

**EAST KENTUCKY UTILITIES, INC.
P. O. BOX 408
PRESTONSBURG, KY. 41653**

Phone -606-886-2431
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RECEIVED
OCT 15 2004
PUBLIC SERVICE
COMMISSION

**Ms. Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602**

RE: Case No. 2004-00276

Dear Ms. O'Donnell:

This is to inform you that East Kentucky Utilities, Inc. has notified both the PSC and Kentucky Infrastructure Authority by phone this the 13th day of October 2004, that we are withdrawing our request for long term loan approved by the PSC.

I am submitting this letter to express our appreciation for the time and effort your staff has put into approving our Application for long term loan in attempt to help us eliminate the Notice of Gas supply termination received from Equitable.

Due to the short time period between today and 30th of October, when our gas supply was to be terminated and the refusal of Equitable to allow us any additional time to pursue the loan process. I notified the County Judge Executive, Floyd County, the County Attorney and various other County Officials about this situation on the date the cutoff notice was faxed to me by Equitable and I in turn faxed to Jeff Shaw of your staff.

At 3:00 PM on the 12th of October I was notified that I was to attend a meeting with the above County Officials. I explained all facts regarding East Kentucky's situation and explained that the loan Application had been approved by PSC, but the most pressing item was to maintain or obtain a new source of gas supply by October 30th 2004.

The County Judge, Executive placed a call to Equitable and after a brief discussion Equitable organized a conference call with legal counsel in Charleston, W Va.. I reminded Brian Shafranek that during our previous discussions with him that he had stated that if gas bills were paid in full before October 30th that he would honor the present gas purchase agreement in force which calls for price of 5.50 Dth and does not expire until July 2005. He admitted to this statement and said he would stand by his word.

The County Judge, Executive then stated to Equitable that Floyd County would pay the outstanding gas bills owed by East Kentucky Utilities, Inc. before Oct. 30th. Equitable requested that the Floyd County Treasurer send them a copy of the County's annual financial statement.

Therefor after Three (3) hours of negotiating it was settled that Equitable will continue to supply gas to East Kentucky Utilities, Inc. under present contract which expires July 2005. The County will pay outstanding amount owed to Equitable before the 30th of October.

The Judge and County Attorney instructed me to inform The PSC and KIA that we wish to withdraw the Application of request for long term loan to pay the amount owed to Equitable.

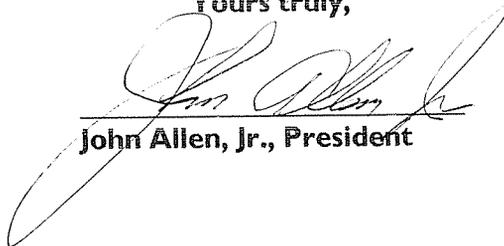
I Talked with Mr. Scott Issac of your staff this morning as both Jeff Shaw and Aaron Grenwell were both out of the office. I informed him of negotiation and the notice to withdraw our loan application.

In addition I reminded him that East Kentucky Utilities, Inc. has a rate increase request in process and if not approved soon then East Kentucky could possibly be in this same situation within two-three months.

Again I wish to express my Appreciation to your staff for the unusual assistance they have given during the last three-four months. I have talked to Jeff Shaw or Aaron Greenwell at least 2-3 times a week during this period.

I am also stating that as soon as the County performs all its necessary paperwork with Equitable and the rate case is finalized I will be formally resigning as President of East Kentucky Utilities, Inc. and will not be serving in any manner as officer or an employee. I have agreed to continue serving without any salary until the County makes a decision as how East Kentucky will be operated or who will be appointed CEO.

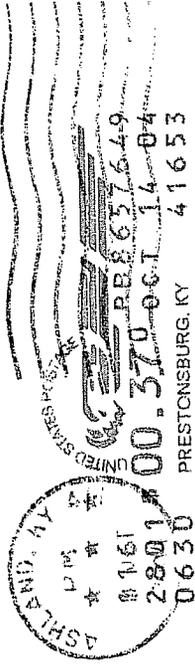
Yours truly,



John Allen, Jr., President

East Kentucky Utilities, Inc.

P. O. Box 408
Prestonsburg, Kentucky 41653

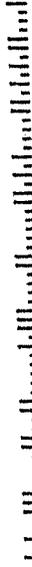


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