



DROPPING COVERAGE

Key Metrics

DGAS - NASDAQ (Price as of 9/19/17)	\$30.69
Price Target	NA
52-Week Range	\$22.06 - \$31.29
Shares Outstanding (mm)	7,133.0
Market Cap. (\$mm)	\$218.9
3-Mo. Average Daily Volume	14,627
Institutional Ownership	25.0%
Debt/Total Capital	39.0%
ROE (ttm)	8.4%
Book Value/Share	\$10.99
Price/Book Value	2.8x
Indicated Dividend / Yield	\$0.83 2.7%
Dividend Cycle	March, June, Sept., Dec.

EPS FY 6/30

	2016	Prior 2017E	2017A	Prior 2018E	Curr. 2018E
1Q				--	--
2Q				--	--
3Q				--	--
4Q				--	--
Year	\$0.78	\$0.88	\$0.77		
P/E	39.3x		39.9x		
Payout	106%		108%		

Note: Figures exclude non-recurring items

Revenue (\$mm)

	2016	Prior 2017E	2017A	Prior 2018E	Curr. 2018E
1Q				--	--
2Q				--	--
3Q				--	--
4Q				--	--
Year	\$64		\$69		

Company Description: Delta Natural Gas Company is engaged primarily in the distribution, transmission, storage, and production of natural gas. Facilities are located in 23 predominantly rural counties in central and southeastern Kentucky. Delta serves approximately 36,000 residential, commercial, industrial, and transportation customers. The majority of Delta's customers are residential and commercial. Delta's retail sales are seasonal.

Delta Natural Gas Company

DGAS -- NASDAQ -- NR

Dropping coverage due to the company's acquisition by Peoples Gas

Investment Highlights

- We expect Delta's acquisition by Peoples Gas to be completed very late today, September 20th. Delta shareholders will receive \$30.50 in cash per each Delta share held. In addition, Delta will pay a stub dividend of \$0.186978 per share of common stock. The dividend will be paid on or about September 30th, to all shareholders of record as of September 19th. The stub dividend represents the period from July 1st to the expected closing of the transaction.
- Prior to this acquisition Delta Natural Gas Company was rated Neutral. Our prior estimates and rating should no longer be relied upon going forward.
- We are dropping coverage on Delta Natural Gas Company as it will no longer be a publicly traded company after today.

Note Important Disclosures on Pages 2 - 3.
Note Analyst Certification on Page 2.

Additional information is available upon request.

Analyst Certification

I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' customers owned at least 5% of the outstanding common stock of Delta Natural Gas Company as of September 19, 2017.

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

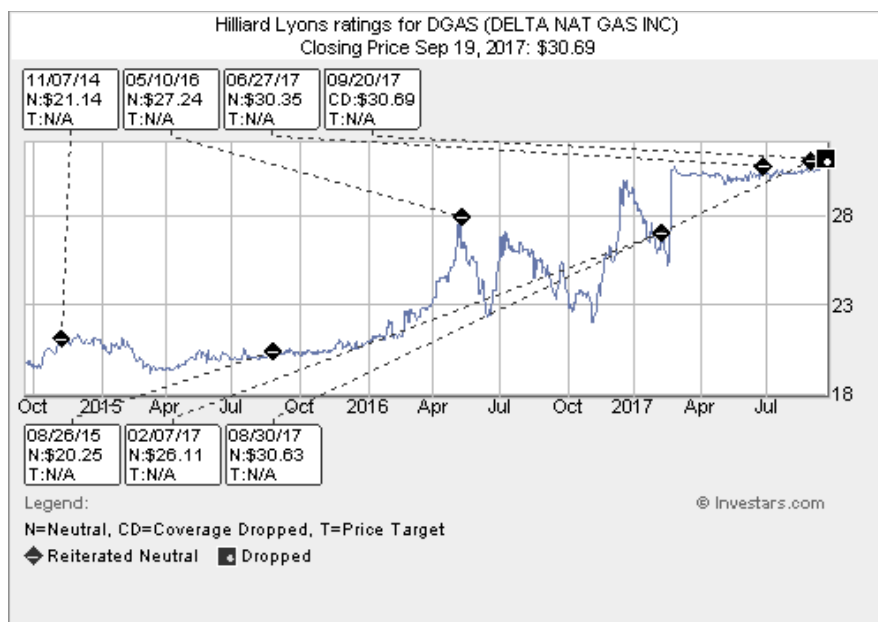
Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	40	32%	10%	90%
Hold/Neutral	77	62%	8%	92%
Sell	8	6%	0%	100%

As of 6 September 2017

Other Disclosures

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