

JOHN N. HUGHES
ATTORNEY AT LAW
PROFESSIONAL SERVICE CORPORATION
124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

TELEPHONE: (502) 227-7270

JNHUGHES@fewpb.net

TELEFAX (502) 875-7059

September 12, 2006

RECEIVED

Michael Burford
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

SEP 12 2006

PUBLIC SERVICE
COMMISSION

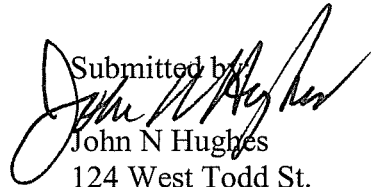
Re: Case No. 2005-00348

Dear Mr. Burford:

In response to your letter of August 30, 2006, Frontier Gas provides the following information. After receipt of Commission approval to acquire the four gas systems involved in this case, the Governor's Office of Local Development (GOLD) suspended all loan approvals and loan assumptions associated with the Gas System Restoration Program. An audit and feasibility review of that program is now underway.

Part of Frontier's proposal approved by the Commission was the assumption of existing loans and execution of other loans to finance the acquisitions. Because of GOLD's suspension of the GSRP financing, Frontier has not been able to complete the transactions. The loan program review being conducted by GOLD will determine if the funds expected to be available at the time Frontier acquired the utilities will actually be available and assumable by Frontier.

As soon as GOLD makes a final decision about the future availability of the funds, Frontier can proceed with the closing of the transfers, at which time the Commission will be notified and the information you requested will be provided.

Submitted by

John N Hughes
124 West Todd St.
Frankfort, KY 40601
502 227-7270
Attorney for Kentucky Frontier Gas,
LLC

Cc: Attorney General