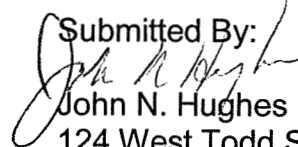
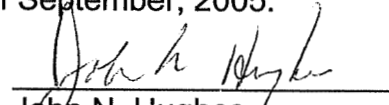


Submitted By:

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Attorney for
Kentucky Frontier Gas, LLC

Certificate:

I certify that a copy of this response was served on the Attorney General, 1024 Capital Center Dr. Frankfort, KY 40601 the 30th day of September, 2005.



John N. Hughes

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Joint Application of Kentucky Frontier Gas, LLC)
Belfry Gas, Inc., Floyd County Gas (East Kentucky Utilities, Inc.))
Elam Utility Company, Inc., and Mike Little Gas Company for) Case No.
approval of transfer and acquisition of assets and stock, issuance) 2005-00348
and assumption of debt, and issuance of a certificate)
of convenience and necessity, if necessary.)

RESPONSES TO ATTORNEY GENERAL'S DATA REQUEST NO. 1

Kentucky Frontier Gas, LLC. ("KFG" or "Frontier"), Belfry Gas, Inc., Floyd County Gas, formerly East Kentucky Utilities, Inc., Elam Utility Company, Inc. and Mike Little Gas Company, by counsel, respond to the Interrogatories and Requests for Documents filed by the office of the Kentucky Attorney General ("AG") on September 16.

Responses are numbered identically to the AG's questions, with a brief recap of the issue. References are made to the "Transfer Application" which initiated the above-stated case to consolidate 4 existing utilities; the "Finance Application" made separately to request new debt and equity financing related to these utilities; and the "GOLD Application" to the Kentucky Governors Office for Local Development for reconfiguration of the existing utilities' state-administered low-interest loans.

The witness for all responses is Steve Oxford.

1. The proposed acquisition of 4 separate utilities and the consolidation of their operations and management does not necessarily mean that those individuals who have been managing and operating the utilities on a local level will continue to perform those services following KFG's acquisition. Accordingly, please describe the financial, technical and managerial ability of any individuals, employees, contractors or consultants of KFG who will be providing those services to each or all of the four underlying utilities being acquired, and indicate specifically the underlying utility or utilities to which those services will be provided.

a. Please state with particularity the capabilities and experience of these individuals as it relates to engaging in the financial, technical and managerial operations of a gas distributing company.

Answer: The capabilities and experience of the individuals involved in KFG are described in detail in the Application, Paragraph 8, page 5, and paragraph 10, page 6, and more particularly Exhibit 4. Larry Rich will be the resident manager of the consolidated company. The staff of IGS will be responsible for financial and managerial activities and Steve Shute will be responsible for technical and operations functions.

b. Please provide the total employee count of all the utilities to be acquired, before the proposed acquisition, and provide an estimated employee count following the acquisition.

Answer: This is discussed in paragraph 9, page 6 of the application. KFG is not certain of the exact number of present employees of all utilities because one of the companies, Belfry, used employees of Kinzer Drilling Company to operate the Belfry system. ECU was the contract operator of the Floyd County Gas System and is not a part of the acquisition. ECU had three employees who are presently working for KFG to operate the Floyd County system under a service agreement. Frontier

expects two of the employees to continue work as KFG employees. Elam has three employees (Wilma Ison, the owner and President, and two operator-technicians) and Mike Little has one recently-hired employee, all of whom have been offered positions and are expected to continue work as employees of KFG. As stated in paragraph 11, page 7, KFG expects to have 5 technicians and 2 managerial and clerical employees.

c. Please state whether the duties of any employee regarding KFG's financial, technical or managerial functions will be outsourced.

Answer: This is discussed in detail in the Application, paragraph 11. KFG's employees will handle routine operational and technical services. IGS, Steve Shute, and other member-owners of KFG will provide contract services as described in paragraphs 10 and 11 and in accordance with the proforma budget for O&M Expenses found in Exhibit 6 of the Application. Accounting, tax services, answering service, and emergency repairs will be outsourced to local contractors as needed.

2. Corporate Structure of KFG:

a. Please state whether KFG is, or is a part of, any holding company.

Answer: No

b. Please state whether KFG has any subsidiaries or affiliates.

Answer: No. The members have companies, affiliates, and organizations in which they are involved.

c. Please state whether KFG is a subsidiary, member or affiliate of any other business entity.

Answer: No.

d. Please state whether KFG is part of any partnership or any other type or sort of business entity.

Answer: KFG is a limited liability company, organized in the State of Colorado and authorized to do business in the Commonwealth of Kentucky, as shown in Exhibit 1 of the Application.

3. Business Affiliations of KFG:

a. Please state whether any of KFG's members are stockholders, members, officers, partners or directors of any type or sort of business entity engaged in the exploration, processing, transmission or distribution of natural gas and/or any other type of energy.

Answer: A complete description of KFG member activities in the energy industry is described in paragraphs 8 and 10, and more particularly in Exhibit 4. None of the members have recently engaged in energy projects in Kentucky.

4. Corporate Structure of KFG Member Industrial Gas Services, Inc.

("IGS"):

a. Please state whether IGS is, or is a part of any holding company.

Answer: No

b. Please state whether IGS has any subsidiaries or affiliates.

Answer: IGS is general partner for Wamsutter Limited Partnership, the owner and operator of about 18 gas wells in southwest Wyoming. IGS has no subsidiaries.

c. Please state whether IGS is a subsidiary or affiliate of any other business entity.

Answer: IGS is not a subsidiary of any other business entity.

d. Please state whether IGS is part of any partnership or any other type or sort of business entity.

Answer: See b. above.

e. Please state whether IGS is subject to the jurisdiction of any regulatory agency or agencies, and if so, identify such agency or agencies.

Answer: IGS operates gas pipelines in Oregon, Washington and Wyoming that are subject to the jurisdiction of the various state utility commissions (WUTC, OPUC, and WPSC) as to pipeline safety only.

f. Please state whether IGS has filed any documents with any other regulatory authorities in connection with this proposed transaction (e.g., Public Service Commissions in other states, the Securities and Exchange Commission, etc.);

Answer: With the assistance of IGS employees, KFG filed a loan application the Kentucky Governors Office for Local Development (GOLD).

g. Please identify the following in IGS corporate structure:

(1) Officers;

Answer: Steven E. Oxford, President; Robert J. Oxford, Chairman, CEO; Peggy C. Oxford, Secretary.

(2) Members of the Board of Directors for the past 10 years;

Answer: Robert J. Oxford, Bob L. Sturm, Steven E. Oxford, Peggy C. Oxford.

(3) Stockholders owning a controlling interest.

Answer: Robert J. Oxford, 79%.

5. Please state whether KFG is engaging in regulated activities in any other jurisdiction. If so, please provide:

Answer: No other activities, with the exception of the Service Agreement to operate the Floyd County gas system until this transaction is completed.

6. Please state whether KFG is engaging in non-regulated activities in any location. If so, please provide:

Answer: No.

7. Please state whether IGS is engaging in regulated activities in any other jurisdiction. If so, please provide:

Answer: Currently, no. IGS operates industrial gas pipelines in Oregon, Washington and Wyoming which are subject to each state's respective utility commission only as to pipeline safety. In the past, IGS has worked on several regulated utility projects.

8. Please state whether IGS is engaging in non-regulated activities in any location. If so, please provide:

Answer: Yes

a. the nature of the activity;

Answer: Oil and gas well operations; oil and gas consulting

b. the location of the activity;

Answer: Varies; Colorado, Wyoming, and other Rocky Mountain states.

c. a breakdown by percentage of the amount of non-regulated activity and regulated activities in which ISG engages; and

Answer: currently 100% non-regulated.

d. the amount of revenue derived from non-regulated activities.

Answer: \$1 million per year; varies

9. State whether the pipelines, operating systems and other infrastructure components of the gas utilities KFG intends to acquire are physically and/or electronically interconnected, and if so, identify the specific infrastructure components so interconnected, and their degree of interconnectedness.

Answer: No. Elam is in West Liberty and Belfry is on the West Virginia state line. EKV and Mike Little have scattered disconnected systems in Floyd County that are physically close in some areas but not interconnected.

a. If said infrastructure systems are not interconnected, please:

(1) State how KFG expects to achieve economies of scale, economies of scope or synergies;

Answer: In paragraph 5, page 4 of the Application KFG states that the “consolidation of these utilities is expected to create a critical mass which is more viable. Many functions - billing, accounting, customer calls, emergency response, operator training and regulatory compliance-would be enhanced by a common, central organization.”

(2) Identify the specific area(s) in which such economies or synergies are expected.

Answer: KFG will have one manager (versus four), one central filing system, one billing center, one emergency response team, one meter reading and maintenance team, and one person for uniform training and regulatory compliance. The economic results will be an O&M cost of less than one third of the sum of the O&M costs of the four companies as presently operated.

10. KFG's petition states, in numerical paragraph 5., "The consolidation of these utilities is expected to create a critical mass which is much more viable." Please explain exactly what is meant by this statement and include any quantifications.

Answer: See the answer to Question 10 above.

11. Please identify whether KFG expects its proposed acquisition of the subject utilities to lower the cost of essential activities such as replacing older or laying new, distribution pipelines.

Answer: No. Pipeline construction costs are not a material consideration for this transaction. Small utilities can purchase materials and equipment at nearly the same unit prices as the major utilities. Small construction or replacement projects can sometimes be done at a lower cost, if company employees and equipment are used instead of contractors.

12. Please state whether any family relative of John Allen will hold any type or sort of position, whether as employee, contractor or consultant, with KFG, any of its affiliates or subsidiaries, or any of its partners following the proposed acquisition.

Answer: KFG has offered a technician position to Mike Harris, who is reportedly a nephew of John Allen. None of the KFG owner-members has had any previous business or personal relationship with John Allen or any family relative.

13. What impact, if any, does KFG expect the proposed refinancing will have on ratepayers?

Answer: KFG does not expect the consolidation and refinancing to have any impact on ratepayers in the first two years. Thereafter, the consolidated rate could lower some rates and increase others because of the different ways the various companies handled debt. The proforma has assumed a weighted average rate for all GOLD and commercial debt.

14. Please state whether KFG intends to perform a depreciation study, or make any changes to its depreciation rates or practices applicable to the utilities KFG intends to acquire.

Answer: KFG is an LLC, so income taxes (if any) are paid by individual members. The deferred taxes calculation in the proforma is based on the difference between tax depreciation vs book depreciation. With 20-year accelerated tax depreciation vs 30-year straight line book depreciation, early-year taxes are lowered and deferred until the later years. Early rates must be high enough to accumulate this deferral for later payment. KFG has not made a determination on a company-by-company basis if a depreciation study is needed.

