

COMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Application of Frontier Gas Company, LLC  
For approval of Adjustment of Farm Tap Rates

) Case No 2011-00  
)

RECEIVED

DEC 20 2011

PUBLIC SERVICE  
COMMISSION

**APPLICATION**

Frontier Gas Company, LLC, by counsel, petitions the Commission for an order approving an adjustment of farm tap rates.

1. Frontier Gas Company, LLC is a Colorado company authorized to do business in Kentucky. Its address is Box 408, Prestonsburg, KY 41653. Its Managing partner is Robert Oxford. A copy of its articles of incorporation and its certificate to operate in Kentucky were filed in Case No. 2010-00076. A copy of its certificate to operate is attached as exhibit 1.

2. Frontier is an LLC formed for the purpose of acquiring and operating several small natural gas utilities generally located in eastern Kentucky.

3. Frontier has consolidated the farm tap customers of Belfry Gas, Interstate Gas Company, Kinhag Development, Kinzer Gas Company, Alert Oil and Gas Company, Quality Gas Company, and KLC Enterprises into the operations of Frontier Gas.

4. The consolidation of these farm tap customers has made a much more economically viable system. There are about 625 farm tap customers,

which include 180 customers with an allotment of free gas given by Kinzer for drilling lease rights. The free taps were part of the acquisition of the Kinzer farm taps and Belfry Gas in 2008. These taps have a number of tariffed and untariffed rates including about 50 different levels of annual free gas, with a weighted average annual limit of 180 mcf per year.

5. Frontier reads the farm tap and free gas meters and monitors annual usage, then bills for any excess gas used at the applicable tariffed rate for paying customers. Farm taps are about 18% of Frontier's total meters. The farm taps have similar administrative and general costs to gas sales customers, but do not have system maintenance.

6. Prior to Frontier's acquisition of these farm tap facilities, they were operated by the owners of the gathering systems that provided the natural gas pursuant to KRS 278.485.

7. Unlike the prior operators of the farm tap systems, Frontier does not own the gathering or pipeline systems from which the customers are served. Frontier is not a gas producer. Frontier only owns the right to serve the customers and the right to purchase gas from the gathering line or transmission line owner. Frontier has no underlying pipeline for these customers and the only facilities owned by Frontier are the tap tee, riser and meter-regulator loop. Frontier reads the meters, bills and collects payment and responds to leak and outage calls.

8. Because of the unique situation of Frontier operating farm tap facilities and serving farm tap customers, but without any production facilities,

Frontier does not have the ability to subsidize farm tap rates through pipeline sales or transportation rates. Consequently, the regulations for farm tap rate adjustments are not directly applicable. For this reason, Frontier seeks a deviation from 807 KAR 5:026 (9) and requests approval of rates based on current operating expenses and revenues as more fully set forth in the attached exhibits.

9. Frontier proposes a hybrid rate design based on actual operating costs, grossed up by an Operating Ratio of 88% to provide a modest profit. These non-gas rate revenues will be split between a fixed Monthly Charge and a non-gas Commodity Rate. Frontier will also establish a separate Gas Cost component, based on annual fixed-price gas supply contracts.

10. Frontier prepared a test year analysis based on financial results from July 2010 to June 2011. This period is the most recent available that incorporates all entities purchased by Frontier, including the Auxier Road and Interstate purchases in April 2010. Frontier has about 3400 total customers. About 625 or 18% of these are farm taps. This includes some 5% free gas farm taps, some of which are read quarterly. The free gas farm tap costs are added to the paying farm tap costs, since some go over their annual free allotment and then pay the same tariffed rate.

11. Most Frontier utility customers are concentrated in specific areas of Floyd-Pike-Magoffin counties. However, the Frontier farm taps are widely flung over at least seven counties. The farm taps take much longer to read than the

utility customers. They also have proportionally more gas supply-related issues such as freeze-offs in the winter.

12. On a total operations level compared with gas sales customers, the farm taps are harder to read and keep running in winter; there is extra accounting for billing, collections and accounting to track the annual volume allowance versus the allotment; but the taps have no system maintenance or much DOT safety compliance work. Frontier asserts that farm tap operations account for 17% of its Operations Costs. These costs are tabulated on the Test Year analysis, exhibit 2.

13. Operating Costs are presented net of Gas Cost, which will be accounted separately in the future. The net operating cost is grossed up (divided by) an Operating Ratio to allow Frontier a modest return on its operations. The resulting figure is Allowable Revenue to calculate farm tap rates.

14. Frontier proposes a \$10.00 per month service charge instead of the traditional "First MCF, Other MCFs" rates now charged by all Frontier entities. For most customers, particularly farm tap customers, operating costs are not at all dependent on sales volume. A zero-use customer costs about the same to serve as a school, with monthly meter readings and billings, and typical small-scale gas facilities. Only the largest customers, such as the hospital and prison served by Auxier Road, require larger facilities and services designed to carry peak day capacity to serve the large loads. Thus, for most customers it is impractical to strictly allocate costs by MCF volume used, when almost all operating costs are incurred per-month and per-meter.

15. The proposed Non-Gas Commodity Charge is derived by deducting the estimated annual revenue from Monthly Charges. The remaining revenue is divided among all estimated Annual MCF Volume. This figure is the volumetric Commodity charge for each MCF delivered. The rate proposed is \$7.63 per mcf, which is based on a \$3.45 per mcf non-gas charge and \$4.18 projected, blended gas cost for the next year. The average customer using 60 mcf per year will pay \$578 per year or \$48.15 per month.

16. Frontier will propose a farm tap specific Gas Cost Adjustment mechanism in its application for general rates to be filed soon after the first of 2012. In addition to the general non-gas Monthly and Commodity rates, Frontier proposes to implement a Gas Cost Component on its farm tap rate. Frontier intends to pay the supplier / producer an Index-based rate for any gas supplied. There is no L&U, because the company is buying and selling on the same meters, using each farm tap meter as a custody transfer point from the supplier to Frontier, and from Frontier to the customer.

17. Frontier does not include a commodity balancing account for farm taps. Frontier proposes to set Gas Cost going-forward each Calendar Year or Heating Year. For example, Frontier will contract for 2012 gas supply with its farm tap suppliers at a price based on the Columbia TCO Appalachian futures strip price for 2012. Frontier will file this price annually as the Gas Cost Component of its tariff rates.

18. Because the operation of the Frontier farm tap system does not comport with the filing requirements of 807 KAR 5:026, Frontier is submitting

information pursuant to 807 KAR 5:001(10), to the extent applicable or available. Frontier requests a deviation from any filing requirement not included in the application. The lack of inclusion of an exhibit in the application is an indication of the lack of the ability to prepare such an exhibit.

The following exhibits are provided:

- a. Notice of intent to file a rate application was given to the Commission on November 4, 2011.
- b. The rates proposed are to recover operating expenses related to the operation of the farm tap customers. The reasons for the proposed increase are more fully explained in the financial exhibits.
- c. The company's Annual Reports have been filed with the Commission.
- d. The company is not a limited partnership.
- e. There is no assumed name.
- f. Current and proposed tariffs are attached as exhibit 3.
- g. Notice has been given to all farm tap customers. A copy of the notice which was mailed to each farm tap customer the week of December 19, 2011 is attached as exhibit 4.
- h. A pro forma schedule of changes is attached as exhibit 2.
- i. Prepared testimony is not submitted. A deviation from 807 KAR 5:001(10) is requested if necessary.
- j. Estimated impact proposed rates will have on revenues is attached as exhibit 2.

- k. The effect of the proposed rates on the average customer's bill is attached as exhibit 2.
- l. A billing analysis has not been performed.
- m. A summary of the calculation of the revenue requirements is attached as exhibit 2.
- n. A reconciliation of rate base and capital is not applicable, because there is no rate base calculation.
- o. A current chart of applicable to farm tap accounts is not separately maintained.
- p. There is no independent auditor's report.
- q. There are no FERC or FCC audit reports.
- r. The company has not performed a depreciation study.
- s. In house software is Word and Excel.
- t. There is no stock prospectus.
- u. There is no report to shareholders.
- v. There are no monthly reports.
- v. There are no allocations to affiliates.
- w. There is no cost of service study.
- x. An income statement and balance sheet and consolidated financial statement are attached as exhibit 5.
- y. There are no pro forma adjustments in the filing for plant additions and are no plant additions for the test year.
- z. An operating budget is not prepared by the company.

aa. The number of new customers to be added to the test period is 0.

bb. The percentage change and dollar change in rates for each customer class is in exhibit 4.

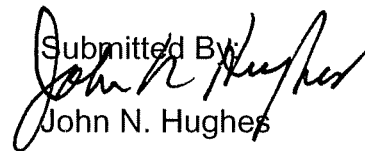
cc. Present and proposed rates are reflected in the tariffs filed in exhibit 3.

dd. The effect on the average customer's bill is in exhibit 4.

ee. A copy of the public notice is attached as exhibit 4.

19. Frontier requests a deviation from any filing requirement that is not included in this application, based on the lack of historical data from the acquired company or the lack of applicability of the requirement to the operations of the farm tap facilities.

For these reasons, Frontier requests approval of the proposed rates.

Submitted By:  
  
John N. Hughes

Attorney for Frontier Gas  
Company, LLC

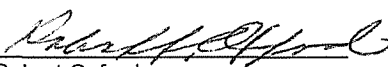


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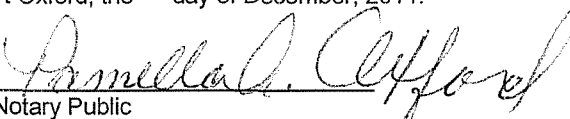
County of Floyd

Commonwealth of Kentucky

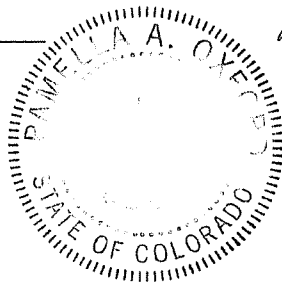
Affiant, Robert Oxford, after being sworn, states that he is Managing Partner of Kentucky Frontier Gas, LLC and that the information contained in this Application is true and correct to the best of his knowledge.

  
Robert Oxford

Sworn and subscribed before me by Robert Oxford, the      day of December, 2011.

  
Notary Public

My commission expires: 12-30-12



# EXHIBIT 1

Commonwealth of Kentucky  
Elaine N. Walker, Secretary of State

12/14/2011

Division of Corporations  
Business Filings  
P. O. Box 718  
Frankfort, KY 40602  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Authorization**

Authentication Number: 120763

Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Elaine N. Walker, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**KENTUCKY FRONTIER GAS, LLC**

, a limited liability company organized under the laws of the state of Colorado, is authorized to transact business in the Commonwealth of Kentucky and received the authority to transact business in Kentucky on August 25, 2005.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that an application for certificate of withdrawal has not been filed; and that the most recent annual report required by KRS 275.190 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 14th day of December, 2011.



*Elaine N. Walker*

Elaine N. Walker  
Secretary of State  
Commonwealth of Kentucky  
120763/0620382

## EXHIBIT 2

Kentucky Frontier Gas  
Farm Tap Rate Calculations

FY Ended 06/30/11 Income Statement	Test Year Actual	Known-Meas Adjustments	Adjusted Tyr	Known & Measurable Change
OPERATING REVENUES:				
Gas Sales Revenues	\$ 295,094		\$ 295,094	
Other Revenues	\$ -		\$ -	
<b>TOTAL REVENUES</b>	<b>\$ 295,094</b>	<b>\$ -</b>	<b>\$ 295,094</b>	
OPERATING EXPENSES:				
Natural Gas Purchases	\$ 167,399		\$ 167,399	
Distribution Expense	\$ 51,525	\$ 6,718	\$ 58,243	add 1 Operator, 5% raises
Office Expenses	\$ 9,627	\$ 2,400	\$ 12,027	rent due to increase \$200/mo
Outside Services	\$ 23,396	\$ (10,800)	\$ 12,596	move Manager to Mgmt-Admin
Customer Records, etc	\$ 29,572	\$ 700	\$ 30,272	5% raises
Meter Reading Labor	\$ 6,242		\$ 6,242	
Mgmt-Admin	\$ 33,511	\$ 11,115	\$ 44,626	move Mgr, changes to HQ
Pensions & Benefits	\$ 4,330	\$ 1,575	\$ 5,905	increase pension contribution
Insurance	\$ 4,629		\$ 4,629	
Other/Misc Expenses	\$ 1,787		\$ 1,787	
Depreciation	\$ 13,428		\$ 13,428	
Tax Exp - Property, PSC, Other	\$ 14,779		\$ 14,779	
Income Tax Expense	\$ 392		\$ 392	
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 360,618</b>	<b>\$ 11,708</b>	<b>\$ 372,326</b>	
<b>NET OPERATING INCOME</b>	<b>-\$65,524</b>	<b>-\$11,708</b>	<b>-\$77,232</b>	

Kentucky Frontier Gas  
Farm Tap Rate Calculations

Rate Calcs

Adjusted Operating Costs	\$372,326
Gas Cost (Test Year)	167,399
Non-Gas Op Costs	<u>\$204,927</u>

Operating Ratio 0.88

Grossup to Allowable Revenue **\$232,871**

Number of Customers	445	<b>\$10.00</b>	Monthly Service Charge
Annual MoChg Revenue	\$53,400		
Annual Volume mcf	52,000		
Annual MCF Revenue	<u>\$179,471</u>	<b>\$3.45</b>	per MCF non-gas volumetric charge

Allowable Revenue **\$232,871**

Gas Cost	<u><b>\$4.18</b></u>	per MCF (projected)
Volumetric Charge	<b>\$7.63</b>	per MCF

Annual Cost for 60 mcf/yr	\$	<b>577.80</b>	total proposed annual bill	\$	<b>48.15</b>	per month
	\$	<b>542.40</b>	current wtd ave annual bill	\$	<b>45.20</b>	per month
			6.5% average customer increase			

## EXHIBIT 3

FOR Communities in Pike Co.  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

Original SHEET NO. 1

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

Original SHEET NO. 1

ALERT OIL & GAS CO., INC.  
(Name of Utility)

CLASSIFICATION OF SERVICE

RATE  
PER UNIT

APPLICABLE:

Available to applicants along the gas lines of  
Alert Oil & Gas Company, Inc.

AVAILABILITY OF SERVICE:

Available to all classes of customers.

RATES: MONTHLY

Minimum Bill (1Mcf)

\$7.45

All additional Mcf

\$7.45

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 15 2001

PURSUANT TO 807 KAR 001,  
SECTION 9(1)

BY: Stephen D. Best  
SECRETARY OF THE COMMISSION

DATE OF ISSUE JAN/15/2001  
Month / Date / Year

DATE EFFECTIVE MAR 15 / 2001  
Month / Date / Year

ISSUED BY Terry K...  
(Signature of Officer)

TITLE ...

Issued by authority of an Order of the Public Service Commission of Kentucky  
in Case No. \_\_\_\_\_ dated \_\_\_\_\_.



P.S.C. Ky. Adoption Notice No. \_\_\_\_\_

ADOPTION NOTICE

The undersigned Kentucky Frontier Gas LLC  
(Name of Utility) System

of Prestonsburg, KY hereby adopts, ratifies, and makes its own, in every respect as if the same had been originally filed and posted by it, all tariffs and supplements containing rates, rules and regulations for furnishing natural gas farm tap service at Floyd, Magoffin, Johnson and surrounding Counties in KY (Nature of Service)

in the Commonwealth of Kentucky, filed with the Public Service Commission of Kentucky by Interstate Natural Gas Co of Prestonsburg, KY  
(Name of Predecessor)

and in effect on the 7 day of May, 2010, the date on which the public service business of the said Interstate Natural Gas Co.  
(Name of Predecessor)

was taken over by it.

This notice is issued on the 7th day of May, 2010, in conformity with 807 KAR 5:011, Section 11, of the Regulations for the filing of Tariffs of Public Utilities with the Public Service Commission of Kentucky.

Kentucky Frontier Gas LLC

By

Robert Oxford PUBLIC SERVICE COMMISSION
<b>JEFF R. DEROUEN</b> EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
EFFECTIVE <b>5/7/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Authorized by Ky.P.S.C. Order No. 2010-00076 dated May 7, 2010

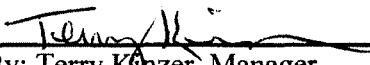
ADOPTION NOTICE

Quality Natural Gas, LLC, of PO Box 480, Allen, Kentucky 41601, by and through its Manager, Quality Natural Gas Management, LLC, hereby adopts, ratifies and makes its own, in every respect as if the same had been originally filed and posted by it, all tariffs and supplements containing rates, rules and regulations for furnishing farm tap natural gas service in Pike, Floyd, Letcher, Martin, Knott and Perry Counties in the Commonwealth of Kentucky, filed with the Public Service Commission of Kentucky by J. W. Kinzer Drilling Company of P. O. Box 155, Allen, Kentucky 41601, and in effect on the 13th day of November, 2006, the date on which the public service business of the said J. W. Kinzer Drilling Company was taken over by Quality Natural Gas, LLC.

This notice is issued on the 13th day of November, 2006, in conformity with 807 KAR 5:011, Section 11, of the Regulations for the filing of Tariffs of Public Utilities with the Public Service Commission of Kentucky.

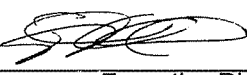
Quality Natural Gas, LLC

By: Quality Natural Gas Management, LLC  
Its: Manager

  
By: Terry Kinzer, Manager  
Quality Natural Gas Management, LLC

Authorized by KY P.S.C. Order No. \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
11/13/2006  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By   
Executive Director

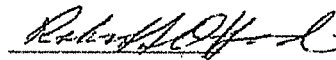
P.S.C. Ky. Adoption Notice No. \_\_\_\_\_

ADOPTION NOTICE

The undersigned Kentucky Frontier Gas, LLC of 4891 Independence St., Suite 200, Wheat Ridge, CO 80033 hereby adopts, ratifies, and makes its own, in every respect as if the same had been originally filed and posted by it, all tariffs and supplements containing rates, rules and regulations for furnishing natural gas service at Floyd County and Pike County in the Commonwealth of Kentucky, filed with the Public Service Commission of Kentucky by Alert Gas Company, and in effect on the 31st day of December, 2008, the date on which the public service business of the said Alert Gas Company was taken over by it.

This notice is issued on the 9th day of January, 2009, in conformity with 807 KAR 5:011, Section 11, of the Regulations for the filing of Tariffs of Public Utilities with the Public Service Commission of Kentucky.

Robert Oxford



By Managing Member

Authorized by Ky.P.S.C. Order No. 2008-00394

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
12/31/2008  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By



Executive Director

Pike, Floyd, Letcher, Martin,  
FOR Knott and Perry Counties  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

Revised SHEET NO. 1

J. W. Kinzer Drilling Company  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

Original SHEET NO. 1

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RATES AND CHARGES

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APPLICABLE:

Available to applicants along the gas lines of  
J. W. Kinzer Drilling Company

AVAILABILITY OF SERVICE:

Available to all classes of customers

RATES:

Minimum Monthly Charge \$13.05

All Additional Mcf \$13.0537

DATE OF ISSUE March 24, 2006  
Month / Date / Year

DATE EFFECTIVE March 24, 2006  
Month / Date / Year

ISSUED BY   
(Signature of Officer)

TITLE Owner/Operator

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2005-00478 DATED March 24, 2006

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
3/24/2006  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By   
Executive Director

FOR Pike, Floyd, Leslie, Knott, Johnson, Letcher,  
Lee, Morgan, Magoffin, Martin, and other counties  
Community, Town or City

P.S.C. KY. NO. 1

SHEET NO. 2

Interstate Natural Gas Company

(Name of Utility)

CANCELLING P.S.C. KY. NO. 1

SHEET NO. 2

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RATES AND CHARGES

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APPLICABLE:

Available to applicants along the gas lines of Interstate Natural Gas Company.

AVAILABILITY OF SERVICE:

Available to all classes of customers.

RATES: Monthly

Minimum Bill \$14.44

All additional MCF \$14.44

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

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY June A. Harney  
(Signature of Officer)

TITLE General Partner

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2006-00122 DATED December 20, 2006

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
12/20/2006  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By [Signature]  
Executive Director

FOR All Service areas \_\_\_\_\_  
Community, Town or City

P.S.C. KY. NO. 1 \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Kentucky Frontier Gas LLC  
\_\_\_\_\_  
(Name of Utility)

CONTENTS

PROPOSED TARIFF

For All Farm Tap customers:

Monthly Customer charge: \$10.00

Rate per MCF \$ 7.63

DATE OF ISSUE January 1, 2012  
Month / Date / Year

DATE EFFECTIVE March 1, 2012  
Month / Date / Year

ISSUED BY Robert Oxford *Robert Oxford*  
(Signature of Officer)

TITLE Managing partner

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

## EXHIBIT 4

**KENTUCKY FRONTIER GAS LLC**  
**NOTICE TO CUSTOMERS**  
**FARM TAP RATE ADJUSTMENT**

Pursuant to the regulations of the Public Service Commission (Commission), Kentucky Frontier Gas LLC gives notice that it intends to increase its farm tap rates. The rates are proposed to be placed into effect in on March 1, 2012. The average customer bill will increase from \$45.20 per month to \$48.15 per month. This is a 6.5% increase for the average residential customer using 60 mcf per year. Some customers supplied by the former Kinzer companies may have an increase from \$37.00 per month to \$48.15 per month - a 29% increase. Further information may be obtained from the Commission or Kentucky Frontier Gas. The rates contained in this notice are the rates proposed by Kentucky Frontier Gas. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice. The rates proposed in this Notice may be modified by the Commission. Such action by the Commission may result in the rates being higher or lower than those proposed by Kentucky Frontier Gas.

Any corporation, association, body politic or person may by timely motion, within 30 days of this Notice, request intervention in this case. Intervention beyond the 30 day period may be granted for good cause shown. The Motion must be submitted to the Public Service Commission, 211 Sower Blvd., Box 615, Frankfort, Ky. 40602 and should state the grounds for the request, including the interest and status of the party. Intervenors may obtain copies of the Application and any testimony filed by contacting Kentucky Frontier Gas at the address below. A copy of the Application is available for public review at the office of Kentucky Frontier Gas and at the Public Service Commission, 211 Sower Blvd., Frankfort, Ky. 40601, (502) 564-3940.

Larry Rich  
Kentucky Frontier Gas  
Box 408  
Prestonsburg, KY 41653  
606 886 9991

**Current Rates:**

Interstate Gas customers:

Minimum bill:	\$14.44
All MCF	\$14.44

Kinzer Drilling customers:  
(Quality Natural Gas,  
Kinhag Development,  
KLC)

Minimum bill	\$7.35 - 13.05
All MCF	\$7.35 - 13.0537

Alert Oil and Gas

Minimum bill	\$7.45
All MCF	\$7.45

**Proposed rates: All farm tap customers**

<b>Monthly customer charge:</b>	<b>\$10.00</b>
<b>All MCF</b>	<b>\$ 7.63 Percentage increase of approximately 6.5% to 29% per month based on current rates and pipeline provider</b>



## EXHIBIT 5

10:21 AM  
 12/14/11  
 Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Balance Sheet**  
 As of September 30, 2011

	Sep 30, 11
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
131 · Cash - Bank Accounts	
131.1 · CityWide Bank Oper # 000980029	1,342.97
131.2 · Comm Trust Bank Oper 4002506337	6,335.59
131.3 · Comm Trust Payroll #4002507509	6,215.93
<b>Total 131 · Cash - Bank Accounts</b>	13,894.49
<b>Total Checking/Savings</b>	13,894.49
<b>Accounts Receivable</b>	
142 · Customer Accounts Receivable	55,022.36
<b>Total Accounts Receivable</b>	55,022.36
<b>Other Current Assets</b>	
173 · Organizational Account	
<b>Start Up Costs</b>	
SBA Origination Fees	40,390.63
USDA Origination Fees	17,464.00
115 · Accumulated Amort - Start Up	-9,038.29
Start Up Costs - Other	298.98
<b>Total Start Up Costs</b>	49,115.32
<b>Total 173 · Organizational Account</b>	49,115.32
<b>Total Other Current Assets</b>	49,115.32
<b>Total Current Assets</b>	118,032.17
<b>Fixed Assets</b>	
101 · Utility Plant	
101.1 · East Kentucky Utility Plant	
<b>Distribution Plant Assets</b>	
374.1 · Land & Land Rights	10,936.00
376.1 · Mains	993,848.00
378.1 · Meas & Reg Sta Equip	17,643.00
381.1 · Meters	19,484.00
383.1 · House Regulators	45,860.00
<b>Total Distribution Plant Assets</b>	1,087,771.00
<b>General Plant</b>	
394.1 · Tools, Shop & Garage Equip	4,025.00
<b>Total General Plant</b>	4,025.00
108.1 · Accumulated Depreciation	-1,102,031.00
114.1 · Gas Plant Acquisition Adj	
376.11 · Mains	4,007.88
380.11 · Services	2,161.36
381.11 · Meters	208.84
382.11 · New Meter Install	178.80
114.1 · Gas Plant Acquisition Adj - Other	955,369.74
<b>Total 114.1 · Gas Plant Acquisition Adj</b>	961,926.62
115.1 · Accumulated Provision for Amort	-106,883.00
<b>Total 101.1 · East Kentucky Utility Plant</b>	844,808.62
101.2 · Mike Little Gas Plant	
<b>Distribution Plant Assets</b>	
376.2 · Mains	170,344.94
380.2 · Services	31,889.00
381.2 · Meters	6,510.00
383.2 · House Regulators	18,779.00
<b>Total Distribution Plant Assets</b>	227,522.94
<b>General Plant Assets</b>	
389.2 · Land Rights	569.00

10:21 AM  
 12/14/11  
 Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Balance Sheet**  
 As of September 30, 2011

	Sep 30, 11
392.22 · Transportation Equip - MLG	58,577.00
394.2 · Tools, Shop & Garage Equip	2,579.00
396.2 · Power Equip	3,535.00
<b>Total General Plant Assets</b>	<b>65,260.00</b>
<b>Transmission Plant</b>	
367.2 · Mains	16,268.00
369.2 · Meas & Reg Sta Equip	8,229.00
<b>Total Transmission Plant</b>	<b>24,497.00</b>
108.2 · Accumulated Depreciation	-334,856.00
114.2 · Gas Plant Acquisition Adj	
376.22 · Mains	14,499.41
380.22 · Services	480.06
381.22 · Meters	87.01
114.2 · Gas Plant Acquisition Adj - Other	481,044.76
<b>Total 114.2 · Gas Plant Acquisition Adj</b>	<b>496,111.24</b>
115.2 · Accum Prov for Amort of Gas PI	-49,144.00
<b>Total 101.2 · Mike Little Gas Plant</b>	<b>429,391.18</b>
<b>101.3 · Belfry Utility Plant</b>	
<b>Distribution Plant Assets</b>	
376.3 · Mains	17,534.66
380.3 · Services	1,029.75
381.3 · Meters	83,694.00
<b>Total Distribution Plant Assets</b>	<b>102,258.41</b>
<b>Transmission Plant</b>	
365.3 · Land & Land Rights	4,498.00
367.3 · Mains	270,168.00
<b>Total Transmission Plant</b>	<b>274,666.00</b>
108.3 · Accumulated Depreciation	-485,627.00
114.3 · Gas Plant Acquisition Adj	
108.31 · Accum Depr - Flood Damage Const	-7,109.00
108.32 · Accum Depr - Mains	-1,010.00
376.33 · Mains	58,739.81
376.331 · Mains - Comp Const	28,661.96
380.33 · Services	3,661.86
381.33 · Meters	121.81
382.22 · New Meter Installation	1,925.25
114.3 · Gas Plant Acquisition Adj - Other	480,342.00
<b>Total 114.3 · Gas Plant Acquisition Adj</b>	<b>565,333.69</b>
115.3 · Accum Prov for Amort of Gas PI	-51,128.00
<b>Total 101.3 · Belfry Utility Plant</b>	<b>405,503.10</b>
<b>101.4 · Alert Farm Taps Utility Plant</b>	
114.4 · Gas Plant Acquisition Adj	
376.44 · Mains	2,600.29
380.44 · Services	470.10
381.44 · Meters	162.42
382.44 · New Meter Installation	111.00
114.4 · Gas Plant Acquisition Adj - Other	250,000.00
<b>Total 114.4 · Gas Plant Acquisition Adj</b>	<b>253,343.81</b>
115.4 · Accum Prov for Amort of Gas PI	-26,075.00
<b>Total 101.4 · Alert Farm Taps Utility Plant</b>	<b>227,268.81</b>
<b>101.8 · Peoples Gas Utility Plant</b>	
<b>Distribution Plant</b>	
376.8 · Mains	87,970.70
<b>Total Distribution Plant</b>	<b>87,970.70</b>
<b>General Plant</b>	
392.8 · Vehicles	25,000.00

10:21 AM  
 12/14/11  
 Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Balance Sheet**  
 As of September 30, 2011

	Sep 30, 11
Total General Plant	25,000.00
108.8 · Accum Depreciation - Gas Plant	-96,669.00
114.8 · Gas Plant Acq Adjust	7,785.00
114.81 · Gas Plant Acq Adj - KFG	
376.88 · Mains	7,663.97
380.88 · Services	62.68
382.88 · New Meter Install	114.75
114.81 · Gas Plant Acq Adj - KFG - Other	6,420.00
Total 114.81 · Gas Plant Acq Adj - KFG	14,261.40
115.8 · Accum Amortization - Acquisitio	-5,453.00
115.88 · Accumulated Depr - KFG	-798.00
Total 101.8 · Peoples Gas Utility Plant	32,097.10
Total 101 · Utility Plant	1,939,068.81
154 · INVENTORY	60,812.58
380 · General Plant Assets	
391 · Office Furniture & Equipment	
391.1 · Office Furniture & Equipment	1,162.20
391.11 · Office Equip - Folder/Inserter	10,270.34
Total 391 · Office Furniture & Equipment	11,432.54
392 · Transportation Equipment	
108 · Gen Utility Plant - Accum Depr	-8,527.00
392.1 · 1996 Ford F-150	5,300.00
392.2 · 2005 Toyota	12,500.00
392 · Transportation Equipment - Other	1,675.00
Total 392 · Transportation Equipment	10,948.00
394 · Tools, Shop & Garage Equip	6,786.25
396 · Power Operated Equipment	
396.3 · CAT MINI EXCAVATOR	33,780.90
Total 396 · Power Operated Equipment	33,780.90
397 · Tools & Equipment	1,573.33
380 · General Plant Assets - Other	137.51
Total 380 · General Plant Assets	64,658.53
Total Fixed Assets	2,064,539.92
Other Assets	
123 · Investment in Subsidiary Compan	
123.1 · Investment - Auxier Rd	
376.77 · Mains	2,734.92
380.7 · Services	968.00
381.77 · Meters	163.41
382.7 · New Meter Installation	1,103.25
123.1 · Investment - Auxier Rd - Other	1,695,459.23
Total 123.1 · Investment - Auxier Rd	1,700,428.81
123.2 · Investment - Cow Creek	
376.9 · Mains	4,756.28
380.9 · Services	1,256.25
382.9 · Meters	3,087.00
123.2 · Investment - Cow Creek - Other	530,000.00
Total 123.2 · Investment - Cow Creek	539,099.53
123.3 · Investment - DEMA	10,000.00
123.4 · Investment - Interstate FT	10,000.00
Total 123 · Investment in Subsidiary Compan	2,259,528.34
Total Other Assets	2,259,528.34
<b>TOTAL ASSETS</b>	<b>4,442,100.43</b>

10:21 AM  
 12/14/11  
 Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Balance Sheet**  
 As of September 30, 2011

	Sep 30, 11
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
232 · Accounts Payable	317,183.39
<b>Total Accounts Payable</b>	317,183.39
<b>Other Current Liabilities</b>	
223 · Notes Payable to Assoc Co - IGS	27,505.60
223.1 · Note Payable - B Branham	20,000.00
233.2 · NOTES PAYABLE-DLR	10,000.00
235 · Customer Deposits/Retainers	
237 · Accrued Interest Deposits	1,591.04
235 · Customer Deposits/Retainers - Other	48,733.58
<b>Total 235 · Customer Deposits/Retainers</b>	50,324.62
236 · Payroll Liabilities	11,248.71
241 · Sales Tax Payable	4,819.91
242 · Utility Tax Payable	1,036.89
<b>Total Other Current Liabilities</b>	124,935.73
<b>Total Current Liabilities</b>	442,119.12
<b>Long Term Liabilities</b>	
224 · Long Term Liability	
224.1 · Community Trust Bank Loan	1,153,976.37
224.2 · USDA Loan #1	1,474,076.38
224.3 · USDA Loan #2	163,835.74
224.4 · COMMUNITY TRUST BANK(EXCAVATOR)	20,400.62
<b>Total 224 · Long Term Liability</b>	2,812,289.11
<b>Total Long Term Liabilities</b>	2,812,289.11
<b>Total Liabilities</b>	3,254,408.23
<b>Equity</b>	
211.1 · Partner One Equity - RJO	
208.1 · Partner One Investments	292,500.00
<b>Total 211.1 · Partner One Equity - RJO</b>	292,500.00
211.2 · Partner Two Equity - SS	
208.2 · Partner Two Investments	390,000.00
<b>Total 211.2 · Partner Two Equity - SS</b>	390,000.00
211.3 · Partner Three Equity - LR	
208.3 · Partner Three Investments	189,805.15
<b>Total 211.3 · Partner Three Equity - LR</b>	189,805.15
211.4 · Partner Four Equity - IGS	
208.4 · Partner Four Investments	97,500.00
<b>Total 211.4 · Partner Four Equity - IGS</b>	97,500.00
216 · Retained Earnings	-193,515.35
Net Income	411,402.40
<b>Total Equity</b>	1,187,692.20
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>4,442,100.43</b>

10:19 AM  
 12/14/11  
 Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Profit & Loss**  
 January through September 2011

	Jan - Sep 11
<b>Income</b>	
418.1 · Equity in earnings of subsid co	636,346.98
419.1 · ALLOW FUNDS USED FOR CONSTR	18,228.00
421 · Misc Nonoperating Income	1,800.00
480 · Residential Sales	782,904.01
481 · Commercial & Industrial Sales	169,059.38
482 · Commercial Tax Exempt	111,051.34
487 · Penalties & Forfeited Discounts	31.70
488 · Miscellaneous Service Revenues	
488.4 · Service Charges	75.00
<b>Total 488 · Miscellaneous Service Revenues</b>	75.00
488.5 · BTU Contract	13,344.98
489 · Sales Tax Commission	119.13
<b>Total Income</b>	1,732,960.52
<b>Cost of Goods Sold</b>	
800 · Gas Supply Expenses	
804 · Natural Gas Purchases & Transp	606,352.82
<b>Total 800 · Gas Supply Expenses</b>	606,352.82
<b>Total COGS</b>	606,352.82
<b>Gross Profit</b>	1,126,607.70
<b>Expense</b>	
408 · Taxes Other Than Income Taxes	
408.1 · Payroll Taxes Expenses	22,486.78
408.3 · Property Tax	883.69
408.4 · Annual PSC Assessment	2,475.23
408 · Taxes Other Than Income Taxes - Other	175.00
<b>Total 408 · Taxes Other Than Income Taxes</b>	26,020.70
409 · Income Taxes	
409.3 · Other State Income Taxes	1,257.61
<b>Total 409 · Income Taxes</b>	1,257.61
427 · Interest on Long-Term Debt	102,205.17
431 · Other Interest Expense	388.54
870 · DISTRIBUTION EXPENSES	
871 · DISTRIBUTION OPERATION	
872 · Comp Station Labor & Exp	636.00
874 · Mains & Services Expenses	21,492.73
878 · Meter & House Regulator Exp	8,685.68
879 · Customer Installations Exp	575.00
880 · Other Expenses	
880.1 · DOT Physicals	400.00
880.2 · Travel for Tech Training	1,805.43
880.3 · Drug Testing	400.00
880.4 · Licenses & Permits	1,597.25
880.5 · Travel for Members	
Meals	13.68
880.5 · Travel for Members - Other	7,441.11
<b>Total 880.5 · Travel for Members</b>	7,454.79
880.6 · Training	8,005.49
880.8 · EASEMENTS	721.03
<b>Total 880 · Other Expenses</b>	20,383.99
<b>Total 871 · DISTRIBUTION OPERATION</b>	51,773.40
884 · DISTRIBUTION MAINTENANCE	
887 · Maintenance of Mains	41,138.47
892 · Maintenance of Services	36,910.83
<b>Total 884 · DISTRIBUTION MAINTENANCE</b>	78,049.30

10:19 AM  
 12/14/11  
 Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Profit & Loss**  
 January through September 2011

	Jan - Sep 11
<b>Total 870 · DISTRIBUTION EXPENSES</b>	129,822.70
<b>900 · CUSTOMER ACCOUNTS EXPENSES</b>	
<b>900.1 · CUSTOMER ACCT OPERATION</b>	
902 · Meter Reading Exp	33,061.25
903 · Customer Records & Collec Exp	73,036.64
905 · Misc Customer Accounts Exp	
905.1 · Travel for Customer Accounts	617.69
905.2 · Postage and Delivery	10,536.03
905.3 · Printing and Reproduction	42.96
<b>Total 905 · Misc Customer Accounts Exp</b>	11,196.68
<b>Total 900.1 · CUSTOMER ACCT OPERATION</b>	117,294.57
<b>900 · CUSTOMER ACCOUNTS EXPENSES - Other</b>	481.24
<b>Total 900 · CUSTOMER ACCOUNTS EXPENSES</b>	117,775.81
<b>906 · CUSTOMER SERVICE &amp; INFORMATION</b>	
<b>906.1 · C S &amp; I OPERATION</b>	
907 · Supervision	6,837.51
909 · Inform & Instruc Advert Exp	
909.1 · Web Support	1,715.60
909.2 · PUBLIC AWARENESS EXPENSE	405.25
<b>Total 909 · Inform &amp; Instruc Advert Exp</b>	2,120.85
910 · Misc Cust Serv & Infor Exp	1,394.55
<b>Total 906.1 · C S &amp; I OPERATION</b>	10,352.91
<b>Total 906 · CUSTOMER SERVICE &amp; INFORMATION</b>	10,352.91
<b>918 · ADMINISTRATIVE &amp; GENERAL EXP</b>	
<b>919 · ADMIN &amp; GEN OPERATION</b>	
920 · Admin & General Salaries	
920.1 · Gen Admin Salaries - Leave, etc	55,141.30
920.2 · Payroll Administration Expenses	5,417.84
920 · Admin & General Salaries - Other	228.00
<b>Total 920 · Admin &amp; General Salaries</b>	60,787.14
921 · Office Supplies and Expenses	
921.1 · Office Equipment	2,096.12
921.2 · Office Supplies	5,200.02
921.3 · Bank Service Charges	1,979.87
921.4 · Computer Software	871.67
921.5 · Cleaning/Janitorial	1,950.00
921.7 · Dues and Subscriptions	2,044.32
921.8 · Telephone and Fax	4,498.66
921.9 · Utilities	13,459.85
921 · Office Supplies and Expenses - Other	4,130.73
<b>Total 921 · Office Supplies and Expenses</b>	36,231.24
923 · Outside Services Employed	
923.1 · Outside Services - Manager	58,762.50
923.2 · Outside Services - Accounting	30,068.86
923.3 · Outside Services - Engineering	5.60
923.4 · Outside Services - Legal	875.00
<b>Total 923 · Outside Services Employed</b>	89,711.96
924 · Insurance	
924.1 · Auto Insurance	5,551.53
924.2 · General Liability Insurance	5,586.07
924.3 · Life Insurance	997.29
924.5 · Worker's Compensation	5,487.97
924.6 · Health Insurance	20,768.61
<b>Total 924 · Insurance</b>	38,391.47
927 · Franchise Requirements	44.20
928 · Regulatory Commission Expenses	9,145.00

10:19 AM  
12/14/11  
Accrual Basis

**Kentucky Frontier Gas, LLC**  
**Profit & Loss**  
January through September 2011

	<u>Jan - Sep 11</u>
930.2 · Miscellaneous General Expenses	
930.21 · Reconciliation Discrepancies	0.02
930.2 · Miscellaneous General Expenses - Other	<u>1,315.10</u>
Total 930.2 · Miscellaneous General Expenses	1,315.12
931 · Rents	<u>25,200.00</u>
Total 919 · ADMIN & GEN OPERATION	<u>260,826.13</u>
Total 918 · ADMINISTRATIVE & GENERAL EXP	260,826.13
932 · MAINTENANCE OF GENERAL PLANT	
932.0 · Maint of General Plant - Garage	3,221.20
932.1 · Repairs	
Building Repairs	612.00
Computer Repairs	1,353.18
Equipment Repairs	
Transportation Equipment	<u>1,710.55</u>
Total Equipment Repairs	1,710.55
932.1 · Repairs - Other	<u>17,708.10</u>
Total 932.1 · Repairs	21,383.83
932.3 · Tools & Equipment	625.07
932.4 · Transportaion Equipment Fuel	41,079.10
932 · MAINTENANCE OF GENERAL PLANT - Other	<u>8.27</u>
Total 932 · MAINTENANCE OF GENERAL PLANT	66,317.47
981 · Interest Expense-Meter Deposit	<u>238.26</u>
Total Expense	<u>715,205.30</u>
Net Income	<u><u>411,402.40</u></u>



**Kentucky Frontier Gas LLC**  
**Consolidated Income/Expense**

12/19/2011

	1/1/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010
<b>OPERATING REVENUES:</b>						
Gas Sales Revenues	462,499	502,371	626,415	189,935	131,633	100,699
Other Revenues	1,054	1,039	157	52,589	63,152	43,456
<b>TOTAL REVENUES</b>	<b>463,553</b>	<b>503,410</b>	<b>626,572</b>	<b>242,525</b>	<b>194,785</b>	<b>144,154</b>
<b>OPERATING EXPENSES:</b>						
Natural Gas Purchases	338,521	260,195	451,674	174,456	73,214	54,645
Maintenance Expense	27,420	27,723	33,918	83,962	27,597	27,164
Office Supplies	6,163	4,987	5,301	7,499	6,540	5,664
Outside Services	6,647	33,273	44,915	31,138	13,561	12,057
Customer Records, etc	26,488	21,708	18,145	14,832	16,110	9,314
Meter Reading Labor	3,038	1,564	3,151	3,627	4,377	2,650
Admin Salaries	7,098	4,705	12,046	5,692	6,174	6,222
Pensions & Benefits	2,138	1,290	4,742	(1,829)	1,809	1,979
Property Insurance	10,446	(737)	9,559	1,760	1,610	2,918
Other/Misc Expenses	1,289	214	1,856	214	2,006	4
Depreciation	12,946	12,946	22,513	15,446	15,446	15,446
Tax Expense - Other	5,446	3,529	40,938	2,640	2,595	4,363
Income Tax Expense						
<b>TOTAL OPERATING EXPENSE</b>	<b>447,637</b>	<b>371,395</b>	<b>648,758</b>	<b>339,437</b>	<b>171,040</b>	<b>142,425</b>
<b>NET OPERATING INCOME</b>	<b>15,915</b>	<b>132,015</b>	<b>(22,185)</b>	<b>(96,912)</b>	<b>23,745</b>	<b>1,729</b>
<b>OTHER INCOME &amp; DEDUCTIONS</b>						
Interest on L-T Debt	4,445	4,128	9,683	13,062	4,149	13,254
Amortization Expense						
<b>Subtotal - Deductions</b>	<b>4,445</b>	<b>4,128</b>	<b>9,683</b>	<b>13,062</b>	<b>4,149</b>	<b>13,254</b>
<b>Subtotal - Income</b>	<b>127</b>	<b>139</b>	<b>163</b>	<b>92</b>	<b>3,441</b>	<b>2</b>
<b>Total Other Income &amp; Deduct</b>	<b>(4,318)</b>	<b>(3,989)</b>	<b>(9,520)</b>	<b>(12,970)</b>	<b>(708)</b>	<b>(13,252)</b>
<b>NET INCOME</b>	<b>11,598</b>	<b>128,025</b>	<b>(31,705)</b>	<b>(109,882)</b>	<b>23,038</b>	<b>(11,523)</b>

**Kentucky Frontier Gas LLC**  
**Consolidated Income/Expense**

12/19/2011

	1/1/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011
<b>OPERATING REVENUES:</b>						
Gas Sales Revenues	737,365	498,617	381,245	222,142	146,360	100,439
Other Revenues	2,116	4,393	3,501	1,790	774	19,745
<b>TOTAL REVENUES</b>	<b>739,482</b>	<b>503,010</b>	<b>384,745</b>	<b>223,932</b>	<b>147,133</b>	<b>120,184</b>
<b>OPERATING EXPENSES:</b>						
Natural Gas Purchases	395,275	287,671	185,192	123,326	101,211	48,038
Maintenance Expense	21,738	21,878	27,231	24,967	19,411	31,238
Office Supplies	5,235	2,263	5,550	4,644	2,989	3,714
Outside Services	12,851	9,043	10,364	8,150	10,200	12,663
Customer Records, etc	9,697	8,864	10,595	15,836	10,476	9,160
Meter Reading Labor	3,512	3,690	3,924	2,359	2,283	4,974
Admin Salaries	6,935	4,913	6,625	4,144	7,467	6,876
Pensions & Benefits	1,886	1,886	5,431	(281)	1,873	2,206
Property Insurance	2,067	7,971	2,447	2,447	1,200	1,200
Other/Misc Expenses	452	(125)	963	37	235	
Depreciation	15,446	15,446	15,446	15,446	15,446	15,446
Tax Expense - Other	2,509	2,303	2,102	1,990	2,847	7,188
Income Tax Expense		1,258		875	0	
<b>TOTAL OPERATING EXPENSE</b>	<b>477,603</b>	<b>367,060</b>	<b>275,870</b>	<b>203,939</b>	<b>175,638</b>	<b>142,703</b>
<b>NET OPERATING INCOME</b>	<b>261,878</b>	<b>135,950</b>	<b>108,875</b>	<b>19,993</b>	<b>(28,505)</b>	<b>(22,520)</b>
<b>OTHER INCOME &amp; DEDUCTIONS</b>						
Interest on L-T Debt	4,004	12,456	11,669	12,556	12,195	12,518
Amortization Expense						
<b>Subtotal - Deductions</b>	<b>4,004</b>	<b>12,456</b>	<b>11,669</b>	<b>12,556</b>	<b>12,195</b>	<b>12,518</b>
<b>Subtotal - Income</b>						
<b>Total Other Income &amp; Deduct</b>	<b>(4,004)</b>	<b>(12,456)</b>	<b>(11,669)</b>	<b>(12,556)</b>	<b>(12,195)</b>	<b>(12,518)</b>
<b>NET INCOME</b>	<b>257,875</b>	<b>123,495</b>	<b>97,206</b>	<b>7,437</b>	<b>(40,700)</b>	<b>(35,038)</b>



**Kentucky Frontier Gas LLC**  
**Consolidated Income/Expense**

12/19/2011

	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	TOTALS
<b>OPERATING REVENUES:</b>							
Gas Sales Revenues	94,235	95,371	101,435	159,053	316,983	626,137	<b>3,406,766</b>
Other Revenues	478	656	1,191	1,274	2,276	39,593	<b>206,915</b>
<b>TOTAL REVENUES</b>	<b>94,713</b>	<b>96,027</b>	<b>102,626</b>	<b>160,327</b>	<b>319,259</b>	<b>665,730</b>	<b>3,613,681</b>
<b>OPERATING EXPENSES:</b>							
Natural Gas Purchases	47,829	51,980	29,578	75,396	108,073	454,150	<b>2,119,711</b>
Maintenance Expense	29,198	24,656	23,793	19,068	24,916	34,995	<b>384,408</b>
Office Supplies	3,465	4,328	3,499	4,844	6,572	9,528	<b>68,389</b>
Outside Services	14,108	12,872	17,864	14,493	6,560	8,453	<b>215,939</b>
Customer Records, etc	23,449	13,371	7,688	15,581	14,393	34,843	<b>215,921</b>
Meter Reading Labor	3,821	1,888	2,291	2,166	2,763	3,045	<b>34,380</b>
Admin Salaries	32,873	14,724	3,547	13,160	6,838	50,024	<b>163,103</b>
Pensions & Benefits	2,277	1,860	2,161	1,860	2,090	2,218	<b>22,595</b>
Property Insurance	1,274	1,196	1,274	663	3,152	2,342	<b>35,455</b>
Other/Misc Expenses	112	70	69	234	20	8,450	<b>14,537</b>
Depreciation	15,446	15,446	15,446	15,446	15,446	15,446	<b>187,419</b>
Tax Expense - Other	2,675	1,581	1,552	6,008	14,776	41,404	<b>127,507</b>
Income Tax Expense			175				<b>175</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>176,526</b>	<b>143,971</b>	<b>108,935</b>	<b>168,919</b>	<b>205,598</b>	<b>664,898</b>	<b>3,589,540</b>
<b>NET OPERATING INCOME</b>	<b>(81,813)</b>	<b>(47,944)</b>	<b>(6,309)</b>	<b>(8,592)</b>	<b>113,660</b>	<b>831</b>	<b>24,142</b>
<b>OTHER INCOME &amp; DEDUCTIONS</b>							
Interest on L-T Debt	12,764	13,126	13,055	12,574	12,295	21,205	<b>133,740</b>
Amortization Expense							<b>0</b>
<b>Subtotal - Deductions</b>	<b>12,764</b>	<b>13,126</b>	<b>13,055</b>	<b>12,574</b>	<b>12,295</b>	<b>21,205</b>	<b>133,740</b>
<b>Subtotal - Income</b>	<b>1</b>	<b>1</b>	<b>1</b>				<b>3,967</b>
<b>Total Other Income &amp; Deduct</b>	<b>(12,763)</b>	<b>(13,125)</b>	<b>(13,054)</b>	<b>(12,574)</b>	<b>(12,295)</b>	<b>(21,205)</b>	<b>(129,773)</b>
<b>NET INCOME</b>	<b>(94,576)</b>	<b>(61,069)</b>	<b>(19,363)</b>	<b>(21,166)</b>	<b>101,366</b>	<b>(20,373)</b>	<b>(105,631)</b>

**Kentucky Frontier Gas LLC**  
**Consolidated Income/Expense**

12/19/2011

	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	12/31/2011	TOTALS
OPERATING REVENUES:							<b>0</b>
Gas Sales Revenues	91,725	94,867	105,979				<b>2,378,738</b>
Other Revenues	270	779	17,629				<b>50,998</b>
<b>TOTAL REVENUES</b>	<b>91,995</b>	<b>95,646</b>	<b>123,608</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,429,736</b>
OPERATING EXPENSES:							
Natural Gas Purchases	56,523	49,853	55,569				<b>1,302,657</b>
Maintenance Expense	23,539	35,768	23,274				<b>229,044</b>
Office Supplies	4,500	6,144	3,670				<b>38,709</b>
Outside Services	9,098	8,638	11,050				<b>92,056</b>
Customer Records, etc	14,047	11,751	9,284				<b>99,711</b>
Meter Reading Labor	5,819	2,793	3,706				<b>33,061</b>
Admin Salaries	14,364	21,383	15,927				<b>88,634</b>
Pensions & Benefits	3,279	2,576	2,909				<b>21,766</b>
Property Insurance	11,069	1,200	1,200				<b>30,802</b>
Other/Misc Expenses	38	728	6				<b>2,332</b>
Depreciation	15,446	15,446	15,446	15,446	15,446	15,446	<b>185,352</b>
Tax Expense - Other	6,764	2,316	690				<b>28,708</b>
Income Tax Expense			4,522				<b>6,655</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>164,485</b>	<b>158,596</b>	<b>147,254</b>	<b>15,446</b>	<b>15,446</b>	<b>15,446</b>	<b>2,159,488</b>
<b>NET OPERATING INCOME</b>	<b>(72,490)</b>	<b>(62,950)</b>	<b>(23,646)</b>	<b>(15,446)</b>	<b>(15,446)</b>	<b>(15,446)</b>	<b>270,248</b>
OTHER INCOME & DEDUCTIONS							
Interest on L-T Debt	12,051	12,387	12,370				<b>102,205</b>
Amortization Expense							<b>0</b>
<b>Subtotal - Deductions</b>	<b>12,051</b>	<b>12,387</b>	<b>12,370</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102,205</b>
<b>Subtotal - Income</b>							<b>0</b>
<b>Total Other Income &amp; Deduct</b>	<b>(12,051)</b>	<b>(12,387)</b>	<b>(12,370)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(102,205)</b>
<b>NET INCOME</b>	<b>(84,541)</b>	<b>(75,337)</b>	<b>(36,016)</b>	<b>(15,446)</b>	<b>(15,446)</b>	<b>(15,446)</b>	<b>168,043</b>

other revenues in Sept include 13344.98 for BTU contract

Kentucky Frontier Gas LLC  
Consolidated Income/Expense

12/19/2011

	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	12/31/2012	TOTALS
<b>OPERATING REVENUES:</b>							
Gas Sales Revenues							0
Other Revenues							0
<b>TOTAL REVENUES</b>	0	0	0	0	0	0	0
<b>OPERATING EXPENSES:</b>							
Natural Gas Purchases							0
Maintenance Expense							0
Office Supplies							0
Outside Services							0
Customer Records, etc							0
Meter Reading Labor							0
Admin Salaries							0
Pensions & Benefits							0
Property Insurance							0
Other/Misc Expenses							0
Depreciation							0
Tax Expense - Other							0
Income Tax Expense							0
<b>TOTAL OPERATING EXPENSE</b>	0	0	0	0	0	0	0
<b>NET OPERATING INCOME</b>	0	0	0	0	0	0	0
<b>OTHER INCOME &amp; DEDUCTIONS</b>							
Interest on L-T Debt							0
Amortization Expense							0
<b>Subtotal - Deductions</b>	0	0	0	0	0	0	0
<b>Subtotal - Income</b>							0
<b>Total Other Income &amp; Deduct</b>	0	0	0	0	0	0	0
<b>NET INCOME</b>	0	0	0	0	0	0	0