

15. Please state whether KFG anticipates any positive or negative acquisition adjustment(s) resulting from its proposed acquisition of the subject utilities.

Answer: KFG has stated it would not initially request a rate change due to increased acquisition values of assets. The purchase will be recorded for accounting purposes with the values paid for assets acquired, which are all higher than the depreciated book value. At the first rate case, an acquisition adjustment may be requested.

16. Please state whether any of the utilities KFG proposes to acquire currently have any deferred tax accounts on their balance sheets. If the reply is "yes", please identify the account(s), the amount carried therein, and provide a summary of the nature of the balance.

Answer: Belfry has stated it has no deferred tax accounts.

Elam and MLG are unable to provide a definite answer at this time. No one at ECU is available to provide that information.

17. For each deferred tax balance set forth in your reply to question number 16, above, please state what impact the proposed acquisition will have on the account (e.g., will the proposed transaction result in a loss of any deferred tax credits?).

Answer: See 16.

18. Please state whether KFG will receive any tax benefits arising from the acquisition of the subject utility companies? If the answer to this question is "yes," please describe such benefits in detail.

Answer: KFG knows of no "tax benefits" such as tax credits or special investment programs, other than depreciation and expense deductions allowed under standard accounting practices.

19. Please state whether any of KFG's members, its employees, consultants, or contractors will receive any bonus or other remuneration of any type or sort resulting from the proposed acquisition.

Answer: There is no bonus or finder's fee due to any member or employee. Various members will be paid industry-appropriate compensation for work performed in the various activities of due diligence, PSC and GOLD processes, operations management, improving DOT compliance, and consolidation of services required to merge the four entities into a single, viable utility.

20. Please identify the gas supplier for each of the four utilities KFG proposes to acquire, and provide the current price each utility pays for gas. If the supply of gas is governed under a contract, please supply a photocopy of the current contract.

Answer: EKU is presently purchasing gas from Equitable

Elam is purchasing gas from Cumberland

Mike Little is purchasing gas from Kentucky-West

Virginia and Columbia

Belfry purchases gas from Kinzer Drilling Company.

21. Please state whether KFG intends to centralize its gas purchasing activities following the proposed acquisition of the subject utilities. Will such gas supplier in any way be affiliated with KFG, IGS, or any employees, contractors, consultants, directors, or owners of either entity?

Answer: Yes, KFG will consolidate its gas purchasing activities, utilizing all of the present sources available, such as local producers, intrastate systems, and interstate marketers and pipelines. KFG does not anticipate purchasing gas from a supplier affiliated with KFG, IGS, or any employees, contractors, consultants, directors, or owners of either entity.

22. Please state if or when KFG expects to adopt a unified rate structure that will allow for uniform prices to be charged to all customers throughout the combined service areas of the current four utilities.

Answer: Yes, in approximately two years. This will allow KFG to operate through two heating seasons and get a more accurate assessment of operating expenses and stability of customers and volumes.

23. Does KFG agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g., due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost savings in the post-transaction structure (e.g., systems integration, etc.)? If no, please identify the categories and provide a definition.

Answer: This multi-part question is unanswerable. In a “typical” sale of a stand-alone utility, there are costs allocated to the transaction which are separate from those of cost savings. This transaction is a consolidation of 4 essentially bankrupt utilities, and virtually every anticipated expense could be attributed to cost reduction by rolling 4 into one. There is not enough level of detail in the entities’ accounting records, nor in Frontier’s proforma model, to identify every nugget of cost savings. But it is not difficult to understand that a single billing and accounting system, a single 24/7 call operator, a single O&M plan and single DOT compliance system, a single office, etc is more efficient than 4 of all these for these very small utilities with 0 to 3 employees.

24. For each category of cost savings, did KFG determine the allocation percentages to separate out the non-regulated cost savings from the regulated costs savings? For example, did KFG determine the amount of total staffing cost savings to allocate to the regulated and the amount to allocate to non-regulated operations?

Answer: There are no non-regulated operations anticipated for KFG.

25. For each category of cost savings, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations

Answer: There are no non-regulated operations anticipated for KFG.

26. For each category of cost savings, identify the corresponding amount of cost savings allocated to non-regulated operations for that category.

Answer: There are no non-regulated operations anticipated for KFG.

27. In the course of conducting their due diligence reviews, did the Joint Applicants identify any facts or circumstances that would have a material adverse effect on their ratepayers?

Answer: Yes. If EKU and Elam had continued in their present course, they would eventually be bankrupted. Belfry would be in the same condition without continued funding from its owner. Customers have not paid the full and true cost of operating any of these utility companies. None of the four utilities is financially viable at the present rates and conditions, and none have prospects of achieving a critical mass on their own. Consolidation is the only practical means of reducing costs and making the utilities viable.

28. Please provide all minutes of any meetings held between KFG's members, and the board of directors of any Joint Applicant pertaining to this acquisition.

Answer: There were no formal meetings with Boards of Directors. Meetings were held with individual owners (Wilma Ison, Willard Kinzer, and Miki Thompson), and with county officials during the bidding process for the Floyd County Gas System. KFG is not acquiring ECU or Belfry stock, only assets.

29. Will the acquisition result in any changes in accounting principles for either KFG or any of the utilities to be acquired? If yes, please summarize the change(s).

Answer: No changes are planned at this time.

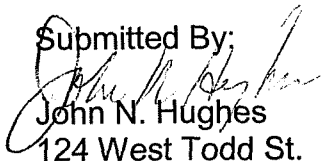
30. Do the Joint Applicants anticipate any changes in any existing contracts of the joint applicants with other vendors (e.g., engineering, information technology, maintenance, etc.)?

Answer: KFG will consider any contracts for third party services that Joint Applicants may have. Some may be extended and others may be terminated. A decision cannot be made until actual operations begin and needs and performance evaluated.

31. Do the Joint Applicants anticipate entering any new contracts as a consequence of this transaction? If so, will any of the entities with whom the Joint Applicants will enter said contract(s) be affiliated in any way with the Joint Applicants, or any of their employees, owners, contractors, consultants, or directors?

Answer: KFG expects to continue purchasing gas for the Belfry system from Kinzer Drilling Company at terms at or below the market price for the area. The Belfry system is also connected to Columbia. The assets of EKU, Mike Little, and Elam do not include gas production. KFG members will perform management and operations functions with KFG, whether as employees or under contract through their respective companies. Those relationships are explained in earlier questions. Salaries or fees for such services shall be in keeping with customary fees for such work by engineers, accountants and other applicable professions.

Submitted By:

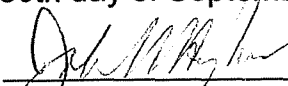

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Certificate:

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



John N. Hughes