FORM 10-K

Annual report pursuant to section 13 and 15(d)

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DELTA NATURAL GAS CO INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 1999.

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 0-8788.

DELTA NATURAL GAS COMPANY, INC.__________
(Exact name of registrant as specified in its charter)

________KENTUCKY_______	___________61-0458329_____________
(State of Incorporation)	(IRS Employer Identification Number)

3617 Lexington Road, Winchester, Kentucky	40391___
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 606-744-6171.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
_______None________	__________None________

Securities registered pursuant to Section 12(g) of the Act:

Common Stock $1 Par Value
(Title of class)

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

As of August 11, 1999, Delta Natural Gas Company, Inc. had outstanding 2,415,960 shares of common stock $1 Par Value, and the aggregate market value of the voting stock held by non-affiliates was approximately $42,279,300.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive proxy statement to be filed with the Commission not later than 120 days after June 30, 1999, is incorporated by reference in Part III of this Report.

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PART I

Item 1. Business

General

Delta Natural Gas Company, Inc. ("Delta" or "the Company"), a regulated public utility, was organized in 1949. Delta established its first retail gas distribution system in 1951, which provided service to 300 customers in Owingsville and Frenchburg, Kentucky. As a result of acquisitions and expansions of its customer base within its existing service areas, Delta provides retail gas distribution service to 39,000 customers in central and southeastern Kentucky and, additionally, provides transportation service to industrial customers and interconnected pipelines located in the area.

Gas Operations and Supply

The Company purchases, produces and stores gas for distribution to its retail customers and also provides transportation service to industrial customers and inter-connected pipelines through facilities located in 21 predominantly rural counties in central and southeastern Kentucky. The economy of Delta's service area is based principally on light industry, farming and coal mining. The communities in Delta's service area typically contain populations of less than 20,000. The four largest service areas are Nicholasville, Corbin, Berea and Middlesboro, where Delta serves 6,800, 6,500, 3,900 and 3,500 customers, respectively.

The communities served by Delta continue to expand, resulting in growth opportunities for the Company. Industrial parks have been developed in certain areas and have resulted in new industrial customers, some of which are on-system transportation customers.

Currently, over 99% of Delta's customers are residential and commercial. Delta's remaining, light industrial customers purchased 5% of the total volume of gas sold by Delta at retail during 1999.

The Company's revenues are affected by various factors, including rates billed to customers, the cost of natural gas, economic conditions in the areas that the Company serves, weather conditions and competition. Delta competes for customers and sales with alternative sources of energy, including electricity, coal, oil, propane and wood. The Company's marketing subsidiaries, which purchase gas and resell it to various industrial customers and others, also compete for their customers with producers and marketers of natural gas. Gas costs, which the Company is generally able to pass through to customers, may influence customers to conserve, or, in the case of industrial customers, to use alternative energy sources. Also, the potential bypass of Delta's system by industrial customers and others is a competitive concern that Delta has addressed and will continue to address.

Delta's retail sales are seasonal and temperature-sensitive as the majority of the gas sold by Delta is used for heating. This seasonality impacts Delta's liquidity position and its management of its working capital requirements during each twelve month period, and changes in the average temperature during the winter months impacts its revenues year-to-year (see Management's Discussion and Analysis of Financial Condition and Results of Operations).

Retail gas sales in 1999 were 3,813,000 Mcf, generating $28,541,000 in revenues, as compared to 4,112,000 Mcf and $33,435,000 in revenues for 1998. Heating degree days billed during 1999 were 89.4% of normal as compared with 93.9% in 1998. Sales volumes decreased by 299,000 Mcf, or 7.3%, in 1999 as compared to 1998.

Delta's transportation of natural gas during 1999 generated revenues of $4,470,000 as compared with $4,360,000 during 1998. Of the total transportation in 1999, $4,107,000 (4,434,000 Mcf) and $363,000 (1,144,000 Mcf) were earned for transportation for on-system and off-system customers, respectively. Of the total transportation for 1998, $3,877,000 (3,467,000 Mcf) and $483,000 (1,489,000 Mcf) were earned for transportation for on-system and off-system customers, respectively.

As an active participant in many areas of the natural gas industry, Delta plans to continue its efforts to expand its gas distribution system. Delta continues to consider acquisitions of other gas systems, some of which are contiguous to its existing service areas, as well as expansion within its existing service areas. During November, 1996, Delta acquired the City of North Middletown gas system in Bourbon County, consisting of 180 primarily residential customers. During July, 1997, Delta purchased the gas system of Annville Gas & Transmission Corporation in Jackson County, which serves several industrial and residential customers. This system was expanded by Delta during 1998 to provide gas service to customers in the City of Annville.

The Company also anticipates continuing activity in gas production and transportation and plans to pursue and increase these activities wherever practicable. The Company will continue to consider the construction or acquisition of additional transmission, storage and gathering facilities to provide for increased transportation, enhanced supply and system flexibility.

During June, 1997, Delta acquired TranEx Corporation ("TranEx"), which owns a 43 mile, 8 inch diameter steel pipeline that extends from Clay County to Madison County. During 1998, the TranEx pipeline was connected to Delta's system in the Richmond area. It also interconnects with a pipeline of Columbia Gulf Transmission Company ("Columbia Gulf") in Madison County as well as Delta's transmission pipeline system in Clay County. Delta is utilizing the pipeline to deliver natural gas for injection into the Company's Canada Mountain storage field as well as for system supply and transportation. TranEx was merged into Delta during 1999.

Some producers in Delta's service area can access certain pipeline delivery systems other than Delta, which provides competition from others for transportation of such gas. Delta will continue its efforts to purchase or transport any natural gas available that is produced in reasonable proximity to its facilities.

Delta receives its gas supply from a combination of interstate and Kentucky sources.

Delta's interstate gas supply is transported and/or stored by Tennessee Gas Pipeline Company ("Tennessee"), Columbia Gas Transmission Corporation ("Columbia"), Columbia Gulf and Texas Eastern Transmission Corporation . Delta acquires its interstate gas supply from gas marketers.

Delta's agreements with Tennessee extend until 2000 and thereafter continue on a year-to-year basis until terminated by either party. The Company expects to extend the terms of these agreements. Tennessee is obligated under the agreements to transport up to 17,600 Mcf per day for Delta. Delta acquires its gas for transportation by Tennessee under an agreement with a gas marketer. During 1999, Delta purchased 1,167,000 Mcf from the gas marketer under an agreement that extends through October, 2000.

Delta's agreements with Columbia and Columbia Gulf extend until 2008 and thereafter continue on a year-to-year basis until terminated by one of the parties to the particular agreement. Columbia and Columbia Gulf are obligated under the agreements to transport up to 12,000 Mcf per day and 4,000 Mcf per day, respectively, for Delta. Delta acquires its gas for transportation by Columbia and Columbia Gulf under agreements with a gas marketer. During 1999, Delta purchased a total of 671,000 Mcf from the gas marketer under agreements that extend through April, 2000.

Delta has an agreement with Columbia Natural Resources ("CNR") to purchase natural gas from CNR through October, 1999. Delta purchased 432,000 Mcf from CNR during 1999.

Delta has agreements with its wholly-owned subsidiary, Enpro, Inc. ("Enpro") to purchase all the natural gas produced from Enpro's wells on certain leases in Bell, Knox and Whitley Counties, Kentucky. These agreements remain in force so long as gas is produced in commercial quantities from the wells on the leases. Remaining proved, developed natural gas reserves are estimated at 3,700,000 Mcf. Delta purchased a total of 189,000 Mcf from those properties during 1999. Enpro also produces oil from certain of these leases, but oil production has not been significant.

Delta's wholly-owned subsidiaries, Delta Resources, Inc. ("Resources") and Delgasco, Inc. ("Delgasco") purchase gas under agreements with various marketers and Kentucky producers. The gas is resold to industrial customers on Delta's system, to Delta for system supply and to others.

Delta has completed the development of an underground natural gas storage field, with an estimated eventual working capacity of 4,000,000 Mcf. This field has been used to provide a portion of Delta's winter supply needs since 1996. This storage capability permits Delta to purchase and store gas during the non-heating months, and then withdraw and sell the gas during the peak usage months.

Although there are competitors for the acquisition of gas supplies, Delta continues to seek additional new gas supplies from all available sources, including those in the proximity of its facilities in southeastern Kentucky. Also, Resources and Delgasco continue to pursue acquisitions of new gas supplies from Kentucky producers and others. Delta will continue to maintain an active gas supply management program that emphasizes long-term reliability and the pursuit of cost effective sources of gas for its customers.

Regulatory Matters

Delta is subject to the regulatory authority of the Public Service Commission of Kentucky ("PSC") with respect to various aspects of Delta's business, including rates and service to retail and transportation customers. The company monitors the need to file a general rate case as a way to adjust its sales prices.

On July 2, 1999, Delta filed a request for increased rates with the PSC. This general rate case (Case No. 99-176) requested an annual revenue increase of $2,500,000, an increase of 6.8%. The test year for the case was December 31, 1998. The rates were suspended by the PSC for a period expiring December 31, 1999, after which time Delta may bill the proposed rates subject to refund. The PSC is reviewing and considering the proposed rates. The proposed changes include a weather normalization tariff whereby Delta would be permitted to adjust rates for the billing months of November through March to reflect variations from normal weather, as well as proposed alternative regulatory tariffs that would provide for annual adjustments in Delta's rates to reflect budgeted plans and to adjust to a target rate of return. A public hearing has been scheduled before the PSC on October 28, 1999.

Effective November 30, 1997, Delta received approval from the PSC for an annual revenue increase of $1,670,000. This resulted from a general rate case that Delta had filed with the PSC during March, 1997. Effective May 1, 1998, Delta received approval from the PSC for an additional annual revenue increase of $117,000 in this rate case, resulting from a rehearing of certain tax-related items.

Delta's rates include a Gas Cost Recovery ("GCR") clause, which permits changes in Delta's gas costs to be reflected in the rates charged to customers. The GCR requires Delta to make quarterly filings with the PSC, but such procedure does not require a general rate case. The PSC is allowing Delta to recover through its GCR clause its costs in connection with its storage facilities at Canada Mountain.

During 1997, the PSC established a proceeding to investigate affiliate transactions. Delta is a party to this proceeding, and has responded to a PSC data request relating to Delta's subsidiaries. Delta cannot currently predict the outcome of this proceeding or the impact on Delta's rates, if any.

The PSC convened proceedings during 1997 with various regulated utilities and other interested parties to discuss the potential unbundling of natural gas rates and services in Kentucky. On July 1, 1998 the PSC concluded the proceedings without requiring further unbundling at this time of prices and service options for residential and small commercial customers. Delta participated actively in those meetings and plans to continue to provide comments in future discussions concerning regulatory and legislative issues relating to unbundling.

In addition to PSC regulation, Delta may obtain non-exclusive franchises from the cities and communities in which it operates authorizing it to place its facilities in the streets and public grounds. However, no utility may obtain a franchise until it has obtained from the PSC a Certificate of Convenience and Necessity authorizing it to bid on the franchise. Delta holds franchises in four of the ten cities in which it maintains branch offices and in seven other communities it serves. In the other cities and communities served by the Company, either Delta's franchises have expired, the communities do not have governmental organizations authorized to grant franchises, or the local governments have not required or do not want to offer a franchise. Delta attempts to acquire or reacquire franchises whenever feasible.

Without a franchise, a local government could require Delta to cease its occupation of the streets and public grounds or prohibit Delta from extending its facilities into any new area of that city or community. To date, the absence of a franchise has had no adverse effect on Delta's operations.

Capital Expenditures

Capital expenditures during 1999 were $8.0 million and for 2000 are estimated to be $9.9 million. The Company is planning for expenditures for system extensions, computer system upgrades and the replacement and improvement of existing transmission, distribution, gathering and general facilities.

Employees

Delta employed a total of 183 full-time employees on June 30, 1999. Delta considers its relationship with its employees to be satisfactory. Delta's employees are not represented by unions or subject to any collective bargaining agreements.

Consolidated Statistics

For the Years Ended June 30,	1999	1998	1997	1996	1995
Retail Customers Served, End of Period					
Residential	32,239	31,596	31,380	29,840	29,029
Commercial	4,868	4,753	4,761	4,453	4,287
Industrial	68	70	74	75	72
Total	37,175	36,419	36,215	34,368	33,388
Operating Revenues ($000)					
Residential sales	17,329	19,969	19,694	16,540	14,772
Commercial sales	10,039	11,890	11,977	9,788	8,673
Industrial sales	1,173	1,576	1,890	1,483	1,248
On-system transportation .	4,107	3,877	3,214	2,913	2,588
Off-system transportation.	363	483	382	418	461
Subsidiary sales	5,491	6,335	4,904	5,297	3,959
Other	170	128	108	137	143
Total	38,672	44,258	42,169	36,576	31,844
System Throughput (Million Cu. Ft.)					
Residential sales	2,223	2,377	2,464	2,741	2,173
Commercial sales	1,401	1,504	1,557	1,673	1,328
Industrial sales	189	231	278	291	223
Total retail sales	3,813	4,112	4,299	4,705	3,724
On-system transportation..	4,434	3,467	2,863	2,570	2,390
Off-system transportation.	1,144	1,489	1,205	1,134	1,452
Total	9,391	9,068	8,367	8,409	7,566
Average Annual Consumption Per End of Period Residential Customer (Thousand Cu. Ft.).	69	75	79	92	75
Lexington, Kentucky Degree Days					
Actual	4,188	4,397	4,867	5,280	4,215
Percent of 30 year average (4,683)	89.4	93.9	103.9	112.7	90.0

For the Years Ended June 30,	1999	1998	1997	1996	1995
Average Revenue Per Mcf Sold at Retail ($)	7.49	8.13	7.81	5.91	6.63

Average Gas Cost Per Mcf Sold at Retail ($)	3.69	4.60	4.62	2.81	3.37

Item 2. Properties

Delta owns its corporate headquarters in Winchester, Kentucky. In addition, Delta owns ten office buildings used for branch operations in the cities it serves. Also, Delta owns a building in Laurel County used for training as well as equipment and materials storage.

The Company owns 2,113 miles of natural gas gathering, transmission, distribution and service lines. These lines range in size up to twelve inches in diameter. There are no significant encumbrances on these assets.

Delta holds leases for the storage of natural gas under 8,000 acres located in Bell County, Kentucky. This property was developed for the underground storage of natural gas and has an estimated eventual capacity to store 4,000,000 Mcf of gas.

Delta owns the rights to any oil and gas underlying 3,500 acres in Bell County. Portions of these properties are used by Delta for the storage of natural gas. The maximum capacity of the storage facilities is 550,000 Mcf. These properties otherwise are currently non-producing, and no reserve studies have been undertaken on the properties.

Enpro owns interests in certain oil and gas leases relating to 11,000 acres located in Bell, Knox and Whitley Counties. There presently are 56 gas wells and 7 oil wells producing from these properties. Enpro's remaining proved, developed natural gas reserves are estimated at 3,700,000 Mcf. Oil production from the property has not been significant. Also, Enpro owns the oil and gas underlying 11,500 additional acres in Bell, Clay and Knox Counties. These properties are currently non-producing, and no reserve studies have been performed on the properties.

Under the terms of an agreement with a producer relating to 14,000 acres of Enpro's undeveloped holdings, the producer is conducting exploration activities on the acreage. Enpro reserved the option to participate in wells drilled and also retained certain working and royalty interests in any production from future wells.

There are no significant encumbrances on the Company's assets.

Item 3. Legal Proceedings

Delta and its subsidiaries are not parties to any legal proceedings which are expected to have a materially adverse impact on the financial condition or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of 1999.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Delta has paid cash dividends on its common stock each year since 1964. While it is the intention of the Board of Directors to continue to declare dividends on a quarterly basis, the frequency and amount of future dividends will depend upon the Company's earnings, financial requirements and other relevant factors, including limitations imposed by the indenture for the Debentures. There were 2,407 record holders of Delta's common stock as of August 1, 1999.

Delta's common stock is traded in the National Association of Securities Dealers Automated Quotation ("NASDAQ") National Market System under the symbol DGAS. The accompanying table reflects the high and low sales prices during each quarter as reported by NASDAQ and the quarterly dividends declared per share.

	Range of Stock Prices($)		Dividends
Quarter	High	Low	Per Share($)
Fiscal 1999			
First	18.00	16.438	.285
Second	19.00	16.75	.285
Third	19.00	17.25	.285
Fourth	17.75	16.438	.285

Fiscal 1998

First	18.25	16.75	.285
Second	19.50	17.75	.285
Third	19.25	16.625	.285
Fourth	18.00	16.75	.285

During July, 1998, Delta distributed 6,298 shares of its common stock to its employees under its Employee Stock Purchase Plan (see Note 3(c) of the Notes to Consolidated Financial Statements). Delta received cash consideration of $17.60 per share for one-half of those shares (3,149 shares), for a total cash consideration of $55,400, while one-half of the shares (3,149 shares) were provided to the employees without cash consideration as a part of Delta's compensation and benefits for its employees. The securities were sold pursuant to the exemption from registration provided by Rule 147 under the Securities Act of 1933. This exemption was relied upon in light of the facts that Delta is incorporated and doing business in Kentucky, and all eligible employees are residents of Kentucky. Similarly, in July, 1999, Delta distributed 6,726 shares of its common stock to its employees at $16.80 per share under the same program.

Also, during July, 1997, Delta provided a total of 1,000 shares of its common stock to its directors (100 shares per director). Delta received no cash consideration for the shares, which were provided to its directors as a part of their compensation. This transaction may not involve a "sale" of securities under the Securities Act of 1933, and in any event, the securities were sold pursuant to the exemption from registration provided by Rule 147 under the Securities Act of 1933. This exemption was relied upon in light of the facts that Delta is incorporated and doing business in Kentucky, and all directors are residents of Kentucky.

No underwriters were engaged in connections with any of the foregoing transactions, and thus no underwriter discounts or commissions were paid in connection with any of the foregoing.

Item 6. Selected Financial Data

For the Years Ended June 30,	1999	1998(a)	1997	1996(b)	1995
Summary of Operations ($)					
Operating revenues	38,672,238	44,258,000	42,169,185	36,576,055	31,844,339
Operating income	6,652,070	6,731,859	5,315,582	5,437,055	4,255,088
Net income	2,150,794	2,451,272	1,724,265	2,661,349	1,917,735
Basic and diluted earnings per Common share	.90	1.04	.75	1.41	1.04
Dividends declared per common share	1.14	1.14	1.14	1.12	1.12
Average Number of Common Shares Outstanding	2,394,181	2,359,598	2,294,134	1,886,629	1,850,986
Total Assets ($)......	107,473,117	102,866,613	96,681,165	81,140,637	65,948,716
Capitalization ($)....					
Common share-holders' equity	29,912,007	29,810,294	29,474,569	23,628,323	22,511,513
Long-term debt	51,699,700	52,612,494	38,107,860	24,488,916	23,702,200
Notes payable re-financed subsequent to yearend	-	-	-	18,075,000	-
Total capitalization	81,611,707	82,422,788	67,582,429	66,192,239	46,213,713
Short-Term Debt ($)(c)..........	8,145,000	3,665,000	12,852,600	1,084,800	6,732,700

For the Years Ended June 30,	1999	1998(a)	1997	1996(b)	1995
Other Items ($)					
Capital expenditures	7,982,143	11,193,613	16,648,994	13,373,416	8,122,838
Total plant	133,804,954	127,028,159	116,829,158	98,795,623	84,944,969

(a) During March, 1998, $25,000,000 of debentures were sold, and the proceeds Were used to repay short-term debt and to redeem the Company's $10,000,000 of 9% debentures.
(b) During July, 1996, $15,000,000 of debentures and 400,000 shares of common stock were sold, and the proceeds were used to repay short-term debt and for general corporate purposes. The balance of the note payable at June 30, 1996 ($18,075,000) is included in total capitalization as a result of the subsequent refinancing.
(c) Includes current portion of long-term debt.

Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company's utility operations are subject to regulation by the PSC, which plays a significant role in determining the Company's return on equity. The PSC approves rates that are intended to permit a specified rate of return on investment. The Company's rate tariffs allow the cost of gas to be passed through to customers (see Business - Regulatory Matters).

The Company's business is temperature-sensitive. Accordingly, the Company's operating results in any given period reflect, in addition to other factors, the impact of weather, with colder temperatures generally resulting in increased sales by the Company. The Company anticipates that this sensitivity to seasonal and other weather conditions will continue to be so reflected in the Company's operating results in future periods. Delta has filed in its general rate case (See Business - Regulatory Matters) a weather normalization tariff whereby it would be permitted to adjust rates for the billing months of November through March to reflect variations from normal weather. Delta has also proposed alternative regulatory tariffs that would provide for annual adjustments in the Company's rates to reflect budgeted plans and to adjust to a target rate of return.

Liquidity and Capital Resources

Because of the seasonal nature of Delta's sales, the smallest proportion of cash generated from operations is received during the warmer months when sales volumes decrease considerably. Additionally, most construction activity takes place during the non-heating season because of more favorable weather conditions. During the warmer, non-heating months, therefore, cash needs for operations and construction are partially met through short-term borrowings.

Capital expenditures for Delta for fiscal 2000 are expected to be $9.9 million. Delta generates internally only a portion of the cash necessary for its capital expenditure requirements and finances the balance of its capital expenditures on an interim basis through the use of its borrowing capability under its short-term line of credit. The current available line of credit is $25,000,000, of which $5,695,000 was borrowed at June 30, 1999. The line of credit, which is with Bank One, Kentucky, NA, requires renewal during November, 1999. These short-term borrowings are periodically repaid with the net proceeds from the sale of long-term debt and equity securities, as was done in March, 1998, when the net proceeds of $24,100,000 from the sale of $25,000,000 of debentures were used to repay short-term debt and to redeem the Company's 9% debentures, that would have matured in 2011, in the amount of $10,000,000.

The primary cash flows during the last three years are summarized below:

	1999	1998	1997
Provided by operating activities	$ 6,680,276	$ 8,922,037	$ 6,209,226
Used in investing activities	(7,982,143)	(11,193,613)	(16,648,994)

Provided by financing activities	1,431,919	1,909,689	10,768,558
Net increase (decrease) in cash and cash equivalents	$ 130,052	$ (361,887)	$ 328,790

Cash provided by operating activities consists of net income and noncash items including depreciation, depletion, amortization and deferred income taxes. Additionally, changes in working capital are also included in cash provided by operating activities. The Company expects that internally generated cash, coupled with short-term borrowings, will be sufficient to satisfy its operating, normal capital expenditure and dividend requirements.

Results of Operations

Operating Revenues

The decrease in operating revenues of $5,586,000 for 1999 was due primarily to decreases in the cost of gas purchased that were reflected in rates billed to customers through Delta's gas cost recovery clause and to decreases in sales volumes. Mcf sales decreased 299,000 Mcf, or 7%, as compared to 1998, resulting from warmer winter weather in 1999. Heating degree days billed were 89% of normal in 1999, compared with 94% in 1998.

The increase in operating revenues of $2,089,000 for 1998 was due primarily to the general rate increase effective November 30, 1997 and to the increases in on-system and off-system transportation volumes of 604,000 Mcf and 284,000 Mcf, respectively. The increase in operating revenues includes $200,000 of additional revenue caused by a non-recurring change. These increases were partially offset by a decrease in retail sales volumes of 187,000 Mcf as a result of the warmer winter weather in 1998. Billed degree days were 94% of normal for 1998 as compared with 104% for 1997.

Operating Expenses

The decrease in purchased gas expense for 1999 of $6,032,000 was due primarily to the decreases in the cost of gas purchased for retail sales and from decreased gas purchases for retail sales resulting from the warmer winter weather in 1999.

The decrease in purchased gas expense for 1998 of $766,000 was due primarily to the decreased gas purchases for retail sales resulting from the warmer winter weather in 1998.

The increases in depreciation expense during 1999 and 1998 of $396,000 and $510,000, respectively, were due primarily to additional depreciable plant.

The increases in taxes other than income taxes during 1999 and 1998 of $123,000 and $155,000, respectively, were primarily due to increased property taxes which resulted from increased plant and property valuations, and to increased payroll taxes, which resulted from increased wages.

Changes in income taxes during 1999 and 1998 of $162,000 and $436,000, respectively, were primarily due to changes in net income.

Interest Charges

The increases in interest on long-term debt during 1999 and 1998 of $586,000 and $329,000, respectively, were due primarily to the issuance of $25 million of 7.15% Debentures in March, 1998. The decrease in other interest during 1999 of $436,000 was due primarily to decreased average short-term debt borrowings. The increase in other interest during 1998 of $378,000 was due primarily to increased average short-term debt borrowings.

Basic and Diluted Earnings Per Common Share

For the years ended June 30, 1999 and 1998, basic earnings per common share declined, as compared with previous periods, as a result of lower net income and the increased average common shares outstanding that resulted from the common shares issued under Delta's dividend reinvestment plan and shares issued to employees during the periods. Other than Delta's outstanding common shares, there are no potentially dilutive securities. Therefore, basic and diluted earnings per common share are the same.

Factors That May Affect Future Results

Management's Discussion and Analysis of Financial Condition and Results of Operations and the other sections of this report (including the letter To Our Shareholders) contain forward-looking statements that are not statements of historical facts. These forward-looking statements are identified by their language, which may in some cases include words such as "estimates", "expects", "plans", "anticipates", "intends", 'will continue", "believes", and similar expressions. Such forward-looking statements may concern (among other things) the impact of changes in the cost of gas, projected capital expenditures, sources of cash to fund expenditures, regulatory recovery mechanisms, regulatory matters, expansion of the Delta's gas distribution system, acquisitions of gas customers and systems, activity in gas production and transportation and acquisition and management of gas supply.

Such forward-looking statements are accordingly subject to important risks and uncertainties that could cause the Company's actual results to differ materially from those expressed in any such forward-looking statements.

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 gas industry and the outcome of the regulatory proceedings related to that restructuring.
- The changing regulatory environment generally.
- A change in the right under present regulatory rules to recover through rates increased costs of gas supply.
- Uncertainty as to regulatory approval for full recovery of Delta's costs and for its expenditures for regulatory assets.
- Uncertainty as to the outcome of Delta's pending general rate case.
- Uncertainty in Delta's capital expenditure requirements.
- Changes in economic conditions, demographic patterns and weather conditions in Delta's retail service areas.
- Changes affecting Delta's cost of providing gas service, including changes in interest rates, changes in the availability of external sources of financing for Delta's 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 or the application of such principles to Delta.
- Y2K disruptions resulting from unidentified or unremediated problems for systems which Delta controls, and Y2K disruptions resulting from systems or parties which Delta does not control.

The "Year 2000" Issue

The Company is working to determine the potential impact of the Year 2000 on the ability of Delta's computerized information systems to accurately process information that may be date-sensitive. Any of Delta's programs that recognize a date using "00" as the Year 1900 rather than the Year 2000 could result in errors or system failures. The Company uses a number of computer programs across its entire operation.

In recent years, Delta has replaced virtually all of its financial computer systems (both hardware and software) with systems from third party vendors who certify their products as being Year 2000 compliant.

The Company has established a Year 2000 committee, comprised of members of management, which has coordinated an extensive inventory of all operational systems, including information technology (IT) hardware and software, as well as non-IT embedded systems such as process controls for gas delivery and metering systems and service providers.

The Committee is assessing the likelihood of miscalculations or system failures as a result of these items, systems or service providers. The Company has currently assessed and deems compliant approximately 98% of these inventoried items, systems and service providers. This assessment and compliance percentage for the items Delta deems as "critical" stands at 98%. The Company intends to complete all Year 2000 remediation and testing activities by September 30, 1999.

The costs incurred to date related to its Year 2000 activities have not been material to the Company, and based upon current estimates, the Company does not believe that the total cost of its Year 2000 readiness programs will have a material adverse impact on the Company's results of operations or financial position.

Like most businesses, the Company relies upon various suppliers and vendors in order to provide services and supplies to its customers. Delta understands that even though it is taking steps to prepare it could, nevertheless, be adversely affected by the failures and/or delays caused by any non-compliant equipment used by its suppliers or vendors. Therefore, Delta is currently gathering information regarding the steps its "mission-critical" suppliers and vendors are taking to become Year 2000 compliant. For instance, Delta has sent each of these parties a letter inquiring about the nature and extent of their efforts.

Although the Company has initiated Year 2000 communications with significant customers, key vendors, service suppliers and other parties material to the Company's operations, such third parties nonetheless represent a risk that cannot be assessed with precision or controlled with certainty.

The major risks to the Company if implementation of the Year 2000 compliance program is not successful are the gas delivery, metering and billing systems. Potential problems related to these systems include service interruptions to customers, interrupted revenue data gathering and poor customer relations resulting from delayed billing.

The Company has prepared contingency plans to address alternatives in the event that Year 2000 failures of automatic systems and equipment occur. These plans cover a wide range of possible scenarios and include steps to remediation. Also, included in the contingency plans are mitigating actions designed to lessen the chances of problem scenarios being realized.

New Accounting Pronouncements

Delta adopted SFAS No. 128, "Earnings per Share", during fiscal 1998. The adoption of this standard had no effect upon current or prior period earnings per common share.

Delta adopted SFAS No. 130, "Comprehensive Income", during fiscal 1999. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The adoption of this statement had no impact on the financial statements of the Company.

Delta adopted SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information", and SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits", during fiscal 1999. These statements do not affect the accounting recognition or measurements of transactions, but rather require expanded disclosures regarding financial results.

In June, 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. This statement is effective for fiscal years beginning after June 15, 2000. It will be effective for the Company's fiscal year 2001. Delta is currently not a party to any financial derivatives for hedging or other purposes. However, Delta is currently evaluating the terms of its commodity contracts (i.e., primarily gas purchase, sale and transportation contracts) to determine whether any of these contracts meet the definition of derivative instruments subject to the requirements of the new standard. As such, the Company is still evaluating the impact, if any, this standard will have on its financial statements.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk.

As discussed in "Gas Operations and Supply" under Item 1, the Company is a party to long-term fixed-price gas purchase and transportation contracts. Therefore, the prices the Company pays under these contracts differs from the current market prices. However, the Company has minimal price risk resulting from these contracts as these costs are passed through to customers either through Delta's gas cost recovery mechanism or specific contracts with customers. The Company currently is not a party to hedge instruments or other agreements that represent financial derivatives.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE PAGE

Schedules other than those listed above are omitted because they are not required, not applicable or the required information is shown in the financial statements or notes thereto.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

Registrant intends to file a definitive proxy statement with the Commission pursuant to Regulation 14A (17 CFR 240.14a) not later than 120 days after the close of the fiscal year. In accordance with General Instruction G(3) to Form 10-K, the information called for by Items 10, 11, 12 and 13 is incorporated herein by reference to the definitive proxy statement. Neither the report on Executive Compensation nor the performance graph included in the Company's definitive proxy statement shall be deemed incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) - Financial Statements, Schedules and Exhibits

(1) - Financial Statements
See Index at Item 8

(2) - Financial Statement Schedules
See Index at Item 8

(3) - Exhibits

Exhibit No.

3(a) - Delta's Amended and Restated Articles of Incorporation are incorporated herein by reference to Exhibit 3(a) to Delta's Form 10-Q for the period ended March 31, 1990.

3(b) - Delta's By-Laws as amended August 21, 1996 are incorporated herein by reference to Exhibit 3(b) to Delta's Form 10-K for the period ended June 30, 1996.

4(a) - The Indenture dated September 1, 1993 in respect of 6 5/8% Debentures due October 1, 2023, is incorporated herein by reference to Exhibit 4(e) to Delta's Form S-2 dated September 2, 1993.

4(b) - The Indenture dated July 1, 1996 in respect of 8.3% Debentures due August 1, 2026, is incorporated herein by reference to Exhibit 4(c) to Delta's Form S-2 dated June 21, 1996.

4(c) - The Indenture dated March 1, 1998 in respect of 7.15% Debentures due April 1, 2018, is incorporated herein by reference to Exhibit 4(d) to Delta's Form S-2 dated March 11, 1998.

10(a) - Certain of Delta's material natural gas supply contracts are incorporated herein by reference to Exhibit 10 to Delta's Form 10 for the year ended June 30, 1978 and by reference to Exhibits C and D to Delta's Form 10-K for the year ended June 30, 1980.

10(b) - Gas Purchase Contract between Delta and Wiser is incorporated herein by reference to Exhibit 2(C) to Delta's Form 8-K dated February 9, 1981.

10(c) - Assignment to Delta by Wiser of its Columbia Service Agreement, including a copy of said Service Agreement, is incorporated herein by reference to Exhibit 2(D) to Delta's Form 8-K dated February 9, 1981.

10(d) - Contract between Tennessee and Delta (amends earlier contract for Nicholasville and Wilmore Service Areas) is incorporated herein by reference to Exhibit 10(d) to Delta's Form 10-Q for the period ended September 30, 1990.

10(e) - Contract between Tennessee and Delta (amends earlier contract for Jeffersonville Service Area) is incorporated herein by reference to Exhibit 10(e) to Delta's Form 10-Q for the period ended September 30, 1990.

10(f) - Contract between Tennessee and Delta (amends earlier contract for Salt Lick Service Area) is incorporated herein by reference to Exhibit 10(f) to Delta's Form 10-Q for the period ended September 30, 1990.

10(g) - Contract between Tennessee and Delta (amends earlier contract for Berea Service Area) is incorporated herein by reference to Exhibit 10(g) to Delta's Form 10-Q for the period ended September 30, 1990.

10(h) - Service Agreements between Columbia and Delta (amends earlier service agreements for Cumberland, Stanton and Owingsville service areas) are incorporated herein by reference to Exhibit 10(h) to Delta's Form 10-Q for the period ended September 30, 1990.

10(i) - Amendment to Gas Purchase Contract between Delta and Wiser is incorporated herein by reference to Exhibit 10(c) to Delta's Form 10-Q for the period ended December 31, 1988.

10(j) - Second amendment to Gas Purchase Contract between Delta and Wiser is incorporated herein by reference to Exhibit 10(j) to Delta's Form 10-K for the period ended June 30, 1994.

10(k) - Employment agreement between Delta and Alan L. Heath, an officer, is incorporated herein by reference to Exhibit 10(k) to Delta's Form 10-Q for the period ended December 31, 1985.

10(l) - Employment agreements between Delta and two officers, those being John F. Hall and Robert C. Hazelrigg, are incorporated herein by reference to Exhibit 10(m) to Delta's Form 10-Q for the period ended December 31, 1988.

10(m) - Employment agreement between Delta and Glenn R. Jennings, an officer, is incorporated herein by reference to Exhibit 10(m) to Delta's Form 10-K for the period ended June 30, 1995.

10(n) - Employment agreement between Delta and Johnny L. Caudill, an officer, is incorporated herein by reference to Exhibit 10(n) to Delta's Form 10K for the period ended June 30, 1995.

10(o) - Employment agreement dated March 1, 1999 between Delta and John B. Brown, an officer.

12 - Computation of the Consolidated Ratio of Earnings to Fixed Charges.

21 - Subsidiaries of the Registrant.

23 - Consent of Independent Public Accountants.

27 - Financial Data Schedule.

(b) Reports on 8-K.

No reports on Form 8-K were filed during the three months ended June 30, 1999.

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, on the 10th day of September, 1999.

DELTA NATURAL GAS COMPANY, INC.

By /s/Glenn R. Jennings

Glenn R. Jennings, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

(i) Principal Executive Officer:

/s/ Glenn R. Jennings (Glenn R. Jennings)	President, Chief Executive Officer and Director	September 10, 1999

(ii) Principal Financial Officer and Principal Accounting Officer:

/s/ John F. Hall (John F. Hall)	Vice President - Finance, Secretary and Treasurer	September 10, 1999

(iii) A Majority of the Board of Directors:

/s/ H. D. Peet (H. D. Peet)	Chairman of the Board	September 10, 1999
/s/ Donald R. Crowe (Donald R. Crowe)	Director	September 10, 1999
/s/ Jane Hylton Green (Jane Hylton Green)	Director	September 10, 1999
/s/ Billy Joe Hall (Billy Joe Hall)	Director	September 10, 1999
/s/ John D. Harrison (John D. Harrison)	Director	September 10, 1999
/s/ Virgil E. Scott (Virgil E. Scott)	Director	September 10, 1999
/s/ Henry C. Thompson (Henry C. Thompson)	Director	September 10, 1999
/s/ Arthur E. Walker, Jr. (Arthur E. Walker, Jr.)	Director	September 10, 1999

Management's Statement of Responsibility for Financial Reporting and Accounting

Management is responsible for the preparation, presentation and integrity of the financial statements and other financial information in this report. In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Company maintains a system of accounting and internal controls which management believes provides reasonable assurance that the accounting records are reliable for purposes of preparing financial statements and that the assets are properly accounted for and protected.

The Board of Directors pursues its oversight role for these financial statements through its Audit Committee which consists of three outside directors. The Audit Committee meets periodically with management to review the work and monitor the discharge of their responsibilities. The Audit Committee also meets periodically with the Company's internal auditor as well as Arthur Andersen LLP, the independent auditors, who have full and free access to the Audit Committee, with or without management present, to discuss internal accounting control, auditing and financial reporting matters.

Glenn R. Jennings
President & Chief Executive Officer

John F. Hall
Vice President - Finance,
Secretary & Treasurer

Report of Independent Public Accountants

To the Board of Directors and Shareholders of Delta Natural Gas Company, Inc.:

We have audited the accompanying consolidated balance sheets and statements of capitalization of DELTA NATURAL GAS COMPANY, INC. (a Kentucky corporation) and subsidiary companies as of June 30, 1999 and 1998, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended June 30, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Natural Gas Company, Inc. and subsidiary companies as of June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Consolidated Financial Statements and Schedule is presented for purposes of complying with the Securities and Exchange Commission rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP
Louisville, Kentucky

August 16, 1999

Delta Natural Gas Company, Inc. and Subsidiary Companies
Consolidated Statements of Income

For the Years Ended June 30,	1999	1998	1997
Operating Revenues	$ 38,672,238	$ 44,258,000	$ 42,169,185
Operating Expenses			
Purchased gas	$ 16,467,988	$ 22,499,488	$ 23,265,222
Operation and maintenance (Note 1)	9,137,107	8,968,213	8,631,635
Depreciation and depletion (Note 1)	3,840,996	3,445,382	2,935,257
Taxes other than income taxes	1,334,977	1,212,058	1,056,689
Income taxes (Note 2)	1,239,100	1,401,000	964,800
Total operating expenses.	$ 32,020,168	$ 37,526,141	$ 36,853,603
Operating Income	$ 6,652,070	$ 6,731,859	$ 5,315,582
Other Income and Deductions, Net	33,660	67,911	40,874
Income Before Interest Charges.	$ 6,685,730	$ 6,799,770	$ 5,356,456
Interest Charges			
Interest on long-term debt..	$ 3,912,826	$ 3,326,681	$ 2,997,393
Other interest	460,950	897,265	519,432
Amortization of debt expense	161,160	124,552	115,366
Total interest charges ..	$ 4,534,936	$ 4,348,498	$ 3,632,191

Net Income	$ 2,150,794	$ 2,451,272	$ 1,724,265
Weighted Average Number of Common Shares Outstanding ...	2,394,181	2,359,598	2,294,134
Basic and Diluted Earnings Per Common Share.	$ .90	$ 1.04	$ .75
Dividends Declared Per Common Share	$ 1.14	$ 1.14	$ 1.14

The accompanying notes to consolidated financial statements are an integral part of these statements.

Delta Natural Gas Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows

For the Years Ended June 30,	1999	1998	1997
Cash Flows From Operating Activities			
Net income	$ 2,150,794	$ 2,451,272	$ 1,724,265
Adjustments to reconcile net income to net cash from operating activities			
Depreciation, depletion and Amortization	3,941,370	3,755,929	3,049,229
Deferred income taxes and Investment tax credits	662,880	(29,400)	485,400
Other - net	730,601	698,584	666,798
(Increase) decrease in assets			
Accounts receivable	908,917	(124,168)	(318,178)
Gas in storage	(1,451,177)	(840,829)	(782,007)
Materials and supplies	(144,468)	252,746	(120,969)
Prepayments	53,642	70,648	(346,532)
Other assets	(446,988)	(55,440)	(541,669)
Increase (decrease) in liabilities			
Accounts payable	273,755	(336,089)	(439,721)
Refunds due customers	(75,774)	(460,751)	554,520
Advance recovery of gas cost..	50,446	3,328,625	495,751
Accrued taxes	(131,091)	(46,549)	1,038,761
Other current liabilities	160,329	257,055	744,054
Advances for construction and other	(2,960)	404	(476)
Net cash provided by Operating activities	$ 6,680,276	$ 8,922,037	$ 6,209,226
Cash Flows From Investing Activities			
Capital expenditures	$ (7,982,143)	$(11,193,613)	$(16,648,994)
Net cash used in investing Activities	$ (7,982,143)	$(11,193,613)	$(16,648,994)

The accompanying notes to consolidated financial statements are an integral part of these statements.

Delta Natural Gas Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows (continued)

For the Years Ended June 30,	1999	1998	1997
Cash Flows From Financing Activities (Note 6)			
Dividends on common stock	$ (2,728,997)	$ (2,690,233)	$ (2,651,073)
Issuance of common stock, net....	679,916	574,686	6,773,054
Issuance of debentures, net......	-	23,837,795	14,334,833
Repayment of long-term debt	(339,000)	(10,822,559)	(478,256)
Issuance of notes payable........	21,615,000	26,200,000	30,975,000
Repayment of notes payable.......	(17,795,000)	(35,190,000)	(38,185,000)
Net cash provided by financing activities	$ 1,431,919	$ 1,909,689	$ 10,768,558
Net Increase (Decrease) in Cash and Cash Equivalents	$ 130,052	$ (361,887)	$ 328,790

Cash and Cash Equivalents, Beginning of Year	118,536	480,423	151,633
Cash and Cash Equivalents, End of Year	$ 248,588	$ 118,536	$ 480,423

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:			
Interest	$ 4,685,458	$ 4,291,005	$ 3,019,881
Income taxes (net of refunds)	$ 712,023	$ 1,642,964	$ (432,163)

The accompanying notes to consolidated financial statements are an integral part of these statements.

Delta Natural Gas Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

As of June 30,	1999	1998
Assets		
Gas Utility Plant, at cost	$133,804,954	$127,028,159
Less - Accumulated provision for depreciation	(38,308,798)	(34,929,481)
Net gas plant	$ 95,496,156	$ 92,098,678
Current Assets		
Cash and cash equivalents	$ 248,588	$ 118,536
Accounts receivable, less accumulated provisions for doubtful accounts of $138,514 and $120,001 in 1999 and 1998, respectively	1,629,883	2,538,800
Gas in storage, at average cost	3,501,177	2,050,000
Materials and supplies, at first-in, first-out cost	664,830	520,362
Prepayments	188,089	241,731
Total current assets	$ 6,232,567	$ 5,469,429
Other Assets		
Cash surrender value of officers' life insurance (face amount of $1,236,009).	$ 339,450	$ 339,215
Note receivable from officer	122,000	110,000
Unamortized debt expense and other (Note 6)	5,282,944	4,849,291
Total other assets	$ 5,744,394	$ 5,298,506
Total assets	$107,473,117	$102,866,613

The accompanying notes to consolidated financial statements are an integral part of these statements.

Delta Natural Gas Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (continued)

As of June 30,	1999	1998
Liabilities and Shareholders' Equity		
Capitalization (See Consolidated Statements of Capitalization)		
Common shareholders' equity	$ 29,912,007	$ 29,810,294
Long-term debt (Notes 6 and 7)........	51,699,700	52,612,494
Total capitalization	$ 81,611,707	$ 82,422,788
Current Liabilities		
Notes payable (Note 5)	$ 5,695,000	$ 1,875,000
Current portion of long-term debt (Notes 6 and 7)...............	2,450,000	1,790,000
Accounts payable	2,324,383	2,050,628
Accrued taxes	954,675	1,085,766
Refunds due customers	41,349	117,123
Advance recovery of gas costs (Note 1)	1,198,465	1,148,019

Customers' deposits	524,263	438,134
Accrued interest on debt	1,225,903	1,215,265
Accrued vacation	584,014	528,952
Other accrued liabilities	493,518	485,018
Total current liabilities	$ 15,491,570	$ 10,733,905
Deferred Credits and Other		
Deferred income taxes	$ 8,826,655	$ 8,023,475
Investment tax credits	567,800	637,300
Regulatory liability (Note 2)	760,625	831,425
Advances for construction and other	214,760	217,720
Total deferred credits and other	$ 10,369,840	$ 9,709,920
Commitments and Contingencies (Note 8)		
Total liabilities and shareholders' equity	$107,473,117	$102,866,613

The accompanying notes to consolidated financial statements are an integral part of these statements.

Delta Natural Gas Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended June 30,	1999	1998	1997
Common Shares			
Balance, beginning of year	$ 2,375,093	$ 2,342,223	$ 1,903,580
$1.00 par value of 38,849, 32,870 and 438,643 shares issued in 1999, 1998 and 1997, respectively			
Public issuance of common shares	-	-	400,000
Dividend reinvestment and stock purchase plan	32,551	27,124	31,187
Employee stock purchase plan and other	6,298	5,746	7,456
Balance, end of year	$ 2,413,942	$ 2,375,093	$ 2,342,223
Premium on Common Shares			
Balance, beginning of year	$ 27,745,127	$ 27,203,311	$ 20,572,132
Premium on issuance of common shares			
Public issuance of common shares	-	-	6,000,000
Dividend reinvestment and stock purchase plan	536,520	446,432	519,478
Employee stock purchase plan and other	104,547	95,384	111,701
Balance, end of year	$ 28,386,194	$ 27,745,127	$ 27,203,311
Capital Stock Expense			
Balance, beginning of year	$ (1,917,020)	$ (1,917,020)	$ (1,620,252)
Issuance of common shares	-	-	(296,768)
Balance, end of year	$ (1,917,020)	$ (1,917,020)	$ (1,917,020)
Retained Earnings			
Balance, beginning of year	$ 1,607,094	$ 1,846,055	$ 2,772,863
Net income	2,150,794	2,451,272	1,724,265
Cash dividends declared on common shares (See Consolidated Statements of Income for rates)	(2,728,997)	(2,690,233)	(2,651,073)
Balance, end of year	$ 1,028,891	$ 1,607,094	$ 1,846,055

The accompanying notes to consolidated financial statements are an integral part of these statements.

Delta Natural Gas Company, Inc. and Subsidiary Companies

Consolidated Statements of Capitalization

As of June 30, 1999 1998

Common Shareholders' Equity
Common shares, par value $1.00 per share
(Notes 3 and 4)
Authorized 6,000,000 shares

	1999	1998
Issued and outstanding 2,413,942 and 2,375,093 shares in 1999 and 1998, respectively	$ 2,413,942	$ 2,375,093
Premium on common shares	28,386,194	27,745,127
Capital stock expense	(1,917,020)	(1,917,020)
Retained earnings (Note 6)	1,028,891	1,607,094
Total common shareholders' equity	$29,912,007	$29,810,294
Long-Term Debt (Notes 6 and 7)		
Debentures, 8.3%, due 2026	$15,000,000	$15,000,000
Debentures, 6 5/8%, due 2023	12,886,000	13,170,000
Debentures, 7.15%, due 2018	24,985,000	25,000,000
Promissory note from acquisition of underground storage, non-interest bearing, due through 2001 (less unamortized discount of $121,300 and $207,506 in 1999 and 1998, respectively)	1,278,700	1,192,494
Other	-	40,000
Total long-term debt	$54,149,700	$54,402,494
Less amounts due within one year, included in current liabilities	(2,450,000)	(1,790,000)
Net long-term debt	$51,699,700	$52,612,494
Total capitalization	$81,611,707	$82,422,788

The accompanying notes to consolidated financial statements are an integral part of these statements.

DELTA NATURAL GAS COMPANY, INC. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

(a) Principles of Consolidation -- Delta Natural Gas Company, Inc. ("Delta" or "the Company") has four wholly-owned subsidiaries. Delta Resources, Inc. ("Resources") buys gas and resells it to industrial customers on Delta's system and to Delta for system supply. Delgasco, Inc. buys gas and resells it to Resources and to customers not on Delta's system. Deltran, Inc. operates underground natural gas storage facilities that it leases from Delta. Enpro, Inc. owns and operates production properties. All subsidiaries of Delta are included in the consolidated financial statements. Intercompany balances and transactions have been eliminated.

(b) Cash Equivalents -- For the purposes of the Consolidated Statements of Cash Flows, all temporary cash investments with a maturity of three months or less at the date of purchase are considered cash equivalents.

(c) Depreciation -- The Company determines its provision for depreciation using the straight-line method and by the application of rates to various classes of utility plant. The rates are based upon the estimated service lives of the properties and were equivalent to composite rates of 3.2%, 3.1% and 3.0% of average depreciable plant for 1999, 1998, and 1997, respectively.

(d) Maintenance -- All expenditures for maintenance and repairs of units of property are charged to the appropriate maintenance expense accounts. A betterment or replacement of a unit of property is accounted for as an addition and retirement of utility plant. At the time of such a retirement, the accumulated provision for depreciation is charged with the original cost of the property retired and also for the net cost of removal.

(e) Gas Cost Recovery -- Delta has a Gas Cost Recovery ("GCR") clause which provides for a dollar-tracker that matches revenues and gas costs and provides eventual dollar-for-dollar recovery of all gas costs incurred. The Company expenses gas costs based on the amount of gas costs recovered through revenue. Any differences between actual gas costs and those estimated costs billed are deferred and reflected in the computation of future billings to customers using the GCR mechanism.

(f) Revenue Recognition -- The Company records revenues as billed to its customers on a monthly meter reading cycle. At the end of each month, gas service which has been rendered from the latest date of each cycle meter reading to the month-end is unbilled.

(g) Revenues and Customer Receivables -- The Company has 39,000 customers in central and southeastern Kentucky. Revenues and customer receivables arise primarily from sales of natural gas to customers and from transportation services for others. Provisions for doubtful accounts are recorded to reflect the expected net realizable value of accounts receivable.

(h) Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

(i) New Accounting Pronouncements -- Delta adopted SFAS No. 128, "Earnings per Share", during fiscal 1998. The adoption of this standard had no effect upon current or prior period earnings per common share.

Delta adopted SFAS No. 130, "Comprehensive Income", during fiscal 1999. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The adoption of this statement had no impact on the financial statements of the Company.

Delta adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", and SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits", during fiscal 1999. These statements do not affect the accounting recognition or measurements of transactions, but rather require expanded disclosures regarding financial results.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. This statement is effective for fiscal years beginning after June 15, 2000. It will be effective for the Company's fiscal year 2001. Delta is currently not a party to any financial derivatives for hedging or other purposes. However, Delta is currently evaluating the terms of its commodity contracts (i.e., primarily gas purchase, sale and transportation contracts) to determine whether any of these contracts meet the definition of derivative instruments subject to the requirements of the new standard. As such, the Company is still evaluating the impact, if any, this standard will have on its financial statements.

(2) Income Taxes

The Company provides for income taxes on temporary differences resulting from the use of alternative methods of income and expense recognition for financial and tax reporting purposes. The differences result primarily from the use of accelerated tax depreciation methods for certain properties versus the straight-line depreciation method for financial purposes, differences in recognition of purchased gas cost recoveries and certain other accruals which are not currently deductible for income tax purposes. Investment tax credits were deferred for certain periods prior to fiscal 1987 and are being amortized to income over the estimated useful lives of the applicable properties. The Company utilizes the liability method for accounting for income taxes, which requires that deferred income tax assets and liabilities are computed using tax rates that will be in effect when the book and tax temporary differences reverse. The change in tax rates applied to accumulated deferred income taxes may not be immediately recognized in operating results because of ratemaking treatment. A regulatory liability has been established to recognize the future revenue requirement impact from these deferred taxes. The temporary differences which gave rise to the net accumulated deferred income tax liability for the periods are as follows:

	1999	1998
Deferred Tax Liabilities		
Accelerated depreciation	$10,546,000	$ 9,933,400
Accrued pension	789,700	568,900
Debt expense	467,200	487,400
Total	$11,802,900	$10,989,700
Deferred Tax Assets		
Alternative minimum tax credits	$ 1,521,100	$ 1,274,100
Regulatory liabilities	193,445	486,245
Deferred gas cost/unbilled revenue	718,400	670,100
Investment tax credit	224,000	251,400
Other	319,300	284,380

Total	$ 2,976,245	$ 2,966,225
Net accumulated deferred income tax liability	$ 8,826,655	$ 8,023,475

The components of the income tax provision are comprised of the following for the years ended June 30:

	1999	1998	1997
Components of Income Tax Expense			
Payable currently			
Federal	$ 563,400	$ 1,164,800	$ 242,200
State	63,000	265,600	(31,300)
Total	$ 626,400	$ 1,430,400	$ 210,900
Deferred	612,700	(29,400)	753,900
Income tax expense	$1,239,100	$ 1,401,000	$ 964,800

Reconciliation of the statutory federal income tax rate to the effective income tax rate is shown in the table below:

	1999	1998	1997
Statutory federal income tax rate	34.0 %	34.0 %	34.0 %
State income taxes net of federal benefit	5.2	5.0	5.0
Amortization of investment tax credit	(2.0)	(1.8)	(2.6)
Other differences - net	(0.4)	(.2)	-
Effective income tax rate	36.8 %	37.0 %	36.4 %

(3) Employee Benefit Plans

(a) Defined Benefit Retirement Plan -- Delta has a trusteed, noncontributory, defined benefit pension plan covering all eligible employees. Retirement income is based on the number of years of service and annual rates of compensation. The Company makes annual contributions equal to the amounts necessary to fund the plan adequately.

The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ended March 31, 1999, and a statement of the funded status as of March 31 of both years, as recognized in the Company's consolidated balance sheets at June 30.

	1999	1998
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 6,745,269	$ 6,345,500
Service cost	467,417	445,288
Interest cost	471,939	443,955
Actuarial (loss) gain	711,063	(6,677)
Benefits paid	(109,322)	(482,797)
Benefit obligation at end of year	$ 8,286,366	$ 6,745,269
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 8,637,638	$ 6,835,393
Actual return on plan assets	44,213	1,564,402
Employer contribution	615,921	720,640
Benefits paid	(109,322)	(482,797)
Fair value of plan assets at end of year	$ 9,188,450	$ 8,637,638
Funded status	$ 902,084	$ 1,892,369
Unrecognized net actuarial (loss) gain	512,737	(869,909)
Unrecognized prior service cost	(127,183)	(169,577)
Prepaid benefit cost (included in other assets in the accompanying balance sheet)	$ 1,287,638	$ 852,883

The assets of the plan consist primarily of common stocks, bonds and certificates of deposit. Net pension costs for the years ended June 30 include the following:

	1999	1998	1997
Components of Net Periodic Benefit Cost			
Service cost	$ 467,417	$ 445,288	$ 405,386
Interest cost	471,939	443,955	392,539
Expected return on plan assets	(715,385)	(575,394)	(502,414)

Amortization of prior service cost	(42,804)	(42,394)	(42,394)
Net periodic benefit cost	$ 181,167	$ 271,455	$ 253,117
Weighted-Average Assumptions as of March 31			
Discount rate	6.5%	7%	7%
Expected return on plan assets	8 %	8%	8%
Rate of compensation increase	4 %	4%	4%

SFAS No. 106, "Employers' Accounting for Post-Retirement Benefits", and SFAS No. 112, "Employers' Accounting for Post-Employment Benefits", do not affect the Company, as Delta does not provide benefits for post-retirement or post-employment other than the pension plan for retired employees.

(b) Employee Savings Plan -- The Company has an Employee Savings Plan ("Savings Plan") under which eligible employees may elect to contribute any whole percentage between 2% and 15% of their annual compensation. The Company will match 50% of the employee's contribution up to a maximum Company contribution of 2.5% of the employee's annual compensation. For 1999, 1998, and 1997, Delta's Savings Plan expense was $169,300, $156,000 and $151,000, respectively.

(c) Employee Stock Purchase Plan -- The Company has an Employee Stock Purchase Plan ("Stock Plan") under which qualified permanent employees are eligible to participate. Under the terms of the Stock Plan, such employees can contribute on a monthly basis 1% of their annual salary level (as of July 1 of each year) to be used to purchase Delta's common stock. The Company issues Delta common stock, based upon the fiscal year contributions, using an average of the last sale price of Delta's stock as quoted in NASDAQ's National Market System at the close of business for the last five business days in June and matches those shares so purchased. Therefore, stock equivalent to $113,000 was issued in July, 1999. The continuation and terms of the Stock Plan are subject to approval by Delta's Board of Directors on an annual basis. Delta's Board has continued the Stock Plan through June 30, 2000.

(4) Dividend Reinvestment and Stock Purchase Plan

The Company's Dividend Reinvestment and Stock Purchase Plan (Reinvestment Plan) provides that shareholders of record can reinvest dividends and also make limited additional investments of up to $50,000 per year in shares of common stock of the Company. Shares purchased under the Reinvestment Plan are authorized but unissued shares of common stock of the Company, and 32,551, 27,124, and 31,187 shares were issued in 1999, 1998, and 1997, respectively. Delta reserved 200,000 shares under the Reinvestment Plan in December, 1994, and as of June 30, 1999, there were 63,929 shares still available for issuance.

(5) Notes Payable and Line of Credit

Substantially all of the cash balances of Delta are maintained to compensate the respective banks for banking services and to obtain lines of credit; however, no specific amounts have been designated as compensating balances, and Delta has the right of withdrawal of such funds. At June 30, 1999 and 1998, the available line of credit was $25,000,000 of which $5,695,000 and $1,875,000 had been borrowed at an interest rate of 5.51%, and 6.885% for 1999 and 1998, respectively. The maximum amount borrowed during 1999 and 1998 was $9,435,000 and $20,160,000, respectively. The interest on this line is, at the option of Delta, either at the daily prime rate or is based upon certificate of deposit rates. The current line of credit must be renewed during November, 1999.

Short-term borrowings were repaid in March, 1998, with the net proceeds of $24,100,000 from the sale of $25,000,000 of debentures. The net proceeds were also used to redeem the Company's 9% Debentures that would have matured in April, 2011. The redemption of this debt, the outstanding principal amount of which was $10,000,000, was completed in April, 1998.

(6) Long-Term Debt

In March, 1998, Delta issued $25,000,000 of 7.15% Debentures that mature in March, 2018. Redemption of up to $25,000 annually will be made on behalf of deceased holders within 60 days of notice, subject to an annual aggregate $750,000 limitation. The 7.15% Debentures can be redeemed by the Company after April 1, 2003. Restrictions under the indenture agreement covering the 7.15% Debentures include, among other things, a restriction whereby dividend payments cannot be made unless consolidated shareholders' equity of the Company exceeds $21,500,000. No retained earnings are restricted under the provisions of the indenture.

In July, 1996, Delta issued $15,000,000 of 8.3% Debentures that mature in July, 2026. Redemption on behalf of deceased holders within 60 days of notice of up to $25,000 per holder will be made annually, subject to an annual aggregate limitation of $500,000. The 8.3% Debentures can be redeemed by the Company beginning in August, 2001 at a 5% premium, such premium declining ratably until it ceases in August, 2006.

In October, 1993, Delta issued $15,000,000 of 6 5/8% Debentures that mature in October, 2023. Each holder may require redemption of up to $25,000 annually, subject to an annual aggregate limitation of $500,000. Such redemption will also be made on behalf of deceased holders within 60 days of notice, subject to the annual aggregate $500,000 limitation. The 6 5/8% Debentures can be redeemed by the Company beginning in October, 1998 at a 5% premium, such premium declining ratably until it ceases in October, 2003. The Company may not assume any additional mortgage indebtedness in excess of $2 million without effectively securing the 6 5/8% Debentures equally to such additional indebtedness.

Debt issuance expenses are deferred and amortized over the terms of the related debt. Call premium in 1998 of $300,000 and loss on extinguishment of debt of $332,000 was deferred and is being amortized over the term of the related debt consistent with regulatory treatment.

A non-interest bearing promissory note was issued by Delta in November, 1995 in the amount of $1,800,000, and remaining installments are due in the amounts of $700,000 in 2000 and $700,000 in 2002. The note was issued when Delta purchased leases and depleted gas wells to develop them for the underground storage of natural gas. The promissory note installments are secured by escrow of 80,000 shares of Delta's common stock. These shares will be issued to the holder of the promissory note only in the event of default in payment by Delta.

(7) Fair Values of Financial Instruments

The fair value of the Company's debentures is estimated using discounted cash flow analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the Company's debentures at June 30, 1999 and 1998 was estimated to be $49,810,000 and $54,387,000, respectively. The carrying amount in the accompanying consolidated financial statements as of June 30, 1999 and 1998 is $52,871,000 and $53,170,000, respectively.

The carrying amount of the Company's other financial instruments including cash equivalents, accounts receivable, notes receivable, accounts payable and the non-interest bearing promissory note approximate their fair value.

(8) Commitments and Contingencies

The Company has entered into individual employment agreements with its six officers. The agreements expire or may be terminated at various times. The agreements provide for continuing monthly payments or lump sum payments and continuation of certain benefits over varying periods in the event employment is altered or terminated following certain changes in ownership of the Company.

(9) Rates

Reference is made to "Regulatory Matters" herein with respect to rate matters.

(10) Operating Segments

Delta adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", during fiscal 1999. SFAS No. 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. It also established standards for related disclosures about products and services in geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Delta's chief operating decision making group is the Company's officers.

The Company has two segments (i) a regulated natural gas distribution, transmission and storage segment, and (ii) an unregulated segment which participates in related ventures, consisting of natural gas marketing and production. The Company operates in a single geographic area of central and southeastern Kentucky.

The segments follow the same accounting policies as described in the Summary of Significant Accounting Policies and Principles of Consolidation in Note 1 of the Notes to Consolidated Financial Statements. Because the Company earns revenues on the transportation of natural gas in its regulated segment, management evaluates the performance of the unregulated natural gas marketing subsidiaries based on the additional margin added from their sales and their ability to maintain contact with customers who choose to transport on the regulated system. Inter-segment transportation revenue/expense is recorded at Delta's tariff rates. Transfer pricing for sales of gas between segments is at cost. Operating expenses, taxes and interest are allocated to the unregulated segment.

Segment information is shown below for the periods:

($000)	1999	1998	1997
Revenues			
Regulated			
External customers	30,000	34,550	34,567
Intersegment	5,496	5,187	3,602
Total regulated	35,496	39,737	38,169
Non-regulated			
External customers	8,672	9,708	7,602
Intersegment	15,881	14,467	13,999
Total non-regulated	24,553	24,175	21,601
Eliminations for intersegment	(21,377)	(19,654)	(17,601)
Total operating revenues	38,672	44,258	42,169
Expenses			
Operating expenses			
Regulated			
Depreciation	3,804	3,399	2,896
Income taxes	1,001	1,089	772
Other	24,398	28,984	29,438
Total regulated	29,203	33,472	33,106
Non-regulated			
Depreciation	37	46	39
Income taxes	238	312	193
Other	23,838	23,277	21,043
Total non-regulated	24,113	23,635	21,275
Eliminations for intersegment	(21,296)	(19,581)	(17,527)
Total operating expenses	32,020	37,526	36,854
Other Income and Deductions			
Regulated	25	37	41
Non-regulated	9	31	-
Total other income and deductions	34	68	41
Interest Charges			
Regulated	4,552	4,380	3,695
Non-regulated	64	42	11
Eliminations for intersegment	(81)	(73)	(74)
Total interest charges	4,535	4,349	3,632
Net Income			
Regulated	1,766	1,922	1,409
Non-regulated	385	529	315
Total net income	2,151	2,452	1,724
Assets			
Regulated	105,716	101,016	94,407
Non-regulated	1,757	1,851	2,274
Total assets	107,473	102,867	96,681
Capital Expenditures			
Regulated	7,981	11,192	16,648
Non-regulated	1	2	-
Total capital expenditures	7,982	11,194	16,648

(11) Quarterly Financial Data

The quarterly data reflects, in the opinion of management, all normal recurring adjustments necessary to present fairly the results for the interim periods.

Quarter Ended	Operating Revenues	Operating Income	Net Income (Loss)	Basic and Diluted Earnings (Loss) per Common Share(a)
Fiscal 1999				

September 30	$ 4,938,135	$ 431,693	$ (693,777)	$ (.29)
December 31	8,630,074	1,415,274	252,775	.11
March 31	16,890,711	3,651,078	2,515,336	1.05
June 30	8,213,318	1,154,025	76,460	.03
Fiscal 1998				
September 30	$ 5,215,272	$ 181,905	$ (813,982)	$ (.35)
December 31	11,787,820	1,726,169	591,812	.25
March 31	18,305,458	3,442,234	2,366,329	1.00
June 30	8,949,450	1,381,551	307,113	.14

(a) Quarterly earnings per share may not equal annual earnings per share due to changes in shares outstanding.

SCHEDULE II

DELTA NATURAL GAS COMPANY, INC. AND SUBSIDIARY COMPANIES
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 1999, 1998 AND 1997

Column A	Column B	Column C Additions		Column D Deductions	Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts- Recoveries	Amounts Charged Off or Paid	Balance at End of Period
Deducted From the sset to Which it Applies - Allowance for doubtful accounts for the years ended:					
June 30, 1999	$ 120,001	$ 213,385	$ 48,888	$ 243,760	$ 138,514
June 30, 1998	$ 113,945	$ 369,870	$ 46,013	$ 409,827	$ 120,001
June 30, 1997	$ 105,756	$ 220,000	$ 27,402	$ 239,213	$ 113,945

DELTA NATURAL GAS COMPANY, INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF THE CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

	1999	1998	1997	1996	1995
Earnings:					
Net income.	$2,150,794	$2,451,272	$1,724,265	$2,661,349	$1,917,735
Provisions for income taxes	1,239,100	1,401,000	964,800	1,559,500	1,042,400
Fixed charges	4,534,936	4,348,498	3,632,191	2,808,209	2,387,935
Total	$7,924,830	$8,200,770	$6,321,256	$7,029,058	$5,348,070
Fixed Charges:					
Interest on debt. . . .	$4,373,776	$4,223,946	$3,516,825	$2,719,409	$2,299,135
Amortization of debt expense.	161,160	124,552	115,366	88,800	88,800
Total	$4,534,936	$4,348,498	$3,632,191	$2,808,209	$2,387,935
Ratio of Earnings to Fixed Charges	1.75x	1.89x	1.74x	2.50x	2.24x

EXHIBIT 21

Subsidiaries of the Registrant

Delgasco, Inc., Deltran, Inc., Enpro, Inc. and Delta Resources, Inc. are wholly-owned subsidiaries of the Registrant, are incorporated in the state of Kentucky and do business under their corporate names.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated August 16, 1999, included in this Form 10-K, into the Company's previously filed Registration Statement No. 33-56689, relating to the Dividend Reinvestment and Stock Purchase Plan of the Company.

Arthur Andersen LLP

Louisville, Kentucky
September 10, 1999

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