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October 27, 2006

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COMMISSION

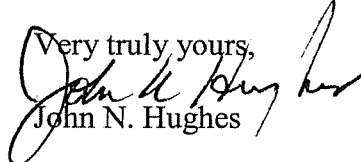
Beth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Case No. 2006-00443

Dear Beth:

Please file the attached answer of Natural Energy Utility Corporation to the complaint of Court of Three Sisters. Attached to five of the copies are sets of 24 photographs showing the location of the pipeline and confirming that it is buried to a depth within the requirements of appropriate safety regulations.

If there are any questions about this matter, please contact me.

Very truly yours,  
  
John N. Hughes

Attorney for Natural Energy Utility  
Corporation

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

COURT OF THREE SISTERS, INC.	)	
COMPLAINANT	)	
V.	)	CASE NO. 2006-00443
	)	
NATURAL ENERGY UTILITY	)	
CORPORATION	)	
DEFENDANT	)	

**ANSWER OF NATURAL ENERGY UTILITY CORPORATION**

Natural Energy Utility Corporation (NEUC), by counsel, pursuant to the Commission's order of October 20, 2006, provides its Answer to the Complaint of Court of Three Sisters, Inc.

1. NEUC denies the allegations in the Complaint.
2. The Complaint fails to state a claim for which relief can be granted.
3. NEUC did not install the pipeline in question. It acquired it through the purchase of a previous owner.
4. There is no immediate danger to the public or residents of the mobile home park through which the pipeline runs.
5. The pipeline is not improperly installed.
6. Any change in the drainage or road conditions necessitating improvements to or installation of additional drainage or a catch basin are unrelated to any activity of NEUC and are beyond the control of NEUC.

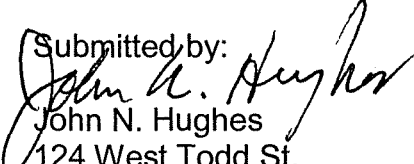
7. NEUC has no responsibility to move, alter or otherwise modify the location of the pipeline that in is issue.

In further support of its position, NEUC provides the attached letter from its President, H. Jay Freeman, that describes the background of the installation and ownership of the pipeline. As part of its investigation of the complaint, NEUC personnel visited the site, excavated the pipeline in several places and determined that the pipeline is within the required installation depth.

A number of pictures are attached, which are identified in Mr. Freeman's letter and which conclusively show that the pipeline is not buried six inches from the surface of the road as alleged by Complainant.

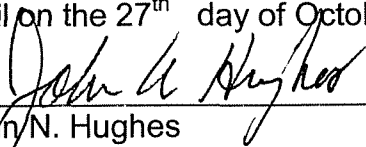
Based on the information provided by Mr. Freeman and the accompanying pictures, NEUC believes that it has adequately disproved the allegations in the Complaint. For these reasons, the Complaint should be dismissed and NEUC relieved from any requirement to assist or subsidize Complainant's responsibility to comply with the directive of the Ashland-Boyd County Health Department to improve drainage.

If the Complaint is not dismissed based on this Answer, NEUC requests a hearing and an opportunity to question the Complainant and to further support its denial of responsibility for any improvements to the highway drainage associated with the mobile home park.

Submitted by:  
  
John N. Hughes  
124 West Todd St.  
Frankfort, KY 40601  
Attorney for NEUC

Certificate:

I certify that a copy of this answer was mailed to Ronnie Dunnigan, 3100 Maria Drive, Lexington, KY 40516 by first class mail on the 27<sup>th</sup> day of October, 2006.

  
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John N. Hughes



# Natural Energy Utility Corporation

2560 Hoods Creek Pike • Ashland, Kentucky 41102

Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort, Kentucky 40602-0615

October 24, 2006

RE: Case # 2006-00443  
Court of Three Sisters, Inc., Complainant  
Versus  
Natural Energy Utility Corporation, Defendant

## Response to Complaint

Natural Energy Utility Corporation (NEUC) as defendant in Ky. PSC case # 2006-00443 provides the following response to the complaint lodged by Court of Three Sisters October 6, 2006.

NEUC is a local distribution company that owns and operates approximately 175 miles of natural gas distribution lines in Boyd, Greenup and Carter counties, Kentucky. The Court of Three Sisters operates a Mobile Home Park in Boyd County, Kentucky whereas NEUC has gas distribution operations. The pipeline in question was purchased by Kentucky Ohio Gas in the summer of 1985 from Magnum Drilling, Inc.. The asset was later acquired by NEUC on May 20, 2002 in an asset purchase agreement with American Natural Gas, Inc. The pipeline is 6 inch plastic pipe with and operating pressure of 30 PSI and a maximum allowable pressure of 60 PSI.

NEUC was contacted by Michael C. Stephens, President of Court of Three Sisters (Complainant) concerning a drainage condition brought by Ashland-Boyd County Health Department (ABCHD). In order to comply Court of Three Sisters was to install a catch basin. Mr. Stephens contact NEUC and stated that we had to lower our line in order for Court of Three Sisters to comply. In 2003 Cannonsburg Water District installed a water tap for a client in the area of question. A visual inspection at this time showed the pipeline in question to have a minimum of 36" of cover. Mr. Stephens failed to notify NEUC that there was an electric conduit buried in the same area of question. NEUC personnel located a line 14 to 16 inches below surface and believed this to be the gas pipeline. Since the line had been in service for 21 years it was assumed the cover had



eroded over time. NEUC informed Mr. Stephens that we would relocate line at his expense in order to comply with ABCHD. Mr. Stephens refused to pay charges so line was left undisturbed.

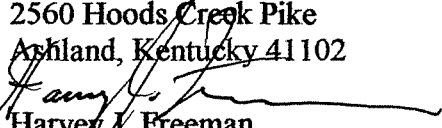
On October 23, 2006 NEUC dispatched Charles Salyers (Field Supervisor) and James Downs (Field Technician) to uncover line and photograph line coverage. Mr. Stephens showed up and witnessed the following. The area 4 foot south of the area of question is represented in photos (#'s 20,21,22,23 and 24). The 6 inch pipeline has a minimum of 36 inches of cover and is further illustrated in photo's 19 and 20.

The area approximately 15 foot north of the area of question is represented in photos (#'s 1-11). The pipeline in this area shows 33 inches of cover. It is further illustrated in photos 7,8 and 9 where a 60 inch shovel is placed in the ground to show the depth of the pipeline.

In photos 12-15 the road bank illustrates the amount of road erosion that has taken place over time.

NEUC personnel also uncovered the electric conduit mention previously 14 to 16 inches from the surface. This electric was never divulged to NEUC by Mr. Stephens.

It is NEUC's opinion that the complainant should pay for the relocation of the gas pipeline at their expense.

Natural Energy Utility Corporation  
2560 Hoods Creek Pike  
Ashland, Kentucky 41102  
  
Harvey J. Freeman  
President

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