means for curing or remediating the alleged defects set forth therein, but such suggestions shall not be binding upon Seller. Seller shall have the right, but not the obligation, to attempt to cure any or all of the title and/or environmental defects alleged in the notice at any time prior and up to the Closing, which may be extended by the parties in order to complete remediation. In the event Seller is unable or unwilling to materially and substantially cure the alleged defects by the time of the Closing, Purchaser and Seller will confer and use their best, good faith efforts to agree on the scope of the defects and any arrangements, if any, to obtain title to the Assets.

(g) In the event Seller chooses not to cure a title defect identified pursuant to Section 11(f) above and the parties cannot mutually agree on the scope of the title defects and any arrangements, if any, to obtain clean title to the Assets, Purchaser shall have the right to either (i) proceed to the Closing and accept the Assets with such alleged title defects, or (ii) terminate the Agreement.

12. <u>OFFICE SPACE/FIELD SUPPORT</u>

(a) <u>Field Support</u>. For a period of two (2) years from the Closing Date, Seller's Affiliate Jefferson Gas shall provide the Purchaser on behalf of the Company with supervisory and field service support services ala carte as requested by Company. Jefferson Gas shall charge Company for such services at the following rates: Field Labor--$22.50 per hour plus mileage at the current IRS rate or $30.00 per hour inclusive of all other charges; Supervisory Labor--$58.00 per hour plus mileage at the current IRS rate or $65.50 per hour inclusive of all other charges. Supervisory Labor is understood to mean Jack Banks or the person then serving as VP of Operations for Jefferson Gas. This same Supervisory rate shall apply if Bert Layne, or the person then serving as CFO for Jefferson Gas, is asked to provide supervisory support for the Company's office staff. Further, a Supervisory Labor rate of $40.00 per hour plus mileage or $47.50 per hour inclusive of all other charges shall apply if using Darrel Parks or the person then serving as Jefferson's foreman. All hourly rates outlined above shall be increased by 150% for services requested on nights and weekends. Further, all hourly rates include the use of any equipment owned by Jefferson. After expiration of the initial two (2) year term aforesaid, this arrangement may be extended upon the mutual agreement of the parties on the same terms or mutually agreeable terms.

(b) Office Space. For a period of one (1) year from the Closing Date, Seller and/or its Affiliates shall provide office space and the use of office equipment such as phones, facsimile machines, copy machines, scanners, etc. to Company in Seller and/or its Affiliates' buildings in both the Lexington Kentucky area sufficient for one full time and one part time employee, meeting space, and record storage as well as in Jackson Kentucky area sufficient for one full time employee plus at least 500 square feet of storage space for the combined monthly rental of Six Hundred Dollars ($600.00) per month payable by Company on the first (1st) of each month. After expiration of the initial one (1) year term aforesaid, this arrangement may be extended upon the mutual agreement of the parties on the same terms or mutually agreeable terms.

(c) Use of Equipment. Purchaser shall make available to Seller three (3) pieces of field equipment from the Company's Assets, specifically a backhoe, boring machine, and air compressor identified with more specificity on Exhibit "B" attached hereto and incorporated herein, for the purpose of working on Jefferson Gas assets or projects (the "Leased Equipment"). The Leased Equipment shall be available for hourly, daily, or weekly lease by Seller and/or Jefferson Gas for a term of two (2) years after the Closing at an hourly, daily, or weekly cost of no more than fifty percent (50%) of the then prevailing rental cost for the local geographic area where the Leased Equipment is being leased from. Seller or Jefferson Gas, as appropriate, shall be responsible for repair of any damage to the equipment, normal wear and tear excepted, or replacement in the event of theft or catastrophic loss. After expiration of the initial two (2) year term aforesaid, this arrangement may be extended upon the mutual agreement of the parties on the same terms or mutually agreeable terms.

13. INDEMNIFICATION

(a) Purchaser, and the Affiliate or parent of Purchaser executing this Agreement, if any, shall indemnify, defend and hold harmless Seller and its Affiliates, and each of their directors, officers, employees and representatives from and against all Damages arising in connection with the Assets or the operation thereof, only as to events occurring after the Closing Date.

(b) Purchaser shall indemnify, defend and hold harmless Seller and its Affiliates, and each of their directors, officers, employees and representatives from and against all Damages (i) arising in connection with an Assumed Liability; (ii) incurred in connection with any breach of any representation or any warranty made by the Purchaser to the Seller hereunder; or (iii) incurred in connection with any failure by the Purchaser to perform any covenant or other agreement hereunder.

(c) Seller shall indemnify, defend and hold harmless Purchaser and its Affiliates, and each of their directors, officers, employees and representatives from and against all Damages (i) arising in connection with any obligation of the Company that is not an Assumed Liability; (ii) incurred in connection with any breach of any representation or any warranty made by the Seller to the Purchaser; or (iii) incurred in connection with any failure by the Seller to perform any covenant or other agreement hereunder.

(d) Upon the discovery by a party (the "Indemnified Party") of facts giving rise to a claim for indemnification hereunder (a "Claim"), including the receipt by the Indemnified Party of notice of any claim, demand, action, cause of action, suit or controversy, judicial or otherwise, by any third party, the Indemnified Party shall give prompt written notice of any such Claim to the other Party (the "Indemnifying Party") (failure to give such notice shall not excuse the Indemnifying Party except to the extent such failure caused material prejudice to the Indemnifying Party). After receipt of the Indemnified Party's notice of a third party Claim, the Indemnifying Party shall promptly assume control of and diligently pursue the negotiation, defense and/or settlement of the Claim, in which case the Indemnified Party shall at all times have the right to participate in the defense thereof and to be represented, at its sole expense, by counsel selected by it. No such Claim shall be compromised or settled by either Party in any manner that might adversely affect the interest of the other Party without the prior written consent of such Party (which shall not be unreasonably withheld).

14. CLOSING

(a) Time and Place of Closing. The Closing shall take place no later than thirty (30) days after receipt of all necessary or reasonably required Governmental Authorizations from all applicable Governmental Agencies (the "Closing Date") at a location mutually agreeable to the parties.

(b) Deliveries by Seller at Closing. At the Closing, Seller shall deliver and/or cause the Company to deliver to Purchaser:

(i) The original stock certificates transferring 100% of the Purchased Shares to Buyer or its designees, original stock ledgers, articles of incorporation, certificates of incorporation, charters, certificates of formation, bylaws, joint venture agreements, partnership agreements, limited liability company operating agreements, and board of directors', shareholders' and members' minutes of the Company;

(ii) resignations, or evidence of termination by each director and officer of the Company, unless otherwise agreed by the parties; and

(iii) such other evidence of the performance of all covenants and reasonable satisfaction of all conditions required of Seller by this Agreement, at or prior to the Closing, as Purchaser may reasonably require.

(c) Deliveries by Purchaser at Closing. At Closing, Purchaser shall deliver to Seller the Purchase Price, as adjusted pursuant to the terms of this Agreement.

(d) Further Assurances. The Seller and Purchaser agree to cooperate fully with the other party and from time-to-time after the Closing, upon request and without further consideration, to execute, deliver and acknowledge (where necessary) all such further instruments, agreements and documents, and take such further actions and give such further assurances, as may be reasonably required to more effectively evidence the transfer and sale of the Assets or to consummate the transactions contemplated hereby and carry out the intent and purposes of this Agreement.

15. SURVIVAL OF REPRESENTATIONS

All representations, warranties, covenants and agreements of Purchaser and Seller as contained in this Agreement or in any separate certificate or other instrument furnished or to be furnished pursuant to this Agreement shall survive the Closing for a period of one (1) year.

16. BOOKS AND RECORDS

Purchaser agrees to maintain all Records acquired from Seller until the later of the seventh (7th) anniversary of the Closing Date or as required by law (or for such longer period of time as Seller shall advise Purchaser is necessary in order to have records available with respect to open years for tax audit or other purposes), or, if any of such records pertain to any claim or dispute pending at such seventh (7th) anniversary date, Purchaser shall maintain any of such records designated by Seller until such claim or dispute is finally resolved and the time for all appeals has been exhausted. Thereafter, Purchaser shall not destroy or permit to be destroyed any Records acquired from Seller, within the reasonable control of Purchaser, without first offering in writing to deliver such Records to Seller at Seller's expense. Purchaser shall provide Seller with reasonable access to all Records for the purpose of obtaining information for the preparation of tax returns and financial statements and other legitimate business purposes of Seller. Seller agrees to maintain all Records retained by Seller and not delivered to Purchaser until the seventh (7th) anniversary of the Closing Date (or for such longer period of time Purchaser shall advise Seller is necessary in writing).

17. DISCLAIMER

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, (A) PURCHASER SHALL TAKE THE ASSETS "AS IS" AND "WHERE IS" AND WITH ALL FAULTS AND DEFECTS, (B) SELLER MAKES NO REPRESENTATIONS, WARRANTIES, OR COVENANTS OF ANY KIND, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO ALL OR ANY OF THE ASSETS, EXCEPT AS SET FORTH IN THIS AGREEMENT INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITIY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY REPRESENTATION WITH RESPECT TO THE DESIGN, QUALITY, DURABILITY OR SUITABILITY OF THE ASSETS FOR A PARTICULAR PURPOSE, AND (C) SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND,

WHETHER EXPRESS OR IMPLIED, IN CONNECTION WITH THE VALUE, CONDITION, FITNESS OR USE OF THE ASSETS.

18. NONCOMPETITION; NONDISCLOSURE; NONSOLICITATION

(a) Acknowledgments by Seller. Seller and its Affiliate entities acknowledges that (i) the Business (as hereinafter defined) of Seller relating to the operation of the Company by Seller for the sale of its Products (as hereinafter defined) prior to the date of this Agreement is Territorial in scope; (ii) the Products and services related to such Business are marketed throughout the Territory; (iii) Seller's Business prior the date of this Agreement competes with other businesses that are or could be located in any part of the Territory; (iv) Purchaser has required that Seller and its Affiliate entities make the covenants set forth in this Section 18 as a condition to Purchaser's purchase of the Company; (v) the provisions of this Section 18 are reasonable and necessary to protect and preserve Purchaser's interests in and right to the use and operation of the Company in its Business from and after the Closing Date; and (vi) Purchaser would be irreparably damaged if Seller or its Affiliate entities were to breach the covenants set forth in this Section 18.

(b) Nondisclosure of Confidential Information. Seller and its Affiliate entities acknowledge and agree that the protection of the Confidential Information is necessary to protect and preserve the value of the Company. Therefore, Seller and its Affiliate entities hereby agree not to disclose to any unauthorized Person or use for its own account or for the benefit of any Third Party any Confidential Information, whether or not such information is embodied in writing or other physical form, without Purchaser's written consent, unless and to the extent that (i) the Confidential Information is or becomes generally known to and available for use by the public other than as a result of Seller's and its Affiliate entities' fault or (ii) Seller or its Affiliate entities are required to disclose same in any court or arbitration proceeding or deposition. As used herein, "Confidential Information" means all of the following if in Seller's or its Affiliate entities' possession or control (i) any and all trade secrets concerning the Business and affairs of the Company, product specifications, data, know-how, customers lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), database technologies, systems, structures, methods and information of the Company and any other information, however documented, of the Company that is a trade secret within the meaning of the trade secret laws of Ohio or under other applicable law; (ii) any and all information concerning the Business and affairs of the Company, the names and backgrounds of key personnel, contractors, agents, suppliers and potential suppliers, personnel training techniques and materials, purchasing methods and techniques, however documents, provided same are within Seller's or its Affiliate entities' possession and control.

(c) Noncompetition. As an inducement for Purchaser to enter into this Agreement, Seller and its Affiliate entities agree that for a period of five (5) years after the Closing Date:

(i) Neither Seller nor its Affiliate entities will directly or indirectly, engage or invest in, own, manage, operate, finance, control or participate in the ownership, management, operation, financing or control of, be associated with or in any manner connected with, or render services or advice or other aid to, or guarantee any obligation of, any person or third party entity engaged in or planning to become engaged in the Business (as defined below), anywhere within the Territory (as defined below). As used in this Section 18(c), "Business" means the sale and/or distribution of natural gas for residential, commercial and/or industrial users; or any other business that the Company was engaged in at any time during the period beginning on January 1, 2011 and ending at the Closing Date. "Business" shall not mean and shall not include (1) the direct sale and/or distribution of natural gas, if any, for residential, commercial and/or industrial users that the Seller, including its Affiliate Jefferson Gas, had in place prior to the Effective Date, (2) the wholesale distribution of natural gas to other utilities (including municipalities), provided these utilities do not solicit the business or customers of Company, (3) residential users not currently served by natural gas that may approach Seller and Seller is obligated to provide a natural gas tap pursuant to KRS §273.485, and (4) any contractual obligations to provide natural gas Seller has in place with unaffiliated third parties as of the Effective Date.

As used in this Section 18, "Territory" means the following Counties within the State of Kentucky: Breathitt, Jackson, Johnson, Lawrence, Lee, Magoffin, Morgan, and Wolf. Seller and its Affiliate entities agree that this covenant is reasonable with respect to its duration, geographical area and scope.

(ii) Neither Seller nor its Affiliate entities will directly or indirectly, solicit the business of any third party known to Seller or its Affiliate entities to be a customer of the Company or Purchaser with respect to products or activities which compete in whole or in part with the Company; and

(iii) Neither Seller nor its Affiliate entities will disparage Purchaser, the Company, the business formerly conducted the Company by Seller, the business conducted by the Company by Purchaser or any shareholder, director, officer, employee or agent of Purchaser.

(iv) Notwithstanding the foregoing provisions of Section 18(c)(i)-(iii), Seller and/or its Affiliates, including, but not limited to, Jefferson Gas, may purchase or acquire a customer or customers from Company after the Closing Date if, and only if, required to do so under K.R.S. §278.485 (a "Farm Tap Customer"). To the extent permitted by applicable law, Seller shall reimburse Company One Thousand Twelve Dollars and NO/100 ($1,012.00) for each Farm Tap Customer purchased or acquired by Seller from Company pursuant to this Section 18(c)(iv).

In the event of a breach by any Seller or its Affiliate entities of any covenant set forth in this Section 18, the term of such covenant will be executed by the period of the duration of such breach.

(d) Notice, Remedies. If Seller or an Affiliate entities breaches the covenants set forth in this Section 18, Purchaser will be entitled to the following remedies: (i) damages against any Seller and/or the breaching Affiliate entity; and (ii) in addition to its right to damages, to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of this Section 18, it being agreed that money damages alone would be inadequate to compensate Purchaser and would be an inadequate remedy for such breach. The rights and remedies of Purchaser in this Section 18 are cumulative and not alternative, and are in addition to any other remedies Buyer has under this Agreement or by law.

(e) Severability. Whenever possible, each provision and term of this Section 18 will be interpreted in a manner to be effective and valid, but if any provision or term of this Section 18 is held to be prohibited or invalid, then such provision or term will be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder or such provision or term or remaining provisions or terms of this Section 18. If any of the covenants set forth in this Section 18 are held to be unreasonable, arbitrary or against public policy, such covenants will be considered divisible with respect to scope, time and geographic area, and in such lesser scope, time and geographic area, will be effective, binding and enforceable against Seller and/or the breaching Affiliate entity to the greatest extent permissible.

19. GAS SUPPLY AGREEMENT

From the Closing Date and continuing for an initial term of ten (10) years thereafter (the "Supply Term") and any extensions pursuant to this Section 19 Seller and/or its Affiliates including, but not limited to, Jefferson Gas, LLC, shall provide a firm supply of natural gas delivered up to the metered valve where gas is sold to the Company as of the Effective Date. The quantity of gas to be supplied shall be sufficient to supply the Company's customers as of the Closing Date (the "Future Gas Supply"). Seller and/or its Affiliate shall sell the Future Gas Supply to the Company during the first five (5) years of the Supply Term (the "Initial Supply Term") at the price currently approved by the KPSC for pass through onto the Company's customers and fixed within the terms of a NAESB contract to be entered into for the entire Initial Supply Term in form and substance as Exhibit "C." During the second five (5) years of the Supply Term (the "Remaining Supply Term"), Seller and/or its Affiliate shall sell gas within the terms of the NAESB contract entered into for the Remaining Supply Term at the price then approved by the KPSC for pass through onto the Company's customers. Seller and/or its Affiliate's obligation to deliver gas at these prices assumes Company purchases all of its gas supply from Seller. Seller may renegotiate price during the Supply Term if Company does not purchase all of its gas from Seller. Following expiration of the Supply Term, if requested by Company, Seller and Company shall use their best efforts and negotiate in good faith a replacement agreement for the provision of natural gas. Additionally, Seller shall work diligently and to its best efforts to provide a gas supply for additional customers above the Future Gas Supply for any incremental additional gas demand created by any new customers of the Company after the Closing Date.

20. MISCELLANEOUS

(a) Notices. All notices and consents to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally; faxed with receipt acknowledged; mailed by registered mail, return receipt requested, postage prepaid; or delivered by a recognized commercial courier to the party at the address set forth below or such other address as any party shall have designated for itself by ten (10) days' prior notice to the other party. Notice is deemed to have been duly received: on the day personally delivered; on the day after it is sent by fax; seven (7) days after mailing by registered mail; or the day after it is received from a recognized commercial courier.

If to Seller:	KENTUCKY ENERGY DEVELOPMENT, LLC 220 Lexington Green Circle Lexington, Kentucky 40503 Attention: Bert Layne
Copy To:	Gene Mapes 4264 Ashley Oaks Drive Cincinnati, Ohio 45227
If to Purchaser:	GAS NATURAL INC. 8500 Station Street, Suite 100 Mentor, OH 44060 Attention: Thomas J. Smith
Copy To:	Dworken & Bernstein Co., L.P.A. 60 South Park Place Painesville, OH 44077 Attention: Jodi Littman Tomaszewski

(b) Controlling Law. This Agreement is executed and to be performed in the State of Ohio and shall be construed, interpreted and enforced in accordance with the laws of the State of Ohio.

(c) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.

(d) Expenses. Each party hereto agrees to pay the expenses incurred by him or it under or in connection with this Agreement, including counsel and accountant's fees, expenses of his or its representatives, whether or not the transaction contemplated by this Agreement is, in fact, consummated.

(e) Severability. In the event any section, paragraph, or portion of this Agreement shall be or be deemed to be by any court having lawful jurisdiction of the subject matter of this Agreement void, voidable, or invalid for any reason, this Agreement shall be otherwise valid and enforceable as if said void, voidable or invalid section, paragraph, or portion of this Agreement had not been a part hereof in the first instance.

(f) Construction. The language of this Agreement has been reviewed by all parties with benefit of counsel. Any ambiguities herein shall not be construed against any party as drafter of the Agreement

(g) Public Announcements. No party hereto or any of its Affiliates shall make any public announcement of the execution and delivery of this Agreement or the transactions contemplated by this Agreement without first obtaining the prior written consent of the other party hereto, such consent not to be unreasonably withheld, delayed or conditioned; provided, however, that nothing contained in this Section 19(g) shall prohibit any party hereto or any of its Affiliates from (i) making any disclosures or having any discussions with any Governmental Authority or (ii) making any public announcement if such party or its Affiliate determines in good faith, on the advice of legal counsel, that such public disclosure is required by applicable law; provided further, that in such event, such party or its Affiliate shall consult with the other party hereto prior to making such disclosure to the extent reasonably practicable.

(h) Time is of the Essence. Time is of the essence in the performance of the terms of this contract.

(i) Construction. Unless the context of this Agreement otherwise requires, (a) words of any gender include the other gender; (b) words using the singular or plural number also include the plural or singular number, respectively; (c) the terms "hereof," "herein," "hereunder," "hereby" and derivative or similar words refer to this entire Agreement; (d) the terms "include," "includes," and "including" shall be deemed to be followed by the words "but not limited to;" (e) the term "Section" refers to the specified Section of this Agreement; (f) the term "Schedule" or "Exhibit" refers to a Schedule or Exhibit attached to this Agreement; (g) the term "material" and derivative or similar words refer to materiality with respect to the Company on an aggregate basis. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified.

(j) Entire Agreement. This agreement constitutes the entire agreement between the parties. It is agreed that all previous negotiations, agreements and communications between the parties, or their respective predecessors in title, either verbal or written, and not herein contained, are hereby withdrawn and annulled.

(k) Further Agreements and Cooperation. Each party hereto agrees to execute such further papers or agreements and to take such other actions as may be reasonably necessary to effect the purposes of this Agreement and to carry out its provisions, including without limitation such documents and actions as shall be reasonably necessary to ensure the orderly transfer of the Purchased Shares and Assets to Purchaser.

(l) Binding Agreement; Assignability. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto, their heirs, legal representatives, successors and permitted assigns. This Agreement shall not be assignable in whole or in part by any party except with the consent in writing of the other parties, which consent shall not be unreasonably withheld. Any purported assignment without such consent shall be void. Notwithstanding the foregoing, Purchaser may assign its rights and obligations hereunder to an Affiliate without the necessity of obtaining such consent, provided that any such assignment shall not release Purchaser from its payment obligations under this Agreement.

(m) Headings. All headings contained in this Agreement are for reference only and shall not affect the meaning or interpretation of this Agreement in any manner.

(n) No Third Party Beneficiaries. Nothing herein, express or implied, is intended to or shall confer upon any other Person, including, without limitation, any union or any employee or former employee of the Seller, any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this Agreement.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each party hereto has caused this Stock Purchase Agreement to be executed on its behalf, all as of the day and year first above written.

SELLER:

KENTUCKY ENERGY DEVELOPMENT, LLC
A Kentucky limited liability company

By: Gene Mapes, Jr.

Print Name: Gene Mapes, Jr.

Its: Managing Member

Dated: November 11, 2011

PURCHASER:

GAS NATURAL INC.
An Ohio corporation

By: ______________________

Print Name: Richard M. Osborne

Its: Chairman

Dated: ______________________

SIGN HERE

548175_6

IN WITNESS WHEREOF, each party hereto has caused this Stock Purchase Agreement to be executed on its behalf, all as of the day and year first above written.

SELLER:

KENTUCKY ENERGY DEVELOPMENT, LLC
A Kentucky limited liability company

By: ______________________________

Print Name: ______________________________

Its: ______________________________

Dated: ______________________________

PURCHASER:

GAS NATURAL INC.
An Ohio corporation

By: Richard M. Osborne

Print Name: Richard M. Osborne

Its: Chairman

Dated: 11/11/11

548175_6

EXHIBIT "A"

List of Contracts

Public Gas Company has only one contract currently in place. This is the gas purchase agreement with Jefferson Gas, LLC and is shown in Exhibit "C".

EXHIBIT "B"

List of Leased Equipment

1) Worthington Monorotor Air Compressor
2) Kubota B21 Backhoe
3) 3" Air Ram Boring Machine

EXHIBIT "C"

Form of NAESB Contract

1) The Base NAESB Contract and the 1-1-11 to 12-31-12 Transaction Confirmation.
2) The Transaction Confirmation form 1-1-13 to 12-31-21.

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: January 1, 2010. The parties to this Base Contract are the following:

Public Gas Company, Inc.	**Jefferson Gas, LLC**
220 Lexington Green Circle, Suite 130, Lexington, KY 40503	220 Lexington Green Circle, Suite 130, Lexington, KY 40503
Duns Number: 80-131-7421	Duns Number: 80-131-7421
Contract Number: NAESB01	Contract Number: NAESB05
U.S. Federal Tax ID Number: 61-096-7297	U.S. Federal Tax ID Number: 05-054-2015
Notices:	
220 Lexington Green Circle, Suite 130, Lexington, KY 40503	220 Lexington Green Circle, Suite 130, Lexington, KY 40503
Attn: Bert R. Layne, Chief Financial Officer	Attn: Gene Mapes, Jr., Managing Member
Phone: (859) 245-8193 Fax: (859) 245-9409	Phone: (859) 245-8193 Fax: (859) 245-9409
Confirmations:	
220 Lexington Green Circle, Suite 130, Lexington, KY 40503	220 Lexington Green Circle, Suite 130, Lexington, KY 40503
Attn: Bert R. Layne, Chief Financial Officer	Attn: Gene Mapes, Jr., Managing Member
Phone: (859) 245-8193 Fax: (859) 245-9409	Phone: (859) 245-8193 Fax: (859) 245-9409
Invoices and Payments:	
220 Lexington Green Circle, Suite 130, Lexington, KY 40503	220 Lexington Green Circle, Suite 130, Lexington, KY 40503
Attn: Bert R. Layne, Chief Financial Officer	Attn: Gene Mapes, Jr., Managing Member
Phone: (859) 245-8193 Fax: (859) 245-9409	Phone: (859) 245-8193 Fax: (859) 245-9409
Wire Transfer or ACH Numbers (if applicable):	
BANK: National City Bank of Kentucky	BANK: National City Bank of Kentucky
ABA: 083000056	ABA: 083000056
ACCT: 340086388	ACCT: 754148933
Other Details:	Other Details:

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select only one box from each section:

Section 1.2 Transaction Procedure	☒ Oral (default) ☐ Written	**Section 7.2** Payment Date	☒ 25th Day of Month following Month of delivery (default) ☐ ____ Day of Month following Month of delivery
Section 2.5 Confirm Deadline	☒ 2 Business Days after receipt (default) ☐ ____ Business Days after receipt	**Section 7.2** Method of Payment	☐ Wire transfer (default) ☐ Automated Clearinghouse Credit (ACH) ☒ Check
Section 2.6 Confirming Party	☐ Seller (default) ☐ Buyer ☒ Jefferson Gas, LLC	**Section 7.7** Netting	☒ Netting applies (default) ☐ Netting does not apply
Section 3.2 Performance Obligation	☐ Cover Standard (default) ☒ Spot Price Standard	**Section 10.3.1** Early Termination Damages	☒ Early Termination Damages Apply (default) ☐ Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding.		**Section 10.3.2** Other Agreement Setoffs	☒ Other Agreement Setoffs Apply (default) ☐ Other Agreement Setoffs Do Not Apply
Section 2.26 Spot Price Publication	☒ Gas Daily Midpoint (default) ☐ ____________	**Section 14.5** Choice Of Law	Kentucky
Section 6 Taxes	☒ Buyer Pays At and After Delivery Point (default) ☐ Seller Pays Before and At Delivery Point	**Section 14.10** Confidentiality	☒ Confidentiality applies (default) ☐ Confidentiality does not apply
☐ **Special Provisions** Number of sheets attached: None			
☐ **Addendum(s):**			

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

Public Gas Company, Inc.	**Jefferson Gas, LLC**
Party Name	Party Name
By Bert	By Gene Mapes
Name: Bert Layne	Name: Gene Mapes, Jr.
Title: Chief Financial Officer	Title: Managing Member

General Terms and Conditions
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.7. "Contract" shall mean the legally binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.

2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.

2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.

2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.

2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.

2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.

2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.

2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.

2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.26. "Spot Price " as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.
Cover Standard:
3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.
Spot Price Standard:
3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.
Buyer Pays At and After Delivery Point:
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.
Seller Pays Before and At Delivery Point:
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as the necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

EXHIBIT A

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

Letterhead/Logo	Date: ______________, _____ Transaction Confirmation #: ____________

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated ____________. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:	**BUYER:**
____________ ____________ ____________ Attn: ____________ Phone: ____________ Fax: ____________ Base Contract No. ____________ Transporter: ____________ Transporter Contract Number: ____________	____________ ____________ ____________ Attn: ____________ Phone: ____________ Fax: ____________ Base Contract No. ____________ Transporter: ____________ Transporter Contract Number: ____________

Contract Price: $_____/MMBtu or ____________

Delivery Period: Begin: ______________ End: ______________

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):	**Firm (Variable Quantity):**	**Interruptible:**
_______ MMBtus/day	_______ MMBtus/day Minimum	Up to _______ MMBtus/day
☐ EFP	_______ MMBtus/day Maximum	
	subject to Section 4.2. at election of	
	☐ Buyer or ☐ Seller	

Delivery Point(s): ____________
(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: ____________	Buyer: ____________
By: ____________	By: ____________
Title: ____________	Title: ____________
Date: ____________	Date: ____________

TRANSACTION CONFIRMATION

EXHIBIT A
FOR IMMEDIATE DELIVERY

Date: December 1, 2010

Transaction Confirmation #: JG-002

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated December 1, 2010. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:	BUYER:
Jefferson Gas, LLC	Public Gas Company, Inc
220 Lexington Green Circle, Suite 130, Lexington, KY 40503	220 Lexington Green Circle, Suite 130, Lexington, KY 40503
Attn: Bert R. Layne, Chief Financial Officer	Attn: Gene Mapes Jr., Managing Member
Phone: (859) 245-8193	Phone: (513) 505-3548
Fax: (859) 245-9409	Fax: (859) 245-9409
Base Contract No. NAESB 005	Base Contract No. NAESB 001
Transporter:	Transporter:
Transporter Contract Number:	Transporter Contract Number:

Contract Price: $_____/MMBtu or *Inside FERC* TCO Appalachian Index + $1.50 per Mcf (see Special Conditions)

Delivery Period: Begin: January 1, 2011 End: December 31, 2012

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):	Firm (Variable Quantity):	Interruptible:
_____ MMBtus/month	50 MMBtus/day Minimum	Up to _____ MMBtus/day
[ ] EFP	1000 MMBtus/day Maximum	

Delivery Point(s): Public Gas Citygate

(If a pooling point is used, list a specific geographic and pipeline location):

Other Comments or Special Conditions:

1. **Contract Price:** Public Gas is required to file its forward gas cost estimate with the PSC and then charge its customers the PSC approved rate regardless of market price changes that occur between filing and actual flow. Public Gas can recover any differences in tariff rates and market based rates through a reconciliation process in which past differences between tariff and market rates can be added or subtracted to the next PSC filed forward gas cost estimate. Given that Public Gas and Jefferson Gas are affiliated companies and payments between the entities for gas supply represents a intercompany transfer price, Jefferson shall allow Public Gas the option to alter the actual price paid monthly to Jefferson to the approved PSC filed price and then reconcile the price to the contract price on an quarterly and/or annual basis. Public gas may fix a portion of its gas price with mutual consent.

2. **Contract Price:** The *Inside FERC* TCO Appalachian Index price is posted in MMBtu units. These units will be converted to an Mcf price using a Btu factor of 1.161.

3. **Contract Quantity:** Jefferson is obligated to provide the full requirements of Public Gas regardless of weather conditions and demand changes. Any daily volume variance will be fulfilled on a no-notice basis, regardless of resulting cost to Jefferson. Public Gas will notify Jefferson of estimated demand levels on a timely basis but shall not be responsible for demand variances.

Seller: Jefferson Gas LLC	Buyer: Public Gas Co. Inc.
By: Gene Mapes, Jr. Gene Mapes Jr	By: Bert Layne B Layne
Title: Managing Member	Title: CFO
Date: 12-1-10	Date: 12/01/10

TRANSACTION CONFIRMATION

EXHIBIT A
FOR IMMEDIATE DELIVERY

Date: November 11, 2011

Transaction Confirmation #: JG-003

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated January 1, 2010. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:	BUYER:
Jefferson Gas, LLC 220 Lexington Green Circle, Suite 130, Lexington, KY 40503	Public Gas Company, Inc
Attn: Bert Layne – Chief Financial Officer	Attn:
Phone: (859) 245-8193	Phone:
Fax: (859) 245-9409	Fax:
Base Contract No. NAESB 005	Base Contract No. NAESB 001
Transporter:	Transporter:
Transporter Contract Number:	Transporter Contract Number:

Contract Price: $____/MMBtu or *Inside FERC* TCO Appalachian Index + $1.50 per Mcf (see Special Conditions)

Delivery Period: Begin: January 1, 2013 End: December 31, 2021

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):	**Firm (Variable Quantity):**	**Interruptible:**
____ MMBtus/month	50 MMBtus/day Minimum	Up to ____ MMBtus/day
[ ] EFP	1000 MMBtus/day Maximum	

Delivery Point(s): Public Gas Citygate at various connections

(If a pooling point is used, list a specific geographic and pipeline location):

Other Comments or Special Conditions:

1. **Contract Price:** The Contract Price of *Inside FERC* Appalachian Index + $1.50 per Mcf shall be fixed through December 31, 2016. Thereafter, and until December 31, 2021, Buyer and Seller shall negotiate a Contract Price, and only if negotiations are not successful shall the Contract Price be *Inside FERC* Appalachian Index + the charge then approved by the Kentucky Public Service Commission for Jefferson Gas to charge utility customers for no-notice gas delivery.

2. **Contract Price (cont.):** The *Inside FERC* TCO Appalachian Index price is posted in MMBtu units. These units will be converted to an Mcf price using a Btu factor of 1.161. Gas will be tested annually, and any change in Btu will be adjusted in the following year.

3. **Contract Quantity:** Jefferson is obligated to provide the full requirements of Public Gas Company's customers of record as of November 11, 2011 regardless of weather conditions and demand changes. Any daily volume variance will be fulfilled on a no-notice basis, regardless of resulting cost to Jefferson. Public Gas will notify Jefferson of estimated demand levels on a timely basis but shall not be responsible for demand variances. Jefferson's service obligations will be on a best efforts basis for any Public Gas Company customers added after November 11, 2011.

Seller: Jefferson Gas, LLC	Buyer: Public Gas Company, Inc.
By: Gene Mapes, Jr. Gene Mapes Jr	By: Bert Layne B. Layne
Title: Managing Member	Title: CFO
Date: November 11, 2011	Date: November 11, 2011

EXHIBIT "D"

Example of Account Reconciliation

Public Gas Company, Inc.
Allocation of Purchase Price - Illustration
Proforma based on 12/31/10 Balance Sheet - Tax Basis

			Total	Payments to	
				KED	Jefferson
Gross Sale Price			[redacted]		
Payable at Closing:					
Payables to Jefferson (Gas purchases & labor)	(1)		$ [redacted]	$ -	$ [redacted]
Payment to KED for stock purchase			[redacted]	[redacted]	-
("Gross Sale Price" + "Net Accounts Receivable" - "Holdback" - "Payables to Jefferson")					
Total Payable at Closing [redacted]			[redacted]	[redacted]	[redacted]
Payable 45 Days after Close (during Receivable Holdback Period):					
Holdback (20% x [redacted]		$ [redacted]			-
Less: Outstanding accounts receivable [redacted] *		[redacted]			
Holdback net of uncollectible accounts at 45 days after close			25,000.00	25,000.00	-
Total Payable 45 Days after Close			25,000.00	25,000.00	-
Payable 180 Days after Close (during Extended Collection Period):					
Accounts receivable collected [redacted] collected after 45 days post close, split [redacted] *		2,000.00	[redacted]	[redacted]	
			$ [redacted]	$ [redacted]	$ [redacted]
Accounts Receivable - Not collected during Extended Collection Period		$ [redacted]			
(This amount is forfeited by KED/Jefferson in addition to [redacted] of the amount collected after 45 days post close)					

Net Accounts Receivable -"Reconciliation"

Accounts receivable	(2)	$ [redacted]
Accounts payable	(3)	(2,103.15)
Accrued expenses	(4)	(21,220.91)
Customer deposits on hand	(5)	(87,795.24)
Net Accounts Receivable - "Reconciliation"		$ [redacted]

* Note: The above example assumes that $ [redacted] of accounts receivable is collected between 0 - 45 days after close, [redacted] between 46 - 180 days, And [redacted] collected afterwards indicating that [redacted] is uncollectible or collected after 180 days post close. The payables netted against receivables remains unchanged.

Public Gas Company, Inc.

Balance Sheet - Tax Basis

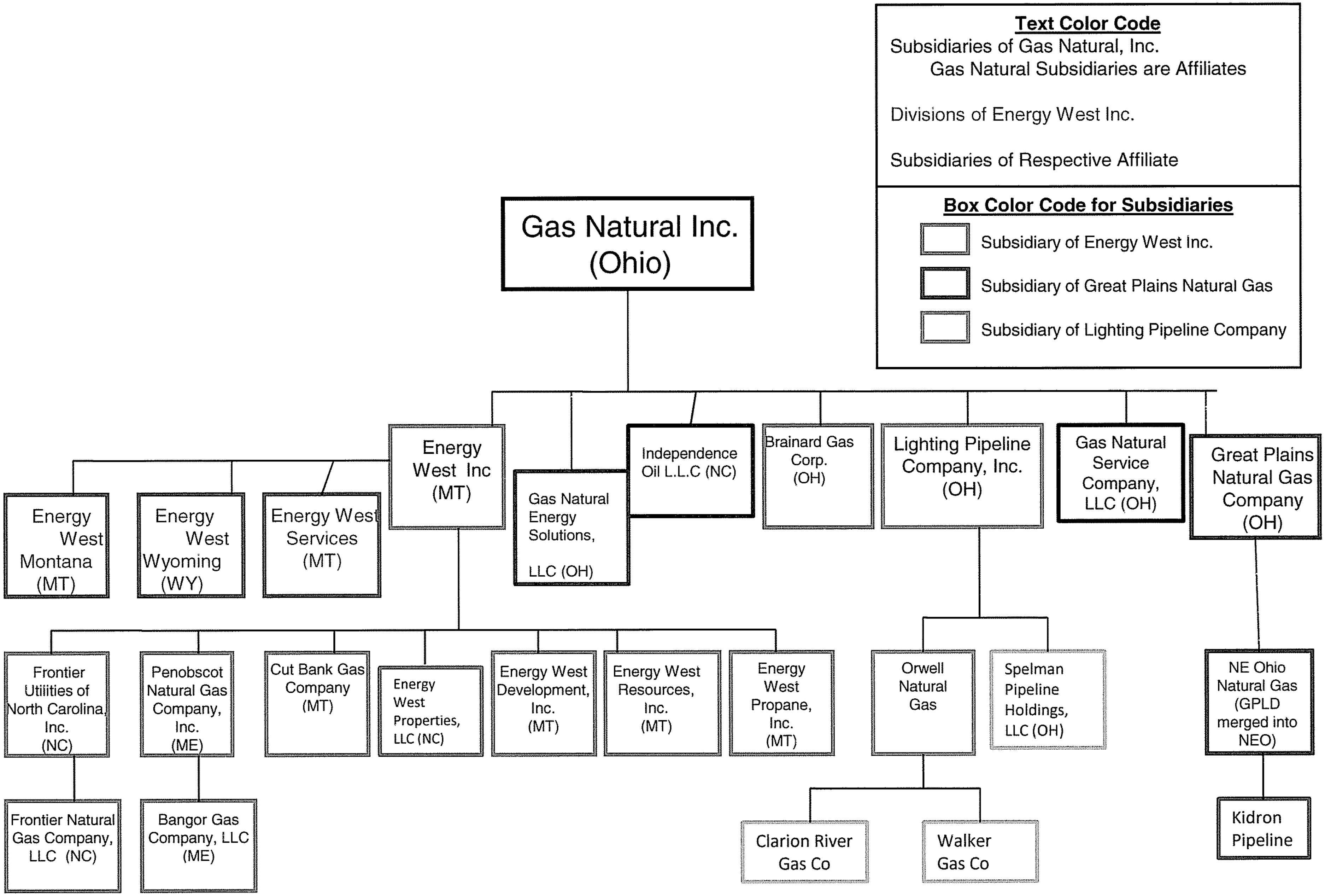
December 31, 2010

Assets		
Cash		$ 10,554.21
Accounts receivable	(2)	139,561.44
Supplies		9,248.71
		159,364.36
Machinery & Equipment		
Structure		1,027.00
Pipeline		2,502,097.20
Office equipment		6,317.60
Vehicles		14,190.00
Service equipment		50,299.23
Accumulated depreciation		(2,220,436.00)
		353,495.03
		$ 512,859.39

Liabilities

Accounts payable	(3)	$ 2,103.15
Accounts payable - Jefferson (gas purchases)	(1)	336,594.22
Accounts payable - Jefferson (labor)	(1)	83,808.52
Accrued expenses	(4)	21,220.91
Customer deposits on hand	(5)	87,795.24
		531,522.04
Stockholders' Equity		
Capital stock		100,000.00
Paid-in capital		865,954.64
Retained earnings		(984,617.29)
		(18,662.65)
		$ 512,859.39

JOINT APPLICATION
EXHIBIT 3


Text Color Code
Subsidiaries of Gas Natural, Inc.
Gas Natural Subsidiaries are Affiliates
Divisions of Energy West Inc.
Subsidiaries of Respective Affiliate
Box Color Code for Subsidiaries
Subsidiary of Energy West Inc.
Subsidiary of Great Plains Natural Gas
Subsidiary of Lighting Pipeline Company
Gas Natural Inc. (Ohio)
Energy West Inc (MT)
Gas Natural Energy Solutions, LLC (OH)
Independence Oil L.L.C (NC)
Brainard Gas Corp. (OH)
Lighting Pipeline Company, Inc. (OH)
Gas Natural Service Company, LLC (OH)
Great Plains Natural Gas Company (OH)
Energy West Montana (MT)
Energy West Wyoming (WY)
Energy West Services (MT)
Frontier Utilities of North Carolina, Inc. (NC)
Penobscot Natural Gas Company, Inc. (ME)
Cut Bank Gas Company (MT)
Energy West Properties, LLC (NC)
Energy West Development, Inc. (MT)
Energy West Resources, Inc. (MT)
Energy West Propane, Inc. (MT)
Orwell Natural Gas
Spelman Pipeline Holdings, LLC (OH)
NE Ohio Natural Gas (GPLD merged into NEO)
Frontier Natural Gas Company, LLC (NC)
Bangor Gas Company, LLC (ME)
Clarion River Gas Co
Walker Gas Co
Kidron Pipeline

JOINT APPLICATION
EXHIBIT 4

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE JOINT APPLICATION OF GAS NATURAL	)	
INC. AND KENTUCKY ENERGY	)	Case No. 2011-__________
DEVELOPMENT, LLC FOR AN ORDER	)	
APPROVING A TRANSFER AND ACQUISITION	)	
OF OWNERSHIP AND CONTROL OF PUBLIC	)	
GAS COMPANY, INC.	)	

DIRECT TESTIMONY OF THOMAS J. SMITH IN SUPPORT OF JOINT APPLICATION

Q. Please state your name, your business address and by whom you are employed.

A. I am Thomas J. Smith. I am Chief Financial Officer of Gas Natural Inc., and also President of three of its wholly-owned public utilities, namely Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation and Orwell Natural Gas Company. My business address is 8500 Station Street, Suite 100, Mentor Ohio 44060.

Q. Please describe your education and professional certification.

A. I graduated from John Carroll University in Cleveland, Ohio in 1968, earning a Bachelor of Business Administration degree. I passed the examination and was licensed as a Certified Public Accountant in Ohio in 1969. I maintained that license until 1985.

After graduating, I was employed as an auditor with Peat Marwick and Mitchell for four years. Thereafter, I was employed for sixteen years with Ameritrust Bank in

Cleveland, with positions of increasing responsibility in accounting and corporate development, primarily involving mergers and acquisitions. In 1987 I was employed by Richard M. Osborne, who today is Chairman of the Board of Gas Natural Inc. ("Gas Natural"). Over the years since I have worked for Mr. Osborne in managing various businesses.

Q. When did you become involved in the management of natural gas distribution utilities?

A. Mr. Osborne acquired Orwell Natural Gas Company in 2002. I was elected President and Treasurer of that Company in 2004. Mr. Osborne also acquired Northeast Ohio Natural Gas Corporation in 2004 and I was named President and Treasurer of that public utility. And in 2006, Mr. Osborne acquired the capital stock of Brainard Gas Corporation, at which time I also became President and Treasurer of that public utility. I remain in those capacities today.

Q. You have indicated that you are also currently Chief Financial Officer of Gas Natural Inc. Can you describe Gas Natural Inc.?

A. Gas Natural is a holding company. It was originally incorporated in Montana in 1909. It was reorganized as a holding company in 2009 under the name Energy, Inc. It was renamed Gas Natural Inc. and incorporated under Ohio law in July, 2010. Our stock is publicly traded on the New York Stock Exchange Amex under the ticker symbol "EGAS". As of September 19, 2011, it had Market Capitalization of $87.55 million.

Gas Natural is the parent of Energy West, Inc., a natural gas distribution company with operations in Montana, Wyoming, Maine and North Carolina. The utilities in Maine and North Carolina are lodged in subsidiaries of Energy West, Inc. (Bangor Gas Company, LLC and Frontier Natural Gas, LLC respectively). Cut Bank Gas Company, a retail natural gas distribution utility in Montana, is also a subsidiary of Energy West, Inc. We also own three retail natural gas utilities with service territories in Ohio. These include Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation and Orwell Natural Gas Company. Orwell Natural Gas Company also has two operating divisions in Pennsylvania, Clarion River Gas Company and Walker Gas & Oil Company. All told, we serve approximately 63,500 retail natural gas consumers. Gas Natural also owns Energy West Development, Inc. which in turn owns the Shoshone interstate pipeline and the Glacier gathering pipeline systems operating in Montana and Wyoming. And Gas Natural's subsidiary, Energy West Resources, Inc. markets approximately 1.3 Bcf of natural gas to commercial and industrial customers in Montana and Wyoming and manages midstream supply and production assets for transportation customers and utilities in those two states. Energy West Resources also holds mineral rights to 20,000 acres in Glacier and Toole Counties, and has a minority interest in 160 natural gas producing wells and gas gathering assets located on these properties. A table depicting the organization of Gas Natural and its subsidiaries is attached to the Joint Application as Exhibit 3.

Q. What percentage of Gas Natural's net income derives from the regulated retail natural gas operations in comparison to the pipeline operations and marketing and production segments?

A. Clearly, retail natural gas distribution is Gas Natural's core business. Approximately 87 percent of net operating income is generated by our retail utility operations, two percent through our pipeline segment and eleven percent through the marketing, propane and production assets.

Q. What is Gas Natural's current strategy?

A. We seek to continually drive operating efficiencies in our subsidiary operations, manage capital investments for the maximum reasonable returns, and acquire natural gas utilities that provide customer expansion potential and earnings growth opportunities. In this regard, I note that Gas Natural acquired the utility operations in Maine and North Carolina in 2007. We completed the acquisitions of the Ohio and Pennsylvania utility companies in January, 2010. The purchase of the capital stock of Public Gas from Kentucky Energy Development, LLC is consistent with this strategy.

Q. What is Gas Natural's plan to manage the day-to-day operations of Public Gas Company?

A. Public Gas is a relatively small retail natural gas distribution utility. It serves approximately 1,580 customers in Breathitt, Jackson, Johnson, Lawrence, Lee, Magoffin, Morgan and Wolf Counties in eastern Kentucky. Its natural gas supplies are acquired by Jefferson Gas, LLC from local producers. There is no current interconnection of the Public Gas distribution facilities with interstate pipelines.

Based on our examination of available information, Public Gas is operating in compliance with the requirements of 49 C.F.R. Part 192 promulgated pursuant to the Federal Pipeline Safety Act as administered and enforced by the Public Service Commission. We will continue to operate this system in compliance with all federal and state rules and regulations. Presently, Public Gas employs two employees on a full time basis, and one employee on a part-time basis. We propose to retain these employees in their current functions after approval and closing of the proposed transaction. When necessary to support these employees after closing, we will utilize qualified personnel on a contractual basis. This arrangement is for two years with Jefferson Gas, LLC and will allow us to secure supervisory and field support services at competitive labor rates on an "as requested" basis, which includes the use of all equipment employed by these individuals. See Section 12(a) of the Stock Purchase Agreement attached as Exhibit 1 to the Joint Application. This arrangement may be extended by mutual agreement.

We have also arranged to continue the use of the office space and office equipment that is currently used by Public Gas in the office space it occupies in Lexington, as well as records and equipment storage space in Jackson. Again, this arrangement may be extended by mutual agreement. (See Exhibit 1, Section 12(b)).

Q. You mentioned that an affiliate of Public Gas, namely Jefferson Gas, LLC, currently provides the required supplies for the Public Gas system with local production. What is the arrangement for ongoing gas supply?

A. Attached to the Stock Purchase Agreement (Exhibit 1) is the NAESB base contract that is in place through December 31, 2012. The contract price currently in effect and continuing under the base contract is the *Inside FERC* TCO Appalachian Index Price in MMBtu (adjusted to Mcf using a Btu factor of 1.161) plus $1.50 per Mcf. It is a special condition of this contract (see the Transaction Confirmation No, JG-002, Exhibit A to the NAESB base contract) that Public Gas has the option to adjust the actual price paid monthly to Jefferson Gas to the approved estimated price filed by Public Gas with this Commission and then reconcile the filed estimated price and the contract price on a quarterly and/or annual basis. The arrangement beyond January 1, 2013 through December 31, 2021 is reflected on Transaction Confirmation No. JG-003 to the NAESB base contract. Subject to the same reconciliation provision I have just described, the purchase price remains at the TCO Appalachian Index Price derived from *Inside FERC* plus $1.50 per Mcf through December 31, 2016. Thereafter, until December 31, 2021 the parties will negotiate a Contract Price, with a default price of the *Inside FERC* Appalachian Index price the charge then approved by this Commission for "no-notice" deliveries should the parties be unable to negotiate a Contract Price. We believe this provides reliable supplies for the retail customers served from this system throughout the term of the base contract.

Q. Who will actively manage the personnel of Public Gas?

A. I will be President of Public Gas, and in that role will provide the same management oversight that I provide to the natural gas utilities for which I am currently responsible. I will have ultimate responsibility for their operations, including appropriate provision of capital for maintenance and growth of its pipeline system. I would note, in that regard, that the access of this utility to capital markets will be enhanced by its integration into a larger, geographically and functionally diverse corporation.

Q. The Kentucky Public Service Commission may grant its approval for the transfer of ownership or control, or the right to control any utility under its jurisdiction "if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service." Does Gas Natural meet these requirements?

A. Yes, it does. With respect to financial abilities, Gas Natural's management has proven able to raise the capital necessary to properly maintain and expand service through the pipeline systems of its retail natural gas utilities in several states. As examples, I cite the successful and oversubscribed common stock offering by Gas Natural in November 2010 that we are currently employing to fuel continued growth in our existing operations. And in May 2011 we and our Ohio utility subsidiaries issued $15.3 million of senior secured notes, the proceeds of which were employed to fund capital construction programs, refund existing debt and replenish treasuries.

With respect to technical expertise, our pipeline systems are relatively new and well-maintained. We have personnel experienced in appropriately designing and operating pipeline systems. Training is provided and updated to ensure appropriate operator qualifications are maintained for construction and maintenance activities.

With respect to operational expertise, I simply point out that Gas Natural managers at the corporate level, and its retail natural gas utilities managers, supervisors and field personnel at the day-to-day operational level, have been successfully serving retail consumers pursuant to approved tariffs, and in compliance with rules and regulations of the utility regulatory agencies exercising jurisdiction over them for many years. We bring that breadth of experience and operational know-how to our proposed operation of Public Gas Company.

Q. Please describe the proposed transfer of the capital stock between the Joint Applicants.

A. The purchase price of the stock is $__________, subject to adjustment if as of the closing date Public Gas has fewer than _____ customers as of the closing date. For each customer below that floor, the purchase price will be adjusted by $_____. If Public Gas has more than _____ customers on the closing date, the purchase price will be adjusted by the same amount for each additional customer. The purchase price will be paid at closing (a) to cover the account payable to Jefferson Gas, LLC as of November 11, 2011 and paid directly to Jefferson Gas, and (b) the remainder is payable in immediately available funds to Kentucky Energy Development subject to a receivable holdback to be reconciled subsequent to closing. See Joint Application Exhibit 2, Section 4.

Q. Does this complete your prepared direct testimony in support of the Joint Application?

A. Yes, it does.

VERIFICATION

State of Ohio)
) **SS:**
County of Lake)

The undersigned, Thomas J. Smith, being first duly cautioned and sworn, deposes and says that he is the Chief Financial Officer of Gas Natural Inc. and that he has personal knowledge of the matters set forth in the foregoing Direct Testimony, and that the answers contained in the Direct Testimony are true and correct to the best of his information, knowledge and belief.

Thomas J. Smith, Affiant

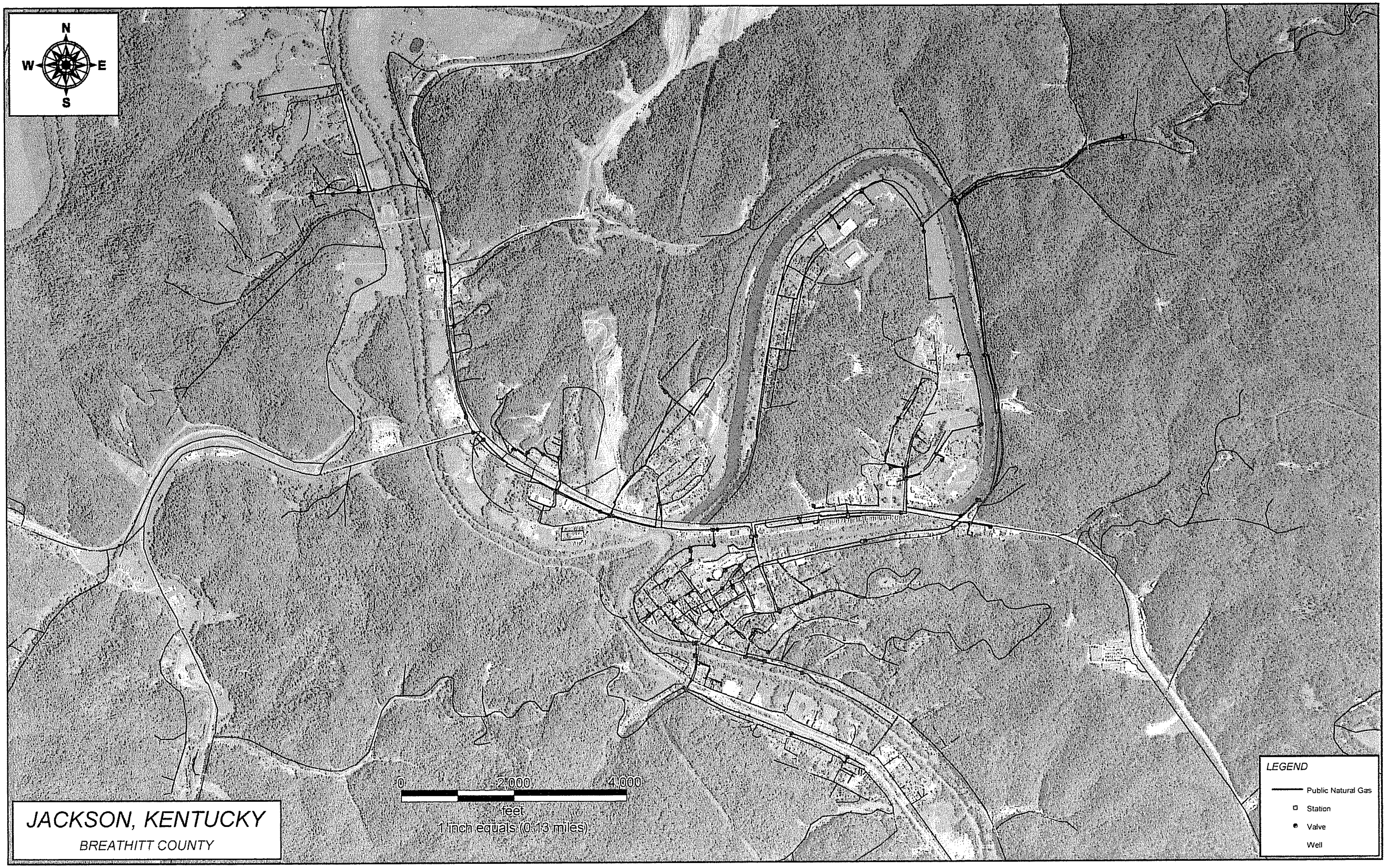
Sworn and subscribed before me, a Notary Public for the State of Ohio on this 20th day of January, 2012.

NOTARIAL SEAL
STATE OF OHIO

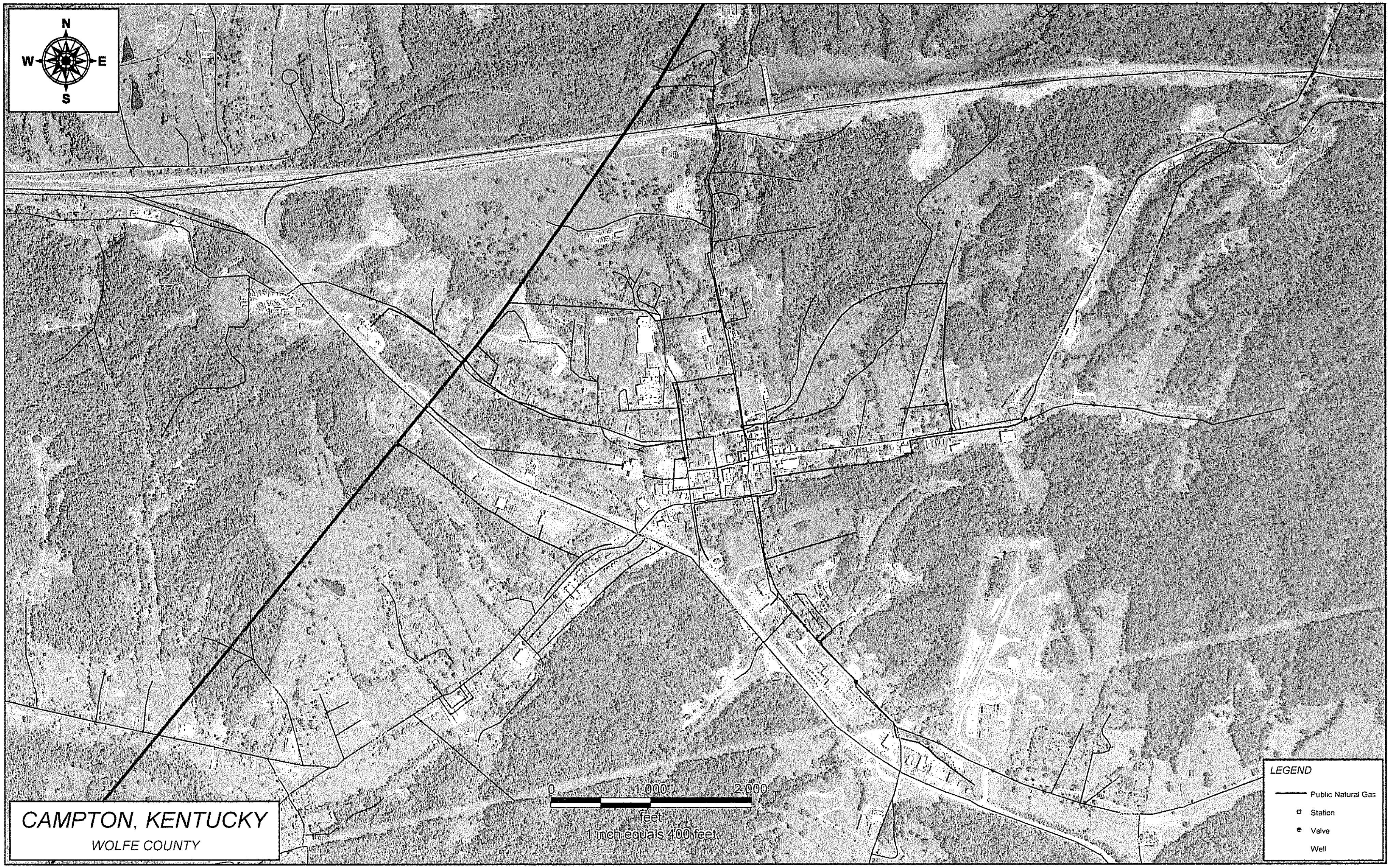
MEGAN RICHARDS
Notary Public
In and for the State of Ohio
My Commission Expires
July 18, 2015

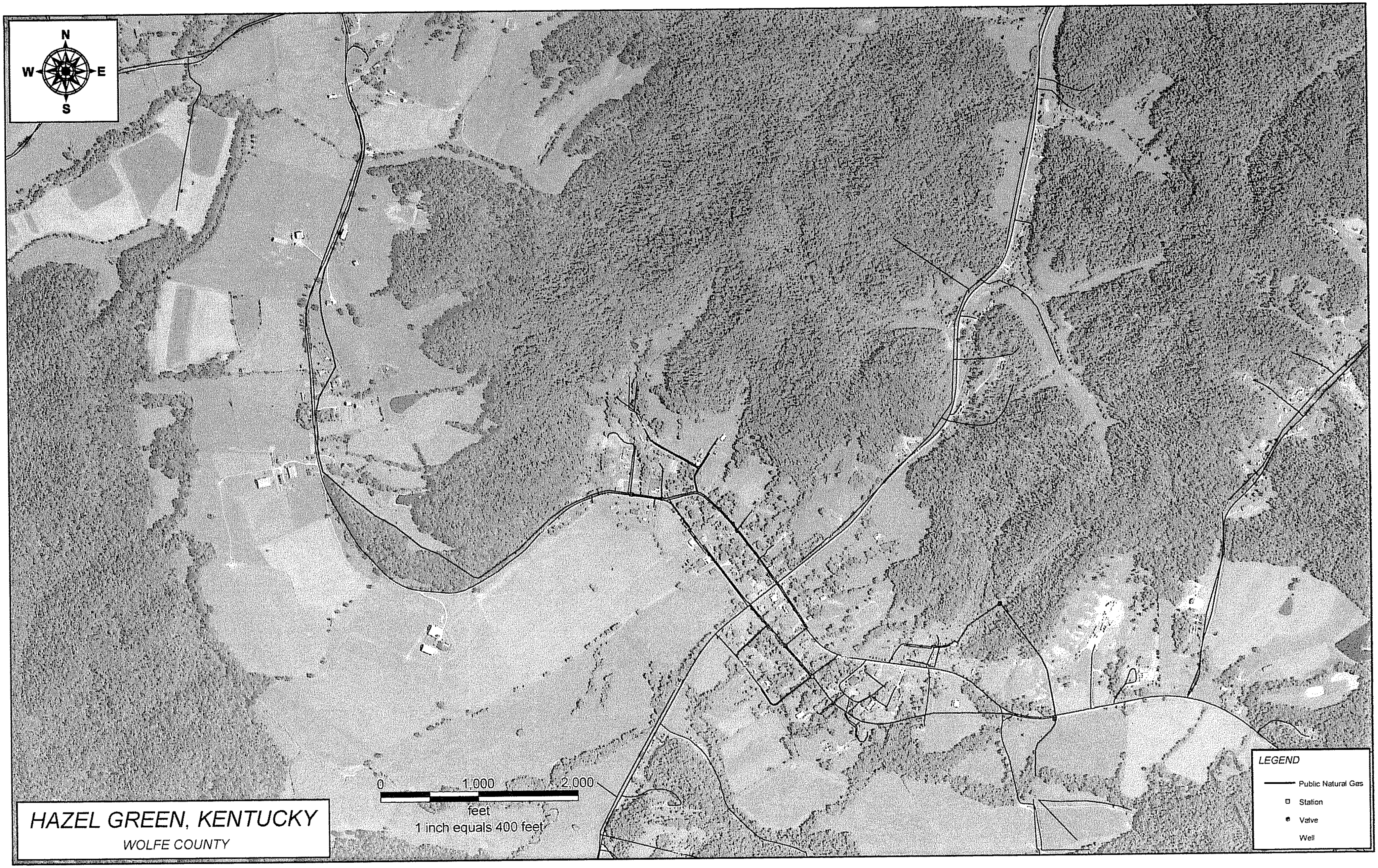
NOTARY PUBLIC

JOINT APPLICATION
EXHIBIT 5



N
W
E
S
0
2,000
4,000
feet
1 inch equals (0.13 miles)
JACKSON, KENTUCKY
BREATHITT COUNTY
LEGEND
Public Natural Gas
Station
Valve
Well


N
W
E
S
CAMPTON, KENTUCKY
WOLFE COUNTY
0
1,000
2,000
feet
1 inch equals 400 feet
LEGEND
Public Natural Gas
Station
Valve
Well


N
W
E
S
0
1,000
2,000
feet
1 inch equals 400 feet
HAZEL GREEN, KENTUCKY
WOLFE COUNTY
LEGEND
Public Natural Gas
Station
Valve
Well

JOINT APPLICATION
EXHIBIT 6

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Principal Payment and Interest Information

	Amount	Yes/No
Amount of Principal Payment During Calendar Year	$0.00	
Is Principal Current?	Y	
Is Interest Current?	Y	

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	N	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		
Compilation		
Review		

Gas Purchases

Seller	Acct	Gas Purc MCF	Cost of Gas
JEFFERSON GAS, LLC	807	118,512	$848,890.00
Total		118,512	$848,890.00

Additional Information - Counties

Breathitt, Johnson, Lawrence, Lee, Magoffin, Morgan, Wolfe

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Revenues, Customers and MCF Sales

	Revenues	MCFs Nat Gas Sold	Customers
Residential (480)	$650,577.00	67,773	1,336
Commercial and Industrial Sales (481)			
Small (or Commercial)	$211,193.00	22,774	178
Large (Or Industrial)			
Other Sales to Public Authorities (482)	$222,926.00	24,408	67
Interdepartmental Sales (484)			
Total Sales to Ultimate Customers	$1,084,696.00	114,955	1,581
Sales for Resale (483)			
Total Natural Gas Service	$1,084,696.00	114,955	1,581

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Identification (Ref Page: 1)

	Name	Address1	Address2	City	State	Zip	Phone
Exact Legal Name of Respondent							
	PUBLIC GAS COMPANY, INC.						
Previous Name and Date of change (if name changed during the year)							
Name Address and Phone number of the contact person							
	BERT R. LAYNE, TREASURER	220 LEXINGTON GREEN CIRCLE	SUITE #130	LEXINGTON	KY	40503	8592458193
Note File: Attestation and signature via Electronic Filing							

General Information - (1) (Ref Page: 101)

	Name	Address		City	State	Zip
Provide name and title of the Officer having custody of the general corporate books of account	BERT R. LAYNE, TREASURER	220 LEXINGTON GREEN CIRCLE	SUITE #130	LEXINGTON	KY	40503
Provide Address of Office where the general Corporate books are kept		220 LEXINGTON GREEN CIRCLE	SUITE #130	LEXINGTON	KY	40503
Provide the Address of any other offices where other coprorate books are kept if different from where the general corporate books are kept						

General Information (2,3,4) (Ref Page: 101)

	Explain
Provide the name of the State under the laws which respondent is incorporated and date If incorporated under a special law give reference to such law If not incorporated state that fact and give the type of organization and the date organized	KENTUCKY
If at any time during the year the property of respondent was held by a receiver or trustee give (a) the name of receiver or trustee (b) date such receiver or trustee took possession (c) the authority by which the receivership or trusteeship was created and (d) date when possession by receiver or trustee ceased.	
State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.	

General Information - (5) (Ref Page: 101)

	Yes/No	Date
Have you engaged as the principal acountant to audit your financial statements an accountant who is not the principal account for the previous years certified financial statements?	N	
Enter Y for Yes or N for No	N	
If yes, Enter the date when such independend accountant was initially engaged		

Corporations Controlled by Respondent (Ref Page: 103)

Name of Company (a)	Type (b)	Business (c)	Percent Voting Stock (d)

Security Holders and Voting Powers - Part 1 (Ref Page: 107)

	Explain	Date	Total
1. Give date of the latest closing of the stock book prior to end of the year, and state the purpose of such closing:			
2. State the total number of votes cast at the latest general meeting prior to end of year for election of directors or the respondent and the number of such votes cast by proxy			
Total:			
By Proxy:			
3. Give the date and place of such a meeting			
Voting Securities			
Number of votes as of Date:			

Security Holders and Voting Powers - Part 2 (Ref Page: 107)

	Name	Address	Total Votes	Common Stock	Preferred Stock	Other
4. Total votes of all voting securities						
5. Total number of all security holders						
6. Total Votes of Security Holders listed below						

Important Changes During the Year (Ref Page: 108)

Explain

Give particulars concerning the matters indicated below.

1. Changes in and important additions to franchise rights:

2. Acquisition of ownership in other companies by reorganization, merger or consolidation with other companies:

3. Purchase or sale of an operating unit or system:

4. Important leaseholds (other than leaseholds for natural gas lands) thant have been accquired or given assigned or surrendered:

5. Important extension or reduction of transmission or distribution system:

6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees.

7. Changes in articles of incoporation or amendments to charter: Explain the nature and purpose of such changes or amendments.

8. State the estimated annual effect and nature of any important wage scale changes during the year.

9. State briefly the status of any materially important legal proceedings pending at the end of the year and the results.

10. Describe briefly any materially important transactions not disclosed elsewhere in this report in which an officer, director, or associated company was a party or had a material interest.

11. Estimated increase or decrease in annual revenues caused by important rate changes.

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
1. UTILITY PLANT		
2. Utility Plant (101-106,114)	$2,603,966.00	$2,603,966.00
3, Construction Work in Progress (107)		
4. TOTAL UTILITY PLANT	$2,603,966.00	$2,603,966.00
5. (Less) Accum. Prov. for Depr. Amort. Depl. (108,111,115)	$865,057.00	$929,267.00
6. Net Utility Plant (Line 4 less Line 5)	$1,738,909.00	$1,674,699.00
7. Nuclear Fuel (120.1-120.4,120.6)		
8. (Less) Accum. Prov. for Amort. of Nucl. Assemblies (120.5)		
9. Nuclear Fuel (Line 7 less Line 8)		
10. Net Utility Plant (Enter Total of Line 6 and Line 9)	$1,738,909.00	$1,674,699.00
11. Utility Plant Adjustments (116)		
12. Gas Stored-Base Gas (117.1)		
13. System Balancing Gas (117.2)		
14. Gas Stored Underground - Non Current (117.3)		
15. Gas Owned to System Gas (117.4)		
16. OTHER PROPERTY AND INVESTMENTS		
17. Nonutility Property (121)		
18. (Less) Accum. Prov. for Depr and Amort. (122)		
19. Investment in Associated Companies (123)		
20. Investments in Subsidiary Companies (123.1)		
21.		
22. Noncurrent Portion of Allowances		
23. Other Investments (124)		
24. Special Funds (125-128)		
25. TOTAL Other Property and Investments		
26. CURRENT AND ACCRUED ASSETS		
27. Cash (131)	$91,760.00	$10,554.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
28. Special Deposits (132-134)		
29. Working Fund (135)		
30. Temporary Cash Investments (136)		
31. Notes Receivable (141)		
32. Customer Accounts Receivable (142)	$164,411.00	$139,561.00
33. Other Accounts Receivable (143)		
34. (Less) Accum. Prov. for Uncollectible Acct. Credit (144)		
35. Notes Receivable from Associated Companies (145)		
6. Accounts Receivable from Assoc. Companies (146)		
37. Fuel Stock (151)		
38. Fuel Stock Expenses Undistributed (152)		
39. Residuals (Elec) and Extracted Products (153)		
40. Plant Materials and Operating Supplies (154)		
41. Merchandise (155)		
42. Other Materials and Supplies (156)		
43. Nuclear Materials Held for Sale (157)		
44. Allowances (158.1 and 158.2)		
45. (Less) Noncurrent Portion of Allowances		
46. Stores Expense Undistributed (163)		
47. Gas Stored Underground - Current (164.1)		
48. Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		
49. Prepayments (165)	$9,249.00	$9,249.00
50. Advances for Gas (166-167)		
51. Interest and Dividends Receivable (171)		
52. Rents Receivable (172)		
53. Accrued Utility Revenues (173)		

Balance Sheet - Assets and Other Debits (Ref Page: 110)

	Balance Beginning of Year	Balance End of Year
54. Miscellaneous Current and Accrued Assets (174)		
54.a Derivative Instrument Assets (175)		
54.b Derivative Instrument Assets - Hedges (176)		
55. TOTAL Current and Accrued Assets (Lines 27 - 54.b)	$265,420.00	$159,364.00
56. DEFERRED DEBITS		
57. Unamortized Debt Expenses (181)		
58. Extraordinary Property Losses (181.1)		
59. Unrecovered Plant and Regulatory Study Costs (182.2)		
60. Other Regulatory Assets (182.3)		
61. Prelim. Survey and Investigation Charges (Electric) (183)		
62. Prelim. Sur. and Invest. Charges (Gas) (183.1,183.2)		
63. Clearing Accounts (184)		
64. Temporary Facilities (185)		
65. Miscellaneous Deferred Debits (186)		
66. Def. Losses from Disposition of Utility Plt. (187)		
67. Research, Devel. and Demonstration Expend. (188)		
68. Unamortized Loss on Reacquired Debt (189)		
69. Accumulated Deferred Income Taxes (190)		
70. Unrecovered Purchased Gas Costs (191)		
71. TOTAL Deferred Debits (Lines 57-70)		
72. Total Assets and other Debits (Total Lines 10-15,22,55,71)	$2,004,329.00	$1,834,063.00

Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
1. PROPRIETARY CAPITAL		
2. Common Stock Issued (201)	$100,000.00	$100,000.00
3. Preferred Stock Issued (204)		
4. Capital Stock Subscribed (202,205)		
5. Stock Liability for Conversion (203,206)		
6. Premium on Capital Stock (207)		
7. Other Paid-in Capital Stock (208-211)	$865,955.00	$865,955.00
8. Installments Received on Capital stock (212)		
9. (Less) Discount on Capital Stock (213)		
10. (Less) Capital Stock Expense (214)		
11. Retained Earnings (215,215.1,216)	$405,976.00	$336,586.00
12. Unappropriated Undistributed Subsidaiary Earnings (216.1)	$0.00	
13. (Less) Reacquired Capital Stock (217)		
14. Accumulated Other Comprehensive Income (219)		
15. TOTAL Proprietary Capital	$1,371,931.00	$1,302,541.00
16. LONG TERM DEBT		
17. Bonds (221)		
18. (Less) Reacquired Bonds (222)		
19. Advances from Associated Companies (223)		
20. Other Long-Term Debt (224)		
21. Unamortized Premium on Long-Term Debt (225)		
22. (Less) Unamortized Discount on LongTerm Debt (226)		
23. (Less) Current Portion of Long Term Debt		
24. TOTAL Long Term Debt		
25. OTHER NONCURRENT LIABILITIES		
26. Obligations Under Capital Leases-NonCurrent (227)		
27. Accumulated Provision for Property Insurance (228.1)		

Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
28. Accumulated Provision for Injuries and Damages (228.2)		
29. Accumulated Provision for Pensions and Benefits (228.3)		
30. Accumulated Miscellaneous Operating Provisions (228.4)		
31. Accumulated Provision for Rate Refunds (229)		
32. Asset Retirement Obligations (230)		
33. TOTAL OTHER Noncurrent Liabilities		
34. CURRENT AND ACCRUED LIABILITIES		
35. Current Portion of Long-Term Debt		
36. Notes Payable (231)		
37. Accounts Payable (232)	$530,701.00	$422,506.00
38. Notes Payable to Associated Companies (233)		
39. Account Payable to Associated Companies (234)		
40. Customer Deposits (235)	$83,425.00	$87,795.00
41. Taxes Accrued (236)	$327.00	$599.00
42. Interest Accrued (237)		
43. Dividends Declared (238)		
44. Matured Long-Term Debt (239)		
45. Matured Interests (240)		
46. Tax Collections Payable (241)		
47. Miscellaneous current and Accrued Liabilities (242)	$17,945.00	$20,622.00
48. Obligatons Under Capital Leases - Current (243)		
49. Derivative Instrument Liabilities (244)		
50. Derivative Instrument Liabilties - Hedges (245)		
51. TOTAL Current and Accrued Liabilities	$632,398.00	$531,522.00
52. DEFERRED CREDITS		
53. Customer Advances for Construction (252)		
54. Accumulated Deferred Investment Tax Credits (255)		

Balance Sheet - Liabilities and Other Credits (Ref Page: 112)

	Balance Beginning of Year	Balance End of Year
55. Deferred Gains from Disposition of Utility Plant (256)		
56. Other Deferred Credits (253)		
57. Other Regulatory Liabilities (254)		
58. Unamortized gain on Reacquired Debt (257)		
59. Accumulated Deferred Income Taxes (281-283)		
60. TOTAL Deferred Credits		
61. TOTAL Liabilities and Other Credits (Total Lines 15,24,33,51 and 60)	$2,004,329.00	$1,834,063.00

Statement of Income for the Year (Ref Page: 114)

	Total (c)	Total - Prev Yr (d)	Electric (e)	Gas (g)	Other (i)
1..UTILITY OPERATING INCOME					
2. Gas Operating Revenues (400)	$1,122,561.00	$1,157,055.00	$0.00	$1,122,561.00	$0.00
3. Operating Expenses					
4. Operation Expenses (401)	$1,091,224.00	$951,224.00	$0.00	$1,091,224.00	$0.00
5. Maintenance Expenses (402)					
6. Depreciation Expense (403)	$64,210.00	$64,282.00	$0.00	$64,210.00	$0.00
7. Depreciation Expense for Asset Retirement Costs (403.1)					
8. Amort and Depl of Utility Plant (404-405)					
9. Amort of Utility Plant Acq. Adj (406)					
10. Amort of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)					
11. Amort. of Conversion Expenses (407.2)					
12. Regulatory Debits (407.3)					
13. (Less) Regulatory Credits (407.4)					
14. Taxes Other than Income Taxes (408.1)	$32,332.00	$21,163.00	$0.00	$32,332.00	$0.00
15. Income Taxes - Federal (409.1)					
16. Income Taxes - Other (409.1)					

Statement of Income for the Year (Ref Page: 114)

	Total (c)	Total - Prev Yr (d)	Electric (e)	Gas (g)	Other (l)
17. Provision for Deferred Income Taxes (410.1)					
18. (Less) Provision for Deferred Income Taxes (411.1)					
19. Investment Tax Credit Adj. - Net (411.4)					
20. (Less) Gains from Disp. of Utility Plant (411.6)					
21. Losses from Disp. of Utility Plant (411.7)					
22. (Less) Gains from Disposition of Allowances (411.8)					
23. Losses from Disposition of Allowances (411.9)					
24. Accretion Expense (411.10)					
25. Total Utility Operating Expenses (Enter Total of Lines 4 - 22)	$1,187,766.00	$1,036,669.00	$0.00	$1,187,766.00	$0.00
26. Net Utility Operating Income (Line 2 less line 23 - Carry forward to pg 117 line 25)	($65,205.00)	$120,386.00	$0.00	($65,205.00)	$0.00

Statement of Income (continued) (Ref Page: 116)

	Current Year	Previous Year
27. Net Utility Operating Income (Carried from pg 114)	($65,205.00)	$120,386.00
28. Other Income and Deductions		
29. Other Income		
30. Nonutility Operating Income		
31. Revenues From Merchandising, Jobbing and Contract Work (415)		
32. (Less) Costs and Exp. of Merchandising,Job. and Contract Work (416)		
33. Revenues From Nonutility Operations (417)		
34. (Less) Expenses of Nonutility Operations (417.1)		
35. Nonoperating Rental Income (418)		
36. Equity in Earnings of Subsidiary Companies (418.1)		
37. Interest and Dividend Income (419)		
38. Allowance for Other Funds Used During Construction (419.1)		
39. Miscellaneous Nonoperating Income (421)		
40. Gain on Disposition of Property (421.1)		
41. TOTAL Other Income		
42. Other Income Deductions		
43. Loss on Disposition of Property (421.2)		
44. Miscellaneous Amortization (425)		
45. Miscellaneous Income Deductions (426.1 - 426.5)		
46.TOTAL Other Income Deductions		
47. Taxes Applic. to Other Income and Deductions		
48. Taxes Other Than Income Taxes (408.2)		
49. Income Taxes - Federal (409.2)		
50. Income Taxes - Other (409.2)		
51. Provision for Deferred Inc. Taxes (410.2)		

Statement of Income (continued) (Ref Page: 116)

	Current Year	Previous Year
52. (Less) Provision for Deferred Income Taxes CR (411.2)		
53. Investment Tax Credit Adj. Net (411.5)		
54. (Less) Investment Tax Credits (420)		
55. TOTAL Taxes on Other Income and Deduct.		
56. Net Other Income and Deductions (Lines 39,44,53)		
57. Interest Charges		
58. Interest on Long Term Debt (427)		
59. Amort of Debt Disc. and Expense (428)		
60. Amortization of Loss on Reacquired Debt (428.1)		
61. (Less) Amort. of Premium on Debt - CR (429)		
62. (Less) Amortization of Gain on Reacquired Debt - CR (429.1)		
63. Interest on Debt to Assoc. Companies (430)		
64. Other Interest Expense (431)	$4,185.00	$3,988.00
65. (Less) Allowance for Borrowed Funds Used During Construction CR (432)		
66. Net Interest Charges	$4,185.00	$3,988.00
67. Income Before Extraordinay Items (Lines 25,54 and 64)	($69,390.00)	$116,398.00
68. Extraordinary Items		
69. Extraordinary Income (434)		
70. (Less) Extraordinary Deductions (435)		
71. Net Extraordinary Items (Lines 67 less 68)		
72. Income Taxes - Federal and Other (409.3)		
73. Extraordinary Items After Taxes (Lines 69 less 70)		
74. Net Income (Lines 67 and 73)	($69,390.00)	$116,398.00

Statement of Retained Earnings for the Year (Ref Page: 118)

Item (a)	Acct (b)	Amount (c)
UNAPPROPRIATED RETAINED EARNINGS (216)		
State balance and purpose of each appropriated retained earnings amount at end of year and		
1. Balance - Beginning of the Year		$405,976.00
Changes (Identify by prescribed retained earnings accounts)		
give accounting entries for any applications of appropriated retained earnings during the year.		
Adjustments to Retained Earnings (439)		
Credit:		
4. TOTAL Credits to Retained Earnings (439)		$0.00
Debit:		
5. TOTAL Debits to Retained Earnings (439)		$0.00
6. Balance Transferred from Income (433 less 418.1)	0	($69,390.00)
Appropriations of Retained Earnings (436)		
8. TOTAL appropriations of Retained Earnings (436)		
Dividends Declared - Preferred stock (437)		
10. TOTAL Dividends Declared - Preferred Stock (437)		
Dividends Declared - Common Stock (438)		
12. TOTAL Dividends Declared - Common Stock (438)		
13. Transfers from Acct 216.1, Unappropriated Undistributed Subsidary Earnings		

Statement of Retained Earnings for the Year (Ref Page: 118)

Item (a)	Acct (b)	Amount (c)
14. Balance End of Year (Total Lines 1,4,5,6,8,10,12,13)		$336,586.00
APPROPRIATED RETAINED EARNINGS (215)		
(215)		
16. TOTAL Appropriated Retained Earnings (215)		
APPROPRIATED RETAINED EARNINGS - AMORTIZATION RESERVE, FEDERAL		
17.TOTAL Appropriated Retained Earnings - Amortization Reserve, Federal (215.1)		
18. TOTAL Appropriated Retained Earnings (total lines 16 and 17) (214,215.1)		
19. TOTAL Retained Earnings (Lines 14 and 18) (215, 215.1, 216)		$336,586.00
UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (216.1)		
20. Balance - Beginning of Year (Debit or Credit)		
21. Equity in Earnings for Year (Credit) (418.1)		
22. (Less) Dividends Received (Debit)		
23. Other Charges (explain)		
24. Balance - End of Year		

Statement of Cash Flows (Ref Page: 120)

Description	Amounts
1. Net Cash Flow From Operating Activities:	
2. Net Income (Line 72 c on page 117)	($69,390.00)
3. Noncash Charges (Credits) to Income:	
4. Depreciation and Depletion	$64,210.00
Amortization of (Specifiy)	
5.	
6. Deferred Income Taxes (Net)	
7. Investment Tax Credit Adjustment (Net)	
8. Net (Increase) Decrease in Receivables	$24,850.00
9. Net (Increase) Decrease in Inventory	
10. Net (Increase) Decrease in Allowances Inventory	
11. Net Increase (Decrease) in Payables and Acccrued Expenses	($100,876.00)
12. Net (Increase) Decrease in Other Regulatory Assets	
13. Net Increase (Decrease) in Other Regulatory Liabilities	
14. (Less) Allowance for Other Funds Used During Construction	
15. (Less) Undistributed Earnings from Subsidiary Companies	
Other:	
16.	
17. Net Cash Provided by (Used in) Operating Activities (Total lines 2 thru 16)	($81,206.00)
Cash Flows from Investment Activities:	
21. Construction and Acquisition of Plant (Including Land):	
22. Gross Additions to Utility Plant (Less nuclear fuel)	
23. Gross Additions to Nuclear Fuel	
24. Gross Additions to Common Utility Plant	
25. Gross Additons to Nonutility Plant	

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Statement of Cash Flows (Ref Page: 120)

Description	Amounts
26. (Less) Allowance for Other Funds Used During Construction	
Other	
27.	
Cash Outflows for Plant (Total lines 22-27)	
30. Acquisition of Other Noncurrent Assets (d)	
31. Proceeds from Disposal of Noncurrent Assets (d)	
32. Retirements of Property,Plant and Equipment	
33. Investments in and Advances to Assoc. and Subsidary Companies	
34. Contributions and Advances from Assoc. and Subsidiary Companies	
35. Disposition of Investments in (and Advances to) Associated and Subsidiary Companies	
37. Purchase of Investment Securities (a)	
38. Proceeds from Sales of Investment Securities (a)	
40. Loans Made or Purchased	
41. Collections on Loans	
43. Net (Increase) Decrease in Receivables	
44. Net (Increase) Decrease in Inventory	
45. Net (Increase) Decrease in Allowances Held for Speculation	
46. Net Increase (Decrease) in Payables and Accrued Expenses	
Other:	
47.	
48. Net Cash Provided by (used in) investing Activities (Lines 28-47)	
Cash Flows from Financing Activities:	
52. Proceeds from Issuance of:	
53. Long - Term Debt (b)	

Statement of Cash Flows (Ref Page: 120)

Description	Amounts
54. Preferred Stock	
55. Common Stock	
Other	
56	
57. Net Increase in Short-Term Debt (c)	
Other	
58.	
59. Cash Provided by Outside Sources (Total lines 53-58)	
61. Payments for Retirement of	
62. Long-Term Debt (b)	
63. Preferred Stock	
64. Common Stock	
Other	
65.	
66. Net Decrease in Short-Term Debt (c)	
68. Dividends on Preferred Stock	
69. Dividends on Common Stock	
70. Net Cash Provided by (used in) Financing Activities (Lines 59-69)	
Net Increase (Decrease) in Cash and Cash Equivalents (Total Lines 18,49,71)	($81,206.00)
Cash and Cash Equivalents at Beginning of Year	$91,760.00
Cash and Cash Equivalents at End of Year	$10,554.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Summary of Utility Plant and Accumulated Provisions for Depreciation Amortization and Depletion (Ref Page: 200)

	Total (b)	Electric (c)	Gas (d)	Other (Total)	Common (h)
Utility Plant					
In Service					
3. Plant in Service (Classified)	$2,603,966.00	$0.00	$2,603,966.00	$0.00	$0.00
4. Property under Capital Leases					
5. Plant Purchased or Sold					
6. Completed Construction not Classified					
7. Experimental Plant Unclassifed					
8. Total - Utility Plant (Lines 3-7)	$2,603,966.00	$0.00	$2,603,966.00	$0.00	$0.00
9. Leased to Others					
10. Held for Future Use					
11. Construction Work in Progress					
12. Acquisition Adjustments					
13. Total Utility Plant (Lines 8 - 12)	$2,603,966.00	$0.00	$2,603,966.00	$0.00	$0.00
14. Accum. Prov. for Depr, Amort, And Depl.	$929,267.00	$0.00	$929,267.00	$0.00	$0.00
15. Net Utility Plant (Line 13 less 14)	$1,674,699.00	$0.00	$1,674,699.00	$0.00	$0.00
16. Detail of Accumulated Provisions for Depreciation Amortization and Depletion					
17. In Service					
18. Depreciation	$929,267.00	$0.00	$929,267.00	$0.00	$0.00
19. Amort. and Depl. of Production Natural Gas Land and Land Rights					

Summary of Utility Plant and Accumulated Provisions for Depreciation Amortization and Depletion (Ref Page: 200)

	Total (b)	Electric (c)	Gas (d)	Other (Total)	Common (h)
20. Amort of Underground Storage Land and Land Rights					
21. Amort of Other Utility Plant					
22. Total In Service (Lines 18-21)	$929,267.00	$0.00	$929,267.00	$0.00	$0.00
23. Leased to Others					
24. Depreciation					
25. Amortization and Depletion					
26. Total Leased to Others (Lines 24 and 25)					
27. Held for Future Use					
28. Depreciation					
29. Amortization					
30. Total Held for Future Use (Lines 28 and 29)					
31. Abandonment of Leases (Naturual Gas)					
32. Amort. Of Plant Aquision Adj.					
33. Total Accumulated Provisions (Should agree with Line 14, Total 22,26,30,31 and 32)	$929,267.00	$0.00	$929,267.00	$0.00	$0.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Gas Plant in Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
INTANGIBLE PLANT						
2. Organization (301)						
3. Franchises and Consents (302)						
4. Miscellaneous Intangible Plant (303)						
5. Total Intangible Plant						
PRODUCTION PLANT						
7. Natural Gas Production and Gathering Plant						
8. Producing Lands (325.1)						
9. Producing Leaseholds (325.2)						
10. Gas Rights (325.3)						
11. Rights of Way (325.4)						
12. Other Land and Land Rights (325.5)						
13. Gas Well Structures (326)						
14. Field Compressor Station Structures (327)						
15. Field Measuring and Regulating Station Equipment (328)						
16. Other Structures (329)						
17. Producing Gas Wells - Well Construction (330)						
18. Producing Gas Wells - Well Equipment (331)						
19. Field Lines (332)						

Gas Plant in Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
20. Field Compressor Station Equipment (333)						
21. Field Measuring and Regulating Station Equipment (334)						
22. Drillnig and Cleaning Equipment (335)						
23. Purification Equipment (336)						
24. Other Equipment (337)						
25. Unsuccessful Exploration and Development Costs (338)						
26. Asset Retirement Costs for Natural Gas Production and Gathering Plant (339)						
27. Total Production and Gathering Plant						
28. PRODUCTS EXTRACTION PLANT						
29. Land and Land Rights (340)						
30. Structures and Improvements (341)						
31. Extraction and Refining Equipment (342)						
32. Pipe Lines (343)						
33. Extracted Products Storage Equipment (344)						
34. Compressor Equipment (345)						

Gas Plant in Service - Intangible and Production Plant (Ref Page: 204)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
35. Gas Measuring and Regulating Equipment (346)						
36. Other Equipment (347)						
37. Asset Retirement Costs for Products Extraction Plant (348)						
38. Total Products Extraction Plant						
39. Total Natural Gas Production Plant (Lines 27 and 38)						
40. Manufactured Gas Production Plant						
41. Total Production Plant (Lines 39 and 40)						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
NATURAL GAS STORAGE AND PROCESSING PLANT						
Underground Storage Plant						
44. Land (350.1)						
45. Rights-of-Way (350.2)						
46. Structures and Improvements (351)						
47. Wells (352)						
48. Storage Leaseholds and Rights (352.1)						
49. Reservoirs (352.2)						
50. Non-recoverable Natural Gas (352.3)						
51. Lines (353)						
52. Compressor Station Equipment (354)						
53. Measuring and Regulating Equipment (355)						
54. Purification Equipment (356)						
55. Other Equipment (357)						
56. Asset Retirement Costs for Underground Storage Plant (358)						
57. Total Underground Storage Plant						
Other Storage Plant						

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
59. Land and Land Rights (360)						
60. Structures and Imporvements (361)						
61. Gas Holders (362)						
62. Purification Equipment (363)						
63. Liquefaction Equipment (363.1)						
64. Vaporaizing Equipment (363.2)						
65. Compressor Equipment (363.3)						
66. Measuring and Regulating equipment (363.4)						
67. Other Equipment (363.5)						
68. Asset Retirement Costs for Other Storage Plant (363.6)						
69. Total Other storage Plant						
70. Base Load Liquefied natural Gas Terminaling and Processing Plant						
71. Land and Land Rights (364.1)						
72. Structures and Improvements (364.2)						
73. LNG Processing Terminal Equipments (364.3)						

Gas Plant in Service - Storage and Processing (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
74. LNG Transportation Equipment (364.4)						
75. Measuring and Regulating Equipment (364.5)						
76. Compressor Station Equipment (364.6)						
77. Communications Equipment (364.7)						
78. Other Equipment (364.8)						
79. Asset Retirement Costs for Base Load Liquefied Natual Gas Terminaliing and Processing Plant (364.9)						
80. Total Base Load Liquefied Nat`l Gas, Terminal and Processing Plant						
76. Total Nat`l Gas Storage and Processing Plant (57,69,80)						

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
TRANSMISSION PLANT						
83. Land and Land Rights (365.1)						
84. Rights-of-Way (365.2)						
85. Structures and Improvements (366)						
86. Mains (367)						
87. Compressor Station Equipment (368)						
88. Measuring and Regulating Sstation Equipment (369)						
89. Communication Equipment (370)						
90. Other Equipment (371)						
91. Asset Retirement Costs for Transmission Plant (372)						
92. Total Transmission Plant						
DISTRIBUTION PLANT ( )						
94. Land and Land Rights (374)						
95. Structures and Improvements (375)	$1,027.00	$0.00	$0.00	$0.00	$0.00	$1,027.00
96. Mains (376)	$1,382,138.00					
97. Compressor Station Equipment (377)		$0.00	$0.00	$0.00	$0.00	$1,382,138.00
98. Measuring and Regulating Station Equipment - General (378)	$8,096.00	$0.00	$0.00	$0.00	$0.00	$8,096.00

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
99. Measuring and Regulating Station Equipment - City Gate (379)						
100. Services (380)	$186,314.00	$0.00	$0.00	$0.00	$0.00	$186,314.00
101. Meters (381)	$362,651.00	$0.00	$0.00	$0.00	$0.00	$362,651.00
102. Meter Installations (382)	$461,227.00	$0.00	$0.00	$0.00	$0.00	$461,227.00
103. House Regulators (383)	$85,760.00	$0.00	$0.00	$0.00	$0.00	$85,760.00
104. House Regulator Installations (384)	$116,753.00	$0.00	$0.00	$0.00	$0.00	$116,753.00
105. Industrial Measuring and Regulating Station Equipment (385)						
106. Other Property on Customers Premises (386)						
107. Other Equipment (387)						
108. Asset Retirement Costs for Distribution Plant (388)						
109. Total Distribution Plant	$2,603,966.00	$0.00	$0.00	$0.00	$0.00	$2,603,966.00
GENERAL PLANT						
111. Land and Land Rights (389)						
112. Structures and Improvements (390)						
113. Office Furniture and Equipment (391)						

Gas Plant in Service - Transmission,Distribution and General (Ref Page: 206)

	Bal Beg Yr (b)	Addition (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Bal End Yr (g)
114. Transportation Equipment (392)						
115. Stores Equipment (393)						
116. Tools, Shop and garage Equipment (394)						
117. Laboratory Equipment (395)						
118. Power Operated Equipment (396)						
119. Communication Equipment (397)						
120. Miscellaneous equipment (398)						
121. Subtotal (Lines 104-113)						
122. Other Tangible Property (399)						
123. Asset Retirement Costs for General Plant (399.1)						
124. Total General Plant (Lines 121,122 and 123)						
125. Total Accounts 101 and 106	$2,603,966.00	$0.00	$0.00	$0.00	$0.00	$2,603,966.00
126. Gas Plant Purchased						
127. (Less) Gas Plant Sold						
128. Experimental Gas Plant Unclassified						
Total Gas Plant in Service (Lines 125-128)	$2,603,966.00	$0.00	$0.00	$0.00	$0.00	$2,603,966.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Gas Property and Capacity Leased From Others (Ref Page: 212)

Name of Lessor (a)	* (b)	Description of Lease (c)	Lease Payments For Current Year
Total			

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Gas Plant Held for Future Use (Acct 105) (Ref Page: 214)

	Description	Date Orig. Included (b)	Date Exp. to Use (c)	Balance (d)
TOTAL				

Construction Work in Progress - (Acct 107) (Ref Page: 216)

Project (a)	Construction WIP (b)	Est Add Cost
TOTAL		

General Description of Construction Overhead Procedure - Components of Formulat (Ref Page: 218)

	Amount (b)	Capitalization Ration (Percent) (c)	Cost Rate Percentage (d)
Please include all notes requested for construction overhead with the hard copy.			
Uppercase Vars (S,D,P,C,W) fall under Amount (b) column			
Lowercase Vars (s,d,p,c) fall under Cost Rate Percentage (d) column			
1. Components of Formula (Derived from actual book balances and actual cost rates)			
Average Short-Term Debt (Var S)			
Short-Term Interest (Var s)			
Long Term Debt (Vars D and d)			
Preferred Stock (Vars P and p)			
Common Equity (Vars C and c)			
Total Capitalization			
Average Construction Work in Progress Balance (Var W)			
2. Gross Rate for Borrowed Funds s(S/W) + d[(D/(D+P+C))(1-(S/W)]			
3. Rate for Other Funds [1-(S/W)][p(P/D+P+C)) + c(C/(D+P+C))]			
4. Weighted Average Rate Actually Used for the Year:			
a. Rate for Borrowed Funds			
b. Rate for Other Funds			

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Accumulated Provision for Depreciation of Gas Utility Plant (Acct 108) (Ref Page: 219)

Description	Total (b)	Gas Plant In Service (c)	Held for Future (d)	Leased (e)
A. BALANCES AND CHANGES DURING YEAR				
Balance beginning of Year	$865,057.00	$865,057.00	$0.00	$0.00
Depreciation Provisions for Year, Charged to				
Depreciation Expense (403)	$64,210.00	$64,210.00	$0.00	$0.00
Depreciation Expense for Asset Retirement Costs (403.1)				
Expense of Gas Plant Leased to Others (413)				
Transportation Expenses - Clearing				
Other Clearing Accounts				
Other Clearing (Specify)				
Total Deprec. Prov. for Year	$64,210.00	$64,210.00	$0.00	$0.00
Net Charges for Plant Retired				
Book Cost of Plant Retired				
Cost of Removal				
Salvage (Credit)				
Total Net Chrgs for Plant Ret				
Other Debit or Credit Items (Describe)				
Balance at End of Year	$929,267.00	$929,267.00	$0.00	$0.00
B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS				

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Accumulated Provision for Depreciation of Gas Utility Plant (Acct 108) (Ref Page: 219)

Description	Total (b)	Gas Plant In Service (c)	Held for Future (d)	Leased (e)
Productions - Manufactured Gas				
Prodcution of Gathering-Natural Gas				
Products Extraction - Natural Gas				
Underground Gas Storage				
Other Storage Plant				
Base Load LNG Terminaling and Processing Plant				
Transmision				
Distribution	$929,267.00	$929,267.00	$0.00	$0.00
General				
Total	$929,267.00	$929,267.00	$0.00	$0.00

Gas Stored Accounts (Lines 1-5) (Ref Page: 220)

	117.1 (b)	117.2 (c)	117.3 (d)	117.4 (e)	164.1 (f)	164.2 (g)	164.3 (h)	Total (I)
Balance at Beginning of Year								
Gas delivered to Storage								
Gas Withdrawn from Storage								
Other Debits and Credits								
Balance at End of Year								

Gas Stored Accounts (Lines 6-7) (Ref Page: 220)

	117.1 (b)	117.2 (c)	117.3 (d)	117.4 (e)	164.1 (f)	164.2 (g)	164.3 (h)	Total (I)
MCF								
Amount Per MCF								

Investments (123,124,136) (Ref Page: 222)

Description of Investment (a)	(b)	Book Cost at Beginning of	Purchases or Additions (d)	Sales of Other Dispositions
Investments in Associated Companies (123)				
(123)				
Other Investments (124)				
(124)				
Temporary Case Investments (136)				
(136)				

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Investments (123,124,136) (Ref Page: 222) (Part Two)

	Description of Investment (a)	Principal Amt or No of	Book Cost End of Year (g)	Revenues for Year (h)	Gain or Loss (i)
Investments in Associated Companies (123)					
(123)					
Other Investments (124)					
(124)					
Temporary Case Investments (136)					
(136)					

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Investments in Subsidiary Companies (123.1) (Ref Page: 224)

	Description	Date Acquired (b)	Date Maturity (c)	Investment Beg of Yr. (d)	Equity in Subsidiary (e)	Revenues (f)	Investment End Yr (g)	Invest Disposed of (h)
TOTAL								

Prepayments (Ref Page: 230)

	Balance at End of Year
Prepaid Insurance	
Prepaid Rents	
Prepaid Taxes	
Prepaid Interest	
Miscellaneous Prepayments	$9,249.00
Total	$9,249.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Extraordinary Property Losses (182.1) (Ref Page: 230)

	Description	Balance Beg Yr (b)	Total Loss (b)	Losses During Yr	Acct (d)	Written Off (e)	Balance (f)
TOTAL							

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Unrecovered Plant and Regulatory Study costs (182.2) (Ref Page: 230)

Description	Balance Beg Yr (b)	Total Loss (b)	Losses During Yr	Acct (d)	Written Off (e)	Balance (f)
TOTAL						

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Other Regualatory Assets (Acct 182.3) (Ref Page: 232)

Description and Purpose	Bal Beg Yr (b)	Debits (c)	Written Off Acct (d)	Written Off Amt (e)	Balance End Yr (f)
Total					

Miscellaneous Deferred Debits (Acct 186) (Ref Page: 233)

Description (a)	Bal Beg Yr (b)	Debits (c)	CR Acct (d)	CR Amt (e)	Bal End Yr (c)
Misc. Work in Progress					
Total					

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Accumulated Deferred Income Taxes (Acct 190) (Ref Page: 234)

Description	Bal Beg Yr	Amt 410.1 (c)	Amt 411.1 (d)	Amt 410.2 (e)	Amt 411.2 (f)
Account 190					
Electric					
Gas					
Other (Define)					
Total					
Other (Specify)					
TOTAL Acct 190					
Classification of TOTAL					
Federal INcome TAx					
State Income Tax					
Local Income Tax					

Accumulated Deferred Income Taxes (Acct 190) (Ref Page: 234) (Part Two)

	Description	Debit Adj Acct (g)	Debit Amount (h)	Credit Acct (i)	Credit Amount (j)	Balance End Yr (k)
Account 190						
Electric						
Gas						
Other (Define)						
Total						
Other (Specify)						
TOTAL Acct 190						
Classification of TOTAL						
Federal INcome TAx						
State Income Tax						
Local Income Tax						

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Capital Stock (Accounts 201 and 204) (Ref Page: 250)

	Class, Series and Name of	Num Shares Auth (b)	Par or Stated Val (c)	Call Price (d)	Outstanding Shares (e)
Common Stock					
	COMMON	1,000	$100.00	$0.00	$0.00
Total Common Stock		1,000	$100.00	$0.00	$0.00
Preferred Stock					
Total Preferred Stock					
TOTAL Capital Stock		1,000	$100.00	$0.00	$0.00
Other					

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Capital Stock (Accounts 201 and 204) (Ref Page: 250) (Part Two)

	Class, Series and Name	Outstanding Amt (f)	Num Held Rqd 217 (g)	Cost Held Rqd 217 (h)	Num Held Sinking (i)	Num Held Amount (j)
Common Stock						
	COMMON	$100,000.00	0	$0.00	0	$0.00
Total Common Stock		$100,000.00	0	$0.00	0	$0.00
Preferred Stock						
Total Preferred Stock						
TOTAL Capital Stock		$100,000.00	0	$0.00	0	$0.00
Other						

Capital Stock Subscribed, Liability for Conversion Premium and Installments Received (Ref Page: 252)

Description (a)	* (b)	Shares (c)	Amount (d)
Capital Stock Subscribed (202,205)			
Total Capital Stock Subscribed			
Stock Liability for Conversion (203,206)			
Total Stock Liability for Conversion			
Premium on Capital Stock (207)			
Total Premium on Capital Stock (207)			
Installments Received on Capital Stock (212)			
Total Installments Received on Capital Stock (212)			

Other Paid-In Capital (208-211) (Ref Page: 253)

Item (a)	Amount (b)
(a) Donations Received from Stockholders (208)	
Total (208)	
(b) Reduction in Par or Stated Value (209)	
Total (209)	
(c) Gain or Resale or Cancellation of Reacquired Capital Stock (210)	
Total (210)	
(d) Miscellaneous Paid-In Capital (211)	
PAID IN CAPITAL	$865,955.00
Total (211)	$865,955.00
Total Accts 208-211	$865,955.00

Discount on Capital Stock (Act 213) (Ref Page: 254)

Class and Series (a)	Balance End Yr (b)
TOTAL	

Capital Stock Expense (Act 214) (Ref Page: 254)

Class and Series (a)	Balance End Yr (b)
TOTAL	

Long-Term Debt (221,222,223 and 224) (Ref Page: 256)

	Class Series and Name (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (d)	Interest Rate in % (e)
Acct 221 Bonds					
(221)					
Total (221)					
Acct 222 Reacquired Bonds					
(222)					
Total (222)					
Acct 223 Advances from Associated Companies					
(223)					
Total (223)					
Acct 224 Other Long Term Debt					
(224)					
Total (224)					

Long-Term Debt (221,222,223 and 224) (Ref Page: 256) (Part Two)

	Class Series and Name (a)	Interest Amount (f)	Held - Reaquired Bonds	Held - Sinking and Other	Redemption Price Per $100
Acct 221 Bonds					
(221)					
Total (221)					
Acct 222 Reacquired Bonds					
(222)					
Total (222)					
Acct 223 Advances from Associated Companies					
(223)					
Total (223)					
Acct 224 Other Long Term Debt					
(224)					
Total (224)					

Unamortized Debt Expense (181,225,226) (Ref Page: 258)

	Designation of Long-Term	Principal Amount of Debt	Total Expense Premium or	Amortization Period From (d)	Amortization Period To (e)
Acct 181					
(181)					
Total (181)					
Acct 225					
(225)					
Total (225)					
Acct 226					
(226)					
Total (226)					

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Unamortized Debt Expense (181,225,226) (Ref Page: 258) (Part Two)

	Designation of Long-Term	Beginning of Year (f)	Debits (g)	Credits (h)	Balance End of Year (i)
Acct 181					
(181)					
Total (181)					
Acct 225					
(225)					
Total (225)					
Acct 226					
(226)					
Total (226)					

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Unamortized Loss and Gain on Reqcquired Debt (189,257) (Ref Page: 260)

	Designation of	Date Reacquired (b)	Principle of Debt	Net Gain or Loss (d)	Balance Beginning of	Balance End of Year (f)
Acct 189						
(189)						
Total (189)						
Acct 257						
(257)						
Total (257)						

Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes (Ref Page: 261)

	Details (a)	Amount (b)
Net Income for the Year		($69,390.00)
Reconciling Items for the Year		
Taxable Income Not Reported on Books		
Deductions Recorded on Books Not Deducted For Return		
Income Recorded on Books Not Included in Return		
Deductions on Return Not Charged Against Book Income		
	DEPRECIATION	$13,936.00
Federal Tax Net Income		($83,326.00)
Show Computation of Tax		

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Taxes Accrued, Prepaid and Charged During Year (Ref Page: 262)

	Kind of Instruction (a)	Bal Beg Yr Taxes Accr (b)	Bal Beg Yr Prepaid Taxes (c)	Taxes Chrg (d)
	OTHER TAXES	$327.00	$0.00	$599.00
Total		$327.00	$0.00	$599.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Taxes Accrued, Prepaid and Charged During Year (Ref Page: 262) (Part Two)

	Kind of Instruction (a)	Taxes Paid (e)	Adj (f)	Bal Accr - 236 (g)	Bal Prepaid - 165 (h)
	OTHER TAXES	$0.00	$0.00	$599.00	$0.00
Total		$0.00	$0.00	$599.00	$0.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Taxes Accr, Prepd and Charged - Distribution of Taxes (Ref Page: 262)

	Kind of Instruction (a)	Electric (408.1, 409.1) (i)	Gas (408.1, 409.1) (j)	Other (408.1,409.1) (k)	Other Inc and Ded (l)
	PAYROLL TAXES	$0.00	$6,250.00	$0.00	$0.00
	PROPERTY TAXES	$0.00	$24,631.00	$0.00	$0.00
	OTHER TAXES	$0.00	$1,451.00	$0.00	$0.00
Total		$0.00	$32,332.00	$0.00	$0.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Taxes Accr, Prepd and Charged - Distribution of Taxes (Ref Page: 262) (Part Two)

	Kind of Instruction (a)	Ext Items (409.3) (m)	Other Opn Income (n)	Adj to Ret. Earnings (439)	Other (p)
	PAYROLL TAXES	$0.00	$0.00	$0.00	$0.00
	PROPERTY TAXES	$0.00	$0.00	$0.00	$0.00
	OTHER TAXES	$0.00	$0.00	$0.00	$0.00
Total		$0.00	$0.00	$0.00	$0.00

Miscellaneous Current and Accrued Liabilities (242) (Ref Page: 268)

	Item (a)	Balance End Yr (b)
	TAX COLLECTIONS PAYABLE	$10,248.00
	PROPERTY TAXES PAYABLE	$10,374.00
TOTAL		$20,622.00

Other Deferred Credits (253) (Ref Page: 269)

	Description (a)	Balance Beg Yr (b)	Debits Acct (c)	Debit Amt (d)	Credits (e)	Balance End Yr (f)
TOTAL						

Accumulated Deferred Income Taxes - Other Property (282) (Ref Page: 274)

	Acct (a)	Balance Beg Yr (b)	Amt Acct 410.1 (c)	Amt Acct 411.1 (d)	Amt Acct 410.2 (e)	Amt Acct 411.2 (f)
Account 282						
Electric						
Gas						
Other (Define)						
Total						
Other (specify)						
-						
TOTAL Acct 282						
Classification of Total						
Federal Income Tax						
State Income Tax						
Local Income tax						

Accumulated Deferred Income Taxes - Other Property (282) (Ref Page: 274) (Part Two)

	Acct (a)	Debit Adj Acct (g)	Debit Adj Amt (h)	Credit Adj. Acct (i)	Credit Adj. Amt (j)	Balance End Yr
Account 282						
Electric						
Gas						
Other (Define)						
Total						
Other (specify)						
TOTAL Acct 282						
Classification of Total						
Federal Income Tax						
State Income Tax						
Local Income tax						

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Accumulated Deferred Income Taxes - Other (283) (Ref Page: 276)

	Acct (a)	Balance Beg Yr (b)	Amt Acct 410.1 (c)	Amt Acct 411.1 (d)	Amt Acct 410.2 (e)	Amt Acct 411.2 (f)
Account 283						
Electric						
Gas						
Other						
Total						
Other (Specify)						
TOTAL (Acct 283)						
Classification of Total						
Federal Income Tax						
State Income Tax						
Local Income tax						

Accumulated Deferred Income Taxes - Other (283) (Ref Page: 276) (Part Two)

	Acct (a)	Debit Adj Acct (g)	Debit Adj Amt (h)	Credit Adj. Acct (i)	Credit Adj. Amt (j)	Balance End Yr
Account 283						
Electric						
Gas						
Other						
Total						
Other (Specify)						
TOTAL (Acct 283)						
Classification of Total						
Federal Income Tax						
State Income Tax						
Local Income tax						

Other Regualatory Liabilities (Acct 254) (Ref Page: 278)

	Description and Purpose	Bal Beg Yr (b)	Debit Acct Credited (c)	Debits Amount (d)	Credits (e)	Balance End Yr (f)
Total						

Gas Operating Revenues (Ref Page: 301)

	Rev for Translstion Current	Rev for Translstion Prev Yr	GRI and ACA Current Yr (d)	GRI and ACA Prev Yr (e)	other Current Yr (f)
Sales (480-484)	$1,084,696.00	$1,117,735.00	$0.00	$0.00	$0.00
Intracompany Transfers (485)					
Forfeited Discounts (487)	$13,169.00	$14,432.00	$0.00	$0.00	$0.00
Miscellaneous Service Revenues (488)	$16,785.00	$16,555.00	$0.00	$0.00	$0.00
Revenues from Transportaion of Gas of Others Through Gathering Facilities (489.1)					
Revenues from Transportaion of Gas of Others Through Transmission Facilities (489.2)					
Revenues from Transportaion of Gas of Others Through Distribution Facilities (489.3)					
Sales of Prod. Ext. from Natural Gas (490)					
Revenues from Natural Gas Proc. by Others (491)					
Incidental gasoline and Oil Sales (492)					
Rent from Gas Property (493)					
Interdepartmental Rents (494)					
Other Gas Revenues (495)	$7,911.00	$8,333.00	$0.00	$0.00	$0.00
Subtotal	$1,122,561.00	$1,157,055.00	$0.00	$0.00	$0.00
(Less) Provision for Rate Refunds (496)					
Total	$1,122,561.00	$1,157,055.00	$0.00	$0.00	$0.00

Gas Operating Revenues (Ref Page: 301) (Part Two)

	Rev for Transistion	Other Prev Yr (g)	Total Current Yr (h)	Total Prev Yr (i)	MCF Current Yr (h)	MCF Prev Yr (i)
Sales (480-484)	$1,084,696.00	$0.00	$1,084,696.00	$1,117,735.00	0	107,490
Intracompany Transfers (485)						
Forfeited Discounts (487)	$13,169.00	$0.00	$13,169.00	$14,432.00	0	0
Miscellaneous Service Revenues (488)	$16,785.00	$0.00	$16,785.00	$16,555.00	0	0
Revenues from Transportaion of Gas of Others Through Gathering Facilities (489.1)						
Revenues from Transportaion of Gas of Others Through Transmission Facilities (489.2)						
Revenues from Transportaion of Gas of Others Through Distribution Facilities (489.3)						
Sales of Prod. Ext. from Natural Gas (490)						
Revenues from Natural Gas Proc. by Others (491)						
Incidental gasoline and Oil Sales (492)						
Rent from Gas Property (493)						
Interdepartmental Rents (494)						
Other Gas Revenues (495)	$7,911.00	$0.00	$7,911.00	$8,333.00	0	0
Subtotal	$1,122,561.00	$0.00	$1,122,561.00	$1,157,055.00	0	107,490

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Gas Operating Revenues (Ref Page: 301) (Part Two)

	Rev for Translation	Other Prev Yr (g)	Total Current Yr (h)	Total Prev Yr (i)	MCF Current Yr (h)	MCF Prev Yr (i)
(Less) Provision for Rate Refunds (496)						
Total	$1,122,561.00	$0.00	$1,122,561.00	$1,157,055.00	0	107,490

Rev From Transportation of Gas through Gathering Facilities (489.1) (Ref Page: 302)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev	Current (f)

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Rev From Transportation of Gas through Gathering Facilities (489.1) (Ref Page: 302) (Part Two)

Rate Schedule and Zone	Other Rev Previous (g)	Total Operating Rev	Total Operating Rev	MCF Current (j)	MCF Previous (k)

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Rev From Transportation of Gas through Transmission Facilities (489.2) (Ref Page: 304)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev Current (f)

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Rev From Transportation of Gas through Transmission Facilities (489.2) (Ref Page: 304) (Part Two)

Rate Schedule and Zone	Other Rev Previous (g)	Total Operating Rev	Total Operating Rev	MCF Current (j)	MCF Previous (k)

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Rev From Stroring Gas of Others (489.4) (Ref Page: 306)

Rate Schedule and Zone	Rev for Transition Costs	Rev for Transition Costs	Rev for GRI and ACA	Rev for GRI and ACA	Other Rev Current (f)

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Rev From Stroring Gas of Others (489.4) (Ref Page: 306) (Part Two)

Rate Schedule and Zone	Other Rev Previous (g)	Total Operating Rev	Total Operating Rev	MCF Current (j)	MCF Previous (k)

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Other Gas Revenues (495) (Ref Page: 308)

Description of Transaction	Revenues In Dollars
OTHER INCOME	$7,911.00
	$7,911.00

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
1. PRODUCTION EXPENSES		
A. Manufactured Gas Production		
Manufactured Gas Production		
B. Natural Gas Production		
B1. Natural Gas Produciton and Gathering		
Operation		
Operation Supervision and Engineering (750)		
Production Maps and Records (751)		
Gas Well Expenses (752)		
Field Lines Expenses (753)		
Field compressor Station Expenses (754)		
Field Compressor Station Fuel and Power (755)		
Field Measuring and Regulating Station Expenses (756)		
Purification Expenses (757)		
Gas Well Royalties (758)		
Other Expenses (759)		
Rents (760)		
18. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (761)		
Maintenance of Structures and Improvements (762)		
Maintenance of Producing Gas Wells (763)		
Maintenance of Field Lines (764)		
Maintenance of Field Compressor Station Equipment (765)		
Maintenance of Field Measuring and Regulating Station Equipment (766)		
Maintenance of Purification Equipment (767)		

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Maintenance of Drilling and Cleaning Equipment (768)		
Maintenance of Other Equipment (769)		
29. Total Maintenance		
Total Natural Gas Production and Gathering (Lines 18,29(		
B2. Products Extraction		
Operation		
Operation Supervision and Engineering (770)		
Operation Labor (771)		
Gas Shrinkage (772)		
Fuel (773)		
Power (774)		
Materials (775)		
Operation Supplies and Expenses (776)		
Gas Processed by Others (777)		
Royalties on Products Extracted (778)		
Marketing Expenses (779)		
Products Purchased for Resale (780)		
Variation in Products Inventory (781)		
(Less) Extracted Products Used by the Utility - Credit (782)		
Rents (783)		
47. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (784)		
Maintenance of Structures and Improvements (785)		
Maintenance of Extraction and Refining Equipment (786)		
Maintenance of Pipe Lines (787)		
Maintenance of Extracted Products Storage Equipment (788)		

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Maintenance of Compressor Equipment (789)		
Maintenance of Gas Measuring and Regulating Equipment (790)		
Maintenance of Other Equipment (791)		
57. Total Maintenance		
58. Total Products Extraction (Lines 47 and 57)		
C. Exploration and Development		
Operation		
Delay Rentals (795)		
Nonproductive Well Drilling (796)		
Abandoned Leases (797)		
Other Exporation (798)		
65. Total Exploration and Development		
D. Other Gas Supply Expenses		
Operation		
Natural Gas Well Head Purchases (800)		
Natural Gas Well Head Purchases, Intracompany Transfers (800.1)		
Natural Gas Field Line Purchases (801)		
Natural Gas Gasoline Plant Outlet Purchases (802)		
Natural Gas Transmission Line Purchases (803)		
Natural Gas City Gate Purchases (804)		
Liquified Natural Gas Purchases (804.1)		
Other Gas Purchases (805)		
(Less) Purchases Gas Cost Adjustments (805.1)		
77. Total Purchased Gas		
78. Exchange Gas (806)		
Purchased Gas Expense		

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Gas Operation and Maintenance - 1. Production (Ref Page: 317)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Well Expense - Purchased Gas (807.1)		
Operation of Purchased Gas Measuring Stations (807.2)		
Maintenance of PUrchased Gas Measuring Stations (807.3)		
Purchased Gas Calculations Expenses (807.4)		
Other Purchased Gas Expenses (807.5)	$848,890.00	$759,833.00
85. Total Purchased Gas Expenses	$848,890.00	$759,833.00
Gas Withdrawn from Storage - Debit (808.1)		
(Less) Gas Delivered to Storage (Credit) (808.2)		
Withdrawals of Liquefied natural Gas for Processing - Debit (809.1)		
(Less) Delieveries of Natural Gas for Processing- Credit (809.2)		
Gas used in Utility Operation - Credit		
91. Gas Used for Compressor Station Fuel - Credit (810)		
92..Gas Used for Products Extraction - Credit (811)		
93..Gas Used for Other Utility Operations - Credit (812)		
94. Total Gas Used in Utility Operations - Credit (91-93)		
95. Other Gas Supply Expenses (813)		
97. Totai Other Gas Supply Exp (77,78,85,86-89,94,95)	$848,890.00	$759,833.00
Total Production Expenses (3,30,58,65,96)	$848,890.00	$759,833.00

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
A. Underground Storage Expenses		
Operation		
Operation Supervision and Engineering (814)		
Maps and Records (815)		
Wells Expenses (816)		
Lines Expenses (817)		
Compressor Station Expenses (818)		
Compressor Station Fuel and Power (819)		
Measuring and Regulating Station Expenses (820)		
Purification Expenses (821)		
Exploration and Development (822)		
Gas Losses (823)		
Other Expenses (824)		
Storage well Royalties (825)		
Rents (826)		
114. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (830)		
Maintenance of Structures and Improvements (831)		
Maintenance of Reservoirs and Wells (832)		
Maintenance of Lines (833)		
Maintenance of Compressor Station Equipment (834)		
Maintenance of Measuring and Regulating Station Equipment (835)		
Maintenance of Purification Equipmetn (836)		

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Maintenance of Other Equipment (837)		
124. Total Maintenance		
Total Underground Storage (Lines 114 and 124)		
B. Other Storage Expenses		
Operation		
Operation Supervision and Engineering (840)		
Operation Labor and Expenses (841)		
Rents (842)		
Fuel (842.1)		
Power (842.2)		
Gas Losses (842.3)		
134. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (843.1)		
Maintenance of Structures and Improvements (843.2)		
Maintenance of Gas Holders (843.3)		
Maintenance of Purification Equipment (843.4)		
Maintenance of Liquefaction Equipment (843.5)		
Maintenance of Vaporizing Equipment (843.6)		
Maintenance of Compressor Equipment (843.7)		
Maintenance of Measuring and Regulating Equipment (843.8)		
Maintenance of Other Equipment (843.9)		
145. TOTAL Maintenance		
Total Other Storage Expenses (Lines 134 and 145)		
C. Liquefied Natural Gas Terminaling and Processing Expenses		
Operation		
Operation Supervision and Engineering (844.1)		

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
LNG Processing Terminal Labor and Expenses (844.2)		
Liquefaction Processing Labor and Expenses (844.3)		
Liquefaction Transportaion Labor and Expenses (844.4)		
Measuring and Regulating Labor and Expenses (844.5)		
Compressor Station Labor and Expenses (544.6)		
Communication System Expenses (844.7)		
System Control and Load Dispatching (844.8)		
Fuel (845.1)		
Power (845.2)		
Rents (845.3)		
Demurrage Charges (845.4)		
(Less) Wharfage Receipts - Credit (845.5)		
Processing Liquefied or Vaporized Gas by Others (845.6)		
Gas Losses (846.1)		
Other Expenses (846.2)		
Total Operation		
Maintenance		
Maintenance Supervision and Engineering (847.1)		
Maintenance of Structures and Improvements (847.2)		
Maintenance of LNG Processing Terminal equipment (847.3)		
Maintenance of LNG Transportation Equipment (847.4)		
Maintenance of Measuring and Regulating Equipment (847.5)		
Maintenance of Compressor Station Equipment (847.6)		
Maintenance of Communication Equipment (847.7)		
Maintenance of Other Equipment (847.8)		
175. Total Maintenance		

Gas Operation and Maintenance - 2. Natural Gas Storage (Ref Page: 320)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
176. Total Liquiefied Nat Gas Terminaling and Proc Exp (Lines 165 and 175)		
177. Total Natural Gas Storage (Lines 125,146 and 176)		

	Amt for Current Yr (b)	Amt for Prev Yr (c)
3. TRANSMISSION EXPENSES		
Operation		
Operation Supervision and Engineering (850)		
System Control and Load Dispatching (851)		
Communication System Expenses (852)		
Compressor Station labor and Expenses (853)		
Gas for Compressor Station Fuel (854)		
Other Fuel and Power for Compressor Stations (855)		
Mains Expenses (856)		
Measuring and Regulating Stations Expenses (857)		
Transmission and Compression of Gas by Others (858)		
Other Expenses (859)		
Rents (860)		
191. Total Operation		
Maintenance		
Maintenance Supervision and Engineering (861)		
Maintenance of Structures and Improvements (862)		
Maintenance of Mains (863)		
Maintenance of Compressor Station Equipment (864)		
Maintenance of Measuring and Regulating Station Equipment (865)		
Maintenance of Communication Equipment (866)		
Maintenance of Other Equipment (867)		
200. Total Maintenance		
201. Total Transmission Expenses (Total 191 and 200)		
4. DISTRIBUTION EXPENSES		
Operation		

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Operation Supervision and Engineering (870)	$82,134.00	$65,587.00
Distribution Load Dispatching (871)		
Compressor Station Labor and Expenses (872)		
Compressor Station Fuel and Power (873)		
Mains and Services Expenses (874)	$8,648.00	$6,397.00
Measuring and Regulating station Expenses - General (875)		
Measuring and Regulating Station Expenses - Industrial (876)		
Measuring and Regulating Station Expenses - City Gas Check Station (877)		
Meter and House Regulator Expenses (878)	$21,619.00	$15,992.00
Customer Installations Expenses (879)		
Other Expenses (880)		
Rents (881)		
216. Total Operation	$112,401.00	$87,976.00
Maintenance		
Maintenance Supervision and Engineering (885)	$15,854.00	$11,728.00
Maintenance of Structures and Improvements (886)		
Maintenance of Mains (887)	$12,972.00	$9,595.00
Maintenance of Compressor Station Equipment (888)	$2,883.00	$2,132.00
Maintenance of Measuring and Regulating Station Equipment - General (889)		
Maintenance of Measuring and Regulating Station Equipment - Industrial (890)		
Maintenance of Measuring and Regulating Station Equipment - City Gate Check Station (891)		
Maintenance of Services (892)	$12,972.00	$9,595.00
Maintenance of Meters and House Regulators (893)		
Maintenance of Other Equipment (894)	$27,384.00	$20,257.00

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
228. Total Maintenance	$72,065.00	$53,307.00
229. Total Distribution Expenses (Lines 216 and 228)	$184,466.00	$141,283.00
5. CUSTOMER ACCOUNTS EXPENSES		
Operation		
Supervision (901)		
Meter Reading Expenses (902)		
Customer Records and Collections Expenses (903)	$5,846.00	$5,375.00
Uncollectible Accounts (904)	$4,662.00	$7,998.00
Miscellaneous Customer Accounst Expenses (905)		
237. Total Customer Accounts Expenses	$10,508.00	$13,373.00
6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
Operation		
Supervision (907)	$8,647.00	$6,397.00
Customer Assistance Expenses (908)		
Informational and Instructional Expenses (909)		
Miscellaneous Customer Service and Informational Expenses (910)		
244. Total Customer Service and Informational Expenses	$8,647.00	$6,397.00
7. SALES EXPENSES		
Operation		
Supervision (911)		
Demonstrating and Selling Expenses (912)		
Advertising Expenses (913)		
Miscellaneous Sales Expenses (916)		
251. TOTAL Sales Expenses		
8. ADMINISTRATIVE AND GENERAL EXPENSES		
Operation		

Gas Operation and Maintenance - 3 through 8 (Ref Page: 323)

	Amt for Current Yr (b)	Amt for Prev Yr (c)
Administrative and General Salaries (920)	$33,149.00	$24,522.00
Office Supplies and Expenses (921)	$4,396.00	$4,997.00
(Less) Administrative Expenses Transferred - Credit (922)		
Outside Services Employed (923)		
Property insurance (924)		
Injuries and Damanges (925)		
Employee Pensions and benefits (926)	$1,168.00	$819.00
Franchise Requirements (927)		
Regulatory Commission Expenses (928)		
(Less) Duplicate Charges - Credit (929)		
General Advertising Expenses (930.1)		
Miscellaneous General Expenses (930.2)		
Rents (931)		
267. Total Operation	$38,713.00	$30,338.00
Maintenance		
269. Maintenance of General Plant (935)		
270. Total Administrative and General (Total 267 and 269)	$38,713.00	$30,338.00
Total Gas O and M Expenses (Total Lines 97,177,201,229,237,244,251 and 270)	$1,091,224.00	$951,224.00

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Exchange and Imbalance Transactions (Ref Page: 328)

	Zone/Rate Schedule	Gas Received Amount (b)	Gas Received MCF (c)	Gas Delivered Amount (d)	Gas Delivered MCF (e)
Total					

Gas Used in Utility Operations (Ref Page: 331)

	Purpose (a)	Acct Charged (b)	Natural Gas Used MCF (c)	Natural Gas Amount of Credit (d)	Manufactured Gas MCF (e)	Manufactured Gas Amount of Credit (f)
Gas Used for Compressor Station Fuel - Credit (810)						
Gas Used For Products Extration - Credit (811)						
Gas Shrinkage and Other Usage in Respondent`s Own Processing						
Gas Shrinkage, etc. for Respondent`s Gas Processed by Others						
Gas Used for Other Utility Operations - Credit (812)						
(Report seperately each principal use. Group minor uses.)						
Total						

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Transmission and Compression of Gas by Others (858) (Ref Page: 332)

Name of Company and Desc. of	* (b)	Amount of Payment (c)	MCF of Gas (d)

Other Gas Supply Expenses (813) (Ref Page: 334)

Description (a)	Amount (b)
Total	

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Miscellaneous General Expenses (Acct 930.2) (Ref Page: 335)

Description	Amount
Industry association dues	
Experimental and general research expenses.	
a. Gas Research Institute (GRI)	
b. Other	
Publishing and distributing information and reports to stockholders, trustee, registrar and transfer agent fees and expenses and other expenses	
Other	
Total	

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Depreciation, Depletion and Amortization of Gas Plant (403,403.1,404.1,404.2,404.3,405) (Ref Page: 336)

	Depreciation 403 (b)	Depreciation Exp	404.1 (d)	404.2 (e)	404.3 (f)	405 (g)	Total (h)
Intangible Plant							
Production Plant, manufactured gas							
Production and gathering plant, natural gas							
Products extraction plant							
Underground gas storage plant							
Other storage plant							
Base load LNG terminaling and processing plant							
Transmission plant							
Distribution plant	$64,210.00	$0.00	$0.00	$0.00	$0.00	$0.00	$64,210.00
General Plant							
Common plant - gas							
Other							
Total	$64,210.00	$0.00	$0.00	$0.00	$0.00	$0.00	$64,210.00

Depreciation, Depletion and Amortization of Gas Plant (cont) (Ref Page: 338)

	Functional Classification (a)	Plant Bases (thousands) (b)	Applied Depr or Amort Rates (c)
Production and Gathering Plant			
Offshore			
Onshore			
Underground Gas Storage Plant			
Transmission Plant			
Offshore			
Onshore			
General Plant			
	DISTRIBUTION SYSTEM	2,604	0

Particulars Concerning Cetrain Income Deductions and Interest Charges Accounts (Ref Page: 340)

Item (a)	Amount (b)

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Regulatory Commission Expenses (928) (Ref Page: 350)

Description (a)	Assessed by Reg Commission (b)	Expenses of the Utility (c)	Total Expenses (d)	Deferred in 182.3 Beg of Yr (e)	Expenses Incurred Charged to Department

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Regulatory Commission Expenses (928) (Ref Page: 350) (Part Two)

Description (a)	Expenses Incurred Charged to Acct (g)	Expenses Incurred Charged to Amount	Expenses Incurred Deferred to 182.3 (i)	Amortized Contra Acct (j)	Amortized Amt (k)	Deferred in 182.3 End of Yr (l)

Distribution of Salaries and Wages - Electric (Ref Page: 355)

	Specify	Direct Payroll (b)	Alloc Clearing Accts (c)	Total (d)
Electric				
Operation				
3. Production				
4. Transmission				
5. Distribution				
6. Customer Accounts				
7. Customer Service and Informational				
8. Sales				
9. Administrative and General				
10. Total Operation				
Maintenance				
12. Production				
13. Transmission				
14. Distribution				
15. Administrative and General				
16. Total Maint				
Total Operation and Maintenance				
18. Total Production (Lines 3 and 12)				
19. Total Transmission (Lines 4 and 13)				
20. Total Distribution (Lines 5 and 14)				
21. Customer Accounts (Transcribe from Line 6)				
22. Customer Service and Informational (Transcribe from Line 7)				
23. Sales (Transcribe from Line 8)				
24. Administrative and Generatl (Lines 9 and 15)				

Distribution of Salaries and Wages - Electric (Ref Page: 355)

	Specify	Direct Payroll (b)	Alloc Clearing Accts (c)	Total (d)
25. Total Oper. and Maint. (Lines 18-24)				

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Distribution of Salaries and Wages - Gas (Ref Page: 355)

	Specify	Direct Payroll (b)	Alloc Clearing Accts (c)	Total (d)
Gas				
Operation				
28. Production -- Manufactured Gas				
29. Production -- Nat. Gas (Including Expl and Dev.)				
20. Other Gas Supply				
31. Storage, LNG Terminaling and Processing				
32. Transmission				
33. Distribution				
34. Customer Accounts				
35. Customer Service and Informational				
36. Sales				
37. Administrative and General				
38. Total Operation				
Maintenance				
40. Production -- Manufactured Gas				
41. Production -- Natural Gas				
42. Other Gas Supply				
43. Storage, LNG Terminaling and Processing				
44. Transmission				
45. Distribution				
46. Administrative and General				
47. Total Maint				
Total Operation and Maintenance				

Distribution of Salaries and Wages - Gas (Ref Page: 355)

	Specify	Direct Payroll (b)	Alloc Clearing Accts (c)	Total (d)
50. Total Production -- Manufactured Gas (Lines 28 and 40)				
51. Total Production -- Natural Gas (Lines 29 and 41)				
52. Total Other Gas Supply (Lines 30 and 42)				
53. Total Storage LNG Terminaling and Processing (Lines 31 and 43)				
54. Total Transmission (Lines 32 and 44)				
55. Total Distribution (Lines 33 and 45)				
56. Customer Accounts (Transcribe Line 34)				
57. Customer Service and Informational (Transcribe Line 35)				
58. Sales (Transcribe Line 36)				
59. Administrative and General (Line 37 + 46)				
60. Total Operation and Maint (Lines 50-59)				
Other Utility Departments				
62. Operation and Maintenance				
63. Total All Utility Dept (Lines 25,60,62)				

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Distribution of Salaries and Wages - Utility Plant (Ref Page: 356)

	Specify	Direct Payroll (b)	Alloc Clearing Accts (c)	Total (d)
Utility Plant				
Construction (By Utility Departments)				
66. Electric Plant				
67. Gas Plant				
68. Other				
69. Total Construction				
70. Plant Removal (By Utility Departments)				
71. Electric Plant				
72. Gas Plant				
73. Other				
74. Total Plant Removal				
75. Other Accounts				
76. Total Other Accounts				
77. Total Salaries and Wages				

Charges for Outside Professional and Other Consultative Services (Ref Page: 358)

Description (a)	* (b)	Amount (2)

Compressor Stations (Ref Page: 508)

Name of Station and	Number of Units (b)	Certified Horsepower (c)	Plant Cost (d)	Fuel or Power (e)	Fuel or Power Type

Compressor Stations (Ref Page: 508) (Part Two)

Name of Station and	Other (f)	Gas for Comp Fuel MCF	Total Comp Hours	Comp operating at Time	Date of Station Peak (j)

Gas Storage Projects (Ref Page: 512)

	Gas Belonging to Respondent MCF (b)	Gas Belonging to Others MCF (c)	Total MCF (d)
Storage Operations (in MCF)			
Gas Delivered to Storage			
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
Total			
Gas Withdrawn from Storage			
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			

Gas Storage Projects (Ref Page: 512)

	Gas Belonging to Respondent MCF (b)	Gas Belonging to Others MCF (c)	Total MCF (d)
December			
Total			

Gas Storage Projects (cont) (Ref Page: 513)

	Total Amount (b)	Date
Storage Operations		
Top or Working Gas End of Year		
Cushion Gas (Including native gas)		
Total Gas in Reservoir		
Certified Storage Capacity		
Number of Injection - Withdrawal Wells		
Number of Obsevation Wells		
Maximum Days Withdrawal from Storage		
Date of Maximum Days Withdrawal		
LNG Terminal Companies (MCF)		
Number of Tanks		
Capacity of Tanks		
LNG Volume		
Received at Ship Rail		
Transferred to Tanks		
Withdrawn from Tanks		
Boil Off Vaporization Loss		

Transmission Lines (Ref Page: 514)

Designation of Line or Group of Lines (a)	* (b)	Total Miles of Pipe (c)

Transmission System Peak Deliveries (Ref Page: 518)

Description	MCF Gas to Interstate Pipelines (b)	MCF Gas to Others (c)	Total (d)
Section A: Single Day Peak Deliveries			
Date			
Volumes of Gas Transported			
No-Notice Transportation			
Other Firm Transportation			
Interruptible Transportation			
Other (Describe)			
Total			
Volumes of gas Withdrawn form Storage under Storage Contracts			
No-Notice Storage			
Other Firm Storage			
Interruptible Storage			
Other (Describe)			
Total			
Other Operational Activities			
Gas Withdrawn from Storage for System Operations			
Reduction in Line Pack			
Other (Describe)			
Total			
Section B: Consecutive Three-Day Peak Deliveries			
Dates:			
Volumes of Gas Transported			

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Transmission System Peak Deliveries (Ref Page: 518)

Description	MCF Gas to Interstate Pipelines (b)	MCF Gas to Others (c)	Total (d)
No-Notice Transportation			
Other Firm Transportation			
Interruptible Transportation			
Other (Describe)			
Total			
Volumes of Gas Withdrawn from Storage under Storage Contacts			
No-Notice Storage			
Other Firm Storage			
Interruptible Storage			
Other (Describe)			
Total			
Other Operational Activities			
Gas Withdrawn from Storage for System Operations			
Reduction in Line Pack			
Other (Describe)			
Total			

5900 Public Gas Company, Inc. 01/01/2010 - 12/31/2010

Auxiliary Peaking Facilities (Ref Page: 519)

Location (a)	Type (b)	Max Daily Delivery Capacity MCF (c)	Cost of Facility (d)	Operated on Date Highest Trans Peak Del? (yes/no)

Gas Account - Natural Gas (Ref Page: 520)

Description	Amt MCF
GAS RECEIVED	
Gas Purchases (800-805)	118,512
Gas of Others received for Gathering (ref pg 303) (489.1)	
Gas of Others Received for Transmission (Ref pg 305) (489.2)	
Gas of Others Received for Distrubution (ref pg 301) (489.3)	
Gas of Others Received for Contract Storage (Ref Pg 307) (489.4)	
Exchanged Gas Received from Others (Ref Pg 328) (806)	
Gas Received as Imbalances (Ref Pg 328) (806)	
Receipts of Respondent`s Gas Transported by Others (Ref pg 332) (858)	
Other Gas Withdrawn from Storage (Explain)	
Gas Received from Shippers as Compressor Station Fuel	
Gas Received from Shippers as Lost and Unaccounted for	
Other Reciepts (Specify)	
Total Receipts	118,512
GAS DELIVERED	
Gas Sales (480-484)	114,955
Deliveries of gas Gathered for Others (Ref pg 303) (489.1)	
Deliveries of Gas Transported for Others (Ref Pg 305) (489.2)	
Deliveries of Gas Distributed for Others (Ref Pg 301) (489.3)	
Deliveries of Contract Storage gas (Ref Pg 307) (489.4)	
Exchange Gas Delivered to Others (Ref Pg 328) (806)	
Gas Delivered as Imbalances (Ref Pg 328) (806)	
Deliveries of Gas to Others for Transportation (Ref Pg 332) (858)	
Other Gas Delivered to Storage (Explain)	

Gas Account - Natural Gas (Ref Page: 520)

Description	Amt MCF
Gas Used for Compressor Station Fuel (509)	
Other Deliveries (Specify)	
28. Total Deliveries	114,955
GAS UNACCOUNTED FOR	
Production System Losses	
Gathering System Losses	
Transmission System Losses	
Distribution System Losses	3,557
Storage System Losses	
Other Losses (Specify)	
36. Total Unaccounted For	3,557
Total Deliveries and Unaccounted For For (Line 28 and 36)	118,512

JOINT APPLICATION
EXHIBIT 7

SEC Filings
10-Q
Gas Natural Inc. filed this Form 10-Q on 11/14/11

<< Previous Page | Next Page >>

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-34585

GAS NATURAL INC.
(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	**27-3003768** (I.R.S. Employer Identification No.)
1 First Avenue South **Great Falls, Montana** (Address of principal executive office)	**59401** (Zip Code)

Registrant's telephone number, including area code: (800) 570-5688

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of November 2, 2011 was 8,153,551 shares.

As used in this Form 10-Q, the terms "Company," "Gas Natural," "Registrant," "we," "us" and "our" mean Gas Natural Inc. and its consolidated subsidiaries as a whole, unless the context indicates otherwise. Except as otherwise stated, the information is this Form 10-Q is as of September 30, 2011.

Table of Contents

GAS NATURAL INC.
INDEX TO FORM 10-Q

Signatures

Table of Contents

Gas Natural Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
September 30, 2011 and December 31, 2010 (Unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,490,103	$ 13,026,585
Marketable securities	367,500	274,950
Accounts receivable		
Trade, less allowance for doubtful accounts of $480,320 and $354,719, respectively	4,360,493	9,593,840
Related parties	501,752	559,384
Unbilled gas	1,245,062	5,724,346
Note receivable - related parties, current portion	10,079	9,565
Inventory		
Natural gas and propane	7,856,328	5,876,710
Materials and supplies	2,017,746	1,414,367
Prepaid income taxes	2,369,558	1,601,798
Prepayments and other	1,284,704	912,959
Recoverable cost of gas purchases	2,623,641	2,628,824
Deferred tax asset	106,601	114,362

Total current assets	33,233,567	41,737,690
PROPERTY, PLANT AND EQUIPMENT, net	90,096,562	76,134,401
OTHER ASSETS		
Notes receivable - related parties, less current portion	38,040	45,665
Deferred tax assets, less current portion	—	1,804,264
Regulatory assets		
Property taxes	661,147	873,197
Income taxes	452,645	452,645
Rate case costs	152,763	64,271
Debt issuance costs, net	841,440	485,244
Goodwill	14,607,952	14,607,952
Customer relationships	645,042	662,167
Investment in unconsolidated affiliate	858,642	640,216
Restricted cash	2,756,857	—
Other assets	297,291	220,224
Total other assets	21,311,819	19,855,845
TOTAL ASSETS	$144,641,948	$137,727,936

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

Gas Natural Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
September 30, 2011 and December 31, 2010 (Unaudited)

	September 30, 2011	December 31, 2010
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Checks in excess of amounts on deposit	$ 155,407	$ 532,145
Line of credit	17,600,000	18,149,999
Accounts payable		
Trade	6,333,431	9,200,297
Related parties	66,910	417,543
Notes payable, current portion	7,750	910,917
Notes payable - related parties, current portion	—	49,361
Accrued liabilities		
Taxes other than income	2,704,611	2,961,853
Vacation	159,603	86,194
Employee benefit plans	82,585	103,257
Interest	223,880	29,810
Deferred payments received from levelized billing	2,589,624	2,916,408
Customer deposits	702,515	679,237
Property tax settlement, current portion	242,120	242,120

Related parties	23,091	413,399
Other current liabilities	580,457	1,020,733
Overrecovered gas purchases	2,262,295	1,203,191
Total current liabilities	33,734,279	38,916,464
LONG-TERM LIABILITIES		
Deferred investment tax credits	181,645	197,441
Deferred tax liability	1,198,780	—
Asset retirement obligation	1,652,129	1,546,867
Customer advances for construction	865,157	949,434
Regulatory liability for income taxes	83,161	83,161
Regulatory liability for gas costs	70,454	131,443
Property tax settlement, less current portion	243,008	243,008
Total long-term liabilities	4,294,334	3,151,354
NOTES PAYABLE, less current portion	31,346,758	21,958,616
COMMITMENTS AND CONTINGENCIES (see Note 11)		
STOCKHOLDERS' EQUITY		
Preferred stock; $0.15 par value, 1,500,000 shares authorized, no shares outstanding	—	—
Common stock; $0.15 par value, 15,000,000 shares authorized, 8,153,176 and 8,149,801 shares outstanding, respectively	1,222,976	1,222,470

Capital in excess of par value	41,961,754	41,910,067
Accumulated other comprehensive income	96,287	46,590
Retained earnings	31,985,560	30,522,375
Total stockholders' equity	75,266,577	73,701,502
TOTAL CAPITALIZATION	106,613,335	95,660,118
TOTAL LIABILITIES AND CAPITALIZATION	$144,641,948	$137,727,936

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

Gas Natural Inc. and Subsidiaries
Condensed Consolidated Statements of Income
Three and Nine Months Ended September 30, 2011 and 2010 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
REVENUES				
Natural gas operations	$10,348,819	$10,158,766	$65,663,664	$56,347,035
Marketing and production	855,715	638,471	4,156,882	5,624,803
Pipeline operations	106,351	104,461	314,736	319,418
Propane operations	1,009,844	—	1,009,844	—
Total revenues	12,320,729	10,901,698	71,145,126	62,291,256
COST OF SALES				
Natural gas purchased	4,548,224	4,803,027	38,840,724	32,343,603
Marketing and production	585,810	380,934	3,193,596	4,435,153
Propane purchased	875,305	—	875,305	—
Total cost of sales	6,009,339	5,183,961	42,909,625	36,778,756
GROSS MARGIN	6,311,390	5,717,737	28,235,501	25,512,500
OPERATING EXPENSES				
Distribution, general, and administrative	4,635,388	4,192,142	13,922,684	12,459,957
Maintenance	235,635	239,152	792,827	775,634

Depreciation and amortization	1,153,430	1,018,857	3,256,977	2,984,726
Accretion	35,849	33,991	105,262	92,836
Taxes other than income	842,786	789,490	2,589,732	2,548,725
Total operating expenses	6,903,088	6,273,632	20,667,482	18,861,878
OPERATING INCOME (LOSS)	(591,698)	(555,895)	7,568,019	6,650,622
LOSS FROM UNCONSOLIDATED AFFILIATE	(2,024)	(2,760)	(85,174)	(34,882)
OTHER INCOME (EXPENSE), net	(261,625)	264,922	(29,838)	393,857
INTEREST EXPENSE	(552,341)	(492,378)	(1,458,194)	(1,614,134)
GAIN ON BARGAIN PURCHASE	1,054,861	—	1,054,861	—
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	(352,827)	(786,111)	7,049,674	5,395,463
INCOME TAX BENEFIT (EXPENSE)	482,353	741,406	(2,285,056)	(1,311,444)
NET INCOME (LOSS)	$ 129,526	$ (44,705)	$ 4,764,618	$ 4,084,019
EARNINGS (LOSS) PER SHARE - BASIC	$ 0.02	$ (0.01)	$ 0.58	$ 0.68
EARNINGS (LOSS) PER SHARE - DILUTED	$ 0.02	$ (0.01)	$ 0.58	$ 0.68
WEIGHTED AVERAGE DIVIDENDS DECLARED PER COMMON SHARE	$ 0.135	$ 0.135	$ 0.405	$ 0.410
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	8,152,487	6,072,996	8,151,370	6,040,063

WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	8,160,048	6,072,996	8,159,326	6,048,332

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

Gas Natural Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity
Nine Months Ended September 30, 2011 and 2010 (Unaudited)

	Common Shares	Common Stock	Capital In Excess Of Par Value	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Retained Earnings	Total
BALANCE AT DECEMBER 31, 2009	**4,361,869**	**$ 654,280**	**$ 6,514,851**	**$ 146,701**	**$ 100,989**	**$28,270,987**	**$35,687,808**
Net income	—	—	—	—	—	4,084,019	4,084,019
Net unrealized loss on available for sale securities	—	—	—	(96,159)	—	—	(96,159)
Stock issued for services	4,499	675	48,045	—	—	—	48,720
Stock option expense	—	—	14,109	—	—	—	14,109
Acquisition of Ohio Companies	1,707,308	256,096	16,816,988	—	—	—	17,073,084
Purchase remaining share in Cut Bank Gas Company	—	—	—	—	(100,989)	—	(100,989)
Dividends declared	—	—	—	—	—	(2,459,114)	(2,459,114)
BALANCE AT SEPTEMBER 30, 2010	**6,073,676**	**$ 911,051**	**$23,393,993**	**$ 50,542**	**$ —**	**$29,895,892**	**$54,251,478**
BALANCE AT DECEMBER 31, 2010	**8,149,801**	**$1,222,470**	**$41,910,067**	**$ 46,590**	**$ —**	**$30,522,375**	**$73,701,502**

Net income	—	—	—	—	—	4,764,618	4,764,618
Net unrealized gain on available for sale securities	—	—	—	49,697	—	—	49,697
Stock issued for services	3,375	506	37,298	—	—	—	37,804
Stock option expense	—	—	14,389	—	—	—	14,389
Dividends declared	—	—	—	—	—	(3,301,433)	(3,301,433)
BALANCE AT SEPTEMBER 30, 2011	**8,153,176**	**$1,222,976**	**$41,961,754**	**$ 96,287**	**$ —**	**$31,985,560**	**$75,266,577**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

Gas Natural Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010 (Unaudited)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,764,618	$ 4,084,019
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,256,977	2,738,441
Accretion	105,262	92,836
Amortization of debt issuance costs	106,748	97,975
Stock based compensation	52,193	62,829
Gain on sale of marketable securities	—	(159,520)
Loss on sale of assets	30,916	—
Loss from unconsolidated affiliate	85,174	34,882
Gain on bargain purchase	(1,054,861)	—
Investment tax credit	(15,796)	(15,796)
Deferred income taxes	2,981,256	1,098,029
Changes in assets and liabilities		
Accounts receivable, including related parties	5,511,774	10,678,613
Unbilled gas	4,479,284	1,569,929

Natural gas and propane inventory	(1,853,006)	(1,399,660)
Accounts payable, including related parties	(4,083,198)	(5,704,175)
Recoverable/refundable cost of gas purchases	1,064,287	(2,704,976)
Prepayments and other	(371,745)	(579,352)
Other assets	(1,520,188)	(1,601,287)
Other current liabilities	(993,626)	(1,424,044)
Net cash provided by operating activities	12,546,069	6,868,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(14,968,603)	(3,957,184)
Proceeds from sale of fixed assets	43,522	—
Proceeds from sale of marketable securities	—	4,185,867
Purchase of marketable securities	(13,304)	(52,948)
Proceeds from related party note receivable	7,111	—
Purchase of Cut Bank shares and Kidron Investment	—	(206,067)
Cash acquired in acquisition	—	144,203
Purchase of Independence Oil & LP Gas, Inc.	(1,275,656)	—
Restricted cash	(1,807,425)	—
Investment in unconsolidated affiliate	(303,600)	(52,500)
Customer advances for construction	60,720	138,443

Contributions in aid of construction	2,725	(65,689)
Net cash provided by (used in) investing activities	(18,254,510)	134,125
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	25,200,000	28,650,000
Repayment on lines of credit	(25,749,999)	(28,700,000)
Proceeds from notes payable	18,355,215	31,316
Repayments of notes payable	(9,870,240)	(894,013)
Repayments of related party notes payable	(49,361)	—
Debt issuance costs	(462,944)	—
Restricted cash	(949,432)	—
Dividends paid	(3,301,280)	(2,458,912)
Net cash provided by (used) in financing activities	3,171,959	(3,371,609)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,536,482)	3,631,259
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	13,026,585	2,752,168
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 10,490,103	$ 6,383,427

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

Gas Natural Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010 (Unaudited)

	2011	2010
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$1,164,165	$ 1,293,779
Cash paid for income taxes	91,303	208,372
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Shares issued to purchase Ohio Companies	—	17,073,084
Capital expenditures included in accounts payable	622,642	191,457
Capitalized interest	6,342	3,372
Accrued dividends	366,893	366,741

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Business and Significant Accounting Policies

Nature of Business

Gas Natural Inc. is the parent company of Energy West, Incorporated ("Energy West"), Lightning Pipeline Company, Inc. ("Lightning Pipeline"), Great Plains Natural Gas Company ("Great Plains"), Brainard Gas Corp. ("Brainard"), Gas Natural Service Company, LLC (the "Service Company") and Independence Oil, LLC ("Independence Oil"). Energy West is the parent company of multiple entities that are natural gas utility companies with operations in Montana, Wyoming, North Carolina and Maine. Lightning Pipeline is the parent company of multiple entities that are natural gas utility companies with operations in Ohio and Pennsylvania. Great Plains is the parent company of an entity that is a natural gas utility company with operations in Ohio. Brainard is a natural gas utility company with operations in Ohio. The Service Company manages gas procurement, transportation, and storage for Brainard and subsidiaries of Lightning Pipeline and Great Plains. Independence Oil is a non-regulated subsidiary that delivers liquid propane, heating oil, and kerosene to customers in North Carolina and Virginia. The Company was originally incorporated in Montana in 1909. The Company currently has five reporting segments, including the addition of the propane operations segment added during the quarter as a result of the Independence Oil acquisition:

• *Natural Gas Operations*	Annually distribute approximately 30 billion cubic feet of natural gas to approximately 63,500 customers through regulated utilities operating in Montana, Wyoming, Maine, North Carolina, Ohio and Pennsylvania. The Maine and North Carolina operations were acquired in 2007, while Cut Bank Gas in Montana was added in November 2009 and the Ohio and Pennsylvania operations were acquired in January 2010.
• *Marketing and Production Operations*	Annually market approximately 1.3 billion cubic feet of natural gas to commercial and industrial customers in Montana and Wyoming and manage midstream supply and production assets for transportation customers and utilities through the subsidiary, Energy West Resources, Inc. ("EWR"). EWR owns an average 48% gross working interest (an average 42% net revenue interest) in 160 natural gas producing wells and gas gathering assets. The production holds approximately 20,000 acres of lease rights on state lands in Montana.
• *Pipeline Operations*	The Shoshone interstate and Glacier gathering natural gas pipelines located in Montana and Wyoming are owned through the subsidiary Energy West Development, Inc. ("EWD"). Certain natural gas producing wells owned by EWD are being managed and reported under the marketing and production operations.
• *Propane Operations*	Delivers liquid propane, heating oil and kerosene to approximately 4,500 residential, commercial and agricultural customers in North Carolina and Virginia through the subsidiary, Independence Oil. The operations were acquired in August 2011.
• *Corporate and Other*	Corporate and other encompasses the results of corporate acquisitions and other equity transactions. Included in corporate and other are costs associated with business development and acquisitions, dividend income and recognized gains from the sale of marketable securities.

Basis of Presentation

The accompanying condensed balance sheet as of December 31, 2010, which has been derived from audited financial statements, and the unaudited interim condensed financial statements of Gas Natural Inc. and its subsidiaries (collectively, the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, they do not include all of the

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature.

The historical financial statements reflect the following reportable business segments: Natural Gas Operations, Marketing and Production Operations, Pipeline Operations and Corporate and Other. In addition, the financial statements now reflect a new segment for Propane Operations as a result of the acquisition of Independence Oil & LP Gas, Inc. on August 1, 2011. Independence Oil & LP Gas, Inc. delivered liquid propane, heating oil and kerosene to approximately 4,500 customers in North Carolina and Virginia. We created a new subsidiary, Independence Oil, LLC, in connection with the acquisition and plan to continue serving current customers with the intention to expand to other customers in each of the regions.

The Company follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") to ensure the consistent reporting of the Company's financial condition, results of operations and cash flows. Over the years, the FASB and other designated GAAP-setting bodies, have issued standards in the form of FASB Statements, Interpretations, FASB Staff Positions, EITF consensuses, AICPA Statements of Position, etc. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

Operating results for the nine month period ended September 30, 2011 are not necessarily indicative of the results that may be expected for future fiscal periods. Events occurring subsequent to September 30, 2011 have been evaluated as to their potential impact to the financial statements through the date of issuance. These financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the period ended December 31, 2010.

Effects of Regulation

The Company follows the provisions of ASC 980, Regulated Operations, and the accompanying financial statements reflect the effects of the different rate-making principles followed by the various jurisdictions regulating the Company. The economic effects of regulation can result in regulated companies recording costs that have been, or are expected to be, allowed in the rate-making process in a period different from the period in which the costs would be charged to expense by an unregulated enterprise. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses in the periods when those same amounts are reflected in rates. Additionally, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for amounts that are expected to be refunded to customers which are recorded as liabilities in the balance sheet (regulatory liabilities).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Company has used estimates in measuring certain deferred charges and deferred credits related to items subject to approval of the various public service commissions with jurisdiction over the Company. Estimates are also used in development of the allowances for doubtful accounts, unbilled gas, asset retirement obligations, and determination of depreciable lives of utility plant. The deferred tax asset and valuation allowance require a significant amount of judgment and are significant estimates. The estimates are based on projected future tax deductions, future taxable income, estimated limitations under the Internal Revenue Code, and other assumptions.

Such estimates could change in the near term and could significantly impact the Company's results of operations and financial position.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, at the date of acquisition, to be cash equivalents. The Company maintains, at various financial institutions, cash and cash equivalents which may exceed federally insurable limits and which may, at times, significantly exceed balance sheet amounts.

Receivables

The accounts receivable are generated from sales and delivery of natural gas as measured by inputs from meter reading devices. Trade accounts receivable are carried at the expected net realizable value. There is credit risk associated with the collection of these receivables. As such, a provision is recorded for the receivables considered to be uncollectible. The provision is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable and historical write-off amounts. The underlying assumptions used for the provision can change from period to period and the provision could potentially cause a negative material impact to the income statement and working capital.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Two of the Company's utilities in Ohio, Orwell Natural Gas Company ("Orwell") and Northeast Ohio Natural Gas Corp. ("NEO") collect from their customers, through rates, an amount to provide an allowance for doubtful accounts. As accounts are identified as uncollectible, they are written off against this allowance for doubtful accounts with no income statement impact. In effect, all bad debt expense is funded by the customer base. The total amount collected from customers and the amounts written off are reviewed annually by the Public Utility Commission of Ohio ("PUCO") and the rate per Mcf is adjusted as necessary.

The Company's bad debt expense for the three and nine months ended September 30, 2011 was $10,079 and $89,256, respectively. Bad debt expense for the three and nine months ended September 30, 2010 was $19,266 and $98,607, respectively.

Recoverable/Refundable Costs of Gas Purchases

The Company accounts for purchased gas costs in accordance with procedures authorized by the Montana Public Service Commission ("MPSC"), the Wyoming Public Service Commission ("WPSC"), the North Carolina Utilities Commission ("NCUC"), the Maine Public Utilities Commission ("MPUC"), the PUCO and the Pennsylvania Public Utility Commission ("PaPUC"). Purchased gas costs that are different from those provided for in present rates, and approved by the respective commission, are accumulated and recovered or credited through future rate changes. The gas cost recoveries are monitored closely by the regulatory commissions in all of the states in which the Company operates and are subject to periodic audits or other review processes.

During the year ended December 31, 2010, the PUCO conducted audits of NEO and Orwell's rates as filed from September 2007 through August 2009 and January 2008 through June 2010, respectively. The PUCO provided the primary audit findings during the fourth quarter of 2010, taking the position that NEO had not included approximately $1,050,000 of costs and Orwell included an excess of approximately $1,100,000 of costs in the filings under audit. In accordance with ASC 980, Regulated Operations, the Company recorded an adjustment of $1,050,000 and ($1,100,000) during the year ended December 31, 2010 for NEO and Orwell, respectively. On October 26, 2011, the PUCO adopted and approved a Joint Stipulation that finalizes the adjustments for NEO and Orwell to approximately $1,100,000 and ($964,000), respectively. However, the Joint Stipulation modified the refund period for Orwell to one year as compared to two years as originally identified. The Company considers the modification to be material and is attempting to have the PUCO change the payback period. The Company recorded the difference between the original estimates and the amounts approved in the Joint Stipulation during the three months ended September 30, 2011.

During the three months ended September 30, 2011, the PUCO conducted an audit of Brainard's rates as filed from July 2009 through June 2011. The PUCO provided findings that Brainard collected excess gas costs of approximately $104,000. The Company agrees that excess gas costs were collected, but only in the amount of approximately $48,000. The Company and the PUCO plan to schedule a hearing to review the difference.

Regulatory Assets

The regulatory asset for property tax is recovered in rates over a ten-year period starting January 1, 2004. The income taxes earn a return equal to that of the Company's rate base. The rate case costs do not earn a return. Regulatory assets will be recovered over a period of approximately three to twenty years.

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing and are recognized as assets and are amortized as interest expense over the term of the related debt. The unamortized balance of debt issuance costs was $841,440 and $485,244 as of September 30, 2011 and December 31, 2010, respectively, including the costs related to refinancing the debt in Ohio. Amortization expense was $38,081 and $106,748 for the three and nine months ended September 30, 2011, respectively. Amortization expense was $34,579 and $97,975 for the three and nine months ended September 30, 2010, respectively.

Asset Retirement Obligations

The Company records the fair value of a liability for an asset retirement obligation ("ARO") in the period in which it was incurred or acquired. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The increase in carrying value of a property associated with the capitalization of an asset retirement cost is included in "Property, plant and equipment, net" in the accompanying balance sheets. The Company amortizes the amount added to property, plant, and equipment,

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

net. The accretion of the asset retirement liability is allocated to operating expense using a systematic and rational method. As of September 30, 2011 and December 31, 2010, the Company has recorded a net asset of $244,817 and $297,617, and a related liability of $1,652,129 and $1,546,867, respectively.

The Company, excluding Orwell and Brainard, has identified but not recognized ARO liabilities related to gas transmission and distribution assets resulting from easements over property not owned by the Company. These easements are generally perpetual and only require retirement action upon abandonment or cessation of use of the property for the specified purpose. The ARO liability is not estimable for such easements as the Company intends to utilize these properties indefinitely. In the event the Company decides to abandon or cease the use of a particular easement, an ARO liability would be recorded at that time.

As a result of regulatory action by the PUCO related to prior audits, Orwell and Brainard accrue an estimated liability for removing gas mains, meter and regulator station equipment and service lines at the end of their useful lives. The liability is equal to a percent of the asset cost according to the following table:

	Percent of Asset Cost	
	Orwell	Brainard
Mains	15%	20%
Meter/regulator stations	10%	10%
Service lines	75%	75%

The Company has no assets legally restricted for purposes of settling its asset retirement obligations. The schedule below is a reconciliation of the Company's liability for the nine months ended September 30:

	2011	2010
Balance, beginning of period	$1,546,867	$ 787,233
Liabilities incurred or acquired	—	631,340
Liabilities settled	—	—
Accretion expense	105,262	92,836
Balance, end of period	$1,652,129	$1,511,409

Revenue Recognition

Revenues are recognized in the period that services are provided or products are delivered. The Company records gas distribution revenues for gas delivered to residential and commercial customers but not billed at the end of the accounting period. The Company periodically collects revenues subject to possible refunds pending final orders from regulatory agencies. When this occurs, appropriate liabilities for such revenues collected subject to refund are established.

Comprehensive Income (Loss)

Comprehensive income (loss) includes net income and other comprehensive income (loss), which for the Company is primarily comprised of unrealized holding gains or losses on available-for-sale securities that are excluded from the statement of operations in computing net loss and reported separately in shareholders' equity. Comprehensive income (loss) and its components are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net Income (Loss)	$ 129,526	$ (44,705)	$ 4,764,618	$ 4,084,019
Other comprehensive income				
Change in unrealized gain/(loss) on available-for-sale securities, net of tax	30,076	(12,164)	49,697	(96,159)
Comprehensive Income (Loss)	$ 159,602	$ (56,869)	$ 4,814,315	$ 3,987,860

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Other comprehensive income (loss) for the three and nine months ended September 30, 2011 is reported net of tax of $17,884 and $29,549, respectively. Other comprehensive income (loss) for the three and nine months ended September 30, 2010 is reported net of tax of ($7,626) and ($60,160), respectively.

Earnings Per Share

Net income (loss) per common share is computed by both the basic method, which uses the weighted average number of common shares outstanding, and the diluted method, which includes the dilutive common shares from stock options and other dilutive securities, as calculated using the treasury stock method.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Weighted average number of common shares outstanding used in the basic earnings per common share calculations	8,152,487	6,072,996	8,151,370	6,040,063
Dilutive effect of stock options	7,561	—	7,956	8,269
Weighted average number of common shares outstanding adjusted for dilutive effect of stock options	8,160,048	6,072,996	8,159,326	6,048,332

Reclassifications

Certain reclassifications of prior year reported amounts have been made for comparative purposes. Such reclassifications had no effect on income (loss).

Recently Adopted Accounting Pronouncements

ASU No. 2010-28, "Intangibles – Goodwill and Other (Topic 350) – When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts"

In January 2011, the Company adopted new authoritative guidance under this ASU, which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist such as if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The adoption of this guidance did not have a material impact on the accompanying financial statements.

ASU No. 2010-29, "Business Combinations (Topic 805) – Disclosure of Supplementary Pro Forma Information for Business Combinations"

In January 2011, the Company adopted new authoritative guidance under this ASU, which provides clarification regarding the acquisition date that should be used for reporting pro forma financial information disclosures required by Topic 805 when

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

comparative financial statements are presented. This ASU also requires entities to provide a description of the nature and amount of material, nonrecurring pro forma adjustments that are directly attributable to the business combination. The adoption of this guidance did not have a material impact on the accompanying financial statements.

Recently Issued Accounting Pronouncements

ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in US GAAP and IFRSs"

In May 2011, the FASB issued ASU 2011-04, which changes the wording used to describe many of the requirements in US GAAP for measuring fair value and for disclosing information about fair value measurements. Currently, the guidance is anticipated to be effective for interim and annual periods beginning after December 15, 2011; early application is not permitted. This ASU is not expected to have a material impact on the accompanying financial statements.

ASU No. 2011-05, "Presentation of Comprehensive Income"

In June 2011, the FASB issued ASU 2011-05, which is intended to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of US GAAP and IFRS, the FASB eliminated the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The ASU requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This ASU is expected to change the presentation of other comprehensive income in the accompanying financial statements. However, this ASU does not change the calculation of the other comprehensive income. Currently, the guidance is anticipated to be effective for fiscal years, and interim periods within those years, beginning after December 15, 2011; early adoption is permitted. The Company does not expect to implement this ASU prior to the required date.

Note 2 – Acquisitions

On January 5, 2010, the Company completed the acquisition of Lightning Pipeline, Great Plains, Brainard and collectively with Lightning Pipeline, Great Plains and Brainard, the "Ohio Companies" and each an "Ohio Company". Lightning Pipeline is the parent company of Orwell and Great Plains is the parent company of NEO. Orwell, NEO and Brainard are natural gas distribution companies that serve approximately 24,000 customers in Northeastern Ohio and Western Pennsylvania. The acquisition increased the Company's customers by more than 50%.

Merger Consideration-Issuance of Shares

The final aggregate purchase price for the Ohio Companies was $37.9 million, which consisted of approximately $20.8 million in debt of the Ohio Companies with the remainder of the purchase price paid in unregistered shares of common stock of the Company. In accordance with the Merger Agreements, on January 5, 2010, the shares of common stock of Lightning Pipeline, Great Plains and Brainard were converted into the right to receive unregistered shares of common stock of the Company (the "Shares") in accordance with the following calculation:

> The total number of Shares the Shareholders received equaled the total of $34,304,000 plus $3,565,339, which was the number of additional active customers of the Ohio Companies in excess of 20,900 at closing (23,131 - 20,900 = 2,231 multiplied by $1,598.09), less $20,796,254 (which was the debt of the Ohio Companies at closing), divided by $10.

Based on this calculation, the Company issued 1,707,308 Shares in the aggregate. The Company issued Richard M. Osborne ("Mr. Osborne"), as trustee, 1,565,701 Shares, Thomas J. Smith ("Mr. Smith") 73,244 Shares and Rebecca Howell ("Ms. Howell") 19,532 Shares. Mr. Osborne is chairman of the board and chief executive officer, Mr. Smith is a director and the chief financial officer, and Ms. Howell is the corporate secretary of the Company.

The acquisition of the Ohio Companies was accounted for under the purchase method of accounting. Under the purchase method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The estimated fair value of the assets acquired and liabilities assumed is reflected in the following table at the date of acquisition.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Total Ohio Companies	Great Plains	Lightning Pipeline	Brainard
Current assets	$11,475,898	$ 7,343,434	$ 4,012,842	$119,625
Property and equipment	29,530,634	18,290,609	10,818,924	421,101
Deferred Tax Assets	76,772	—	11,535	65,237
Other Noncurrent assets	152,585	1,000	140,002	11,583
Customer Relationships	685,000	640,000	45,000	—
Goodwill	13,551,181	9,112,901	4,312,007	126,273
Total assets acquired	**55,472,070**	**35,387,944**	**19,340,310**	**743,819**
Current liabilities	13,836,120	7,589,554	5,842,518	404,051
Asset Retirement Obligation	487,447	—	477,939	9,508
Deferred Tax Liability	3,279,164	1,483,525	1,651,769	143,870
Total liabilities assumed	**17,602,731**	**9,073,079**	**7,972,226**	**557,429**
Net assets acquired	**$37,869,339**	**$26,314,865**	**$11,368,084**	**$186,390**

Approximately $13.6 million of the total purchase price was allocated to goodwill. None of the goodwill is expected to be deductible for tax purposes. Transaction costs related to the mergers totaled $0 and $136,346 for the three and nine months ended September 30, 2010, respectively, and are recorded in the accompanying statements of income within the other income (expense).

The results of operations for the Ohio Companies for the period from January 1, 2010 to January 4, 2010 were not material.

Acquisition of Spelman Pipeline

On April 8, 2011 the Company's indirect subsidiary, Spelman Pipeline Holdings, LLC ("Spelman"), a subsidiary of Lightning Pipeline, completed the acquisition of dormant refined products pipeline assets from Marathon Petroleum Company LP. The cash purchase price for the assets was $3.34 million.

The acquired assets include pipelines and rights-of-way located in Ohio and Kentucky. In Ohio, the assets include more than 140 miles of pipeline spanning almost a third of the state from Marion to Youngstown. Other Ohio assets are located in metropolitan and south suburban Cleveland. The Kentucky assets include more than 60 miles of right-of-way to the south of Louisville.

Spelman intends to recondition and convert the Ohio pipelines to transport natural gas to new markets where natural gas service is currently not available, as well as to connect to markets served by the Ohio Companies. The Company expects to fund capital expenditures in 2011 to convert the existing facilities to natural gas. The expenditures include reestablishment and clearing of rights-of-way, "pigging" and pressure test of the line, replacement of some existing pipe, connect to supply sources and establishment of interconnections to customers. The current assets are cathodically protected and reside in a protective nitrogen bath.

Future plans include extending the lines to participate in the transportation of Utica and Marcellus Shale production. The Company does not currently have definitive plans for the Kentucky assets.

Spelman has filed an application known as a "First Filing" to establish intrastate transportation rates with the PUCO. Should the Commission find that the rates proposed by the Company are not unjust and unreasonable, it may approve the rates without a hearing. On October 12, 2011, the PUCO authorized Spelman to commence operations as an intrastate pipeline company and approving its proposed tariff including its proposed transportation rates and charges. Spelman expects to begin transportation service by December 31, 2011.

Acquisition of Independence Oil & LP Gas, Inc.

On August 1, 2011 the Company purchased certain assets and assumed certain liabilities of Independence Oil & LP Gas, Inc. for the original price of $1.6 million, of which $200,000 was held back for 90 days. Independence Oil & LP Gas, Inc. delivered liquid propane, heating oil, and kerosene to approximately 4,500 customers from its offices in West Jefferson, North Carolina and

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Independence, Virginia. The Company created a new subsidiary named Independence Oil, LLC and is continuing to service the current customers with the intention to expand to other customers in each of the regions. The costs related to the transaction were $13,526 and were expensed during the three months ended September 30, 2011.

In accordance with GAAP, the Company determined the purchase of the assets acquired and liabilities assumed to be a business combination. Therefore, the Company valued each of the assets acquired (cash, accounts receivable, inventory, and property, plant and equipment) and liabilities assumed (accounts payable) at fair value as of the acquisition date. The cash, accounts receivable and accounts payable were deemed to be at fair value as of the acquisition date. The Company valued the fair value of inventory and property, plant and equipment by performing fair value research of the items acquired. This process resulted in the fair value of the assets acquired, reduced by the liabilities assumed, to be greater than the purchase price. The difference is a gain from bargain purchase and is included as a separate line item in the accompanying statements of income. The Company completed the transaction as it provided the opportunity to strengthen the presence in North Carolina, while extending into Virginia, two markets with favorable competitive conditions targeted for growth.

The estimated fair value of the assets acquired and liabilities assumed is reflected in the following table at the date of acquisition.

Current assets	$ 429,576
Property and equipment	1,958,717
Total assets acquired	**2,388,293**
Current liabilities	57,777
Total liabilities assumed	**57,777**
Net assets acquired	**$2,330,516**

The asset purchase agreement included a settlement date 90 days after the acquisition date, determined to be October 31, 2011 by both parties. As a result of this settlement, the Company paid $125,000 of the $200,000 that was held back at the acquisition date on November 1, 2011. The seller is still completing environmental remediation that was agreed upon at the time of closing, of which, the Company is liable only for costs up to $75,000 and is holding this money until completion and approval of the remediation. Due to the timing of the settlement, the Company did not include these adjustments in the amounts recorded for the three and nine months ended September 30, 2011. In accordance with GAAP, the Company will adjust the amounts in the subsequent filing.

Note 3 – Marketable Securities

Securities investments that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and recorded at amortized cost. Securities investments bought expressly for the purpose of selling in the near term are classified as trading securities and are measured at fair value with unrealized gains and losses reported in earnings. Securities investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value in marketable securities in the accompanying balance sheets, with the change in fair value during the period excluded from earnings and recorded net of tax as a component of other comprehensive income. Realized gains and losses, and declines in value judged to be other than temporary, are in the accompanying statements of income. The Company did not hold any held-to-maturity or trading securities as of September 30, 2011 or December 31, 2010.

The following is a summary of available-for-sale securities at:

	September 30, 2011		
	Investment at cost	Unrealized Gains	Estimated Fair Value
Common stock	$212,804	$154,696	$367,500

	December 31, 2010		
	Investment at cost	Unrealized Gains	Estimated Fair Value
Common stock	$199,500	$ 75,450	$274,950

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unrealized gains on available-for-sale securities of $96,287 and $46,590, respectively (net of $58,409 and $28,860 in taxes) was included in accumulated other comprehensive income in the accompanying balance sheets at September 30, 2011 and December 31, 2010, respectively.

The gross realized gains are summarized below:

Three Months Ended September 30,	Sales Proceeds	Cost	Gross Realized Gains
2011	$ —	$ —	$ —
2010	$1,831,989	$1,781,613	$ 50,376

Nine Months Ended September 30,	Sales Proceeds	Cost	Gross Realized Gains
2011	$ —	$ —	$ —
2010	$4,185,867	$4,026,347	$159,520

As of September 30, 2011 and December 31, 2010, the Company did not hold any securities in an unrealized loss position.

The fair value of cash and cash equivalents, notes and accounts receivable and notes and accounts payable are not materially different from their carrying amounts. The fair values of marketable securities are estimated based on closing share price on the quoted market price for those investments. Cost basis is determined by specific identification of securities sold.

Note 4 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Measuring fair value requires the use of market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, corroborated by market data, or generally unobservable. Valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Valuation Hierarchy

A fair value hierarchy that prioritizes the inputs used to measure fair value, and requires fair value measurements to be categorized based on the observability of those inputs has been established by the applicable accounting guidance. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The following tables represent the Company's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of:

	September 30, 2011			
	Level 1	Level 2	Level 3	TOTAL
Available-for-sale securities	$367,500	—	—	$367,500

	December 31, 2010			
	Level 1	Level 2	Level 3	TOTAL
Available-for-sale securities	$274,950	—	—	$274,950

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Credit Facilities and Long-Term Debt

Bank of America

At September 30, 2011, Energy West had a $20 million revolving credit facility with the Bank of America that includes an annual commitment fee equal to 0.20% of the unused portion of the facility and interest on amounts outstanding at the monthly London Interbank Offered Rate ("LIBOR") plus 120 to 145 basis points for interest periods selected by Energy West (the "Bank of America Credit Facility"). For the three months ended September 30, 2011 and 2010, the weighted average interest rate on the facility was 1.56% and 1.80%, respectively, resulting in $55,355 and $53,848 of interest expense, respectively. For the nine months ended September 30, 2011 and 2010, the weighted average interest rate on the facility was 1.67% and 2.34%, respectively, resulting in $156,602 and $172,785 of interest expense, respectively. The balance on the revolving credit facility was $17,600,000 and $18,149,999 at September 30, 2011 and December 31, 2010, respectively.

The $17.6 million of borrowings as of September 30, 2011, leaves the remaining borrowing capacity on the line of credit at $2.4 million.

On November 2, 2011, the Company exercised the $10 million accordion feature on the revolving credit facility with Bank of America to increase the capacity from $20 million to $30 million. The expanded credit facility changes the annual commitment fee equal to a range of 0.25% to 0.45% of the unused portion of the facility and interest on amounts outstanding at the monthly LIBOR plus 175 to 225 basis points. The other terms of the agreement remain the same, including the expiration of the facility on June 29, 2012.

Senior Unsecured Notes

On June 29, 2007, Energy West authorized the sale of $13,000,000 aggregate principal amount of its 6.16% Senior Unsecured Notes, due June 29, 2017 (the "Senior Unsecured Notes"). The proceeds of these notes were used to refinance existing notes. Approximately $463,000 was incurred related to the debt issuance which was capitalized and are being amortized over the life of the notes.

Interest expense was $200,200 and $600,600 for the three and nine months ended September 30, 2011 and 2010, respectively.

Citizens Bank

In connection with the acquisition of the Ohio Companies, NEO and Great Plains each entered modifications/amendments to its credit facility with Citizens Bank (the "Citizens Credit Facility"). The Citizens Credit Facility consisted of a revolving line of credit and term loan to NEO, and two other term loans to Great Plains respectively. Each amendment/modification was initially effective as of December 1, 2009, but was later modified to be effective as of January 5, 2010. Gas Natural guaranteed each loan. Mr. Osborne guaranteed each loan both individually and as trustee of the Richard M. Osborne Trust, and Great Plains guaranteed NEO's revolving line of credit and term loans.

The Ohio Companies had term loans with Citizens Bank in the aggregate amount of $11.3 million. Each term note had a maturity date of July 1, 2013 and bore interest at an annual rate of 30-day LIBOR plus 400 basis points with an interest rate floor of 5.00% per annum. For the three and nine months ended September 30, 2011 the weighted average interest rate on the term loans was 5.00%, resulting in $0 and $156,022 of interest expense, respectively. For the three and nine months ended September 30, 2010 the weighted average interest rate on the term loans was 5.00%, resulting in $123,601 and $357,281 of interest expense, respectively.

NEO's revolving credit line with Citizens Bank matured on November 29, 2010 and was repaid and extinguished at that time. For the three and nine months ended September 30, 2010, the weighted average interest rate on the revolving credit line was 5.00%, resulting in $26,833 and $80,070 of interest expense, respectively.

The term loans were paid off on May 3, 2011 resulting in no outstanding balance at September 30, 2011. At December 31, 2010, $9.6 million had been borrowed under the term loans.

Huntington Bank

On December 31, 2009, Orwell entered into an amended and restated short-term credit facility with The Huntington National Bank, N.A. (the "Huntington Credit Facility"). The Huntington Line of Credit and Term Loan both had a maturity date of November 28, 2010. Orwell repaid and extinguished these debt obligations at that time.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2010, the weighted average interest rate on the term note was 4.00% resulting in $42,541 and $130,749 of interest expense, respectively. The weighted average interest rate on the credit line was 4.00% resulting in $15,325 and $46,598 of interest expense, respectively.

SunLife Assurance Company of Canada

On May 2, 2011, the Company and its Ohio subsidiaries, NEO, Orwell and Brainard (together "the Issuers"), issued $15.3 million of 5.38% Senior Secured Guaranteed Fixed Rate Notes due June 1, 2017 ("Fixed Rate Note"). Additionally, Great Plains issued $3.0 million of Senior Secured Guaranteed Floating Rate Notes due May 3, 2014 ("Floating Rate Note"). Both notes were placed with SunLife Assurance Company of Canada ("SunLife"). Approximately $615,000 was incurred related to the debt issuance which was capitalized and are being amortized over the life of the notes.

The Fixed Rate Note, in the amount of $15.3 million, is a joint obligation of the Issuers, and is guaranteed by the Company, Lightning Pipeline and Great Plains (together with the Issuers, "the Fixed Rate Obligors"). This note received approval from the PUCO on March 30, 2011. The note is governed by a Note Purchase Agreement ("NPA"). Concurrent with the funding and closing of this transaction, which occurred on May 3, 2011, the Fixed Rate Obligors signed an amended NPA that is substantially the same as the NPA released on November 2, 2010. Prepayment of this note prior to maturity is subject to a 50 basis point make-whole premium.

The Floating Rate Note, in the amount of $3.0 million, is an obligation of Great Plains and is guaranteed by the Company (together, "the Floating Rate Obligors"). The note is priced at a fixed spread of 385 basis points over three month Libor. Pricing for this note will reset on a quarterly basis to the then current yield of three month Libor. The note is governed by a NPA. Concurrent with the funding of this transaction, which occurred on May 3, 2011, the Floating Rate Obligors signed an amended NPA that is substantially the same as the NPA released on November 2, 2010. Prepayment of this note prior to maturity is at par.

The use of proceeds for both notes extinguished existing amortizing bank debt and other existing indebtedness, funded $3.4 million for the 2011 capital program for Orwell and NEO, established two debt service reserve accounts, and replenished the Company's treasuries for the previously announced repayment of maturing bank debt and transaction expenses. The capital program funds and debt service reserve accounts are in interest bearing accounts and included in restricted cash.

Payments for both notes prior to maturity are interest-only.

For the three and nine months ended September 30, 2011, the weighted average interest rate on the Fixed Rate Note was 5.38% resulting in $206,242 and $343,737 of interest expense, respectively. For the three and nine months ended September 30, 2011, the weighted average interest rate on the Floating Rate Note was 4.11% resulting in $51,450 of interest expense.

Debt Covenants

The Company's Bank of America Credit Facility and the Senior Unsecured Notes contain various covenants, which include, among others, limitations on total dividends and distributions made in the immediately preceding 60-month period to 75% of aggregate consolidated net income for such period, restrictions on certain indebtedness, limitations on asset sales, and maintenance of certain debt-to-capital and interest coverage ratios.

The Citizens Credit Facility, which was paid off on May 3, 2011 required a minimum debt service coverage ratio of at least 1.25 to 1.0 measured quarterly on a rolling four quarter basis. The Citizens Credit Facility also required a minimum tangible net worth equal to the sum of $1,815,000 plus 100% of net income less the pro-rata share of any dividend paid to Gas Natural, measured on a quarterly basis beginning with the quarter ended December 31, 2009. The Citizens Credit Facility allowed the payment of dividends to Gas Natural Inc. if the net worth (as defined in the Citizens loan documents) after payment of any dividends was not less than $1,815,000 as positively increased by 100% of net income as of the end of each fiscal quarter and fiscal year.

The Fixed Rate Note and the Floating Rate Note carry a 60% debt-to-capitalization financial covenant on a consolidated basis for Ohio, as well as, a 2.0x interest coverage test based on a trailing twelve-month basis. Additional covenants customary for asset sales and purchases, additional indebtedness, dividends, change of control and other matters are also included.

The Company believes it was in compliance with the financial covenants under its debt agreements.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table shows the future minimum payments on the credit facilities and long-term debt for the years ended September 30:

2012	$ 7,750
2013	8,356
2014	3,004,402
2015	—
2016	—
Thereafter	28,334,000
Total	$31,354,508

Note 6 – Stockholders' Equity

2002 Stock Option Plan

The Energy West Incorporated 2002 Stock Option Plan (the "Option Plan") provides for the issuance of up to 300,000 options to purchase the Company's common stock to be issued to certain key employees. As of September 30, 2011 and December 31, 2010, there are 35,000 and 39,500 options outstanding, respectively. The maximum number of shares available for future grants under this plan is 58,000 shares. Under the Option Plan, the option price may not be less than 100% of the common stock fair market value on the date of grant (in the event of incentive stock options, 110% of the fair market value if the employee owns more than 10% of the outstanding common stock). Pursuant to the Option Plan, the options vest over four to five years and are exercisable over a five to ten-year period from date of issuance.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

A summary of the status of the stock option plans as follows:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding December 31, 2009	44,500	$ 8.52	
Granted	—	$ —	

Exercised	—	$	—	
Expired	(15,000)	$	9.93	
Outstanding September 30, 2010	29,500	$	7.81	$97,780
Exerciseable September 30, 2010	10,000	$	7.87	$32,475

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding December 31, 2010	39,500	$ 8.40	
Granted	—	$ —	
Exercised	—	$ —	
Expired	(4,500)	$ 6.35	
Outstanding September 30, 2011	35,000	$ 8.66	$51,538
Exerciseable September 30, 2011	18,750	$ 8.24	$81,450

As of September 30, 2011 and December 31, 2010, there was $17,434 and $31,824 of total unrecognized compensation cost related to stock-based compensation, respectively. That cost is expected to be recognized over a period of three years.

The following information applies to options outstanding at September 30, 2011:

Grant Date	Exercise Price	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Weighted Average Exercise Price
12/1/2008	$ 7.10	10,000	$ 7.10	7.17	7,500	$ 7.10
6/3/2009	$ 8.44	5,000	$ 8.44	2.67	3,750	$ 8.44
12/1/2009	$ 8.85	10,000	$ 8.85	8.17	5,000	$ 8.85
12/1/2010	$10.15	10,000	$ 10.15	9.17	2,500	$ 10.15
		35,000			18,750	

During the three and nine months ended September 30, 2011, the Company recorded $4,796 and $14,389, respectively ($2,998 and $8,995, respectively, net of related tax effects), of compensation expense for stock options granted after July 1, 2005, and for the unvested portion of previously granted stock options that remained outstanding as of July 1, 2005. During the three and nine months ended September 30, 2010, the Company recorded $4,703 and $14,109, respectively ($2,916 and $8,748, respectively, net of related tax effects), of compensation expense for stock options granted after July 1, 2005, and for the unvested portion of previously granted stock options that remained outstanding as of July 1, 2005.

Note 7 – Employee Benefit Plans

The Company has a defined contribution plan (the "401k Plan") which covers substantially all of its employees. The plan provides for an annual contribution of 3% of salaries, with a discretionary contribution of up to an additional 3%. The expense related to the 401k Plan for the three and nine months ended September 30, 2011, was $70,420 and $281,861, respectively. The expense related to the 401k Plan for the three and nine months ended September 30, 2010, was $71,595 and $236,834, respectively.

The Company makes matching contributions in the form of Company common stock equal to 10% of each participant's elective deferrals in the 401k Plan. The Company contributed shares of common stock valued at $3,133 and $26,338 for the three and nine months ended September 30, 2011, respectively. The Company contributed shares of common stock valued at $8,762 and $29,444 for the three and nine months ended September 30, 2010, respectively. In addition, a portion of the 401k Plan consists of an Employee Stock Ownership Plan ("ESOP") that covers most employees. The ESOP receives contributions of common stock from the Company each year as determined by the Board of Directors. The contribution is recorded based on the current market price of the Company's common stock. The Company made no contributions for the three and nine months ended September 30, 2011 and 2010.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company has sponsored a defined postretirement health benefit plan (the "Retiree Health Plan") providing health and life insurance benefits to eligible retirees. The Plan pays eligible retirees (post-65 years of age) up to $125 per month in lieu of contracting for health and life insurance benefits. The amount of this payment is fixed and will not increase with medical trends or inflation. In addition, the Retiree Health Plan allows retirees between the ages of 60 and 65 and their spouses to remain on the same medical plan as active employees by contributing 125% of the current COBRA rate to retain this coverage. The amounts paid in excess of the current COBRA rate is held in a VEBA trust account, and benefits for this plan are paid from assets held in the VEBA Trust account. The Company discontinued contributions in 2006 and is no longer required to fund the Retiree Health Plan. As of September 30, 2011 and December 31, 2010, the value of plan assets was $184,444 and $212,678, respectively. The assets remaining in the trust will be used to fund the plan until these assets are exhausted.

Note 8 – Income Taxes

Income tax position differs from the amount computed by applying the federal statutory rate to pre-tax income or loss as demonstrated in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Income tax from continuing operations:				
Tax expense at statutory rate of 34%	$ (119,961)	$ (267,278)	$ 2,396,889	$ 1,834,457
State income tax, net of federal tax expense	(12,089)	1,780	241,543	(12,215)
Amortization of deferred investment tax credits	(5,266)	(5,266)	(15,798)	(15,797)
Adjustment to tax return filed	(319,784)	(506,232)	(319,784)	(506,232)
Other	(25,253)	35,590	(17,794)	11,231
Total income tax (benefit) expense	$ (482,353)	$ (741,406)	$ 2,285,056	$ 1,311,444

The Company recognizes interest accrued related to unrecognized tax positions in interest expense and penalties in operating expense. No interest and penalties related to unrecognized tax positions were accrued at September 30, 2011 and December 31, 2010.

The tax years after 2005 remain open to examination by the major taxing jurisdictions in which the Company operates, although no material changes to unrecognized tax positions are expected within the next twelve months.

Note 9 – Related Party Transactions

The Company is party to certain agreements and transactions with Mr. Osborne, or companies owned or controlled by Mr. Osborne.

Notes Payable

The Company had two notes payable to Mr. Osborne. The first note was payable on demand and bore interest at a rate equal to the prime rate as published by Key Bank. On December 1, 2010, the Company repaid the first note in full, including all interest accrued to date. The second note had a maturity date of January 3, 2014 and bore interest at 6.0% annually. On May 3, 2011, the Company repaid the second note in full, including all interest accrued to date, using the SunLife proceeds. As of September 30, 2011 and December 31, 2010, the second note had a balance of $0 and $52,578, which included $0 and $3,217 of accrued interest, respectively. Interest expense incurred related to both loans was $0 and $529, respectively, for the three and nine months ended September 30, 2011. Interest expense incurred related to both loans was $25,782 and $91,527, respectively, for the three and nine months ended September 30, 2010.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note Receivable

The Company has a note receivable from John D. Oil and Gas Marketing, a company controlled by Mr. Osborne, with a maturity date of December 31, 2016 and an annual interest rate of 7.0% relating to funds loaned to John D. Oil and Gas Marketing to finance the acquisition of a gas pipeline. The balance due from John D. Oil and Gas Marketing was $48,119 and $55,230 (of which, $10,079 and $9,565 is due within one year) as of September 30, 2011 and December 31, 2010, respectively. The Company has a corresponding agreement to lease the pipeline from John D. Oil and Gas Marketing through December 31, 2016. Lease expense resulting from this agreement was $3,300 and $9,900 for the three and nine months ended September 30, 2011, respectively, which is included in the Natural Gas Purchased column below. Lease expense resulting from this agreement was $3,300 and $11,127 for the three and nine months ended September 30, 2010, respectively, which is included in the Natural Gas Purchased column below. There was no balance due at September 30, 2011 or December 31, 2010 to John D. Oil and Gas Marketing related to these lease payments.

Accounts Receivable and Accounts Payable

The table below details amounts due from and due to related parties, including companies owned or controlled by Mr. Osborne, at September 30, 2011 and December 31, 2010, respectively:

	Accounts Receivable		Accounts Payable	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
John D. Oil and Gas Marketing	$ 2,188	$ 42,938	$ 38,623	$ 247,430
Cobra Pipeline	5,254	22,071	—	84,597
Orwell Trumbell Pipeline	127,597	120,975	—	77,325
Great Plains Exploration	131,688	148,252	(10)	—
Big Oats Pipeline Supply	23	863	28,297	4,723
Kykuit Resources	97,264	97,154	—	—
Sleepy Hollow	123,237	100,640	—	—
Other	14,501	26,491	—	3,468
Total	$ 501,752	$ 559,384	$ 66,910	$ 417,543

The table below details transactions with related parties, including companies owned or controlled by Mr. Osborne, for the three months ended September 30, 2011:

	Three Months Ended September 30, 2011				
	Natural Gas Purchases	Pipeline and Construction Purchases	Rent, Supplies, Consulting, and Other Purchases	Natural Gas Sales	Management and Other Sales
John D. Oil and Gas Marketing	$ 763,371	$ 45,450	$ 5,340	$ —	$ 3,282
Cobra Pipeline	17,873	1,282	319	—	6,090
Orwell Trumbell Pipeline	26,270	10,677	49,019	148	1,914
Great Plains Exploration	380,260	229,916	455	96	7,678
Big Oats Pipeline Supply	—	249,663	70,217	29	—
Kykuit Resources	—	—	—	—	—
Sleepy Hollow	—	—	—	—	11,074
Other	—	—	48,170	2,066	384
Total	$1,187,774	$536,988	$ 173,520	$ 2,339	$ 30,422

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The table below details transactions with related parties, including companies owned or controlled by Mr. Osborne, for the three months ended September 30, 2010:

	Three Months Ended September 30, 2010				
	Natural Gas Purchases	Pipeline and Construction Purchases	Rent, Supplies, Consulting, and Other Purchases	Natural Gas Sales	Management and Other Sales
John D. Oil and Gas Marketing	$692,198	$ —	$ —	$ —	$ —
Cobra Pipeline	4,147	—	—	—	—
Orwell Trumbell Pipeline	23,653	—	—	167	—
Great Plains Exploration	1,726	—	—	—	2,058
Big Oats Pipeline Supply	—	417,613	42,337	28	1,183
Kykuit Resources	—	—	—	—	—
Sleepy Hollow	—	—	—	—	15,128
Other	—	—	48,678	3,404	11,826
Total	$721,724	$417,613	$ 91,015	$ 3,599	$ 30,195

The table below details transactions with related parties, including companies owned or controlled by Mr. Osborne, for the nine months ended September 30, 2011:

	Nine Months Ended September 30, 2011				
	Natural Gas Purchases	Pipeline and Construction Purchases	Rent, Supplies, Consulting, and Other Purchases	Natural Gas Sales	Management and Other Sales
John D. Oil and Gas Marketing	$3,190,095	$ 45,450	$ 7,112	$ —	$ 9,846
Cobra Pipeline	261,652	70,048	771	—	7,146
Orwell Trumbell Pipeline	302,443	10,677	98,737	1,905	7,479

Great Plains Exploration	954,131	427,346	605	2,580	20,514
Big Oats Pipeline Supply	—	506,330	479,229	2,740	1,000
Kykuit Resources	—	—	39,600	—	110
Sleepy Hollow	—	—	—	—	22,597
Other	—	—	146,043	52,379	3,441
Total	$4,708,321	$1,059,851	$ 772,097	$ 59,604	$ 72,133

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The table below details transactions with related parties, including companies owned or controlled by Mr. Osborne, for the nine months ended September 30, 2010:

	Nine Months Ended September 30, 2010				
	Natural Gas Purchases	Pipeline and Construction Purchases	Rent, Supplies, Consulting, and Other Purchases	Natural Gas Sales	Management and Other Sales
John D. Oil and Gas Marketing	$3,096,955	$ —	$ 127	$ 49,824	$ —
Cobra Pipeline	241,598	83,010	107,447	—	21,044
Orwell Trumbell Pipeline	327,180	—	430	1,816	171
Great Plains Exploration	22,375	—	—	1,953,052	4,403
Big Oats Pipeline Supply	—	504,837	263,759	2,295	4,010
Kykuit Resources	—	—	—	—	10,559
Sleepy Hollow	—	—	—	—	69,633
Other	—	42,600	295,027	60,122	126,876
Total	$3,688,108	$630,447	$ 666,790	$2,067,109	$236,696

The Company also accrued a liability of $23,091 and $413,399, respectively, due to companies controlled by Mr. Osborne for natural gas used through September 30, 2011 and December 31, 2010 that is not yet invoiced. The related expense is included in the gas purchased line item in the accompanying statements of income. These amounts will be trued up to the actual invoices when received in future periods.

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Segments of Operations

The following tables set forth summarized financial information for the Company's natural gas, marketing and production, pipeline, propane, and corporate and other operations. The Company classifies its segments to provide investors with a view of the business through management's eyes. The Company primarily separates its state regulated utility businesses from the non-regulated marketing and production business and from the federally regulated pipeline business. The Company has regulated utility businesses in the states of Montana, Wyoming, North Carolina, Maine, Ohio, and Pennsylvania and these businesses are aggregated together to form the natural gas operations. Transactions between reportable segments are accounted for on the accrual basis, and eliminated prior to external financial reporting. Inter-company eliminations between segments consist primarily of gas sales from the marketing and production operations to the natural gas operations, inter-company accounts receivable, accounts payable, equity, and subsidiary investment:

Three Months Ended September 30, 2011

	Natural Gas Operations	Marketing and Production	Pipeline Operations	Propane Operations	Corporate and Other	Eliminations	Consolidated
OPERATING REVENUES							
Natural gas operations	$11,717,686	$ —	$ —	$ —	$ —	$(1,368,867)	$10,348,819
Marketing and production	—	2,407,303	—	—	—	(1,551,588)	855,715
Pipeline operations	—	—	106,351	—	—	—	106,351
Propane operations	—	—	—	1,009,844	—	—	1,009,844
Total operating revenue	11,717,686	2,407,303	106,351	1,009,844	—	(2,920,455)	12,320,729
COST OF SALES							
Natural gas purchased	5,917,091	—	—	—	—	(1,368,867)	4,548,224

Marketing and production	—	2,137,398	—	—	—	(1,551,588)	585,810
Propane purchased	—	—	—	875,305	—	—	875,305
Total cost of sales	5,917,091	2,137,398	—	875,305	—	(2,920,455)	6,009,339
GROSS MARGIN	$ 5,800,595	$ 269,905	$106,351	$ 134,539	$ —	$ —	$ 6,311,390
OPERATING INCOME (LOSS)	$ (534,116)	$ 82,182	$ 76,593	$ (154,927)	$ (61,430)	$ —	$ (591,698)
NET INCOME (LOSS)	$ (463,484)	$ 48,712	$ 47,540	$ 561,986	$ (65,228)	$ —	$ 129,526

Three Months Ended September 30, 2010

	Natural Gas Operations	Marketing and Production	Pipeline Operations	Propane Operations	Corporate and Other	Eliminations	Consolidated
OPERATING REVENUES							
Natural gas operations	$10,235,666	$ —	$ —	$ —	$ —	$ (76,900)	$10,158,766
Marketing and production	—	2,137,068	—	—	—	(1,498,597)	638,471
Pipeline operations	—	—	104,461	—	—	—	104,461
Propane operations	—	—	—	—	—	—	—
Total operating revenue	10,235,666	2,137,068	104,461	—	—	(1,575,497)	10,901,698
COST OF SALES							

Natural gas purchased	4,879,927	—	—	—	—	(76,900)	4,803,027
Marketing and production	—	1,879,531	—	—	—	(1,498,597)	380,934
Propane purchased	—	—	—	—	—	—	—
Total cost of sales	4,879,927	1,879,531	—	—	—	(1,575,497)	5,183,961
GROSS MARGIN	$ 5,355,739	$ 257,537	$104,461	$ —	$ —	$ —	$ 5,717,737
OPERATING INCOME (LOSS)	$ (678,894)	$ 52,455	$ 70,544	$ —	$ —	$ —	$ (555,895)
NET INCOME (LOSS)	$ (325,729)	$ 274,534	$ 82,563	$ —	$ (76,073)	$ —	$ (44,705)

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended September 30, 2011

	Natural Gas Operations	Marketing and Production	Pipeline Operations	Propane Operations	Corporate and Other	Eliminations	Consolidated
OPERATING REVENUES							
Natural gas operations	$ 68,019,655	$ —	$ —	$ —	$ —	$ (2,355,991)	$ 65,663,664
Marketing and production	—	9,957,521	—	—	—	(5,800,639)	4,156,882
Pipeline operations	—	—	314,736	—	—	—	314,736
Propane operations	—	—	—	1,009,844	—	—	1,009,844
Total operating revenue	68,019,655	9,957,521	314,736	1,009,844	—	(8,156,630)	71,145,126
COST OF SALES							
Natural gas purchased	41,196,715	—	—	—	—	(2,355,991)	38,840,724
Marketing and production	—	8,994,235	—	—	—	(5,800,639)	3,193,596
Propane purchased	—	—	—	875,305	—	—	875,305
Total cost of sales	41,196,715	8,994,235	—	875,305	—	(8,156,630)	42,909,625

GROSS MARGIN	$ 26,822,940	$ 963,286	$314,736	$ 134,539	$ —	$ —	$ 28,235,501
OPERATING INCOME (LOSS)	$ 7,254,934	$ 388,407	$188,989	$ (154,927)	$ (109,384)	$ —	$ 7,568,019
NET INCOME (LOSS)	$ 4,155,383	$ 158,119	$112,094	$ 561,986	$ (222,964)	$ —	$ 4,764,618
Total assets	$124,288,531	$4,666,306	$578,135	$2,957,575	$72,261,411	$(60,110,010)	$144,641,948
Goodwill	$ 14,607,952	$ —	$ —	$ —	$ —	$ —	$ 14,607,952

Nine Months Ended September 30, 2010

	Natural Gas Operations	Marketing and Production	Pipeline Operations	Propane Operations	Corporate and Other	Eliminations	Consolidated
OPERATING REVENUES							
Natural gas operations	$ 56,581,131	$ —	$ —	$ —	$ —	$ (234,096)	$ 56,347,035
Marketing and production	—	11,325,249	—	—	—	(5,700,446)	5,624,803
Pipeline operations	—	—	319,418	—	—	—	319,418
Propane operations	—	—	—	—	—	—	—
Total operating revenue	56,581,131	11,325,249	319,418	—	—	(5,934,542)	62,291,256
COST OF SALES							

Natural gas purchased	32,577,699	—	—	—	—	(234,096)	32,343,603
Marketing and production	—	10,135,599	—	—	—	(5,700,446)	4,435,153
Propane purchased	—	—	—	—	—	—	—
Total cost of sales	32,577,699	10,135,599	—	—	—	(5,934,542)	36,778,756
GROSS MARGIN	$ 24,003,432	$ 1,189,650	$319,418	$ —	$ —	$ —	$ 25,512,500
OPERATING INCOME (LOSS)	$ 5,882,195	$ 609,916	$169,875	$ —	$ (11,364)	$ —	$ 6,650,622
NET INCOME (LOSS)	$ 3,653,545	$ 308,729	$143,283	$ —	$ (21,538)	$ —	$ 4,084,019
Total assets	$110,032,010	$ 5,463,177	$726,574	$ —	$57,041,165	$(51,898,609)	$121,364,317
Goodwill	$ 13,929,745	$ —	$ —	$ —	$ —	$ —	$ 13,929,745

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies

Legal Proceedings

In 2010, the Company's Maine utility asserted a claim against H.Q. Energy Services (US), Inc. ("HQ") for a breach of a firm gas transportation service agreement between the parties. HQ filed a counterclaim against the Company for reimbursement of certain transportation charges that HQ paid to the Company. The parties agreed to arbitration and the arbitrators awarded HQ the sum of approximately $280,000 for past transportation charges that HQ paid to the Company. The arbitrators also ordered the Company to pay future transportation charges that will be incurred during the remaining term of the agreement while HQ was ordered to pay the Company for future fuel reimbursements for the remaining term of the agreement. The Company recorded an accrual in the amount of $300,000 for the liability and resulting expense in connection with the arbitration in the three months ended September 30, 2011.

On April 15, 2011, Gas Natural and Richard M. Osborne, Gas Natural's Chairman of the Board and Chief Executive Officer, filed a lawsuit captioned "*Richard M. Osborne and Gas Natural Inc. v. Michael I. German, Henry B. Cook, Ted W. Gibson, George J. Welch and Corning Natural Gas Corporation*," Case No. 1:11-CV-744 which was filed in the U.S. District Court for the Northern District of Ohio. The lawsuit claims that Messrs. German, Cook, Gibson and Welch, as directors of Corning Natural Gas Corporation ("Corning"), breached their fiduciary duties to shareholders of Corning by (i) failing to maximize shareholder value in connection with Gas Natural's offers to acquire all of Corning's outstanding shares of common stock and (ii) instituting a rights offering to dilute Mr. Osborne and Gas Natural's ownership of Corning. Alternatively, the lawsuit provides for a derivative claim against the directors of Corning for the same conduct. Mr. Osborne and Gas Natural seek to rescind the rights offering.

Corning and the directors of Corning filed a motion to dismiss the lawsuit. The court has stayed discovery in the lawsuit until it rules on the motion to dismiss. In the Company's opinion, the outcome of these legal actions will not have a material adverse effect on its financial condition, cash flows or results of operations.

From time to time, the Company is involved in lawsuits that have arisen in the ordinary course of business. The Company is contesting each of these lawsuits vigorously and believes it has defenses to the allegations that have been made.

Note 12 – Financial Instruments and Risk Management

Management of Risks Related to Fixed Contracts

The Company and its subsidiaries are subject to certain risks related to changes in certain commodity prices and risks of counterparty performance. The Company has established policies and procedures to manage such risks. The Company has a Risk Management Committee comprised of Company officers and management to oversee our risk management program as defined in its risk management policy. The purpose of the risk management program is to minimize adverse impacts on earnings resulting from volatility of energy prices, counterparty credit risks, and other risks related to the energy commodity business.

In order to mitigate the risk of natural gas market price volatility related to firm commitments to purchase or sell natural gas, from time to time the Company and its subsidiaries have entered into fixed contracts. Such arrangements may be used to protect profit margins on future obligations to deliver gas at a fixed price, or to protect against adverse effects of potential market price declines on future obligations to purchase gas at fixed prices.

The Company accounts for these contracts in accordance with ASC 815, Derivatives and Hedging. In accordance with ASC 815, such contracts are reflected in the balance sheet as assets or liabilities and valued at "fair value," determined as of the balance sheet date. Fair value accounting treatment is also referred to as "mark-to-market" accounting. Mark-to-market accounting results in disparities between reported earnings and realized cash flow. The changes in the derivative values are reported in the income statement as an increase or (decrease) in revenues without regard to whether any cash payments have been made between the parties to the contract. ASC 815 specifies that contracts for purchase or sale at fixed prices and volumes must be valued at fair value (under mark-to-market accounting) unless the contracts qualify for treatment as a "normal purchase or normal sale."

At September 30, 2011 and December 31, 2010, all of the Company's fixed contracts for purchase or sale at fixed prices and volumes qualified for treatment as a "normal purchase or normal sale."

Table of Contents

GAS NATURAL INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 13 – Subsequent Events

The Company declared a dividend of $0.045 per share on September 28, 2011 that is payable to shareholders of record on October 14, 2011. There were 8,153,176 shares outstanding on October 14, 2011 resulting in a total dividend of $366,893 which was paid to shareholders on October 31, 2011.

The unconsolidated affiliate requested a cash call from its members on October 3, 2011. The Company's portion amounted to $132,000 which was paid on October 4, 2011.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report on Form 10-Q contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which represent our expectations or beliefs concerning future events. Forward-looking statements generally include words such as "anticipates," "believes," "expects," "planned," "scheduled" or similar expressions and statements concerning our operating capital requirements, utilization of tax benefits, recovery of property tax payments, our environmental remediation plans, and similar statements that are not historical are forward-looking statements that involve risks and uncertainties. Although we believe these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks that could cause future results to be materially different from the results stated or implied in this document.

Such forward-looking statements, as well as other oral and written forward-looking statements made by or on behalf of us from time to time, including statements contained in filings with the Securities and Exchange Commission ("SEC") and our reports to shareholders, involve known and unknown risks and other factors that may cause our company's actual results in future periods to differ materially from those expressed in any forward-looking statements. See "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC. Any such forward looking statement is qualified by reference to these risk factors. We caution that these risk factors are not exclusive. We do not undertake to update any forward looking statements that may be made from time to time by or on behalf of us except as required by law.

OVERVIEW

Gas Natural is a natural gas company, primarily operating local distribution companies in six states and serving approximately 63,500 customers. Our natural gas utility subsidiaries are Energy West, Incorporated (Montana and Wyoming), Cut Bank Gas Company (Montana), Northeast Ohio Natural Gas Corporation (Ohio), Brainard Gas Corp. (Ohio), Orwell Natural Gas Company (Ohio and Pennsylvania), Bangor Gas Company (Maine) and Frontier Natural Gas (North Carolina). Our operations also include production and marketing of natural gas, gas pipeline transmission and gathering and propane operations. Approximately 95% and 91% of our revenues in the three and nine months ended September 30, 2011 were derived from our natural gas utility operations.

Our historical financial statements reflect the following reportable business segments: Natural Gas Operations, Marketing and Production Operations, Pipeline Operations and Corporate and Other. In addition, our financial statements now reflect a new segment for Propane Operations as a result of our acquisition of Independence Oil & LP Gas, Inc. on August 1, 2011. Independence Oil & LP Gas, Inc. delivered liquid propane, heating oil and kerosene to approximately 4,500 customers in North Carolina and Virginia. We created a new subsidiary, Independence Oil, LLC, in connection with the acquisition and plan to continue serving current customers with the intention to expand to other customers in each of the regions.

In 2010, our Maine utility asserted a claim against H.Q. Energy Services (US), Inc. ("HQ") for a breach of a firm gas transportation service agreement between the parties. HQ filed a counterclaim against us for reimbursement of certain transportation charges that HQ paid to us. The parties agreed to arbitration and the arbitrators awarded HQ the sum of approximately $280,000 for past transportation charges that HQ paid to us. The arbitrators also ordered us to pay future transportation charges that will be incurred during the remaining term of the agreement while HQ was ordered to pay us for future fuel reimbursements for the remaining term of the agreement. We have recorded an accrual in the amount of $300,000 for the liability and resulting expense in connection with the arbitration.

During the year ended December 31, 2010, the PUCO conducted audits of NEO and Orwell's rates as filed from September 2007 through August 2009 and January 2008 through June 2010, respectively. The PUCO provided the primary audit findings during the fourth quarter of 2010, taking the position that NEO had not included approximately $1,050,000 of costs and Orwell included an excess of approximately $1,100,000 of costs in the filings under audit. In accordance with ASC 980, Regulated Operations, the Company recorded an adjustment of $1,050,000 and ($1,100,000) during the year ended December 31, 2010 for NEO and Orwell, respectively. On October 26, 2011, the PUCO adopted and approved a Joint Stipulation that finalizes the adjustments for NEO and Orwell to approximately $1,100,000 and ($964,000), respectively. However, the Joint Stipulation modified the refund period for Orwell to one year as compared to two years as originally identified. The Company considers the modification to be material and is attempting to have the PUCO change the payback period. The Company recorded the difference between the original estimates and the amounts approved in the Joint Stipulation during the three months ended September 30, 2011.

During the three months ended September 30, 2011, the PUCO conducted an audit of Brainard's rates as filed from July 2009 through June 2011. The PUCO provided findings that Brainard collected excess gas costs of approximately $104,000. The Company agrees that excess gas costs were collected, but only in the amount of approximately $48,000. The Company and the PUCO plan to schedule a hearing to review the difference.

Net income for the three months ended September 30, 2011 was $130,000 compared with a net loss of $45,000 for the same period in 2010, an increase of $175,000. Net income for the nine months ended September 30, 2011 was $4,765,000 compared with $4,084,000 for the same period in 2010, an increase of $681,000 or 17%.

The natural gas segment net loss for the three months ended September 30, 2011 was $463,000 compared with $326,000 for the same period in 2010, an increase of $137,000 or 42%. The increased loss was due primarily to the accrual of the liability and resulting expense of $300,000 related to the conclusion of the arbitration case in a contract dispute with a large customer in our Maine operation. Net income for the nine months ended September 30, 2011 was $4,155,000 compared with $3,654,000 for the same period in 2010, an increase of $501,000 or 14%. Increased sales volumes driven by continued customer growth and colder weather in the majority of our service areas led to the results for the nine months ended September 30, 2011.

The marketing and production segment net income for the three months ended September 30, 2011 was $49,000 compared with $275,000 for the same period in 2010, a decrease of $226,000 or 82%. The 2011 and 2010 periods each included a tax benefit from

Table of Contents

the true-up to the prior year's tax return of $9,000 and $254,000, respectively, causing the decrease in net income for the 2011 period. Net income for the nine months ended September 30, 2011 was $158,000 compared with $309,000 for the same period in 2010, a decrease of $151,000 or 49%. Lower sales volumes, due to the widening of the unfavorable differential between the AECO and CIG Rockies natural gas indices, and lower production from our natural gas wells caused lower gross margin for the nine months ended September 30, 2011. In addition, the difference in tax benefits related to true-ups of prior year's tax returns discussed above contributed to the decrease in net income. These decreases were offset by an expense of $440,000 included in the nine months ended September 30, 2010 related to the conclusion of the lawsuit with Shelby Gas Association.

The pipeline operations segment net income for the three months ended September 30, 2011 was $47,000 compared with $83,000 for the same period in 2010, a decrease of $36,000 or 43%. Net income for the nine months ended September 30, 2011 was $112,000 compared with $143,000 for the same period in 2010, a decrease of $31,000 or 22%.

The propane operations segment net income for the three and nine months ended September 30, 2011 was $562,000 compared with $0 for the same periods in 2010 due to the propane operations starting during the three months ended September 30, 2011.

The corporate and other segment net loss for the three months ended September 30, 2011 was $65,000 compared with $76,000 for the same period in 2010, a decrease of $11,000 or 14%. Net loss for the nine months ended September 30, 2011 was $222,000 compared with $22,000 for the same period in 2010, an increase of $200,000 or 909%. The 2010 periods included dividends and gains on the sale of marketable securities that did not occur in the 2011 periods.

RESULTS OF CONSOLIDATED OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and Notes thereto and other financial information included elsewhere in this report and our Annual Report on Form 10-K for the period ended December 31, 2010. The following gives effect to the unaudited Condensed Consolidated Financial Statements as of September 30, 2011 and for the three and nine month periods ended September 30, 2011. Results of operations for interim periods are not necessarily indicative of results to be attained for any future period.

Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010

Net Income — Net income for the three months ended September 30, 2011 was $130,000 or $0.02 per diluted share, compared to a net loss of $45,000 or $0.01 per diluted share for the three months ended September 30, 2010, an increase of $175,000. Net loss from our natural gas operations increased by $137,000, due primarily to the liability and resulting expense of $300,000 recorded as the result of the conclusion of the arbitration case in a contract dispute with a large customer in our Maine operation. Net income from our gas marketing and production operations decreased by $226,000. The 2011 and 2010 periods each included a tax benefit from the true-up to the prior year's tax return of $9,000 and $254,000, respectively, causing the decrease in net income for the 2011 period. Net income from our pipeline operations decreased by $36,000. Net income from our recently acquired propane operations was by $562,000. The income is primarily the result of the pre-tax gain of $1,055,000 on the net assets purchased. Net loss from our corporate and other operations decreased by $11,000 as the 2010 period included dividends and gains on the sale of marketable securities that did not occur in 2011. Our secondary public offering in November 2010 resulted in 2.075 million additional shares outstanding and leads to the dilutive effect on the per share amounts in 2011 compared to 2010.

Revenues — Revenues increased by $1.4 million to $12,321,000 for the three months ended September 30, 2011 compared to $10,902,000 for the same period in 2010. The increase was primarily attributable to a natural gas revenue increase of $190,000 due to increased customers in our Maine and North Carolina markets, an increase of $218,000 in the revenue from our marketing and production operation due to increased customers, and revenue for the first time from our propane operations segment of $1,010,000.

Gross Margin — Gross margin increased by $593,000 to $6,311,000 for the three months ended September 30, 2011 compared to $5,718,000 for the same period in 2010. Our natural gas operation's margins increased $445,000, due to the increased customers. Gross margin from our marketing and production operations increased $13,000, and our propane operations returned gross margin of $135,000.

Operating Expenses — Operating expenses, other than cost of sales, increased by $629,000 to $6,903,000 for the three months ended September 30, 2011 compared to $6,274,000 for the same period in 2010. The newly formed propane operations segment attributed $290,000 while the remainder is a result of increases in administrative expenses including salaries and professional services, and increases in depreciation due to the increases in capital expenditures make up the remaining difference.

Other Income, net — Other income decreased by $527,000 to a loss of $262,000 for the three months ended September 30, 2011 compared to income of $265,000 for the same period in 2010. The decrease is a result of the following: (1) other income from our

Table of Contents

natural gas operations decreased by $457,000 primarily due the accrual of the liability and resulting expense of $300,000 as the result of the conclusion of the arbitration case related to a contract dispute with a large customer in our Maine operation; and (2) our corporate and other segment posted other expense of $33,000 in 2011 compared to other income in 2010 of $39,000, resulting in an increase in costs of $72,000.

Interest Expense — Interest expense increased by $60,000 to $552,000 for the three months ended September 30, 2011 compared to $492,000 for the same period in 2010.

Gain on Bargain Purchase — The gain on bargain purchase is the result of the pre-tax gain of $1,055,000 due to the purchase of Independence Oil & LP Gas, Inc.

Income Tax Benefit (Expense) — Income tax benefit decreased by $259,000 to $482,000 for the three months ended September 30, 2011 compared to $741,000 for the same period in 2010. The 2011 and 2010 periods each included a tax benefit from the true-up to the prior year's tax return of $326,000 and $506,000, respectively, accounting for $180,000 of the decrease. The remainder is due to the decrease in the pre-tax loss in the three months ended September 30, 2011 as compared to the same period in 2010.

Nine Months Ended September 30, 2011 Compared with Nine Months Ended September 30, 2010

Net Income — Net income for the nine months ended September 30, 2011 was $4,765,000 or $0.58 per diluted share, compared to $4,084,000 million or $0.68 per diluted share for the nine months ended September 30, 2010, an increase of $681,000. Net income from our natural gas operations increased by $501,000, due primarily to customer growth and colder weather in most of our service territories, which led to increased revenues and gross margin. Net income from our gas marketing and production operations decreased by $151,000 as a result of lower revenues and gross margin and the difference in tax benefits related to true-ups of the prior years' tax returns, all discussed below. These decreases were offset by an expense of $440,000 included in the nine months ended September 30, 2010 related to the conclusion of the lawsuit with Shelby Gas Association. Net income from our pipeline operations decreased by $31,000. Our propane operations were acquired during the three months ended September 30, 2011 and returned net income of $562,000, primarily the result of the pre-tax gain of $1,055,000 on the net assets purchased. Net loss from our corporate and other operations increased by $200,000 as the 2010 period included dividends and gains on the sale of marketable securities that did not occur in 2011. Our secondary public offering in November 2010 resulted in 2.075 million additional shares outstanding and leads to the dilutive effect on the per share amounts in 2011 compared to 2010.

Revenues — Revenues increased by $8.9 million to $71,145,000 for the nine months ended September 30, 2011 compared to $62,291,000 for the same period in 2010. The increase was primarily attributable to a natural gas revenue increase of approximately $9,317,000 due to increased customers and colder weather in the majority of the markets we serve and revenue for the first time from our propane operations segment of $1,010,000, partly offset by a decrease in our marketing and production operation's revenue of $1,468,000 caused by a reduction in sales due to the widening of the unfavorable differential between the AECO and CIG Rockies natural gas indices and lower production volumes from our natural gas wells.

Gross Margin — Gross margin increased by $2.7 million to $28,236,000 for the nine months ended September 30, 2011 compared to $25,513,000 for the same period in 2010. Our natural gas operation's margins increased $2,820,000, due to the increased customers and colder weather and our propane operations returned gross margin of $135,000. Gross margin from our marketing and production operations decreased $227,000, due to the reduced sales and the lower prices received and lower volumes produced from our natural gas wells.

Operating Expenses — Operating expenses, other than cost of sales, increased by $1.8 million to $20,667,000 for the nine months ended September 30, 2011 compared to $18,862,000 for the same period in 2010. Operating expenses in natural gas operations increased by $1,448,000 due primarily to increases in corporate expenses not included in the corporate and other segment of $384,000, professional outside services of $317,000, depreciation due to the increases in capital expenditures of $229,000, payroll of $121,000 and expenses associated with the operation of the Spelman Pipeline of $108,000. Propane operations incurred operating expenses of $290,000 and the corporate and other segment increased by $98,000.

Other Income, net — Other income decreased by $424,000 to a loss of $30,000 for the nine months ended September 30, 2011 compared to income of $394,000 for the same period in 2010. The decrease is a result of the following: (1) other income from natural gas operations decreased by $607,000 due primarily to decreased revenue from service sales and the accrual of liability and expense of $300,000 related to the conclusion of the arbitration case in a contract dispute with a large customer in our Maine operation; (2) the 2010 period included expense from the conclusion of the lawsuit with Shelby Gas Association of $440,000; and (3) our corporate and other segment posted other expense of $128,000 in 2011 compared to other income in 2010 of $132,000, resulting in an increase in costs of $260,000.

Table of Contents

Interest Expense — Interest expense decreased by $156,000 to $1,458,000 for the nine months ended September 30, 2011 compared to $1,614,000 for the same period in 2010. The Ohio Companies repaid a portion of their debt in November 2010 and did not enter into new financing arrangements until May 2011 resulting in less average debt outstanding in the nine months ended September 30, 2011 which resulted in lower interest expense.

Gain on Bargain Purchase — The gain on bargain purchase is the result of the pre-tax gain of $1,055,000 due to the purchase of Independence Oil & LP Gas, Inc.

Income Tax Expense — Income tax expense increased by $974,000 to $2,285,000 for the nine months ended September 30, 2011 compared to $1,311,000 for the same period in 2010. The 2011 and 2010 periods each included a tax benefit from the true-up to the prior year's tax return of $326,000 and $506,000, respectively, accounting for $180,000 of the increase. The nine months ended September 30, 2010 included an income tax benefit of $131,000 due to a change in the effective state tax rate for 2010 related to the acquisition of the Ohio Companies. The remaining increase is due primarily to the increase in pre-tax income in 2011 compared to 2010.

Net Income by Segment and Service Area

The components of net income (loss) for 2011 and 2010 are:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2011	2010	2011	2010
Natural Gas Operations				
Energy West Montana (MT)	$ (79)	$ (408)	$ 1,067	$ 644
Energy West Wyoming (WY)	(79)	(83)	234	161
Frontier Natural Gas (NC)	306	888	1,231	1,864
Bangor Gas (ME)	(153)	(28)	989	743
Ohio Companies (OH)	(458)	(695)	634	242
Total Natural Gas Operations	$ (463)	$ (326)	$ 4,155	$ 3,654
Marketing & Production Operations	49	274	158	309
Pipeline Operations	47	83	112	143
Propane Operations	562	—	562	—

	195	31	4,987	4,106
Corporate & Other	(65)	(76)	(222)	(22)
Consolidated Net Income (Loss)	$ 130	$ (45)	$ 4,765	$ 4,084

Table of Contents

The following highlights our results by operating segments:

NATURAL GAS OPERATIONS

Income Statement

($ in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Natural Gas Operations				
Operating revenues	$ 10,349	$ 10,159	$ 65,664	$ 56,347
Gas Purchased	4,548	4,803	38,841	32,344
Gross Margin	5,801	5,356	26,823	24,003
Operating expenses	6,335	6,035	19,569	18,121
Operating income (loss)	(534)	(679)	7,254	5,882
Other income (loss)	(230)	228	97	704
Income before interest and taxes	(764)	(451)	7,351	6,586
Interest expense	(526)	(468)	(1,379)	(1,545)
Income before income taxes	(1,290)	(919)	5,972	5,041
Income tax benefit (expense)	827	593	(1,817)	(1,387)
Net Income (Loss)	**$ (463)**	**$ (326)**	**$ 4,155**	**$ 3,654**

Operating Revenues

($ in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Full Service Distribution Revenues				

Residential	$ 3,487	$ 4,029	$ 29,300	$ 25,955
Commercial	4,602	4,076	27,913	22,517
Industrial	231	199	718	609
Other	43	9	122	225
Total full service distribution	8,363	8,313	58,053	49,306
Transportation	1,698	1,558	6,748	6,178
Bucksport	288	288	863	863
Total operating revenues	$ 10,349	$ 10,159	$ 65,664	$ 56,347

Utility Throughput

(in million cubic feet (MMcf))	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Full Service Distribution				
Residential	281	326	3,184	2,816
Commercial	555	432	3,384	2,699
Industrial	37	31	121	113
Total full service	873	789	6,689	5,628
Transportation	1,884	1,468	6,452	5,199
Bucksport	3,604	3,636	10,393	10,726
Total Volumes	6,361	5,893	23,534	21,553

7

Table of Contents

Degree Days

	Normal	Three Months Ended September 30, 2011	2010	Percent (Warmer) Colder 2011 Compared to Normal	2010
Great Falls, MT	375	176	437	(53.07%)	(59.73%)
Cody, WY	257	112	229	(56.42%)	(51.09%)
Bangor, ME	239	134	153	(43.93%)	(12.42%)
Elkin, NC	30	60	22	100.00%	172.73%
Youngstown, OH	178	121	137	(32.02%)	(11.68%)

	Normal	Nine Months Ended September 30, 2011	2010	Percent (Warmer) Colder 2011 Compared to Normal	2010
Great Falls, MT	4,824	5,336	4,772	10.61%	11.82%
Cody, WY	4,359	4,797	4,577	10.05%	4.81%
Bangor, ME	5,046	4,994	4,058	(1.03%)	23.07%
Elkin, NC	2,484	2,474	2,298	(0.40%)	7.66%
Youngstown, OH	4,299	4,140	3,611	(3.70%)	14.65%

Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010

Revenues and Gross Margin

Revenues increased by $190,000 to $10,349,000 for the three months ended September 30, 2011 compared to $10,159,000 for the same period in 2010. This increase is the result of the following factors:

1) Revenue from our Montana and Wyoming markets decreased $216,000 on a volume decrease of 5 MMcf in the three months ended September 30, 2011 compared to the three months ended September 30, 2010.
2) Revenue from our Maine and North Carolina markets increased by approximately $451,000 on a volume increase from full service and transportation customers of 5 MMcf in 2011 compared to 2010.
3) Revenues from our Ohio market decreased $46,000 on a volume increase of 76 MMcf to full service and transportation customers compared to 2010.

Gas purchased decreased by $255,000 to $4,548,000 for the three months ended September 30, 2011 compared to $4,803,000 for the same period in 2010. The decrease is due primarily to adjustments related to the conclusion of the

PUCO gas cost recovery audits of NEO and Orwell. The adjustments were decreases of $50,000 and $136,000, respectively. Our gas costs are passed on dollar for dollar to our customers under tariffs regulated by the various public utility commissions in the jurisdictions in which we operate. Our gas costs are subject to periodic audits and prudency reviews in all of these jurisdictions.

Gross margin increased by $445,000 to $5,801,000 for the three months ended September 30, 2011 compared to $5,356,000 for the same period in 2010. The increase is primary the result of additional customers. Maine and North Carolina accounted for $244,000 of the increase and Ohio for $358,000, offset by a decrease in Montana and Wyoming of $157,000.

Earnings

The Natural Gas Operations segment's loss for the three months ended September 30, 2011 was $463,000, or $0.057 per diluted share, compared to $326,000 or $0.054 per diluted share for the three months ended September 30, 2010.

Operating expenses increased by $300,000 to $6,335,000 for the three months ended September 30, 2011 compared to $6,035,000 for the same period in 2010. The increase is due to increases in administrative expenses including salaries and professional services, and increases in depreciation due to the increases in capital expenditures.

Other Income (Loss) decreased by $458,000 to a loss of $230,000 for the three months ended September 30, 2011 compared to income of $228,000 for the same period in 2010. The conclusion of the arbitration case related to a contract dispute with a large customer in our Maine operation resulted in the accrual of a $300,000 liability and the resulting expense.

Interest expense increased by $58,000 to $526,000 for the three months ended September 30, 2011 compared to $468,000 for the same period in 2010.

Table of Contents

Income tax benefit (expense) increased by $234,000 to $827,000 for the three months ended September 30, 2011 compared to $593,000 for the same period in 2010. The increase is due primarily to the increase in the pre-tax loss in 2011 compared to 2010. In addition, the 2011 and 2010 periods included a tax benefit from the true-up to the prior year's tax return of $333,000 and $311,000, respectively.

Nine Months Ended September 30, 2011 Compared with Nine Months Ended September 30, 2010

Revenues and Gross Margin

Revenues increased by $9.3 million to $65,664,000 for the nine months ended September 30, 2011 compared to $56,347,000 for the same period in 2010. This increase is the result of the following factors:

1) Revenue from our Montana and Wyoming markets increased $3,106,000 on a volume increase of 443 MMcf in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, due to colder weather in 2011 than in 2010.
2) Revenue from our Maine and North Carolina markets increased by $2,634,000 on a volume increase from full service and transportation customers of 407 MMcf in 2011 compared to 2010, caused by increased customer count in both markets and colder weather in our Maine market in the 2011 period.
3) Revenues from our Ohio markets increased $3,576,000 on a volume increase of 1,464 MMcf, due to colder weather in 2011 than in 2010.

Gas purchased increased by $6.5 million to $38,841,000 for the nine months ended September 30, 2011 compared to $32,344,000 for the same period in 2010. The increase is due primarily to the increase in sales volumes discussed above. Our gas costs are passed on dollar for dollar to our customers under tariffs regulated by the various public utility commissions in the jurisdictions in which we operate. Our gas costs are subject to periodic audits and prudency reviews in all of these jurisdictions.

Gross margin increased by $2.8 million to $26,823,000 for the nine months ended September 30, 2011 compared to $24,003,000 for the same period in 2010. The increased customer count and cold weather discussed above are the primary drivers of the increase. Maine and North Carolina accounted for $1,292,000 of the increase, Ohio for $1,165,000 and Montana and Wyoming for $362,000.

Earnings

The Natural Gas Operations segment's earnings for the nine months ended September 30, 2011 were $4,155,000, or $0.509 per diluted share, compared to earnings of $3,654,000 or $0.60 per diluted share for the nine months ended September 30, 2010.

Operating expenses increased by $1.4 million to $19,569,000 for the nine months ended September 30, 2011 compared to $18,121,000 for the same period in 2010. The increase is primarily due to increases in corporate expenses not included in the corporate and other segment of $384,000, professional outside services of $317,000, depreciation due to the increases in capital expenditures of $229,000, and payroll of $121,000. In addition, expenses associated with the operation of the Spelman Pipeline totaled $108,000.

Other Income decreased by $607,000 to $97,000 for the nine months ended September 30, 2011 compared to $704,000 for the same period in 2010. The conclusion of the arbitration case related to a contract dispute with a large customer in our Maine operation resulted in the accrual of a $300,000 liability and the resulting expense. The remaining decrease is due to decreased revenue from service sales in our Montana and Ohio markets.

Interest expense decreased by $166,000 to $1,379,000 for the nine months ended September 30, 2011 compared to $1,545,000 for the same period in 2010. The Ohio Companies had less average debt outstanding in the nine months ended September 30, 2011 because the debt that was repaid in November 2010 was not refinanced until May 2, 2011, resulting in lower interest expense.

Income tax expense increased by $430,000 to $1,817,000 for the nine months ended September 30, 2011 compared to $1,387,000 for the same period in 2010. The increase is due primarily to the increase in pre-tax income in 2011 compared to 2010 and the change in the effective state tax rate for 2010 related to the acquisition of the Ohio Companies, offset by a increase in the tax benefit received from the true-up to the prior year's tax return as the 2011 and 2010 periods each included a tax benefit from the true-up to the prior year's tax return of $333,000 and $311,000, respectively.

Table of Contents

MARKETING AND PRODUCTION OPERATIONS

Income Statement

($ in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Marketing and Production Operations				
Operating revenues	$ 856	$ 638	$4,157	$5,625
Gas Purchased	586	381	3,194	4,435
Gross Margin	270	257	963	1,190
Operating expenses	188	205	575	580
Operating income	82	52	388	610
Other expense	(2)	(4)	(85)	(476)
Income before interest and taxes	80	48	303	134
Interest expense	(23)	(17)	(68)	(52)
Income before income taxes	57	31	235	82
Income tax benefit (expense)	(8)	243	(77)	227
Net Income	**$ 49**	**$ 274**	**$ 158**	**$ 309**

Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010

Revenues and Gross Margin

Revenues increased by approximately $218,000 to $856,000 for the three months ended September 30, 2011 compared to $638,000 for the same period in 2010. $199,000 of this increase is due to increased customers in our marketing operation, leading to higher sales volumes and revenue. Production revenues increased by $19,000 due to a higher price received for volumes produced.

Gross margin increased by $13,000 to $270,000 for the three months ended September 30, 2011 compared to $257,000 for the same period in 2010. Gross margin from gas production increased by $55,000, offset by a decrease from our marketing operation of $43,000.

Earnings

The Marketing and Production segment's earnings for the three months ended September 30, 2011 were $49,000, or $0.006 per diluted share, compared to earnings of $275,000 or $0.045 per diluted share for the three months ended September 30, 2010.

Operating expenses decreased by $17,000 to $188,000 for the three months ended September 30, 2011 compared to $205,000 for the same period in 2010.

Other expense decreased by $2,000 to $2,000 for the three months ended September 30, 2011 compared to $4,000 for the same period in 2010. The loss from unconsolidated affiliate decreased by $1,000 for the three months ended September 30, 2011 compared to the same period in 2010.

Income tax benefit (expense) decreased by $251,000 to $8,000 for the three months ended September 30, 2011 compared to a benefit of $243,000 for the same period in 2010. The 2011 and 2010 periods each included a tax benefit from the true-up to the prior year's tax return of $9,000 and $254,000, respectively.

Nine Months Ended September 30, 2011 Compared with Nine Months Ended September 30, 2010

Revenues and Gross Margin

Revenues decreased by $1.5 million to $4,157,000 for the nine months ended September 30, 2011 compared to $5,625,000 for the same period in 2010. $1,339,000 is caused by the widening of the unfavorable differential between the AECO and CIG Rockies natural gas indexes, leading to lower sales in our marketing operation in the first half of 2011. Production revenues decreased by $129,000 due to lower volumes produced and a lower price received for these volumes.

Gross margin decreased by $227,000 to $963,000 for the nine months ended September 30, 2011 compared to $1,190,000 for the same period in 2010. Gross margin from our marketing operation decreased $195,000 due to lower sales volumes in our marketing operation and gross margin from gas production decreased by $31,000.

Table of Contents

Earnings

The Marketing and Production segment's earnings for the nine months ended September 30, 2011 were $158,000, or $0.019 per diluted share, compared to earnings of $309,000 or $0.05 per diluted share for the nine months ended September 30, 2010.

Operating expenses decreased by $5,000 to $575,000 for the nine months ended September 30, 2011 compared to $580,000 for the same period in 2010.

Other expenses decreased by $391,000 to $85,000 for the nine months ended September 30, 2011 compared to $476,000 for the same period in 2010. The loss from unconsolidated affiliate increased by $50,000 for the nine months ended September 30, 2011 compared to the same period in 2010. The nine months ended September 30, 2010 included an expense of $440,000 related to the conclusion of the lawsuit with Shelby Gas Association.

Income tax benefit (expense) increased by $304,000 to $77,000 for the nine months ended September 30, 2011 compared to $227,000 for the same period in 2010. The 2011 and 2010 periods each included a tax benefit from the true-up to the prior year's tax return of $9,000 and $254,000, respectively.

PIPELINE OPERATIONS

Income Statement

($ in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Pipeline Operations				
Operating revenues	$ 106	$ 104	$ 315	$ 319
Gas Purchased	—	—	—	—
Gross Margin	106	104	315	319
Operating expenses	30	33	126	150
Operating income	76	71	189	169
Other income	—	—	—	—
Income before interest and taxes	76	71	189	169
Interest (expense)	(2)	(8)	(9)	(17)
Income before income taxes	74	63	180	152

Income tax (expense)	(27)	20	(68)	(9)
Net Income	**$ 47**	**$ 83**	**$ 112**	**$ 143**

Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010

Net income decreased by $36,000 to $47,000 for the three months ended September 30, 2011 compared to $83,000 for the same period in 2010. The overall impact of the results of our pipeline operations was not material to our results of consolidated operations.

Nine Months Ended September 30, 2011 Compared with Nine Months Ended September 30, 2010

Net income decreased by $31,000 to $112,000 for the nine months ended September 30, 2011 compared to $143,000 for the same period in 2010. The overall impact of the results of our pipeline operations was not material to our results of consolidated operations.

Table of Contents

PROPANE OPERATIONS

Income Statement

($ in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Propane Operations				
Operating revenues	$ 1,010	$ —	$ 1,010	$ —
Propane Purchased	875	—	875	—
Gross Margin	135	—	135	—
Operating expenses	290	—	290	—
Operating income	(155)	—	(155)	—
Other income	1,056	—	1,056	—
Income before interest and taxes	901	—	901	—
Interest (expense)	—	—	—	—
Income before income taxes	901	—	901	—
Income tax (expense)	(339)	—	(339)	—
Net Income	**$ 562**	**$ —**	**$ 562**	**$ —**

Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010

Net income is $562,000, or $0.07 per diluted share for the three months ended September 30, 2011. The propane operations were acquired on August 1, 2011 and there are no comparative amounts for 2010. Included in the 2011 results in other income is a pre-tax gain on the bargain purchase of the assets of Independence Oil & LP Gas, Inc. of $1,055,000.

Nine Months Ended September 30, 2011 Compared with Nine Months Ended September 30, 2010

Net income is approximately $562,000, or $0.07 per diluted share for the nine months ended September 30, 2011. The propane operations were acquired on August 1, 2011 and there are no comparative amounts for 2010. Included in the 2011 results in other income is a pre-tax gain on the bargain purchase of the assets of Independence Oil & LP Gas, Inc. of $1,055,000.

CORPORATE AND OTHER OPERATIONS

Our Corporate and Other reporting segment is intended primarily to encompass the results of corporate acquisitions and other equity transactions, as well as certain other income and expense items associated with Gas Natural's holding company functions. Therefore, it does not have standard revenues, gas purchase costs, or gross margin.

Table of Contents

Income Statement

($ in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Corporate and Other				
Operating revenues	$ —	$ —	$ —	$ —
Gas Purchased	—	—	—	—
Gross Margin	—	—	—	—
Operating expenses	61	—	109	11
Operating loss	(61)	—	(109)	(11)
Other (expense) income	(33)	39	(128)	131
Income before interest and taxes	(94)	39	(237)	120
Interest expense	(1)	—	(1)	—
Income (Loss) before income taxes	(95)	39	(238)	120
Income tax benefit (expense)	30	(115)	16	(142)
Net Loss	**$ (65)**	**$ (76)**	**$ (222)**	**$ (22)**

Three Months Ended September 30, 2011 Compared with Three Months Ended September 30, 2010

Results of corporate and other operations for the three months ended September 30, 2011 include administrative costs of $61,000, costs related to acquisition activities of $35,000, interest expense of $1,000, offset by interest income of $2,000 and income tax benefit of $30,000, for a net loss of $65,000.

Results of corporate and other operations for the three months ended September 30, 2010 include dividends from marketable securities of $14,000, interest income of $11,000, and gains on the sale of marketable equity securities of $77,000 offset by costs related to acquisition activities of $63,000. The related income tax expense combined with the income tax expense resulting from the true-up of income tax expense to our filed 2009 income tax return totals $115,000. The end result is a net loss of $76,000.

Nine Months Ended September 30, 2011 Compared with Nine Months Ended September 30, 2010

Results of corporate and other operations for the nine months ended September 30, 2011 include administrative costs of $109,000, costs related to acquisition activities of $136,000, and interest expense of $1,000, offset by interest income of $8,000 and income tax benefit of $16,000, for a net loss of $222,000.

Results of corporate and other operations for the nine months ended September 30, 2010 included dividends from marketable securities of $133,000, interest income of $15,000, and gains on the sale of marketable equity securities of $159,000, offset by administrative costs of $11,000, and costs related to acquisition activities of $175,000. The related income tax expense combined with income tax expense of $101,000 resulting from the true-up of income tax expense to our filed 2009 income tax return totals $142,000. A net loss of $22,000 is the result.

Sources and Uses of Cash

Operating activities provide our primary source of cash. Cash provided by operating activities consists of net income (loss) adjusted for non-cash items, including depreciation, depletion, amortization, deferred income taxes, and changes in working capital.

Our ability to maintain liquidity depends upon our credit facility with Bank of America, shown as line of credit on the accompanying balance sheets. Our use of the Bank of America revolving line of credit was $17.6 million and $18.1 million at September 30, 2011 and December 31, 2010, respectively.

We made capital expenditures for continuing operations of $15.0 million and $4.0 million for the nine months ended September 30, 2011 and 2010, respectively, including $3.3 million related to the Spelman Pipeline acquisition in April 2011. We finance our capital expenditures on an interim basis by the use of our operating cash flow and use of the Bank of America revolving line of credit.

We periodically repay our short-term borrowings under the Bank of America revolving line of credit by using the net proceeds from the sale of long-term debt and equity securities. Long-term debt was $31.4 million and $22.9 million at September 30, 2011 and December 31, 2010, respectively, including the amount due within one year.

Table of Contents

Cash, excluding restricted cash, decreased to $10.5 million at September 30, 2011, compared to $13.0 million at December 31, 2010.

	For the Nine Months Ended September 30, 2011	For the Nine Months Ended September 30, 2010
Cash provided by operating activities	$ 12,546,069	$ 6,868,743
Cash provided by (used in) investing activities	(18,254,510)	134,125
Cash provided by (used in) financing activities	3,171,959	(3,371,609)
Increase (decrease) in cash	$ (2,536,482)	$ 3,631,259

OPERATING CASH FLOW

For the nine months ended September 30, 2011, cash provided by operating activities increased by $5.7 million as compared to the nine months ended September 30, 2010. Major items affecting operating cash included a decrease in accounts receivable collections of $5.2 million, a $3.8 million increase in collections of recoverable costs of gas, a $2.9 million increase in unbilled revenue, a $1.9 million increase in net deferred tax assets, and a $1.6 million decrease in payments on accounts payable.

INVESTING CASH FLOW

For the nine months ended September 30, 2011, cash used in investing activities increased by $18.4 million as compared to the nine months ended September 30, 2010, primarily due to increased construction expenditures of $11.0 million, including expenditures of $3.3 million in 2011 for the acquisition of Spelman Pipeline. Other major changes include $1.3 million related to acquisition of the net assets of Independence Oil & LP Gas, Inc. in August 2011, expenditures in 2011 related to restricted cash funds of $1.8 million, and a decrease in the proceeds from sale of marketable securities of $4.2 million. The restricted cash funds were created at the direction of the PUCO and are set aside for capital expenditures by the Ohio Companies in 2011.

Capital Expenditures

Our capital expenditures for continuing operations totaled $15.0 million and $4.0 million for the nine months ended September 30, 2011 and 2010, respectively, including $3.3 million related to the Spelman Pipeline acquisition in April 2011. We finance our capital expenditures on an interim basis by the use of our operating cash flow and use of the Bank of America revolving line of credit.

The majority of our capital spending is focused on the growth of our Natural Gas Operations segment. We conduct ongoing construction activities in all of our utility service areas in order to support expansion, maintenance, and enhancement of our gas pipeline systems. We are actively expanding our systems in North Carolina and Maine to meet the high customer interest in natural gas service in those two service areas.

Estimated Capital Expenditures

The table below details our capital expenditures for the nine months ended September 30, 2011 and 2010 and provides an estimate of future cash requirements for capital expenditures:

Remaining Cash

($ in thousands)	Nine Months ended September 30, 2011	2010	Requirements through December 31, 2011
Natural Gas Operations	$ 14,961	$ 3,920	$ 3,715
Marketing and Production	—	—	—
Pipeline Operations	—	37	114
Corporate and Other	7	—	86
Total Capital Expenditures	$ 14,968	$ 3,957	$ 3,915

FINANCING CASH FLOW

For the nine months ended September 30, 2011, cash provided by financing activities increased by $6.5 million as compared with the nine months ended September 30, 2010. The closing of the SunLife transaction increased proceeds from long term debt by $18.3 million, along with a corresponding increase in repayments of notes payable to pay off existing debt of $8.9 million. The SunLife transaction required debt service reserve accounts to be created in the amount of $950,000 to cover one year of interest payments.

Table of Contents

Other items include an increase of $463,000 in debt issuance costs, a $842,000 increase in dividends paid as a result of the secondary offering in November 2010 and a decrease in the net line of credit proceeds of $500,000.

We fund our operating cash needs, as well as dividend payments and capital expenditures, primarily through cash flow from operating activities and short-term borrowing. Historically, to the extent cash flow has not been sufficient to fund these expenditures, we have used our working capital line of credit. We have greater need for short-term borrowing during periods when internally generated funds are not sufficient to cover all capital and operating requirements, including costs of gas purchased and capital expenditures. In general, our short-term borrowing needs for purchases of gas inventory and capital expenditures are greatest during the summer and fall months and our short-term borrowing needs for financing customer accounts receivable are greatest during the winter months. Our ability to maintain liquidity depends upon our credit facility with Bank of America, shown as line of credit on the accompanying balance sheets. Our use of the Bank of America revolving line of credit was $17.6 million and $18.1 million at September 30, 2011 and December 31, 2010, respectively. We periodically repay our short-term borrowings under the Bank of America revolving line of credit by using the net proceeds from the sale of long-term debt and equity securities. Long-term debt was $31.4 million and $22.9 million at September 30, 2011, and December 31, 2010, respectively, including the amount due within one year.

Secondary Public Offering

In November 2010, Gas Natural completed a 2.415 million share secondary public offering. Of these shares, 340,000 were selling shareholder shares and 2.075 million were primary shares. The primary shares sold by Gas Natural include a full exercise of the over-allotment option. Gas Natural did not receive any of the proceeds from the selling shareholder shares. Net proceeds to Gas Natural were approximately $19.0 million after sales concessions, underwriting expenses, and deal expenses. The primary uses of proceeds are for investment in utility operations as we continue to expand our organic footprint. Additionally, proceeds were used to repay debt of our Ohio Companies.

In November 2010, NEO repaid upon maturity the Citizens Bank Line of Credit in the amount of $2.1 million and Orwell repaid upon maturity the Huntington Bank Line of Credit in the amount of $1.5 million and the Huntington Bank Term Loan in the amount of $4.1 million. These notes were secured by all assets of the Ohio Companies, as well as a personal guarantee from our chairman and CEO. These three instruments matured at the end of November 2010. These notes were repaid and extinguished with no ability to redraw at this time. In addition to these notes that had a pending maturity date, a related party demand note was also repaid in November 2010. Lightning Pipeline Company, the intermediate holding company for Orwell, had a $2.0 million unsecured demand note payable with our chairman, which was repaid in November of 2010, including accrued interest.

Citizens Bank Term Loans

In connection with the acquisition of the Ohio Companies, NEO and Great Plains each entered modifications/amendments to its credit facility with Citizens Bank (the “Citizens Credit Facility”). The Citizens Credit Facility consisted of a revolving line of credit and term loan to NEO, and two other term loans to Great Plains respectively. Each amendment/modification was initially effective as of December 1, 2009, but was later modified to be effective as of January 5, 2010. Gas Natural guaranteed each loan. Mr. Osborne guaranteed each loan both individually and as trustee of the Richard M. Osborne Trust, and Great Plains guaranteed NEO’s revolving line of credit and term loans.

The Ohio Companies had term loans with Citizens Bank in the aggregate amount of $11.3 million. Each term note had a maturity date of July 1, 2013 and bore interest at an annual rate of 30-day LIBOR plus 400 basis points with an interest rate floor of 5.00% per annum. For the three and nine months ended September 30, 2011 the weighted average interest rate on the term loans was 5%, resulting in $0 and $156,022 of interest expense, respectively. For the three and nine months ended September 30, 2010 the weighted average interest rate on the term loans was 5%, resulting in $123,601 and $357,281 of interest expense, respectively.

The term loans were paid off on May 3, 2011.

The following discussion describes our credit facilities as of September 30, 2011.

SunLife Assurance Company of Canada

On May 2, 2011, the Company and its Ohio subsidiaries, NEO, Orwell and Brainard (together the "Issuers"), issued $15.334 million of 5.38% Senior Secured Guaranteed Fixed Rate Notes due June 1, 2017 ("Fixed Rate Note"). Additionally, Great Plains issued $3.0 million of Senior Secured Guaranteed Floating Rate Notes due May 3, 2014 ("Floating Rate Note"). Both notes were placed with SunLife Assurance Company of Canada ("SunLife"). Approximately $636,000 was incurred related to the debt issuance which was capitalized and are being amortized over the life of the note.

The Fixed Rate Note, in the amount of $15.334 million, is a joint obligation of the Issuers, and is guaranteed by the Company, Lightning Pipeline and Great Plains (together with the Issuers, "the Fixed Rate Obligors"). This note received approval from the

Table of Contents

PUCO on March 30, 2011. The note is governed by a Note Purchase Agreement ("NPA"). Concurrent with the funding and closing of this transaction, which occurred on May 3, 2011, the Fixed Rate Obligors signed an amended NPA that is substantially the same as the NPA released on November 2, 2010. Prepayment of this note prior to maturity is subject to a 50 basis point make-whole premium.

The Floating Rate Note, in the amount of $3.0 million, is an obligation of Great Plains and is guaranteed by the Company (together, "the Floating Rate Obligors"). The note is priced at a fixed spread of 385 basis points over three month LIBOR. Pricing for this note will reset on a quarterly basis to the then current yield of three month Libor. The note is governed by a NPA. Concurrent with the funding of this transaction, which occurred on May 3, 2011, the Floating Rate Obligors signed an amended NPA that is substantially the same as the NPA released on November 2, 2010. Prepayment of this note prior to maturity is at par.

The use of proceeds for both notes extinguished existing amortizing bank debt and other existing indebtedness, funded $3.4 million for the 2011 capital program for Orwell and NEO, established two debt service reserve accounts, and replenished the Company's treasuries for the previously announced repayment of maturing bank debt and transaction expenses. The capital program funds and debt service reserve accounts are in interest bearing accounts and included in restricted cash.

Payments for both notes prior to maturity are interest-only.

For the three and nine months ended September 30, 2011, the weighted average interest rate on the Fixed Rate Note was 5.38% resulting in $206,242 and $343,737 of interest expense, respectively. For the three and nine months ended September 30, 2011, the weighted average interest rate on the Floating Rate Note was 4.11% resulting in $51,450 of interest expense.

The notes carry a 60% debt-to-capitalization financial covenant on a consolidated basis for Ohio, as well as, a 2.0x interest coverage test based on a trailing twelve-month basis. Additional covenants customary for asset sales and purchases, additional indebtedness, dividends, change of control and other matters are also included.

Bank of America

Energy West has a revolving credit facility that includes an annual commitment fee equal to 0.20% of the unused portion of the facility and interest on amounts outstanding at the monthly London Interbank Offered Rate ("LIBOR") plus 120 to 145 basis points for interest periods selected by us.

On November 2, 2011, the Company exercised the $10 million accordion feature on the revolving credit facility with Bank of America to increase the capacity from $20 million to $30 million. The expanded credit facility changes the annual commitment fee equal to a range of 0.25% to 0.45% of the unused portion of the facility and interest on amounts outstanding at the monthly LIBOR plus 175 to 225 basis points. The other terms of the agreement remain the same, including the expiration of the facility on June 29, 2012.

The following tables represent borrowings under the Bank of America revolving line of credit for each of the three and nine months ended September 30, 2011 and 2010.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Minimum borrowing	$ 10,140,000	$ 9,900,000	$ 8,390,000	$ 3,000,000
Maximum borrowing	$ 17,600,000	$ 17,100,000	$ 18,400,000	$ 17,100,000
Average borrowing	$ 14,238,000	$ 12,530,000	$ 12,752,000	$ 9,791,000

At September 30, 2011 and December 31, 2010, we had $17.6 million and $18.1 million of borrowings under the Bank of America revolving line of credit. For the three months ended September 30, 2011 and 2010, the weighted average interest rate on the facility was 1.56% and 1.80%, respectively, resulting in $55,355 and $53,848 of interest expense, respectively. For the nine months ended September 30, 2011 and 2010, the weighted average interest rate on the facility was 1.67% and 2.34%, respectively, resulting in $156,602 and $172,785 of interest expense, respectively

Senior Unsecured Notes

On June 29, 2007, Energy West authorized the sale of $13,000,000 aggregate principal amount of its 6.16% Senior Unsecured Notes, due June 29, 2017 (the "Senior Unsecured Notes"). The proceeds of these notes were used to refinance existing notes. Approximately $463,000 was incurred related to the debt issuance which was capitalized and are being amortized over the life of the notes.

Table of Contents

Our 6.16% Senior Unsecured Note and Bank of America credit facility agreements contain various covenants, which include, among others, limitations on total dividends and distributions made in the immediately preceding 60-month period to 75% of aggregate consolidated net income for such period, restrictions on certain indebtedness, limitations on asset sales, and maintenance of certain debt-to-capital and interest coverage ratios.

The cash flow from our business is seasonal and the line of credit balance in December normally represents the high point of borrowings in our annual cash flow cycle. Our cash flow increases and our borrowings decrease, beginning in January, as monthly heating bills are paid and the gas we paid for and placed in storage in the summer months is used to supply our customers. The total amount outstanding under all of our long term debt obligations was approximately $31.4 million at September 30, 2011, with $7,750 being due within one year.

We believe we are in compliance with the financial covenants under our debt agreements or have received waivers for any defaults

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance-sheet arrangements, other than those currently disclosed that have or are reasonably likely to have a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are subject to certain market risks, including commodity price risk (i.e., natural gas prices) and interest rate risk. The adverse effects of potential changes in these market risks are discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions management may take to mitigate our exposure to such changes. Actual results may differ. See the Notes to our Condensed Consolidated Financial Statements for a description of our accounting policies and other information related to these financial instruments.

Commodity Price Risk

We seek to protect against natural gas price fluctuations by limiting the aggregate level of net open positions that are exposed to market price changes. We manage such open positions with policies that are designed to limit the exposure to market risk, with regular reporting to management of potential financial exposure. Our risk management committee has limited the types of contracts we will consider to those related to physical natural gas deliveries. Therefore, management believes that although revenues and cost of sales are impacted by changes in natural gas prices, our margin is not significantly impacted by these changes.

Credit Risk

Credit risk relates to the risk of loss that we would incur as a result of non-performance by counterparties of their contractual obligations under the various instruments with us. Credit risk may be concentrated to the extent that one or more groups of counterparties have similar economic, industry or other characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in market or other conditions. In addition, credit risk includes not only the risk that a counter-party may default due to circumstances relating directly to it, but also the risk that a counterparty may default due to circumstances that relate to other market participants that have a direct or indirect relationship with such counterparty. We seek to mitigate credit risk by evaluating the financial strength of potential counterparties. However, despite mitigation efforts, defaults by counterparties may occur from time to time. To date, no such default has occurred.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of September 30, 2011, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. The evaluation was carried out under the supervision of and with the participation of our management, including our principal executive officer and principal financial officer. Based upon this evaluation, our chief executive officer and chief financial officer each concluded that our disclosure controls and procedures were effective as of September 30, 2011.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in lawsuits that have arisen in the ordinary course of business. We are contesting each of these lawsuits vigorously and believe we have defenses to the allegations that have been made.

On April 15, 2011, Gas Natural and Richard M. Osborne, our Chairman of the Board and Chief Executive Officer, filed a lawsuit captioned "*Richard M. Osborne and Gas Natural Inc. v. Michael I. German, Henry B. Cook, Ted W. Gibson, George J. Welch and Corning Natural Gas Corporation*," Case No. 1:11-CV-744 which was filed in the U.S. District Court for the Northern District of Ohio. The lawsuit claims that Messrs. German, Cook, Gibson and Welch, as directors of Corning Natural Gas Corporation ("Corning"), breached their fiduciary duties to shareholders of Corning by (i) failing to maximize shareholder value in connection with Gas Natural's offers to acquire all of Corning's outstanding shares of common stock and (ii) instituting a rights offering to dilute Mr. Osborne and Gas Natural's ownership of Corning. Alternatively, the lawsuit provides for a derivative claim against the directors of Corning for the same conduct. Mr. Osborne and Gas Natural seek to rescind the rights offering.

Corning and the directors of Corning filed a motion to dismiss the lawsuit. The court has stayed discovery in the lawsuit until it rules on the motion to dismiss.

In our opinion, the outcome of these legal actions will not have a material adverse effect on our financial condition, cash flows or results of operations.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase

* Filed or furnished herewith.
**Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2011 and December 31, 2010, (ii) Condensed Consolidated Statement of Income for the three and nine months ended September 30, 2011 and 2010, (iii) Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2011 and 2010, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010 and (v) notes to Condensed Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Gas Natural Inc.

/s/ *Thomas J. Smith*

Thomas J. Smith
Chief Financial Officer
(principal financial officer and principal accounting officer)

November 14, 2011

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Richard Osborne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gas Natural Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Richard Osborne
Richard Osborne
Chief Executive Officer (Principal Executive Officer)
Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Thomas J. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gas Natural Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Thomas J. Smith
Thomas J. Smith

Chief Financial Officer (Principal Financial and
Principal Accounting Officer)

Exhibit 32

**CERTIFICATIONS OF THE
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Gas Natural Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Osborne, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2011

/s/ Richard Osborne
Richard Osborne
Chief Executive Officer (Principal Executive Officer)

In connection with the Quarterly Report of Gas Natural Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. Smith, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2011

/s/ Thomas J. Smith
Thomas J. Smith
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

<< Previous Page | Next Page >>