



**STOLL
KEENON
OGDEN**

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093

ROBERT M. WATT, III
DIRECT DIAL: (859) 231-3043
DIRECT FAX: (859) 246-3643
robert.watt@skofirm.com

September 14, 2012

HAND DELIVERED

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

Re: Delta Natural Gas Company, Inc.

Dear Mr. Derouen:

We enclose for filing an original and ten copies of the application of Delta Natural Gas Company, Inc. for an order authorizing the issuance of 79,099 shares of its common stock. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:rmw
Enclosures

cc: Mr. John Brown (w/ encl.)
Dennis Howard, II, Esq. (w/encl.)

005522.005777/4081418.1

RECEIVED
SEP 14 2012
PUBLIC SERVICE
COMMISSION



**STOLL
KEENON
OGDEN**

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093

ROBERT M. WATT, III
DIRECT DIAL: (859) 231-3043
DIRECT FAX: (859) 246-3643
robert.watt@skofirm.com

September 14, 2012

HAND DELIVERED

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

Re: Delta Natural Gas Company, Inc.

Dear Mr. Derouen:

We enclose for filing an original and ten copies of the application of Delta Natural Gas Company, Inc. for an order authorizing the issuance of 79,099 shares of its common stock. Thank you in advance for your assistance.

Sincerely,

Robert M. Watt, III

rmw:rmw
Enclosures

cc: Mr. John Brown (w/ encl.)
Dennis Howard, II, Esq. (w/encl.)

005522.005777/4081418.1

RECEIVED
SEP 14 2012
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

SEP 14 2012

**APPLICATION OF DELTA NATURAL)
GAS COMPANY, INC. FOR AN)
ORDER AUTHORIZING THE)
ISSUANCE OF 79,099 SHARES OF ITS)
COMMON STOCK)**

PUBLIC SERVICE
COMMISSION
CASE NO. 2012-_____

APPLICATION

Delta Natural Gas Company, Inc. ("Delta") respectfully submits this Application for an order authorizing the issuance of 79,099 shares of Delta's common stock pursuant to KRS 278.300 and 807 KAR 5:001, Section 11.

1. Delta is a Kentucky corporation with its post office address, principal office and place of business located at 3617 Lexington Road, Winchester, Kentucky 40391. Delta's full name is Delta Natural Gas Company, Inc.

2. A certified copy of Delta's most recent Amended and Restated Articles of Incorporation has heretofore been filed with this Commission in connection with a prior proceeding of Delta, the same being Case No. 2010-00116, *In the Matter of: Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates*, filed on April 23, 2010.

3. Delta is a utility engaged in the natural gas business. Delta purchases, sells, stores and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Fayette, Fleming, Clark, Robertson and Mason Counties, Kentucky.

4. As of June 30, 2012, in order to serve its customers, Delta owned approximately 2,500 miles of gas gathering, transmission, distribution and service lines

ranging in size from one (1) to twelve (12) inches, compressor stations, storage wells, gas mixing equipment, regulating equipment, metering equipment, transportation equipment, maintenance equipment communications equipment, data processing equipment, land and land rights. As of June 30, 2012, the original cost to Delta of its property was \$214,618,651 as shown on Exhibit A attached hereto.

5. There is attached hereto as Exhibit B the financial exhibit of Delta as of June 30, 2012, as required by 807 KAR 5:001, Sections 6 and 11.

6. Delta desires to issue 79,099 shares of its common stock. As of June 30, 2012, there were 6,803,941 shares of common stock, \$1.00 par value, issued and outstanding. Delta is authorized to issue 20,000,000 shares of common stock, \$1.00 par value.

7. By order dated October 14, 2005, in Case No. 2005-00336, *In the Matter of: The Application of Delta Natural Gas Company, Inc. For an Order Authorizing the Issuance of Up To 200,000 Shares of Common Stock*, the Commission authorized Delta to issue up to 200,000 share of its common stock in connection with its Amended and Restated Dividend Reinvestment Plan ("DRIP"). A copy of the DRIP is attached hereto and designated Exhibit C. As of April 30, 2012, Delta had issued all but 79,099 of the 200,000 shares authorized to be issued under the DRIP.

8. By order dated March 8, 2012, in Case No. 2012-00033, *In the Matter of: Application of Delta Natural Gas Company, Inc. For an Order Authorizing a Two-For-One Split of Its Common Stock*, the Commission authorized a two-for-one split of Delta's common stock effective May 1, 2012. Delta, therefore, distributed on May 1, 2012, one

additional share of common stock, \$1.00 par value, from its authorized common stock for each one share outstanding as of April 17, 2012.

9. As a result of the stock split, the 79,099 shares left to be distributed under the DRIP effectively became 158,198 shares on May 1, 2012. The October 14, 2005, order in Case No. 2005-00336, however, did not authorize the issuance of the additional 79,099 shares needed to be issued under the DRIP. In order to meet the intent of such order in light of the stock split, Delta proposes to issue the additional 79,099 shares under the DRIP. The purpose of the issuance is to provide partial funding of Delta's capital expenditures.

10. Delta's capital expenditures are financed through internally generated funds and short-term borrowings. The borrowings are replaced from time to time with long-term debt and equity financing, the amount and types of which depend upon Delta's capital needs and market conditions. The requested stock issuance will provide Delta with additional equity capital for partially funding its construction programs and operating expenses and will also provide shareholders with an easy and convenient means of accumulating additional Common Stock.

11. The proposed stock issuance described herein is for lawful objects within the corporate purposes of Delta and is necessary, appropriate for and consistent with the proper performance by Delta of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purpose.

12. Communications related to this proceeding should be directed to the following persons:

John B. Brown
Delta Natural Gas Company, Inc.
3617 Lexington Road
Winchester, KY 40391

Robert M. Watt, III
Monica H. Braun
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, KY 40507

WHEREFORE, Delta Natural Gas Company, Inc. respectfully prays that the Public Service Commission enter its order authorizing the issuance of 79,099 shares of its common stock pursuant to its Amended and Restated Dividend Reinvestment Plan and for any and all other relief to which it may appear entitled.

Respectfully submitted,

Robert M. Watt, III
Monica H. Braun
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507
859-231-3000
robert.watt@skofirm.com
monica.braun@skofirm.com



Counsel for Delta Natural Gas
Company, Inc.

DELTA NATURAL GAS COMPANY, INC.

**DESCRIPTION OF PROPERTY AND ORIGINAL COST
JUNE 30, 2012**

INTANGIBLE PLANT

Organization	\$	53,151
Franchise		0

PRODUCTION PLANT

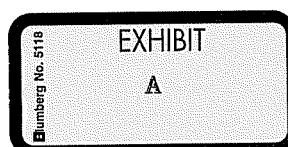
Production Land		0
Production Structures		0
Gas Mixing Equipment		7,795
Land & Land Rights		97,021
Compressor Stations & Structures		812,575
Measuring & Regulating Equipment		158,244
Field Line – Gathering		1,949,942

STORAGE & PROCESSING PLANT

Storage Land		74,295
Storage Right-Of-Way		186,821
Gas Rights Wells		1,495
Gas Rights Storage		0
Storage Structures & Improvements		534,761
Storage Wells		2,283,694
Storage Rights		860,396
Storage Reservoirs		1,864,731
Nonrecoverable Natural Gas		294,307
Storage Lines		5,195,308
Storage Compressor Station Equipment		2,531,347
Storage Measuring & Regulating Equipment		602,595
Purification Equipment		5,900,288
Storage Other Equipment		105,903

TRANSMISSION PLANT

Land & Land Rights of Way		1,371,262
Land Rights		163,626
Structures & Improvements		248,656
Mains		42,353,187
Compressor Station & Equipment		7,580,586
Regulating Equipment		3,485,754
Other Equipment		466,210



**DESCRIPTION OF PROPERTY AND ORIGINAL COST
JUNE 30, 2012**

DISTRIBUTION PLANT

Land & Land Rights	331,415
Structure & Improvements	108,113
Mains	70,431,238
Regulating Equipment – General	1,876,719
Regulating Equipment – City Gate	853,404
Services	15,136,617
Meter & House Regulators	12,804,351
Meter & House Regulator Installations	3,196,188
Industrial Regulating Station Equipment	1,649,289

GENERAL PLANT

Land & Land Rights	999,354
Structure & Improvements	5,574,519
Office Furniture & Equipment	152,090
Transportation Equipment	4,504,659
Tools, Shop & Garage Equipment	1,062,426
Laboratory Equipment	251,314
Power Operated Equipment	3,436,207
Communications Equipment	351,823
Miscellaneous Equipment	47,852
Other Tangible Property	6,110,649

GAS STORED UNDERGROUND 4,208,069

CONSTRUCTION WORK IN PROGRESS 723,107

PLANT ACQUISITION ADJUSTMENT (580,759)

\$ 212,412,594

ASSET RETIREMENT OBLIGATIONS

(Excluded from Rate Base)

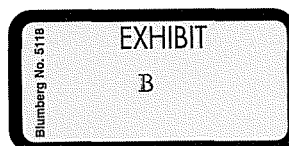
Distribution	\$ 2,146,402
Production – Gathering	10,790
Storage	11,721
Transmission	37,144

Gas Utility Plant – per Financial Exhibit, Page 8 \$ 214,618,651

DELTA NATURAL GAS COMPANY, INC.

**AMOUNT AND KINDS OF STOCK AUTHORIZED,
ISSUED AND OUTSTANDING
JUNE 30, 2012**

Common Stock, par value \$1.00 per share	--	Authorized - 20,000,000 shares Issued and Outstanding - 6,803,941 shares
Cumulative Preferred	--	Authorized - 312,500 shares Issued and Outstanding - 0



DELTA NATURAL GAS COMPANY, INC.

**LONG-TERM DEBT OUTSTANDING
AND MORTGAGE DESCRIPTIONS
JUNE 30, 2012**

There are no mortgages outstanding.

The following long-term debts are in existence:

- (1) On December 20, 2011, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued under the Note Purchase and Private Shelf Agreement \$58,000,000 of unsecured 4.26% Series A Notes with a maturity date of December 20, 2031, for which the purchasers paid 100% of the face principal amount. These proceeds from this private debt financing were used to redeem Delta's outstanding 7.0% Debentures that would have matured in February 2023 in the amount of \$19,410,000 and Delta's outstanding 5.75% Insured Quarterly Notes that would have matured in April 2021 in the amount of \$38,450,006. Interest on the Series A Notes is payable quarterly. Beginning December 2012, Delta is required to make an annual \$1,500,000 principal payment on these Series A Notes. Any additional prepayment of principal is subject to a prepayment premium which varies depending on the yields of United States Treasury securities with a maturity equal to the remaining average life of the Series A Notes. Interest paid during the twelve months ending June 30, 2012 was \$1,235,400. The Prudential Managed purchased \$55,000,000 of the Notes and MTL Insurance Company purchased \$3,000,000 of the Notes. The balance at June 30, 2012 was \$58,000,000.

At June 30, 2012 there was a total amount of \$3,740,161 of unamortized debt expense and loss on extinguishment of debt associated with the 4.26% Series A Notes and earlier issuances. This total is being amortized over the life of the remaining debt, as approved by and Order of the Kentucky Public Service Commission.

The following long-term debts have been redeemed:

- (1) On February 18, 2003, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued \$20,000,000 of unsecured 7.0% Debentures with a maturity date of February 2023. On December 20, 2011, these Debentures were redeemed by the Company. A total of \$19,410,000 was outstanding on the call date of December 20, 2011. Interest paid during the 12 months ending June 30, 2012 was \$864,284.17. The Bank of New York Trust Company, N.A. was the Trustee and interest paying agent for these debentures.

- (2) On April 6, 2006, as authorized by Delta's Board of Directors and approved by an Order of the Kentucky Public Service Commission, Delta issued \$40,000,000 of unsecured 5.75% Insured Quarterly Notes with a maturity date of April 2021. On December 20, 2011, these Quarterly Notes were redeemed by the Company. A total of \$38,450,006 was outstanding on the call date of December 20, 2011. Interest paid during the 12 months ending June 30, 2012 was \$1,592,154.49. The Bank of New York Trust Company, N.A. was the Trustee and interest paying agent for these notes.

DELTA NATURAL GAS COMPANY, INC.

**SHORT-TERM DEBT OUTSTANDING
JUNE 30, 2012**

Delta had outstanding at June 30, 2012 short-term debt as follows:

<u>LENDER</u>	<u>DUE DATE</u>	<u>RATE</u>	<u>AMOUNT</u>
Branch Banking and Trust Company (BB&T)	Demand ⁽¹⁾	1.38870% ⁽²⁾	\$-0-

Short-term interest paid in the 12 months ended June 30, 2012, including the cost of the unused line of credit, was \$66,773.

⁽¹⁾ This is a demand grid note dated June 30, 2011 with a maturity date of June 30, 2013. It can be increased or decreased daily up to a maximum of \$40,000,000.

⁽²⁾ The interest on this line is determined monthly at the thirty day LIBOR Rate plus 1.15% on the used line of credit. The cost of the unused line of credit is 0.125%.

DELTA NATURAL GAS COMPANY, INC.

**OTHER INDEBTEDNESS
JUNE 30, 2012**

There is no other indebtedness outstanding.

DELTA NATURAL GAS COMPANY, INC.

**DIVIDENDS FOR LAST FIVE YEARS
JUNE 30, 2012**

<u>MONTH AND YEAR PAID</u>	<u>RATE</u>	<u>ON SHARES OR VALUE</u>	<u>PAR VALUE</u>	<u>DIVIDEND AMOUNT</u>
September 2007	.310	3,277,729	3,277,729	\$1,016,096
December 2007	.310	3,282,393	3,282,393	\$1,017,542
March 2008	.310	3,287,542	3,287,542	\$1,019,138
June 2008	.310	3,291,943	3,291,943	\$1,020,502
September 2008	.320	3,297,433	3,297,433	\$1,055,178
December 2008	.320	3,302,946	3,302,946	\$1,056,943
March 2009	.320	3,308,444	3,308,444	\$1,058,702
June 2009	.320	3,313,798	3,313,798	\$1,060,415
September 2009	.325	3,319,374	3,319,374	\$1,078,797
December 2009	.325	3,324,019	3,325,019	\$1,080,307
March 2010	.325	3,327,966	3,327,966	\$1,081,590
June 2010	.325	3,331,531	3,331,531	\$1,082,748
September 2010	.340	3,346,369	3,346,369	\$1,137,766
December 2010	.340	3,350,569	3,350,569	\$1,139,193
March 2011	.340	3,358,636	3,358,636	\$1,141,936
June 2011	.340	3,362,907	3,362,907	\$1,143,388
September 2011	.350	3,382,626	3,382,626	\$1,183,919
December 2011	.350	3,387,523	3,387,523	\$1,185,750
March 2012	.350	3,393,782	3,393,782	\$1,187,824
June 2012**	.175	6,799,040	6,799,040	\$1,189,832

**The Kentucky Public Service Commission in its Order dated March 8, 2012 authorized a two-for-one stock split effective May 1, 2012 for shareholders of record on April 17, 2012.

DELTA NATURAL GAS COMPANY, INC.

**STATEMENT OF INCOME
12 MONTHS ENDED JUNE 30, 2012
(UNAUDITED)**

OPERATING REVENUES	<u>\$46,534,581</u>
OPERATING EXPENSES AND TAXES	
Gas Purchased	\$15,703,114
Operations	11,037,032
Maintenance	783,893
Depreciation	5,870,798
Property & Other Taxes	2,088,038
Income Taxes	<u>2,676,627</u>
Total	<u>\$38,159,502</u>
Operating Income	\$ 8,375,079
INTEREST EXPENSES	\$ 3,365,856
NET INCOME	<u>\$ 5,009,223</u>

DELTA NATURAL GAS COMPANY, INC.
BALANCE SHEET
12 MONTHS ENDED JUNE 30, 2012
(UNAUDITED)

ASSETS

Gas Utility Plant, at Cost	\$	214,618,651
Less - Reserve for Depreciation		<u>80,646,603</u>
Net Gas Plant	\$	<u>133,972,048</u>
Current Assets		
Cash	\$	9,740,502
Receivables		2,717,407
Deferred Gas Cost		3,386,293
Gas in Storage, at Average Cost		4,177,051
Materials and Supplies, at Average Cost		557,118
Prepayments		<u>1,079,065</u>
Total Current Assets	\$	<u>21,657,436</u>
Other Assets		
Cash Surrender Value of Life Insurance	\$	307,125
Unamortized Expenses		3,740,161
Receivable/Investment in Subsidiaries		2,019,188
Other		<u>12,157,846</u>
Total Other Assets	\$	<u>18,224,320</u>
TOTAL ASSETS	\$	<u>173,853,804</u>

LIABILITIES

Capitalization		
Common Shareholders' Equity	\$	66,220,407
Long-Term Debt		<u>56,500,000</u>
Total Capitalization	\$	<u>122,720,407</u>
Current Liabilities		
Notes Payable	\$	0
Current Portion of Long-Term Debt		1,500,000
Accounts Payable		2,460,955
Accrued Taxes		(1,754,347)
Refunds Due Customer		303,418
Customer Deposits		549,644
Accrued Interest		149,387
Current Deferred Income Taxes		1,252,195
Other		<u>1,173,135</u>
Total Current Liabilities	\$	<u>5,634,387</u>
Deferred Credits & Others		
Deferred Income Taxes	\$	38,996,143
Deferred Investment Tax Credit		62,700
Regulatory Items		66,938
Advances for Construction and Other		4,065,969
Accumulated Provision for Pension		<u>2,307,260</u>
Total Deferred Credits and Other	\$	<u>45,499,010</u>
TOTAL LIABILITIES	\$	<u>173,853,804</u>

PROSPECTUS

DELTA NATURAL GAS COMPANY, INC.



**DIVIDEND REINVESTMENT AND
STOCK PURCHASE PLAN**

200,000 shares of common stock
(\$1 par value)

We are offering shares of our common stock to our shareholders under our Dividend Reinvestment and Stock Purchase Plan.

Under our Plan, participants may:

- automatically reinvest their cash dividends in our common stock;
- purchase up to \$50,000 in additional shares of our common stock in any year (the additional purchases are referred to in this prospectus as "Optional Investments");
- deposit share certificates for safekeeping.

Automatic reinvestment of dividends and additional purchases are made at then current market prices and without any commissions or fees, except a transaction fee in the maximum amount of \$5.00 is charged on each Optional Investment.

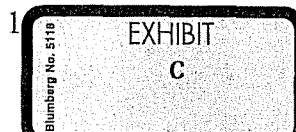
Our common stock shares are traded on the Nasdaq National Market System under the symbol DGAS. On December 8, 2005, the last sale price of the shares as reported on the Nasdaq National Market System was \$25.90 per share.

Our executive offices are located at 3617 Lexington Road, Winchester, Kentucky 40391. Our telephone number is (859) 744-6171. Our fax number is (859)744-6552, and our website is www.deltagas.com

Investing in Delta's common stock involves risks. See "Risk Factors", p. 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is December 14, 2005.



We have not authorized any person to give you any information or to make any representations not contained in this prospectus. If anyone gives you different information or makes inconsistent representations, you should not rely on them.

You should assume that the information appearing in this prospectus, as well as information contained in any document incorporated by reference, is accurate as of the date of such document only.

TABLE OF CONTENTS

Prospectus Summary	3
Risk Factors.....	4
Where to Find More Information About Us	7
Incorporation of Certain Documents by Reference	7
Forward-Looking Statements.....	8
The Company.....	9
Plan of Distribution.....	9
Use of Proceeds.....	9
Description of the Plan.....	10
Description of Common Stock.....	20
Experts.....	22
Legal Opinion.....	23
Indemnification of Directors and Officers.....	23

This prospectus does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

PROSPECTUS SUMMARY

You should read the following summary in conjunction with the more detailed information contained elsewhere in this prospectus and the documents incorporated by reference in this prospectus.

The Plan

Our Dividend Reinvestment and Stock Purchase Plan provides a convenient and economical way for our shareholders to purchase additional shares of our common stock. Participants in our plan may automatically reinvest all or a part of their dividends and may also make additional purchases, Optional Investments, of up to \$50,000 in any calendar year. Participants pay no commissions or brokerages fees in connection with their purchases under the Plan, except participants are charged a \$5.00 transaction fee for each Optional Investment that they make.

- ◆ If you currently participate in the plan, you will remain enrolled in the Plan unless you contact the Plan Administrator to close your account. Computershare Trust Company, Inc. will act as the Plan Administrator. We may refer to Computershare Trust Company as the “Plan Administrator” in this prospectus.
- ◆ If you are a shareholder of record but not a current participant in the Plan, you may obtain an enrollment form from us or by calling Computershare Trust Company at 1-888-294-8217. You also may enroll on line or download the enrollment form from the Internet at www.computershare.com
- ◆ If you are not a shareholder of record because you are a beneficial owner who owns all of your shares in the record name of a broker or nominee, you must take steps to become a record owner of the shares in order to participate in the Plan.
- ◆ If you participate in the plan and wish to terminate your participation, you may do so by written notice to Computershare Trust Company. Upon termination, you will receive a certificate for your shares held in the plan (plus cash for any fractional share). Alternatively, if you request, Computershare Trust Company will sell your plan shares for you, and in that case will charge a commission for that service.

The Offering

This prospectus relates to 200,000 shares of our common stock offered for purchase under the Plan. All shares purchased by participants under the Plan are purchased from us at then current market prices.

RISK FACTORS

Purchasing our common stock involves risks. The following are material risks.

You should carefully consider each of the following factors and all of the information in this prospectus before purchasing any of our common stock.

Weather conditions may cause our revenues to vary from year to year. Our revenues vary from year to year, depending on weather conditions. We estimate that approximately 75% of our annual gas sales are temperature sensitive. As a result, mild winter temperatures can cause a decrease in the amount of gas we sell in any year.

Changes in federal regulations could reduce the availability or increase the cost of our interstate gas supply. We purchase a substantial portion of our gas supply from interstate sources. The Federal Energy Regulatory Commission regulates the transmission of the natural gas we receive from interstate sources, and it could increase our transportation costs or decrease our available pipeline capacity by changing its regulatory policies.

Our gas supply depends upon the availability of adequate pipeline transportation capacity. We purchase a substantial portion of our gas supply from interstate sources. Interstate pipeline companies transport the gas to our system. A decrease in interstate pipeline capacity available to us or an increase in competition for interstate pipeline transportation service could adversely affect our normal interstate supply of gas.

Our customers are able to purchase natural gas without using our distribution system. Our larger customers can obtain their natural gas supply by purchasing their natural gas directly from interstate suppliers, local producers or marketers and arranging for alternate transportation of the gas to their plants or facilities. Customers may undertake such a by-pass of our distribution system in order to achieve lower prices for their gas service. Our larger customers who are in close proximity to alternative supplies would be most likely to consider taking this action. This potential to by-pass our distribution system creates a risk of the loss of large customers and thus could result in lower revenues and profits.

We face regulatory uncertainty at the state level. We are regulated by the Kentucky Public Service Commission. The majority of our revenues are generated by our regulated segment. We face the risk that the Kentucky Public Service Commission may fail to grant us adequate and timely rate increases or may take other actions that would cause a reduction in our income from operations, such as limiting our ability to pass on to our customers our increased costs of natural gas. Such regulatory actions would decrease our revenues and our profitability.

Volatility in the price of natural gas could reduce our profits. Significant increases in the price of natural gas would cause our retail customers to conserve or switch to alternate sources of energy. Any decrease in the volume of gas we sell that is caused by such actions would reduce our profits. Higher prices could also make it more difficult to add new customers. Natural gas prices have risen significantly in recent months.

We do not generate sufficient cash flows to meet all our cash needs. Historically, we have made large capital expenditures in order to finance the maintenance, expansion and upgrading of our system, including acquisitions of other systems. As a result, we have funded a portion of our cash needs through borrowing and by offering new securities into the market. Although our cash needs vary from year to year, we consider these years indicative of our future needs for external cash. Our dependency on external sources of financing creates the risks that our profits could decrease as a result of high capital costs and that lenders could impose onerous and unfavorable terms on us as a condition to granting us loans. We also risk the possibility that we may not be able to secure external sources of cash necessary to fund our operations.

Cross-default provisions in our borrowing arrangements increase the consequences of a default on our part. Each indenture under which our outstanding debentures were issued, as well as the loan agreement for our bank line of credit, contains a cross-default provision which provides that we will be in default under the indenture or loan agreement in the event of certain defaults under any of the other indentures or our loan agreement. Accordingly, should an event of default occur under one of our debt agreements, we face the prospect of being in default under all of our debt agreements and obliged in such instance to satisfy all of our outstanding indebtedness.

Our ability to pay dividends on our common stock is limited. We cannot assure you that we will continue to pay dividends at our current annual dividend rate or at all. In particular, our ability to pay dividends in the future will depend upon, among other things, our future earnings, cash requirements, covenants under the loan agreement for our bank line of credit and covenants under the indentures for our outstanding debentures.

Terrorist attacks and threats, escalation of military activity in response to such attacks or acts of war may negatively affect our earnings and financial condition. Terrorist attacks, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C. on September 11, 2001, and future war or risk of war may adversely impact our results of operations, our ability to raise capital and our future growth. The impact that possible terrorist attacks may have on our industry in general, and on us in particular, is not known at this time but could likely lead to increased volatility in gas rates. Uncertainty surrounding the current military action in Iraq, future military strikes or sustained military campaigns may impact our operations in unpredictable ways, including disruptions of fuel or gas supplies and markets, and the possibility that infrastructure facilities, including pipelines, processing plants and storage facilities, could be direct targets or indirect casualties of an act of terror. Terrorist activity may also hinder our ability to transport gas if transportation facilities or pipelines become damaged as a result of an attack. In addition, war or risk of war may have an adverse effect on the economy in our service territory. A lower level of economic activity could result in a decline in energy consumption which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war also could affect our ability to raise capital.

Hurricanes or other extreme weather could interrupt our gas supply and increase natural gas prices. Hurricanes or other extreme weather could damage production or

transportation facilities, which could result in decreased supplies of natural gas and increased supply costs for us and higher prices for our customers.

There is a limited trading market for our common stock and you may not be able to resell your shares at or above the price you pay for them. The price of our common stock that you purchase in this offering may decrease significantly. Our common stock is quoted on the Nasdaq National Market System under the symbol "DGAS". A public trading market having the desired characteristics of liquidity and order depends on the presence in the market of willing buyers and sellers at any given time. None of our current market makers in our common stock on the Nasdaq National Market System is obligated to remain a market maker. The presence of willing buyers and sellers depends on the individual decisions of investors and general economic conditions, all of which are beyond our control.

Future sales of shares of our common stock in the market, or the perception that such sales may occur, may depress our common stock price. If our existing shareholders sell our common stock in the market or if there is a perception that these sales may occur, the market price of our common stock could decline. In addition, our board of directors has the authority to issue additional shares of our authorized but unissued common stock without the vote of our shareholders. Additional issuances of our common stock would dilute the ownership percentage of existing shareholders and may dilute the earnings per share of our common stock.

Provisions of our articles of incorporation and Kentucky law could deter takeover attempts that some shareholders may consider desirable. Provisions contained in our articles of incorporation and Kentucky law may hinder an acquisition of our company. For example, our articles of incorporation and Kentucky law require that certain acquisitions be approved by holders of 80% or more of our outstanding shares of common stock. In addition, our articles of incorporation establish a board with staggered, three-year terms for our directors. The existence of these provisions may deprive you of any opportunity to sell your shares at a premium over the prevailing market price for our common stock. The potential inability of our shareholders to obtain a control premium could reduce the market price of our common stock.

The future market price of our common stock could be volatile. The trading price of our common stock could be subject to wide fluctuations in response to variations in operating results caused by weather, changes in gas prices, operating costs, uninsured losses, financial results that are different from comparable companies, securities fluctuations in the market prices for shares of comparable companies or broad market fluctuations that may reduce the market price of our common stock.

WHERE TO FIND MORE INFORMATION ABOUT US

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934. You may read and copy this information at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that Website is www.sec.gov

We have filed with the SEC a registration statement on Form S-3 that registers the shares of common stock we are offering. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us and the shares of common stock being offered. The rules and regulations of the SEC allow us to omit certain information included in the registration statement from this prospectus.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to “incorporate by reference” into this prospectus information that we file separately with the SEC. This enables us to disclose important information to you by referring you to another document that we filed with the SEC. Information that we incorporate by reference in this manner is considered to be a part of this prospectus, except for any information that is superseded by information that is included directly in this document.

We incorporate by reference the following documents, which we previously filed with the SEC and which contain important information about us and our financial condition:

- (i) Our Annual Report on Form 10-K for the year ended June 30, 2005; and
- (ii) Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
- (iii) Our Current Report on Form 8-K filed with the SEC on November 18, 2005.

We also incorporate by reference all documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the termination of this offering.

Upon your written or oral request, we will provide you a copy of any of the filings that are incorporated by reference into this prospectus. This information will be provided to you without charge. Your request should be directed to: Emily P. Bennett, Director – Corporate Services, Delta

Natural Gas Company, Inc., 3617 Lexington Road, Winchester, Kentucky 40391, telephone number (859) 744-6171, fax number (859) 744-6552, e-mail ebennett@deltagas.com

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in this prospectus contain forward-looking statements that relate to future events or our future performance. We have attempted to identify these statements by using words such as "estimates", "attempts", "expects", "monitors", "plans", "anticipates", "intends", "continues", "believes", "seeks", "strives", "will depend" and similar expressions.

These forward-looking statements include, but are not limited to, statements about:

- ◆ our operational plans and strategies,
- ◆ the cost and availability of our natural gas supplies,
- ◆ our capital expenditures,
- ◆ sources and availability of funding for our operations and expansion,
- ◆ our anticipated growth and growth opportunities through system expansion and acquisition,
- ◆ competitive conditions that we face,
- ◆ our production, storage, gathering and transportation activities,
- ◆ regulatory and legislative matters, and
- ◆ dividends.

Factors that could cause future results to differ materially from those expressed in or implied by the forward-looking statements or historical results include the impact or outcome of:

- ◆ the ongoing restructuring of the natural gas industry and the outcome of the regulatory proceedings related to that restructuring,
- ◆ the changing regulatory environment, generally,
- ◆ a change in the rights under present regulatory rules to recover for costs of gas supply, other expenses and investments in capital assets,
- ◆ changes in our capital expenditure requirements,
- ◆ uncertainty in our capital expenditure requirements,
- ◆ changes in economic conditions, demographic patterns and weather conditions in our retail service areas,
- ◆ changes affecting our cost of providing gas service, including changes in gas supply costs, cost and availability of interstate pipeline capacity, interest rates, the availability of external sources of financing for our operations, tax laws, environmental laws, and the general rate of inflation,
- ◆ changes affecting the cost of competing energy alternatives and competing gas distributors,

- ◆ changes in accounting principles and tax laws or the application of such principles to us, and
- ◆ other matters described in our other filings with the SEC

THE COMPANY

We sell natural gas to approximately 40,000 retail customers on our distribution system in central and southeastern Kentucky. Additionally, we transport natural gas to our industrial customers, who purchase their gas in the open market. We also transport natural gas on behalf of local producers and customers not on our distribution system, and we produce a relatively small amount of natural gas from our southeastern Kentucky wells.

We operate through two segments, a regulated segment and an unregulated segment. Through our regulated segment, we sell natural gas to our retail customers in 23 predominantly rural communities. In addition, our regulated segment transports gas to industrial customers on our system who purchase gas in the open market. Our regulated segment also transports gas on behalf of local producers and other customers not on our distribution system.

We operate our unregulated segment through three wholly-owned subsidiaries. Two of these subsidiaries, Delta Resources, Inc. and Delgasco, Inc., purchase natural gas on the national market and from Kentucky producers. We resell this gas to industrial customers on our distribution system and to others not on our system. Our third subsidiary that is part of the unregulated segment, Enpro, Inc., produces a relatively small amount of natural gas that is sold on the unregulated market.

Our executive offices are located at 3617 Lexington Road, Winchester, Kentucky 40391. Our telephone number is (859) 744-6171.

PLAN OF DISTRIBUTION

The shares are being offered pursuant to our Dividend Reinvestment and Stock Purchase Plan, which is described in this prospectus. The Plan Administrator will purchase the shares being offered directly from us. We generally pay all fees and expenses incurred in connection with the Plan, including annual administrative fees. A participant, however, is responsible for a transaction fee in the maximum amount of \$5.00 in connection with each Optional Investment and for commissions and fees relating to the sale of all or a portion of the shares in his or her Plan account.

USE OF PROCEEDS

We do not know the number of shares that actually will be sold under the Plan or the prices at which such shares will be sold. We will use the proceeds from shares sold under the Plan for

capital expenditures and for other general corporate purposes. We are unable to estimate the amount of proceeds which will be devoted to any specific purpose.

DESCRIPTION OF THE PLAN

The Plan was adopted by our Board of Directors on November 17, 2005, as an amendment to our former Plan. The amended and restated Plan will be effective on February 15, 2006. An order of the Kentucky Public Service Commission authorizing the issuance by Delta of Common Stock pursuant to the Plan was entered on October 14, 2005.

The Plan is described in the following 30 numbered questions and answers.

Purpose

1. What is the purpose of the Plan?

The purpose of the Plan is to provide our shareholders with a simple, convenient and economical means of purchasing shares of our common stock and reinvesting cash dividends in additional shares of common stock.

Advantages

2. What are the advantages of participation in the Plan?

- ◆ Part or all of the cash dividends we pay on our common stock can be automatically reinvested in additional shares of our common stock, and participants pay no brokerage commissions or service charges in connection with their dividend reinvestment.
- ◆ Participants may make Optional Investments of cash of up to \$50,000 per calendar year. Participants pay a transaction fee in the maximum amount of \$5.00 for each Optional Investment made. See Question 8.
- ◆ Funds will be fully invested, because the Plan permits fractions of shares to be credited to participants' accounts.
- ◆ Regular statements of account will provide participants a record of each transaction to simplify their recordkeeping.

Administration

3. Who administers the Plan, and what are the Plan Administrator's responsibilities?

The Plan is administered by the Dividend Reinvestment Plan Committee, which is appointed by our Board of Directors. The Committee determines the rights of participants in accordance with the Plan. It may adopt such rules and regulations as it deems appropriate to promote the objectives of the Plan.

The designated Plan Administrator under the Plan is Computershare Trust Company, Inc. As Plan Administrator, Computershare is responsible for investing participants' funds and keeping continuous records of participants' accounts. At least quarterly, the Plan Administrator will send participants statements of accounts that show the shares credited to the participants' accounts. The Plan Administrator also will perform other duties for Plan participants as needed.

The Plan Administrator, Computershare, will also act as custodian of shares purchased under the Plan and will hold certificates representing such shares. This will relieve participants of the responsibility for the safekeeping of multiple certificates for shares purchased and protect against loss, theft or destruction of stock certificates.

Certificates for any number of whole shares credited to each account under the Plan will, however, be issued to participants upon written request to the Plan Administrator. Any remaining whole and fractional shares will continue to be credited to each participant's account. Certificates for fractional shares will not be issued.

When, pursuant to the written request of a participant, certificates representing shares held by the Plan are issued to the participant, the participant will become the record owner of such shares, but the subsequent dividends paid on such issued shares will continue to be subject to the dividend reinvestment option chosen by the participant.

4. How are administrative costs of the Plan to be paid?

All costs of administration of the Plan are paid by us, except for transaction fees charged by the Plan Administrator in connection with Optional Investments (see Question 8) and brokerage and transaction fees charged in connection with the sale of Plan shares by the Plan Administrator on behalf of participants (see Question 15).

Participation

5. Who is eligible to participate in the Plan?

All our shareholders may participate in the Plan.

6. How do I become a participant?

Any of our shareholders may join the Plan by enrolling online at Computershare's web site www.computershare.com or by completing an authorization form and returning it to Computershare, P. O. Box 3309, Chicago, IL 60690. Authorization forms will be furnished to shareholders at any time upon request to the Plan Administrator or to us. If, however, a

shareholder's shares are held in a registered name other than the shareholder's, such as in the name of a broker, bank nominee or trustee, the participation in the Plan requires that the shareholder take steps to become a record owner of the shares.

7. When may I join the Plan?

Any shareholder may join the Plan at any time, subject to the following. If the Plan Administrator receives the authorization form from any shareholder on or before the record date for payment of a cash dividend, that dividend will be used by the Plan Administrator to buy shares of common stock for that shareholder's account under the Plan to the extent requested by the shareholder. If the authorization form is received by the Plan Administrator after any record date, such participation in the Plan will begin with the cash dividend payment following the next record date. Our dividend record dates normally have been approximately the last day of February, May, August and November.

Purchases

8. What investments are available under the Plan?

- ◆ Dividend Reinvestments. Participants may elect to reinvest their cash dividends in additional shares of our common stock under either of the following options.
 - i. Full Dividend reinvestment. Participants may specify that all of their cash dividends be reinvested in our common stock.
 - ii. Percentage Dividend Reinvestment. Participants may specify that a percentage of their cash dividends be reinvested in our common stock and that the balance of the dividends be paid to them in cash.

The terms of the Plan and the investment option selected will be effective for all shares of our common stock then or subsequently registered in the participant's name.

All cash dividends on shares (including fractional shares) credited to a participant's account under the Plan will automatically be reinvested in additional shares of common stock pursuant to the investment option selected in the participant's enrollment form.

- ◆ Optional Investments. Under the Plan, a participant may to invest in our common shares in addition to his or her dividend reinvestments. Such Optional Investments may be made by check made payable to Computershare that includes a \$5.00 transaction fee. Alternatively, a participant may authorize automatic deductions by Computershare from the participant's bank account, in which case the transaction fee is \$1.50 for each Optional Investment. Each Optional Investment must be at least \$25.00. A participant's total Optional Investments in any calendar year may not exceed \$50,000. Each contribution by check must be accompanied by a completed authorization form that instructs the Plan Administrator to invest in the participant's account.

If, prior to the time the Plan Administrator invests a participant's Optional Investment in our common stock, a participant's check for such Optional Investment is returned unpaid or the automatic deduction is for any reason not properly effected, participant's instructions to make the Optional Investment will be disregarded. If, however, after the time the Plan Administrator invests a participant's Optional Investment in our common stock, a participant's check for such Optional Investment is returned unpaid or the automatic deduction is for any reason not properly effected, the Plan Administrator is authorized under the Plan to sell a sufficient number of shares from the participant's Plan account to cover the price paid by the Plan Administrator for the shares purchased on behalf of participant's Optional Investment, plus applicable fees associated with the liquidation of the shares. In addition to the normal transaction fees charged when the Plan Administrator sells participants' shares (see Question 15), the fees in such cases shall also include an additional \$25 processing fee.

9. When will funds be invested under the Plan?

Cash dividends and Optional Investments are invested by the Plan Administrator, Computershare, on the respective "Pricing Dates" for such investments.

The Pricing Date for reinvestment of cash dividends is the date we pay our cash dividends.

Pricing Dates for Optional Investments occur monthly. In any month in which we pay dividends, the Pricing Date for Optional Investments for that month is the date we pay our dividends. In other months the Pricing Date for Optional Investments is the fifteenth day of the month. If, however, the Pricing Date for Optional Investments is not a business day or if there were no reported sales on such day, the Pricing Date is the day immediately prior to the day on which dividends were paid or the fifteenth day of the month, as the case may be, when there were reported sales of our common stock. Any Optional Investments received by the Plan Administrator less than five (5) days prior to the Pricing Date shall not be invested until the Pricing Date of the next month.

NO INTEREST IS PAID ON OPTIONAL INVESTMENTS RECEIVED AND HELD BY THE AGENT PENDING INVESTMENT.

10. What is the purchase price of the shares?

The price of common stock purchased under this Plan will be the average of the high and low sale prices of our common stock as reported on the Nasdaq National Market System on the Pricing Date, except that shares will not be issued for less than their par value of one dollar (\$1.00) per share.

11. How many shares will be purchased for the participant?

The number of shares purchased will depend on the amounts of Optional Investments and dividends available to the Plan Administrator, Computershare, for investment on behalf of the participant and will depend on the price of the shares as described in Question 10. Each participant's account is credited with the number of shares, including fractions computed to three decimal places, equal to the total amount invested by the participant divided by the purchase price.

12. Can a participant order the purchase of a specific number of shares when submitting an Optional Investment?

No. All Optional Investments are used to purchase full and fractional shares on the Pricing Date. Because the Optional Investment must be received before the purchase price is known, the amount of cash necessary to purchase a specific number of shares cannot be determined.

Reinvestment of Dividends

13. Will cash dividends on shares purchased as Optional Investments or dividend reinvestments be sent to the participant?

Shares purchased with Optional Investments or dividend reinvestments will be held in the participant's account under the Plan, unless the participant in writing requests the Plan Administrator to issue certificates for such shares of common stock. All cash dividends on such shares of common stock held in a participant's account under the Plan are reinvested automatically in additional shares of common stock pursuant to the reinvestment option selected by the participant on the authorization form.

Source of Shares Purchased

14. What is the source of shares purchased under the Plan?

Shares purchased under the Plan will come from our authorized but unissued shares of common stock.

Sales

15. If requested, will the Plan Administrator, Computershare, sell participants' shares held in the Plan?

Yes. Participants may instruct Computershare to sell all or a portion of their shares held in the Plan. Instructions to sell may be sent via telephone through Computershare's automated Interactive Voice Response system 1-888-294-8217. Participants may also transmit their instructions to sell online to *www.computershare.com* or by mail using the transaction form included in quarterly statements. Written instructions should be sent to Computershare, P.O. Box 3309, Chicago, IL 60690. Sale instructions are processed within five business days after receipt, provided the relevant markets are open, sufficient market liquidity exists, and no deferral under

applicable federal or state laws or regulation is required. All sale instructions are final and cannot be modified, stopped or cancelled after Computershare has received the request.

Computershare sells Plan shares in the open market through a broker. The transaction price to participants for sales of shares is the weighed average price of all shares sold for each aggregate order placed by Computershare through its broker on behalf of participants less transaction fees. Each sale will entail a transaction fee of \$10.00 per transaction plus \$.07 per share sold. Fees are deducted from the proceeds derived from the sale.

Reports

16. What reports will be sent to participants?

All participants will receive a statement of their account as soon as practicable after each calendar quarter. These statements are the participants' continuing record of the cost of the participants' purchases and should be retained for income tax purposes. Participants will continue to receive the same communications as every other shareholder, including the annual report to shareholders and the notice of annual meeting and proxy statements.

Changing Participation

17. How can a participant terminate participation or change investment options in the Plan?

A participant can terminate participation in the Plan at any time by written notice to the Plan Administrator:

Computershare Trust Company, Inc.
P. O. Box 3309
Chicago, IL 60690

The notice is effective on the date it is received by the Plan Administrator, provided the notice is received by Computershare at least 15 days prior to the next dividend record date. If notice to terminate is received by Computershare less than 15 days prior to the next dividend record date, that dividend is reinvested according to the terms of the Plan, and the termination notice takes effect immediately after the payment date of that dividend. All subsequent dividends are paid directly to the shareholder unless the shareholder re-enrolls in the Plan.

A participant may change investment options by completing a new authorization form and returning it to Computershare.

18. When participants withdraw from the Plan, can the participants receive cash for all or any portion of the shares credited to their account?

Upon withdrawal from the Plan, a participant may instruct the Plan Administrator, Computershare, to sell all of the participant's Plan shares. See Question 15 for a description of the terms of such sales.

Otherwise, upon withdrawal from the Plan, a cash payment will be made to participants only for any fraction of a share credited to their account. Certificates for whole shares credited to the participant's account will be sent to the participant, and no cash payment will be made with respect to such whole shares.

19. When may a shareholder rejoin the Plan?

Generally, a shareholder may again become a participant at any time. However, the Plan Administrator reserves the right to reject any authorization form from a previous participant on grounds of excessive joining and termination. Such reservation is intended to minimize administrative expenses and to encourage use of the Plan as a long-term shareholder investment service.

Rights Offerings, Stock Dividends and Splits

20. What happens if we make a rights offering, issue a stock dividend or declare a stock split?

In the event we make a rights offering of any of our securities to our shareholders, the Plan Administrator will promptly sell on the open market the rights attributable to all of the shares held in participants' Plan accounts. The Plan Administrator will then credit each participant's Plan account with their proportionate share of the proceeds of that sale, and those proceeds will be invested as Optional Investments on the next Pricing Date. We will notify participants of any such rights offering. Any participants who wish to exercise their rights must withdraw their shares held by the Plan prior to the record date for the rights distribution.

Any stock dividends or splits on shares purchased under the Plan for which certificates have not been issued to the participant will be credited to the participant's Plan account. Stock dividends or splits distributed on all shares held by a participant and registered in the participant's name individually will be mailed directly to the participant.

Participants' Sales of Shares

21. What happens when participants sell or transfer all of the shares registered in their names other than shares credited to their accounts under the Plan?

If participants dispose of all the shares registered in their names, exclusive of shares credited to their accounts under the Plan, the Plan Administrator will continue to reinvest the cash dividends on the shares held in their accounts under the Plan until otherwise notified by the participant. See Question 17, which describes how a participant may terminate his or her participation in the Plan.

22. May shares held in a participant's Plan account be transferred directly to the Plan accounts of others?

Yes. A participant may transfer shares held in his or her Plan account directly to an existing or newly established Plan account of any other person. Prior to such transfer, the Plan Administrator will require appropriate documentation for such transfer and, if applicable, the establishment of the new Plan account for the transferee.

Taxes

23. What are the Federal income tax consequences of participating in the Plan?

The following is a summary of certain Federal income tax considerations regarding the Plan. This summary is based on current law, is for your general information only and is not tax advice. This discussion assumes that you hold our common stock as a capital asset (i.e., property generally held for investment). This discussion does not purport to deal with all aspects of taxation that may be relevant to you in light of your personal investment circumstances, or if you are a type of investor who is subject to special treatment under the Federal income tax laws (including insurance companies, partnerships, tax-exempt organizations, financial institutions or broker dealers, foreign corporations and persons who are not citizens or residents of the United States). If you wish to participate in the Plan, you should consult your tax advisor regarding the specific tax consequences (including the Federal, state, local and foreign tax consequences) that may affect you if you participate in the Plan, and of potential changes in applicable tax laws.

The reinvestment of dividends does not relieve you of any income tax which may be payable on such dividends. When your dividends are reinvested to acquire shares (including any fractional share) you will be treated as having received on the dividend payment date a taxable dividend in an amount equal to the fair market value of our common stock purchased for your account under the Plan with those dividends (the "Fair Market Value"). The Fair Market Value should equal the average of the high and low prices of our common stock on the Nasdaq Exchange on the dividend payment date.

Your tax basis in your shares of common stock purchased with reinvested dividends pursuant to the Plan will generally equal the amount of distributions you are treated as receiving, as described above. Your holding period for those shares (including any fractional share) generally will begin on the day after the applicable dividend payment date.

You will not realize any income when you receive certificates for whole shares credited to your account under the Plan, either upon withdrawal of those shares from your Plan account or upon termination of the Plan. You will, however, realize gain or loss upon the sale or exchange of shares held in the Plan and, in the case of a fractional share, when you receive a cash payment for a fraction of a share credited to your Plan account. You therefore will recognize capital gain or loss equal to any difference between the amount of cash you receive for the shares or fractional share and your tax basis therein. Such capital gain or loss will be long-term capital gain or loss if your holding period for your shares or fractional share exceeded one year at the time of the disposition.

The Plan Administrator will report to you for tax purposes the dividends to be credited to your account. Such information will also be furnished to the Internal Revenue Service ("IRS") to the extent required by law.

24. What are the effects of the Federal income tax withholding provisions to domestic participants?

We or the Plan Administrator may be required to withhold on all actual or deemed dividend payments to you if (i) you have failed to furnish your taxpayer identification number, which for an individual is his or her social security number, (ii) the IRS has notified us that you have failed to properly report interest or dividends or (iii) you have failed to certify, under penalties of perjury, that you are not subject to back-up withholding. If you are subject to back-up withholding tax on dividends under the Plan, the amount of tax to be withheld will be deducted from the amount of the cash dividend and only the reduced amount will be reinvested in Plan shares.

25. What are the effects of the Federal income tax withholding provisions to foreign participants?

If you are a foreign participant whose income is subject to Federal income tax withholding, for purposes of calculating the amount to be withheld, we will treat you as having received the same amount of dividend income as if you were a domestic participant, as described in Question 23 above. The amount of tax to be withheld will be deducted from the amount of the cash dividend, and only the reduced amount will be reinvested in Plan shares.

The Plan Administrator will indicate the amount of tax withheld on your statement of account. If you believe the tax has been withheld in error, you may file a claim for refund with the IRS.

26. What are the effects of the new tax law on the Plan?

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), enacted on May 28, 2003, reduces the maximum rate of tax imposed on most dividends received by individuals from the higher marginal income tax rates to 15% (5% for individuals in the lower tax brackets and 0% for these taxpayers in 2008) (the "Reduced Rate"). This provision applies to dividends received in taxable years beginning after December 31, 2002 and before January 1, 2009. In order to be eligible for the Reduced Rate, an individual shareholder must own our common stock for more than 60 days during the 120 day period beginning 60 days after the ex-dividend date. Furthermore, if an individual receives an "extraordinary dividend" within the meaning of Section 1059 of the Internal Revenue Code (i.e., a dividend which equals or exceeds 10% of the individual's tax basis in our common stock) which is eligible for the Reduced Rate, any loss on a subsequent sale of the stock with respect to which such dividend is made is treated as a long-term capital loss to the extent of such dividend. For purposes of determining the amount of deductible investment interest, a dividend is treated as investment income only if the individual elects to treat the dividend as not eligible for the Reduced Rate. For sales and exchanges of capital assets on or after May 6, 2003 and

before January 1, 2009, the Act also reduces the top individual tax rate on adjusted net capital gains from 20% (10% for individuals in the lower tax brackets) to 15% (5% for individuals in the lower tax brackets and 0% for these taxpayers in 2008.) You should consult your tax advisor regarding the specific tax consequences to you that may result from the Act.

Voting

27. How will a participant's shares held under the Plan be voted at meetings of shareholders?

All shares owned by a participant may be voted by the participant in the same manner as shareholders not participating in the Plan.

Other Matters

28. What is our (Delta's) responsibility under the Plan?

In administering the Plan, we are not liable for any act done in good faith, or for any omission to act in good faith, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to the receipt of notice in writing of such death.

Participants should recognize that we cannot assure them of a profit or protect them against a loss on shares purchased by them under the Plan.

29. Who interprets and regulates the Plan?

The Dividend Reinvestment Plan Committee, which is appointed by our Board of Directors, interprets and regulates the Plan.

30. May the Plan be modified or discontinued?

Our Dividend Reinvestment Plan Committee may adopt such rules and regulations as it deems appropriate to promote the objectives of the Plan. We have the unqualified right to amend, suspend or terminate the Plan at any time. We will provide notice of any suspension, amendment or termination of the Plan to all participants 30 days prior to effectiveness.

DESCRIPTION OF COMMON STOCK

Common Stock

Our articles of incorporation authorize us to issue 6,000,000 shares, \$1 par value, of our common stock.

Holders of our common stock are entitled to receive such dividends as may be declared by our board of directors. Indentures under which our debentures were issued include a covenant that prohibits our paying dividends on our common stock unless our "Consolidated Tangible Net Worth" exceeds \$25,800,000.

In the event of liquidation, owners of our common stock are entitled to share pro-rata in any distribution, after payment of all of our debts and obligations. There are no pre-emptive rights, conversion rights, redemption provisions or sinking fund provisions applicable to our common stock. The shares of common stock sold in this offering will be fully paid and nonassessable.

The Registrar and Transfer Agent for our common stock is Computershare Trust Company, Inc., P. O. Box 3309, Chicago, IL 60690.

Voting

Each share of our common stock entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of directors. The affirmative vote of a plurality of the votes duly cast is required for the election of directors (that is, the nominees receiving the greatest number of votes will be elected). In the election of directors, shareholders are not permitted to cumulate votes.

The approval of some extraordinary transactions with any person or entity holding 10% or more of our voting stock may require the affirmative vote of holders of at least 80% of the outstanding shares entitled to vote, as explained below.

Dividend Reinvestment and Stock Purchase Plan

We have a Dividend Reinvestment and Stock Purchase Plan, which is described in this prospectus.

Preferred Stock

Under our articles of incorporation, we are authorized to issue up to 312,500 shares of preferred stock. At the present time, no preferred shares are issued or outstanding. Our board of directors, without a shareholder vote, is empowered to issue these shares in series and to set the rights pertaining to these shares, including rights to dividends, redemption, liquidation, conversion and voting.

To hinder a proposed transaction opposed by our board of directors, we could issue shares of our preferred stock that might create voting impediments to extraordinary corporate transactions or frustrate persons seeking to effect a merger or otherwise gain control of us.

Anti-Takeover Provisions

In addition to our ability to issue preferred stock, our articles of incorporation contain provisions and the Kentucky Business Corporation Act contains statutes that have anti-takeover implications. These provisions and statutes are summarized below, but are subject to numerous detailed exceptions and qualifications. For a complete understanding of these provisions and statutes, you should read our articles of incorporation and the Kentucky Revised Statutes §§ 271B.12-200 – 12-230. These provisions and statutes could also have the effect of creating impediments to extraordinary corporate transactions and frustrating persons seeking to effect a merger or otherwise gain control of us in a transaction opposed by our board of directors.

Our articles of incorporation establish a classified board of directors. Under this provision, one-third of our directors are elected each year for a three-year term. Directors may be removed without cause, but only by a vote of 80% of the shares entitled to vote at an election of our directors. Also, our articles of incorporation provide that the number of directors as fixed by our by-laws can only be changed by an 80% or more affirmative shareholder vote or an affirmative vote of a majority of our board of directors.

Under our articles of incorporation, extraordinary transactions with any person or entity holding 10% or more of our voting stock or that person's affiliate or associate that would involve a change in our control, such as mergers and other acquisition transactions, may require the approval of holders of at least 80% of each class of our outstanding voting securities.

Kentucky has adopted a type of anti-takeover statute known as a business combination statute that applies to some transactions in which we and any interested shareholder, or affiliates or associates of interested shareholders, might be a party. Under the statute, an “interested shareholder” means any person (other than us and our majority-owned subsidiaries):

- ◆ who beneficially owns 10% or more of our outstanding voting stock, or
- ◆ who is one of our affiliates and at any time during the five-year period prior to the proposed business combination owned 10% or more of our outstanding voting stock.

The business combination transactions covered by the business combination statute include, among other things, mergers, certain dispositions of assets, certain issuances and transfers of securities, certain recapitalizations and reorganizations, as well as other specified transactions involving us and an interested shareholder or its affiliates or associates.

Subject to exceptions and qualifications, the business combination statute prohibits us from engaging in a business combination with an interested shareholder or its affiliates or associates for a period of five years following the date on which the shareholder became an interested shareholder,

unless a majority of our independent directors approves the business combination before the shareholder becomes an interested shareholder.

In addition, any covered business combination with an interested shareholder must be approved by either:

- ◆ (1) the affirmative vote of at least 80% of the votes entitled to be cast by outstanding shares of our voting stock and (2) the affirmative vote of at least 2/3 of the votes entitled to be cast by holders of our voting stock other than voting stock beneficially owned by the interested shareholder who is, or whose affiliate is, a party to the business combination or beneficially owned by an affiliate or associate of such interested shareholder; or
- ◆ a majority of our “independent directors” that are also “continuing directors”.

An “independent director” is any director who is not one of our officers or full-time employees or an affiliate or associate of an interested shareholder or any of its affiliates. A “continuing director” is:

- ◆ any director who is not an affiliate or associate of an interested shareholder and who was a director before the interested shareholder became an interested shareholder, and
- ◆ any successor to a continuing director who is not an affiliate or associate of an interested shareholder and was recommended or elected by a majority of our other continuing directors at a meeting at which a quorum consisting of a majority of our other continuing directors was present.

The foregoing vote requirements are not applicable in some instances if the consideration paid to our shareholders in the business combination transaction meets specific “fair price” determinations set forth in the Kentucky Business Corporation Act and certain other requirements regarding the payment of annual dividends and the amount of our stock acquired by the interested shareholder after it became an interested shareholder.

EXPERTS

The consolidated financial statements and management's report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K for the year ended June 30, 2005, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports (1) express an unqualified opinion on the Company's consolidated financial statements and include an explanatory paragraph referring to the Company's change effective July 1, 2002 in its accounting method for asset retirement obligations, (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting

and, (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGAL OPINION

The validity of the common stock will be passed upon for us by our special counsel, Stoll, Keenon & Park, LLP, 300 W. Vine Street, Suite 2100, Lexington, Kentucky 40507.

The partnership of Stoll, Keenon & Park, LLP owns none of our common stock. Attorneys in the firm of Stoll, Keenon & Park, LLP representing us in connection with the registration and offering of these securities, and members of such attorneys' immediate families, own collectively approximately 8,450 shares of our common stock.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Kentucky law authorizes us to indemnify our directors and officers for liability they incur in connection with their actions as our directors or officers. This right to indemnification is subject to requirements, including in some cases that the action is undertaken in good faith and with a reasonable belief that the action is in the best interest of the corporation. In the case of criminal conduct by a director or officer, the right to indemnify is predicated on the director's or officer's having no reasonable cause to believe that the conduct was unlawful.

Acting under this authority, we adopted a by-law requiring us to indemnify our officers and directors against any liability, provided such officer or director conducted himself or herself in good faith and reasonably believed the action to be in our best interests. In the case of criminal conduct, our obligation under our by-laws to indemnify is predicated on the director's or officer's having no reasonable cause to believe that the conduct was unlawful. Our by-laws also permit us to indemnify our officers and directors to the extent permitted under Kentucky law.

Agreements with our officers also obligate us to indemnify the officers in a manner generally consistent with our by-laws, described in the immediately preceding paragraph. All officer agreements also obligate us to indemnify the officer to the full extent permitted under Kentucky law.

The criteria for indemnification under Kentucky law and our by-laws and officer agreements are sufficiently broad to allow indemnification in some cases for liabilities incurred as a result of a violation of the Securities Act of 1933.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

We have not authorized any person to give you any information or to make any representations not contained in this prospectus. If anyone gives you different information or makes inconsistent representations, you should not rely on them.

You should assume that the information appearing in this prospectus, as well as information contained in any document incorporated by reference, is accurate as of the date of such document only.

This prospectus does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

Prospectus Summary	3
Risk Factors	4
Where to Find More Information About Us.....	7
Incorporation of Certain Documents by Reference.....	7
Forward-Looking Statements	8
The Company	9
Plan of Distribution	9
Use of Proceeds	9
Description of the Plan	10
Description of Common Stock	20
Experts	22
Legal Opinion	23
Indemnification of Directors and Officers	23

DELTA NATURAL GAS COMPANY, INC.



DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

PROSPECTUS

December 14, 2005
