

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

October 31, 2006

Ms. Beth O'Donnell
Executive Director
KENTUCKY PUBLIC SERVICE COMMISSION
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

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PUBLIC SERVICE
COMMISSION

RE: Gas Cost Recovery
East Kentucky Utilities, Inc.

Case No. 2006-00461

Dear Ms. O'Donnell:

On behalf of East Kentucky Utilities, Inc. ("EKU"), we are filing for Gas Cost Recovery for the period commencing November 1, 2006. Enclosed is a Rates and Charges form and related calculations on which we are basing our request for rate changes. The cost of gas from our supplier, Quality Natural Gas, LLC, for November 2006 is as set forth in the attached gas supply contract. We respectfully request a waiver of the thirty (30) day notice requirement for this filing. If you have any questions, please call me at (606) 886-2431.

Sincerely,
EAST KENTUCKY UTILITIES, INC.

Larry F. Stumbo

By: Larry F. Stumbo, President
East Kentucky Utilities, Inc.

FOR ENTIRE AREA SERVED
Community, Town or City

P.S.C. KY. NO. _____

99th SHEET NO. 1

EAST KENTUCKY UTILITIES, INC.
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

98th SHEET NO. 1

RATES AND CHARGES

RATE SCHEDULE: APPLICABLE IN ALL TERRITORY SERVED BY COMPANY

AVAILABILITY OF SERVICE: FOR ALL RESIDENTIAL & COMMERCIAL PURPOSES

RATES: Monthly	Base Rate	Gas Cost Recovery Rate	Total Rate
First Mcf	\$10.00	\$ 8.3669	\$18.3669
All Over 1 Mcf	\$ 5.2553	\$ 8.3669	\$13.6222
<u>Minimum Bill</u>	\$18.3669		

DATE OF ISSUE October 31, 2006
Month / Date / Year

DATE EFFECTIVE November 1, 2006
Month / Date / Year

ISSUED BY Ferry F. Stumbo
(Signature of Officer)

TITLE President, EAST KENTUCKY UTILITIES, INC.

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2006-00116 DATED October 31, 2006

SALE OF NATURAL GAS

Agreement made this 1~~st~~ day of May, 2006, between Quality Natural Gas, LLC, of Kentucky Highway 80, County of Floyd, State of Kentucky, referred to as Seller, and East Kentucky Utilities, Inc., P.O. Box 408, Prestonsburg, Kentucky 41653 referred to as Purchaser and County of Floyd, State of Kentucky, P.O. Box 149 South Central Avenue, Prestonsburg, Kentucky 41653 referred to as Surety, respectively.

In consideration of the mutual covenants contained in this agreement, the parties agree as follows:

SECTION ONE
GAS TO BE SOLD

Commencing with the date of completion of arrangements with Equitable Resources, Inc. or its subsidiaries by both seller and purchaser, seller shall sell and deliver to purchaser, at the point of connection of Kentucky West Virginia Gas Company lines with purchaser's line, and purchaser shall receive, in the usual conduct of its business and in accordance with approved practice in the industry, all the merchantable gas in its natural state, as is delivered from the Kentucky West Virginia Gas Company lines through exchange of production with seller for a period of one year for distribution only by the purchaser to its customers.

SECTION TWO
PRESSURES:

Deliveries of gas under this contract shall be made at a pressure sufficient to enter the pipelines of purchaser against the varied working pressures therein. Purchaser shall not be required to take gas when it cannot be delivered in commercial quantities and at sufficient

pressure. Daily deliveries may be varied from time to time on purchaser's request to meet fluctuating conditions of its markets. Purchaser shall operate its distribution pipeline in a manner consistent with good operating practices prevailing in the gas industry and, as far as the same is within its reasonable control, it shall not create or suffer or permit to be created any artificial condition that would prevent seller from delivering gas to purchaser.

SECTION THREE

MEASUREMENT OF GAS DELIVERED

Purchaser shall operate, and maintain meters and necessary equipment of suitable size and design at the several points of delivery designated above for the measurement of gas sold and delivered under this contract. Such meters shall be open to the inspection of seller at all reasonable times on seller's request to purchaser, but in the presence of purchaser's representatives. Meter charts used in measuring gas delivered by seller to purchaser under this contract during any one month shall be made available by purchaser to seller for inspection and audit.

The unit of measurement of gas delivered under this contract shall be dekatherms at an absolute pressure of 14.4 pounds per square inch, computed in accordance with Boyle's Law governing pressure and volume of gases.

SECTION FOUR

TITLE TO GAS

Seller warrants his title to the gas be sold and delivered under this contract and his right to sell the same, and warrants that such gas is free and clear of all liens and adverse claims.

The Floyd County Fiscal Court shall guarantee payment for gas, provided however, that the obligation of Floyd County, Kentucky to act as surety on behalf of East Kentucky Utilities, Inc., regarding payments owed upon the proposed gas supply contract shall immediately terminate upon any sale of East Kentucky Utilities, Inc., to a third party or at the end of the term set forth in the proposed gas supply contract, whichever condition shall first occur.

SECTION FIVE
PAYMENT AND PRICE

Payment shall be made by purchaser to seller on or before the 30th day of each month following in which gas is delivered at a price of \$5.50 per dekatherms on the pressure and bases above provided for. Purchaser shall also reimburse the seller for delivery costs incurred by seller through Equitable and its subsidiaries.

SECTION SIX
TAXES AND ROYALTIES

Seller shall pay all production, severance, or other taxes levied on the gas as produced, sold, or delivered under the contract.

Seller shall duly pay royalty payments due on all gas sold and delivered under the contract, and seller shall hold purchaser free and clear from any liability or obligation for the payment of such royalties.

SECTION SEVEN
OTHER MATTERS

This contract is subject to present and future valid statutes, orders, rules, and regulations of duly constituted authorities having jurisdiction over seller or purchaser, and to causes, accidents, and occurrences beyond the control of the parties.

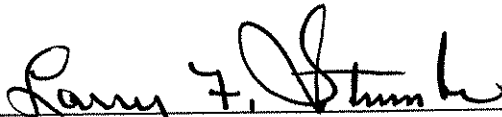
All notices due under this contract to either party shall be given by registered mail or by delivering the notice to such party at the address listed above, or at such address as may be hereafter designated in writing by such party.

IN WITNESS WHEREOF, we sign, this _____ day of _____, 2006.

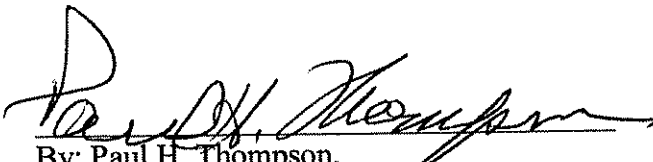
QUALITY NATURAL GAS, LLC


By: Jerry D. Kinzer

EAST KENTUCKY UTILITIES, INC.


By: Larry F. Stumbo, President

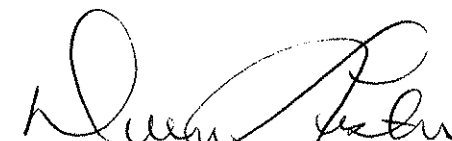
FLOYD COUNTY KENTUCKY


By: Paul H. Thompson,
County Judge Executive

COMMONWEALTH OF KENTUCKY
COUNTY OF FLOYD

Subscribed and sworn to before me by Jerry Kinzer, this the 22 day
of August, 2006.

My Commission Expires: 7-27-2009


NOTARY PUBLIC

COMMONWEALTH OF KENTUCKY
COUNTY OF FLOYD

Subscribed and sworn to before me by Larry Stumbo
Paul Thompson, this the 24th day
of August, 2006.

My Commission Expires: 10-04-09



NOTARY PUBLIC