

EAST KENTUCKY UTILITIES, INC.
P.O. Box 408
Prestonsburg, KY 41653

January 18, 2006

Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED
JAN 25 2006
PUBLIC SERVICE
COMMISSION

Re: Case No. 2005-00537 Data Request.

Dear Ms. O'Donnell:

This letter is in response to your staff's data request dated January 13, 2006 as it relates to the above referenced case. In response to your staff's enumerated questions we offer the following:

- 1) a) Attached is a copy of the letter that was mailed to six potential gas suppliers, requesting that they make a proposal to supply gas to East Kentucky Utilities for the months of November and December 2005.
- 1) b) The six potential gas suppliers to which the above referenced letter was sent are:

Equitable Energy, LLC
Clean Gas Inc.
Kinzer Drilling Co.
Cumberland Valley Resources, LLC
Interstate Gas Company
Summit Energy

- 1) c) The potential gas suppliers that did not make a proposal, nor respond to our request, are Cumberland and Clean Gas. Kinzer and Interstate said that they were considering a proposal but did not follow up with a contract. No specific reasons were given for not making an offer. We met with Summit Energy in Louisville to discuss our RFP. Summit does not own gas supplies, but would consider managing Frontier's gas supply program for the combined companies.
- 2) a) Equitable would not provide a written quote for a firm price for January and February 2006 gas deliveries in mid-December 2005 because spot gas prices were very volatile at that time. They also claimed that EKV had three unpaid invoices for past gas deliveries and that Equitable did not want to extend credit for a two month contract. After reviewing

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EKU's ledgers it was determined that two of the invoices had been paid and the third invoice was about thirty days old. Nevertheless, Equitable insisted on waiting until the last of December when trading for January, 2006 futures contract ended in order to avoid assuming any price risk. At that time they would quote a price for January's deliveries only. Subsequently, Equitable committed to deliver gas beginning January 1, 2006, for \$13.00 per dth.

- 2) b) Equitable has told us verbally that their price to East Kentucky for January, 2006, is composed of a "TECO Index" plus \$0.7251 Kentucky/West Virginia transportation plus \$0.35 Equitable "handling fee." Equitable did not provide any justification of their price. The relatively high price is a reflection of the market price on December 13, 2005, the time that they provided their verbal price quote. On December 13, 2005, NYMEX futures for January were trading at \$14.84 per Dth and the Columbia Appalachian index was about \$0.67 per Dth higher). Based on the components listed above it appears that Equitable's quote should have been about \$16.59 per Dth rather than \$17.35 per Dth.

In fact, by the end of December, 2005 when trading of the January 2006 futures contract had closed, prices had come down considerably. Equitable has now furnished us an "Exhibit A" wherein the delivered gas price is set at \$13.0000 per Dth for January 2006. A copy of this document is enclosed.

We therefore propose to use this \$13.00/Dth for this Case in lieu of the \$17.35/Dth verbal price quote previously obtained. Please let us know if you need additional information. The persons responsible for the above answers are Robert M. Richardson and Robert J. Oxford, both located at 303-422-3400.

Sincerely,

EAST KENTUCKY UTILITIES, INC.



By: Robert J. Oxford
Member Manager
Kentucky Frontier Gas, LLC

Encl.

Kentucky Frontier Gas, LLC.

3760 Vance St., Suite 200

Wheat Ridge, CO 80033

303-422-3400

igsinc@att.net

October 13, 2005

Mr. Brian Shafranek
Equitable Energy, LLC
225 North Shore Drive
Pittsburg, PA 15212-5861

Re: Gas Supply Proposal
East Kentucky Utilities

Dear Mr. Shafranek:

Kentucky Frontier Gas, LLC. (Frontier), is the contract operator for East Kentucky Utilities (EKU), also known as Floyd County Gas System. We are operating under a service agreement with EKU while awaiting approval of Frontier's application to the Kentucky Public Service Commission (KPSC) to acquire the Floyd County gas system. Frontier is also seeking KPSC approval to purchase Elam Utilities in West Liberty, KY, Belfry Gas in Pike County, and Mike Little Gas in Floyd County.

Frontier expects approval by the KPSC and other agencies in November. We are seeking proposals for gas supplies for the four gas systems that will be effective after approval of the sales and closing with the individual companies. Each of the companies presently have gas suppliers under various terms. Frontier would like to have a common supplier for all systems, but this may not be possible. We would like to discuss our needs with you as soon as possible. We are projecting annual gas sales for the four gas systems to be as follows: Residential customers (2500) 152,500 Dth; Commercial customers (333) 73,260 Dth.

In the mean time, Frontier, as managers of EKU, request that you please make a proposal to furnish gas to EKU for the months of **November and December, 2005**. We know that the EKU systems are connected to Kentucky-West Virginia Pipeline Company's transmission lines at the following delivery points. Your proposal should include transportation to these points, or other points that will effect delivery into EKU's systems:

<u>Description</u>	<u>Meter No.</u>	<u>Average Daily Volume Dth</u>	
		Nov.	Dec.
Allen/Dwale	39	50	105
Garrett	39B	50	105
Steel Creek	39C	50	105
Allen/Dwale	39D	50	105
Middle Creek	4M26	50	105

The average daily volumes are prorated equally. Actual estimates will be used for nominations. Total annual volume for EKU for 2006 is estimated to be 75,000 Dth.

If you have any questions, please call Bob Richardson at 303-422-3400 or Larry Rich at 252-626-8152. You may email your proposal to igsinc@att.net or mail it to Kentucky Frontier Gas, LLC., 3760 Vance Street, Suite 200, Wheat Ridge, CO, 80033.

Thank you for your consideration.

Sincerely,

Kentucky Frontier Gas, LLC.



Robert M. Richardson
Engineering Manager

EQUITABLE ENERGY LLC

Confirmation Date January 03, 2006 07:43

Transaction Confirmation - EXHIBIT A

This Confirmation Letter is being provided in accordance with EEC's Master Gas Sale/Purchase Agreement, the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas or the Gas Industry Standards Board Base Contract for Short-Term Sale and Purchase of Natural Gas ("Contract"), which ever is applicable, between Equitable Energy, LLC ("EEC") and Counterparty, and constitutes part of and is subject to all terms and provisions of the Contract. In the event the Parties have not executed a Contract, the terms and conditions of the North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas and Equitable Energy's Special Provisions (attached if applicable) and this Confirmation Letter shall apply to this Transaction.

Please sign and return one copy of the attached Confirmation to EEC within two (2) Business Days of receipt to the fax number set forth below. The terms of this Confirmation Letter are binding on EEC and Counterparty unless Counterparty objects to EEC in writing within said two (2) Business Days. If you are not in agreement with the above terms, please contact Theresa L. Petersen at 412.395.2635.

Seller		Buyer	
EQUITABLE ENERGY LLC 4TH FLOOR 225 NORTH SHORE DRIVE PITTSBURGH, PA 15212-5861		EAST KENTUCKY UTILITIES PO BOX 402 PRESTONSBURG, KY 41653	
Deal Maker	BRIAN SHAFFRANEK	Attn	ROB RICHARDSON
Phone	Phone: 412.395.2527	Phone	Phone: (303) 422.3400
Email	Not available - Fax# 412.395.2675	Email	Not available - Fax# 606.889.9196

Transaction ID

S-EASTKYUTILIT-0009

Delivery Term and Pricing Detail

Service Level	From	To	Price
FIRM	01/01/2006 10:00 am	02/01/2006 10:00 am	\$13.0000

Delivery Point Detail and Volumes

Pipeline	Meter	Total	Avg Daily	Description
KENTUCKY WV	197-S	3,157	102 Dth	WEBB-ALLEN-WICKER
KENTUCKY WV	39	3,157	102 Dth	EAST KENTUCKY UTILITIES, ALLEN/DWALE
KENTUCKY WV	39B	3,157	102 Dth	EAST KENTUCKY UTILITIES, GARRETT
KENTUCKY WV	39C	3,157	102 Dth	EAST KENTUCKY UTILITIES, STEEL CREEK
KENTUCKY WV	39D	3,157	102 Dth	EAST KENTUCKY UTILITIES, ALLEN/DWALE
KENTUCKY WV	4M26	3,157	102 Dth	EAST KENTUCKY UTILITIES, MIDDLE CREEK

Special Conditions

Seller		Buyer	
EQUITABLE ENERGY LLC		EAST KENTUCKY UTILITIES	
By Authorized Signer		By Authorized Signer	
Name and Title		Name and Title	
Frank Kenny, Director			
Date	January 03, 2006	Date	

