

AGREEMENT

THIS AGREEMENT entered into this 15th day of October, 2005, by and between BLUEGRASS GAS SALES COMPANY ("BGGs"), a Kentucky corporation with its address of 11405 Park Rd. #180, Anchorage, KY 40223 and NATURAL GAS OF KENTUCKY ("NGK"), a Kentucky corporation with its address of 3620 Rockland Mills Rd., Center, KY 42214

WITNESSETH

WHEREAS NGK operates as a regulated public utility in the business of transporting natural gas to customers in or around Metcalfe County, Barren County, Logan County, Hart County and Ohio County, Kentucky, and environs; and

WHEREAS, NGK has a pipeline facility located on the property of the Logan County Board of Education for which the Logan County Board of Education has granted an easement; and

WHEREAS, NGK is obligated to provide gas supply at a fixed price to the Board of Education in exchange for the granting of the easement; and

WHEREAS, BGGs is a regulated natural gas distribution company serving the general area where the Logan County Board of Education's facilities are located; and


WHEREAS, BGGs has the ability and the capability to manage and operate all aspects of a natural gas distribution business as a regulated public utility; and

WHEREAS, NGK desires to assign to BGGs the right and obligation to provide natural gas distribution service to the Logan County Board of Education as required by the easement agreement, and BGGs desires to do so upon the terms and conditions set forth.

NOW, THEREFORE, in consideration of these mutual covenants and agreements, BGGs and NGK agree as follows:

1. NGK assigns to BGGs as an independent contractor to fulfill the gas supply

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SECTION 9 (1)**

By 
Executive Director

obligations of the easement agreement between NGK and the Logan County Board of Education dated November 11, 1997 and incorporated by reference.

2. It is the understanding of the parties that the relationship of BGGGS and NGK is that of independent contractor. No other relationship is intended by this Agreement.

3. BGGGS shall assume all of the duties and obligations of NGK necessary for the performance of the terms of the easement. BGGGS shall provide the necessary guidance and supervision, technical expertise and advice, general managerial, administrative, technical personnel, and all other necessary services to fully and completely provide for the required gas supply to the Logan County Board of Education.

BGGGS shall provide services in a safe, reasonable manner and in accord with all applicable local, state and federal laws. BGGGS shall install, maintain and operate any facilities necessary to provide gas service from NGK's transmission facilities to the points of service.

4. The parties warrant to and covenant with each other that each has the legal power to enter into this Agreement, to perform all acts required to be performed by each of them, and that the execution and delivery of this Agreement has been duly authorized by all necessary corporate actions and this Agreement constitutes a legally binding obligation of BGGGS and NGK enforceable in accordance with its terms and conditions.

5. It is specifically understood that nothing in this Agreement shall require BGGGS to fund, or otherwise bear the expense of, necessary capital outlays which are reasonably required to maintain operation of NGK's assets or compliance with local, state or federal regulations.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

6. As compensation for services rendered pursuant to this assignment, NGK assigns to BGGGS all revenue from the sale of gas to the Logan County Board of Education. BGGGS shall be responsible for all billing, collection, accounting and other financial reporting requirements. All revenue from gas sales to the Logan County Board of Education shall be recorded on BGGGS's books. NGK shall not be entitled to any revenue, fees, or other reimbursement for the assignment of this gas supply function.

8. This Agreement may be terminated by either party upon the breach of the other of any term of this Agreement or upon the sale, transfer, merger or other disposition of the assets of NGK. This Agreement may also be terminated by NGK for any willful misconduct by any employees or agents of BGGGS which, in the sole discretion of NGK, constitutes conduct detrimental, or adverse to the interests of the assets. BGGGS may terminate this Agreement upon 30 days written notice to NGK.

9. It is understood and agreed that should any portion of any clause or paragraph of this Agreement be deemed too broad to permit enforcement to its full extent, then such restriction shall be enforced to the maximum extent permitted by law, and the parties consent and agree that such scope may be modified accordingly in any proceeding brought to enforce such restriction. Further, it is agreed that, should any provision in this Agreement be entirely unenforceable, the remaining provisions of the Agreement shall not be affected thereby.

10. All information obtained by BGGGS about NGK in the performance of this Agreement shall be considered confidential business information and shall be kept confidential not subject to disclosure.

11. This Agreement shall be governed by, and construed under and in accordance with the laws of the Commonwealth of Kentucky and is subject to approval of the Public Service Commission.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

12. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns


13. This Agreement contains all the terms, conditions, and promises of the parties. No modification or waiver of this Agreement, or of any provision thereof, shall be valid or binding, unless in writing and executed by both of the parties. No waiver by either party or any breach of any term or provision of this Agreement shall be construed as a waiver of any succeeding breach of the same or any other term or provision.

14. BGGGS and its officers, agents, employees and directors shall not be liable for any prior actions, debts, contracts, or other activities of NGK. It is expressly understood and agreed by and between BGGGS and NGK that NGK shall save BGGGS harmless from any loss sustained by BGGGS on account of any suit, judgment, execution, claim or demand whatsoever resulting from negligence on the part of the NGK in the contraction, operation or maintenance of the gas utility under the terms of this Agreement. BGGGS shall notify NGK within seven (7) days after presentation of any claim or demand.

BGGGS shall not be liable to NGK or its users for any failure, delay or interruption of service, or for any failure in the performance of any duties and obligations under this Agreement due to strikes, Acts of God, government restriction or regulation, enemy action, civil commotion, unavoidable casualty or similar acts beyond the control of the company. It shall be NGK's sole responsibility to provide an adequate gas supply to BGGGS for performance of this assignment. NGK shall be liable to BGGGS and shall hold BGGGS harmless for any damages or other failures due to inadequate gas supply.

15. In the event either party defaults or violates any provision of this Agreement, the complaining party shall notify the other party in writing of such breach or default, giving the other party thirty (30) days within which to comply fully with the terms of the Agreement and remedy such breach or default. Remedy for failure to rectify any such

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

breach or default within the thirty (30) day period shall be actionable in any court with jurisdiction. In the event BGGGS shall be in default in performing any of the terms, provisions or conditions of this Agreement, and fails to cure such default within said thirty (30) days after the date of receipt of written notice, NGK at its option may during continuance of the default, terminate this Agreement by written notice to BGGGS. Any notice shall be given in person or sent by U.S. Certified or registered mail addressed to the party notified from the party giving such notice. Any notice sent by mail shall be considered given on the postmark date when addressed as follows:

BGGGS:

Mark O'Brien
11405 Park Rd. #180,
Anchorage, KY 40223

NGK Gas Corporation:

Julie Parsons
3620 Rockland Mills Rd.
Center, KY 42214

THE PARTIES, INTENDING TO BE LEGALLY BOUND, have executed this Agreement as of the day and year indicated above.

Natural Gas of Kentucky



BY:

Title: President

Witness: Debra M. Brown

Bluegrass Gas Sales Company:



BY:

Title: President

Witness: Debra M. Brown

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 

Executive Director

AGREEMENT

THIS AGREEMENT, made and entered into this 11 day of November, 1997, by and between Logan County Board of Education, hereinafter referred to as "Logan County", and Natural Gas of Kentucky, Inc., hereinafter referred to as "the Company";


WITNESSETH: THAT WHEREAS, the parties have reached an agreement involving the construction of a natural gas pipe line, the granting of an easement for same, and the transportation and supply of natural gas and other related matters, and they wish to set the terms of this agreement to writing;

NOW, THEREFORE, for a mutual and valuable consideration, the parties do hereby contract and agree as follows:

1) Logan County does hereby agree, subject to the approval of the Commonwealth of Kentucky, to grant an easement unto the Company for the installation and maintenance of a natural gas line crossing the Logan County High School property. A plat is attached hereto and marked as Exhibit A showing the easement, including the route which will be followed for this easement.

2) The Company agrees to construct the natural gas pipeline across the easement and further agrees to construct additional natural gas lines, valves and meters so that the existing buildings on the Logan County High School property shall have appropriate facilities which will enable them to receive and use natural gas. A sketch showing the various buildings and the lines that will be constructed is attached and marked as Exhibit "B". All of this construction work shall be done in accordance with all PSC and other regulatory standards, and the contractor shall furnish Logan County with a certificate upon completion of this work certifying that this work has been done properly and is in compliance with all regulatory standards.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

3) The Company further agrees to transport and supply natural gas to be used by Logan County at the buildings shown on Exhibit "B" and the total price for this transportation and supply shall be equal to or less than the average aggregate price charged by Western Kentucky Gas for similar customers in the Russellville/Logan County area. The current price which would be charged by Western Kentucky Gas is \$3.95 per MCF, and this would be the price charged by the Company if gas were being supplied on this date. However, the parties recognize that this price is subject to change in accordance with price changes enacted by Western Kentucky Gas.

4) The parties understand that the actual supplier of natural gas and the company that will construct the pipeline and associated facilities are third parties who are not executing this agreement. However, the Company has obtained adequate assurances from these third parties that this work and this supply of natural gas will be properly provided for, and the Company does hereby guarantee the proper performance by these third parties.

5) This agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns, forever, subject to the right of Logan County to terminate same in accordance with the laws of the Commonwealth of Kentucky.

6) This Agreement contains the entire agreement between the parties hereto, is a total integration hereof, and may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification and/or discharge is sought.

7) This Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Kentucky.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
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WITNESS the due execution hereof the date and date first above written.

LOGAN COUNTY BOARD OF EDUCATION

BY: Lynn S Dawson

NATURAL GAS OF KENTUCKY, INC.

BY: Mark J. [Signature]

STATE OF KENTUCKY

COUNTY OF LOGAN

The foregoing instrument was acknowledged before me this 10th day of September 1997, by Lynn Dawson in his capacity as Chairman of the Logan County Board of Education to be the duly authorized act and deed of said organization.

Martha Wright
NOTARY PUBLIC, LOGAN COUNTY,
KENTUCKY

My commission expires 6-2001.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

STATE OF KENTUCKY

COUNTY OF OLDHAM

The foregoing instrument was acknowledged before me this 11th day of NOVEMBER,
1997, by MARK O'BRIEN in his capacity as PRESIDENT
of Natural Gas of Kentucky, Inc., to be the duly authorized act and deed of said corporation.

Donna S. Burdett
NOTARY PUBLIC, OLDHAM
COUNTY, KENTUCKY

My commission expires 12-21-98

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

12.

RECORDED IN Deed BOOK
NO. 311 PAGE 772

GC

NATURAL GAS PIPELINE EASEMENT

The undersigned, Logan County Schools, acting through the Logan County Board of Education, of 2222 Bowling Green Road, Russellville, Kentucky, grants and conveys unto NATURAL GAS OF KENTUCKY, INC., a Kentucky corporation, its successors, assigns and lessees (hereinafter referred to as Company), of 2875 Sulfer Wells Road, Center, Kentucky, 42217, the right, power and privilege to construct, inspect, maintain, operate, enlarge, rebuild and repair a pipeline for transmission and distribution of natural gas and all appurtenances, along and upon the right-of-way described together with the right of ingress and egress over the lands of the undersigned to and from said lines in the exercise of the rights and privileges granted; provided, however, that in exercising such rights of ingress and egress, the Company will, whenever practicable to do so, use regularly established highways or farm roads.

As part of the above consideration, the undersigned grant to the Company the further right to maintain the right-of-way and to remove brush and all other obstructions and obstacles from the right-of-way which would create a hazard to the pipeline or interfere with its operation.

The undersigned, their successors, heirs or assigns, are fully to use and enjoy the lands crossed by this easement, except, however, that such use shall not conflict with any of the rights and privileges granted, and no structures shall be erected by the undersigned upon the right-of-way.

The land belonging to the undersigned over which this easement is granted is situated in the County of Logan, Commonwealth of Kentucky and is the same property conveyed to Logan County Schools by deed from James Turner recorded in Deed Book 232, page 625 in the office of the Clerk of the Logan County Court, Logan County, Kentucky, to which reference is specifically made for the description contained.

The specific right-of-way upon which said natural gas pipeline shall be located is thirty (30) feet wide and runs along the northern boundary of the school property for a distance of approximately 2,235 feet, being bordered on the north by Wilhite and on the east and west by Turner.

It is further expressly understood and agreed that the Company will pay the undersigned any and all damage that may be caused by the Company in going upon said lands and right-of-way, except that the Company will not be liable for any damage for maintenance of the right-of-way consistent with the terms of this agreement.

This easement is specifically subject to and conditional upon a separate agreement between the parties involving the construction of related gas facilities and the transporting and furnishing of natural gas dated November 11, 1997.

LOGS FOR RECORD
9-17-06
CLERK OF COURTS
LOGAN COUNTY, KY.

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OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

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Executive Director

In testimony whereof, witness the hands of the parties this 10th day of September, 1997.

LOGAN COUNTY SCHOOL BOARD

BY: Lynn Dawson
CHAIRMAN

ATTEST:
Linda J. Webb
SECRETARY

STATE OF KENTUCKY
COUNTY OF LOGAN

STATE OF KENTUCKY
COUNTY OF LOGAN
I, Kenny Chapman, Clerk of Logan County do certify that the foregoing instrument was this day lodged in my office for record and that I have recorded in this and the certificate thereon, in my said office, at 2:50 P.M. of 1-17 1997
By Kenny Chapman D.C.

The foregoing instrument was acknowledged before me this 10th day of September, 1997, by Lynn Dawson and David L. Webb, Chairman and Secretary of Logan County School Board to be the duly authorized act and deed of said Board.

Martha Wright
NOTARY PUBLIC, LOGAN COUNTY,
KENTUCKY

My commission expires 6-2001.

AGREED TO:

NATURAL GAS OF KENTUCKY, INC.
BY: Mark O'Brien

STATE OF KENTUCKY
COUNTY OF OLDHAM

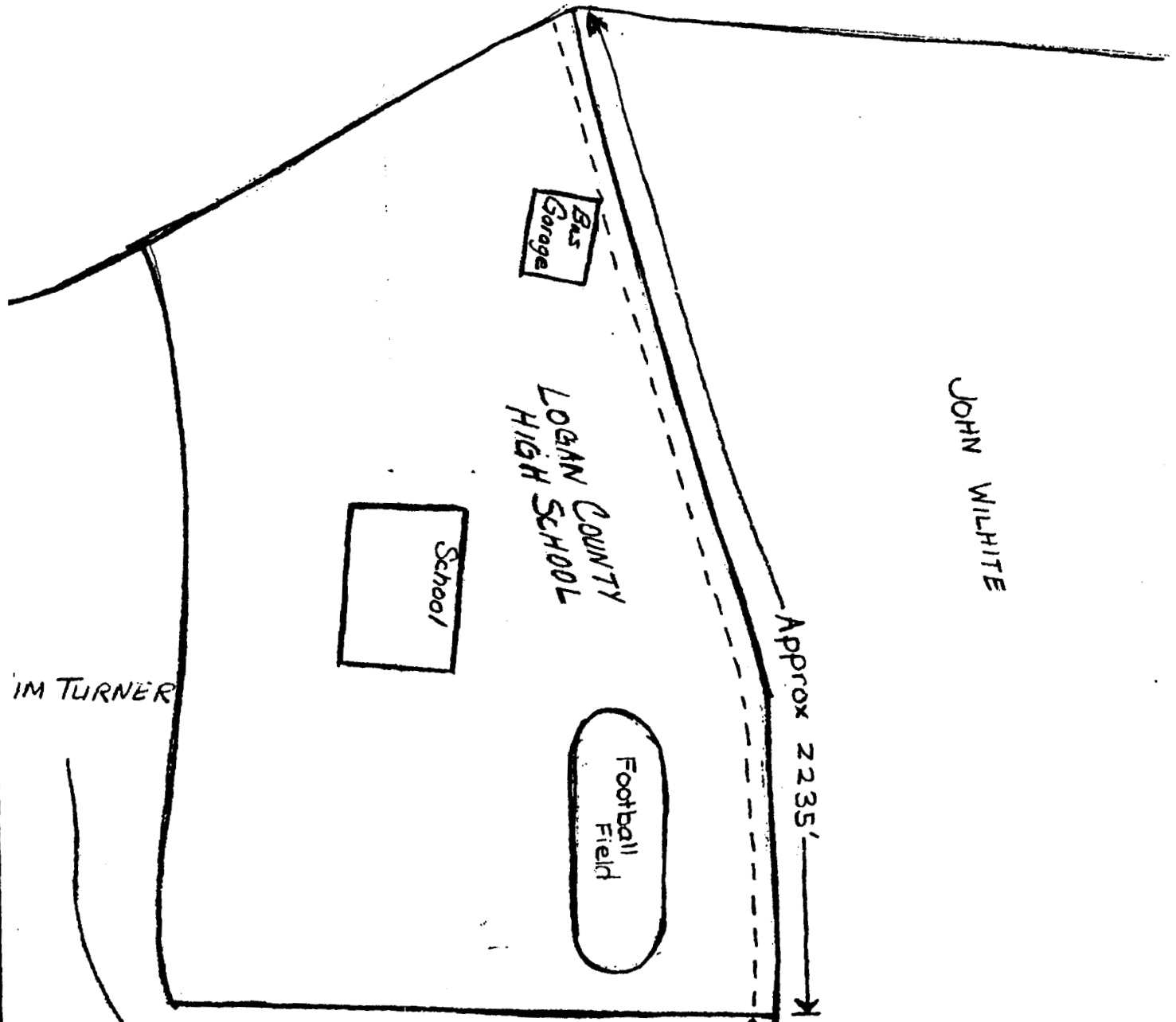
The foregoing instrument was acknowledged before me this 11 day of November, 1997, by MARK O'BRIEN, PRESIDENT of Natural Gas of Kentucky, Inc. to be the duly authorized act and deed of said corporation.

My commission expires 12-21-98.

Donna J. Burnett
NOTARY PUBLIC
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

Represented By: J. Dean Clark
By: [Signature]
Executive Director

Natural Gas of Kentucky, Inc.
2875 Sulphur Well Rd.
Center, Kentucky 42214



JIM TURNER

JOHN WILHITE

Approx 2235'

School

LOGAN COUNTY
HIGH SCHOOL

Gas
Garage

Football
Field

JIM TURNER
NGK R-O-W
ON PROPERTY LINE

Proposed NGK (30') ROW

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OF KENTUCKY
EFFECTIVE
1/19/2006
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 

Executive Director