

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER GAS)	CASE NO.
COMPANY, LLC FOR APPROVAL OF ADJUSTMENT)	2011-00513
OF FARM TAP RATES)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO KENTUCKY FRONTIER GAS COMPANY, LLC.

Pursuant to 807 KAR 5:001, Kentucky Frontier Gas Company, LLC ("Frontier") 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 no later than March 2, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the individual 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 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 it is legible.

1. Refer to Paragraph 3 of Frontier's December 20, 2011 application ("Application") and Exhibit 3 thereto. Frontier has provided its own Adoption Notices for Alert Oil and Gas Company and Interstate Gas Company, and an Adoption Notice for J.W. Kinzer Drilling Company by Quality Natural Gas, LLC ("Quality").

a. Explain why there is no Adoption Notice for Quality or KLC Enterprises by Frontier, and why there are no rates or tariffs for Kinhag Development or for farm tap customers of Belfry Gas.

b. Provide the rates currently charged to Belfry Gas and Kinhag Development farm tap customers.

2. Refer to Paragraphs 4 and 5 of Frontier's Application, specifically, the discussion of the 180 customers that have an allotment of free gas.

a. The discussion indicates that some of these customers have an annual limit on the volume of free gas they receive, with a weighted average annual limit for all such customers of 180 Mcf. Provide the number of customers with annual limits of: less than 100 Mcf; between 100 and 200 Mcf; and more than 200 Mcf.

b. Paragraph 5 states that Frontier bills these customers "[a]t the applicable tariffed rate for paying customers" for gas used in excess of the customers' annual limit. For the 12 months ending June 2011, which Frontier proposes as a test period, provide the volume of "excess" gas for which it billed the free gas customers and the amount of revenue generated by these billings.

c. Paragraph 4 refers to tariffed and untariffed rates applicable to the free gas customers. For each of the systems listed in Paragraph 3 of the Application as having farm tap customers, provide that system's existing untariffed rates.

3. Refer to Paragraphs 9 and 16 of the Application.

a. Explain why Frontier intends to establish a farm tap-specific Gas Cost Adjustment mechanism as part of its planned general rate application for its distribution operations rather than in this proceeding (Case No. 2011-00513).

b. Clarify whether Frontier expects the final rates approved by the Commission in this case to include a gas cost component.

4. Refer to Paragraph 12 of the Application. Explain in detail how Frontier determined that its farm tap service represents 17 percent of its operations costs.

5. Refer to Paragraph 15 and page 2 of Exhibit 2 of the Application.

a. Explain why the annual Mcf volumes used to derive the proposed Non-Gas Commodity Charge are estimated volumes rather than actual volumes.

b. Explain how the estimate of 52,000 annual Mcf was determined. Include all applicable workpapers, spreadsheets, etc. with the explanation, which should reflect the extent to which the excess volumes of "free gas" customers are included.

c. Provide calculations supporting the \$4.18 projected gas cost.

d. Explain why free gas customers will not be charged the proposed \$10 monthly service charge after they have used their allotment of free gas.

e. Explain how the average usage of 60 Mcf per year was determined.

f. According to page 2 of Exhibit 2, the current weighted average annual bill of Frontier's farm tap customers is \$542.40. Provide the average annual bill of each of the individual farm tap systems listed in paragraph 3 of the Application.

6. Refer to page 1 of Exhibit 2 of the Application.

a. Explain in detail how the farm tap-specific amounts shown for the individual operating expenses were derived.

b. Clarify that the following expense items do not include any Frontier in-house labor costs.

(1) Outside Services

(2) Pensions and Benefits

(3) Insurance

(4) Taxes, Property, PSC, Other

c. Provide the number of employees for whom some portion of their compensation is included in the operating expenses shown for the test year. Include each employee's job title and the farm tap job functions he or she performs.

d. Of the employees identified in the response to part c. of this request, identify those receiving a 5 percent raise and the date of the employee's raise.

e. The note to the adjustment to Distribution Expenses reads "[a]dd 1 operator, 5% raises."

(1) Provide the number of operators Frontier currently employs.

(2) Provide the date on which the new operator began as an employee of Frontier.

(3) Provide a breakdown of the proposed adjustment of \$6,718 which shows separately the amounts for the additional operator and the 5 percent raises. Explain whether the amount for the additional operator is equal to 17 percent of the operator's compensation.

f. The note to the adjustment to Office Expenses reads, "[r]ent due to increase \$200/month." Identify the owner of the relevant rental property and provide the date of the planned increase in rent.

g. The note to the adjustment to Mgmt-Admin reads, "[m]ove Mgr., changes to HQ." Explain what is meant by "changes to HQ."

h. The note to the adjustment to Pensions & Benefits reads, "[i]ncrease pension contribution." Explain how the amount of the adjustment, which reflects a 36 percent increase to the test year actual amount, was determined.

7. Refer to Exhibit 5 of the Application, which contains a September 30, 2011 balance sheet and a profit and loss statement for the nine months ending September 30, 2011. It appears the balance sheet is provided on a consolidated basis as it separately identifies assets of gas systems acquired by Frontier, including the Alert Oil and Gas Company's farm tap utility plant. Confirm that the nine-month profit and loss statement also represents Frontier's operations on a consolidated basis.



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DATED FEB 03 2012

cc: Parties of Record

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