

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER GAS, LLC)
FOR APPROVAL OF CONSOLIDATION OF AND)
ADJUSTMENT OF RATES, APPROVAL OF AMR)
EQUIPMENT AND A CERTIFICATE OF) CASE NO.
CONVENIENCE AND NECESSITY FOR) 2011-00443
INSTALLATION OF AMR, PIPELINE REPLACEMENT)
PROGRAM, REVISION OF NON-RECURRING FEES)
AND REVISION OF TARIFFS)

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO
KENTUCKY FRONTIER GAS, LLC

Kentucky Frontier Gas, LLC. ("Frontier"), pursuant to 807 KAR 5:001, is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 12, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Frontier shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Frontier fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Frontier's responses to Items 3 and 12 of Commission Staff's First Request for Information ("Staff's First Request").

a. Provide the number of operators employed by Frontier (1) at the beginning of the test year, (2) at the end of the test year, and (3) as of June 30, 2012.

b. Provide the number of office staff employed by Frontier (1) at the beginning of the test year, (2) at the end of the test year, and (3) as of June 30, 2012.

c. For the operators employed at each point in time as referenced in part a. of this request, provide their total annual compensation, broken down between salaries/wages and benefits at those specific points in time.

d. For the office staff employed at each point in time as referenced in part b. of this request, provide their total annual compensation, broken down between salaries/wages and benefits at those specific points in time.

2. Refer to Frontier's response to Item 5 of Staff's First Request. Apparently, Frontier misunderstood the request. Specifically, the request, based on the anticipated approval of the proposed Automated Meter Reading ("AMR") program, was seeking a

general point in time, or timeline, for when Frontier expects to start realizing the benefits of reduced meter reading costs. Assuming the AMR program is approved, explain in what quarter of what calendar year Frontier expects it will begin realizing the benefits of reduced meter reading costs.

3. Refer to Frontier's response to Item 6.d. of Staff's First Request.

a. Provide a more detailed discussion of the circumstances to which reference is made in the statement, "Depending on cash flow from utility operations and capital needs, Frontier may elect to end the PRP and AMR surcharges early and retain the net positive increase in rate base."

b. Explain whether Frontier is aware that terminating any surcharges that have been authorized by the Commission will also require Commission approval.

4. Refer to Frontier's response to Item 7, the last bullet on page 2 of its response to Item 12, and the pages filed under Tab 22 with the heading Kentucky Frontier Gas LLC/Journal Entries, all in its response to Staff's First Request. The Item 12 bullet regarding depreciation indicates that Frontier is using 20 years to amortize its acquisition adjustments. Provide the following information:

a. The total amount of the acquisition adjustments being amortized;

b. An explanation of how the acquisition amounts for East Kentucky Utilities, Inc. and Kinzer Farm Taps of \$955,370 and \$250,000, respectively, shown in the Journal Entries pages under Tab 22 were determined;

c. An explanation of the differences in the two gas plant acquisitions shown in the Journal Entries section of Item 22 for Peoples Gas; and

d. Calculations of the amounts shown in the Journal Entries section of Item 22 as Investment Auxier, Investment Cow Creek, Investment Dema, Investment Interstate Farm Taps.

5. Refer to Frontier's response to Item 9.c. of Staff's First Request and the spreadsheet filed under Tab 22 of the response, specifically, the pages with the heading "Kentucky Frontier Gas LLC / MCF Sales Volume History."

a. The pages are not numbered, but the ninth of the 12 pages with the aforementioned heading appears to show 12-month totals of Mcf sales. Confirm that the numbers on the line identified as "Utilities" are Frontier's total utility sales (adjusted) for the 12-month periods ending 12/31/2010, 12/31/2011, and 6/30/2012.

b. Describe the adjustments that were made to arrive at the numbers identified in part a. of this request and provide the actual Mcf sales for each of the three periods before any adjustments were made.

c. For each of the 12-month periods shown, provide the average annual residential and "Large 3" industrial Mcf usage.

d. Explain the relationship between the sales volumes provided in the 12/31/2011 column and the 3,329 meters reported on the "Current Rates" spread sheets of Tab 22, i.e., whether the 3,329 is an average number of meters for the year or an end-of-year number, and whether the 292,882 and 71,569 Mcf are actual billed volumes.

e. Provide, for the parts of Kentucky served by Frontier, any heating degree day data that supports the descriptions in 9.c. of 2011's "unusually cold and

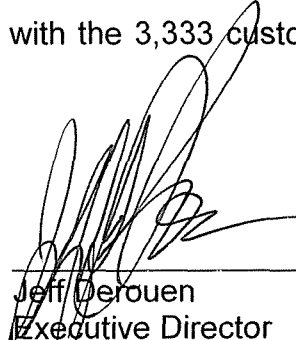
lingering winter” and 2012 as having “several of the warmest months in recorded history.”

6. Refer to Frontier’s response to Item 12 of Staff’s First Request. The fourth bullet on the first page of the response refers to an operator Frontier added in February 2012. The latter part of the text reads “the Operator (with truck) was not included in the Farm Tap case so comes in at 100%.”

a. Provide the annual compensation of the operator Frontier added in February of 2012, broken down between salaries/wages and benefits.

b. Confirm that the text quoted above indicates that, because the cost of the operator added in February 2012 was not part of the costs that were allocated 88 percent to utilities and 12 percent to farm taps in the recent farm tap rate case, Frontier is proposing that 100 percent of the cost be considered a cost of the utilities in this case.

7. Refer to Frontier’s response to Item 15 of Staff’s First Request. Reconcile the 3,062 utility customers reported in this response with the 3,333 customers used in Tab 22, the “Cost of Service by Class” spread sheet.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED OCT 31 2012

cc: Parties of Record

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601