

FRANCHISE AGREEMENT

THIS AGREEMENT made and entered into this 8th day of July, 2008, by and between the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes (hereinafter the "Government"), and **DELTA NATURAL GAS COMPANY, INC.**, a corporation created and existing under and by virtue of the laws of the Commonwealth of Kentucky, with its principal office at 3617 Lexington Road, Winchester, Kentucky 40391-9797 (hereinafter "Delta").

WITNESSETH:

WHEREAS, by Ordinance No. 135-2008, enacted June 18, 2008, the Government created a non-exclusive franchise for the privilege of constructing, erecting, operating and maintaining a gas distribution system in Lexington-Fayette Urban County, Kentucky, for a period not to exceed three (3) years; and

WHEREAS, by Ordinance No. 135-2008, the Government authorized the advertising for bids on said franchise; and

WHEREAS, on July 2, 2008, Delta submitted a bid to acquire said franchise; and

WHEREAS, by Resolution No. 449-2008, enacted July 8, 2008, the Government accepted the bid of Delta as substantially responsive to Ordinance No. 135-2008 and in the best interest of the citizens of Lexington-Fayette Urban County; and

WHEREAS, the Government and Delta have agreed to accept the following as the terms of this Agreement and as those of the franchise.

RECEIVED

AUG - 1 2008

PUBLIC SERVICE
COMMISSION

TARIFF BRANCH

RECEIVED

8/1/2008

PUBLIC SERVICE
COMMISSION
OF KENTUCKY

NOW THEREFORE, for and in consideration of the mutual covenants and agreements contained herein the receipt and sufficiency of all of which are hereby acknowledged, the Government and Delta agree as follows:

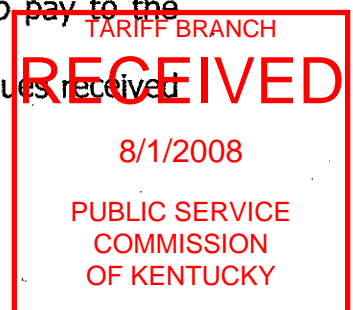
1. Ordinance No. 135-2008, which is attached hereto as Exhibit "A" (the Ordinance"), is incorporated herein by reference in its entirety and shall apply as if fully set forth herein with the following exception. In accordance with Delta's bid, it shall not be required to maintain its corporate headquarters in Lexington, Fayette County, Kentucky under Section 13 of the Ordinance, and its payments due under Section 20(a) of the Ordinance shall be made quarterly, within thirty (30) days of the end of the preceding quarter.

2. The bid of Delta for this franchise, which is attached hereto as Exhibit "B", is incorporated herein by reference in its entirety and shall apply as if fully set forth herein.

3. The Government hereby grants unto Delta a non-exclusive franchise for the privilege of constructing, erecting, operating and maintaining a gas distribution system upon, through, along, under and over the public streets, alleys, avenues, public roads, highways, sidewalks, and other public ways of the Lexington-Fayette Urban County Government in accordance with the terms of the Ordinance.

4. This Agreement shall commence on July 8, 2008, and shall expire on July 7, 2011.

5. In consideration of the granting of this franchise, Delta agrees to pay to the Government a sum equal to three percent (3%) of the gross annual revenues received



by Delta from the sale, distribution, and/or delivery of natural gas within Fayette County.

6. Delta, its successors and assigns, in consideration of the grant, sale and conveyance of the above franchise, does hereby bind itself, its successors and assigns, to faithfully and fully perform each and every condition of said franchise as contained in this Agreement, and further to faithfully perform all acts required of it as the purchaser of said franchise.

7. This Agreement contains and embodies the entire agreement between the parties and shall be binding upon and inure to the benefit of the respective successors in interest to the parties hereto. No changes, modifications or other deletions in this Agreement shall be effective unless and until the same are reduced to writing and approved, adopted, and executed in the same fashion as this Agreement.

IN TESTIMONY WHEREOF, the Lexington-Fayette Urban County Government has caused its name to be affixed hereto by the Mayor and Delta Natural Gas Company, Inc., has caused its name to be affixed hereto by Robert C. Hazelrigg, its properly authorized officer.

LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT

BY: Jim Newberry
JIM NEWBERRY, MAYOR

ATTEST:

Susan Lamb
SUSAN LAMB, COUNCIL CLERK



DELTA NATURAL GAS COMPANY, INC.

BY:

Robert C. Hazelrigg
ROBERT C. HAZELRIGG

TITLE:

Mgr. External Affairs

STATE OF KENTUCKY)
)
COUNTY OF Jayette)

The foregoing Agreement was subscribed, sworn to and acknowledged before me by Robert C. Hazelrigg, as Mgr. External Affairs of Delta Natural Gas Company, Inc., who represents that he is duly authorized to execute this agreement, on this the 7th day of July, 2008.

My commission expires: April 13, 2012

Claudette Meiners
NOTARY PUBLIC
KENTUCKY, STATE-AT-LARGE

X:\Cases\GENERAL\07-CC1859\CONT\00169750.DOC

