

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF KENTUCKY FRONTIER)	
GAS, LLC AND PUBLIC GAS COMPANY FOR)	CASE NO.
APPROVAL OF TRANSFER AND ACQUISITION)	2015-00299
OF ASSETS AND FINANCING)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO KENTUCKY FRONTIER GAS, LLC, AND PUBLIC GAS COMPANY.

Kentucky Frontier Gas, LLC ("Frontier") and Public Gas Company ("Public") (collectively "Applicants"), pursuant to 807 KAR 5:001, are to file with the Commission the original and three copies of the following information, with a copy to all parties of record. The information requested herein is due no later than October 15, 2015. 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 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.

Applicants shall make timely amendment to any prior response if they obtain 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 Applicants fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention should 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. When filing a document containing personal information, Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. Refer to the application, page 2, paragraph 3, and to Exhibit 5, page 2, the last sentence of the first paragraph of the PROJECT section. State how many of Public's 1,728 customers are considered farm tap customers.

2. Refer to the application, page 3, paragraph 5.

a. Explain when Frontier anticipates filing a rate case that will consolidate Frontier and Public.

b. Explain whether Frontier believes that it can serve existing Public customers at Public's current rates with no decline in service.

c. Explain whether Frontier intends to include the cost of Public's gas supply in its quarterly Purchased Gas Adjustment ("PGA") applications.

d. If the answer to part b. of this item is yes, explain whether Frontier intends to apply a gas cost reconciliation rate to Public's customers through its PGA mechanism.

e. Explain whether Frontier intends to seek Commission permission, pursuant to 807 KAR 5:006(9) and 5:011(10), to charge its tariffed non-recurring charges to Public's current customers or continue to charge Public's tariffed non-recurring charges to Public's current customers following the proposed transfer.

3. Refer to the application, page 5, paragraph 16, which references Frontier's request for expedited approval by November 30, 2015, and to Exhibit 3, page 16, Section 7.01(b), Termination. Confirm that if all required consents are obtained other than from this Commission by November 30, 2015, then the Walk-Away Date as defined by that Section is extended from November 30 to December 31, 2015.

4. Refer to the application, Exhibit 3, page 7, Section 3.06, Assigned Contracts. Provide a list of the contracts Public will assign to Frontier.

5. Refer to the application, Exhibit 3, page 17, Section 7.01(f), Termination. Provide Public's Lost and Unaccounted for gas percentage for the latest 12-month period available.

6. Refer to the application, Exhibit 3, page 17, Section 7.01(g), Termination. Provide the amount of bare steel pipe in service for Public's system.

7. Refer to the application, Exhibit 3, page 17, Section 7.01(h), Termination. Provide copies of all communication between Frontier and Jefferson Gas, LLC ("Jefferson Gas") concerning Frontier's acquisition of adequate gas transportation and gas supply commitments from Jefferson Gas.

8. Refer to the application, Exhibit 3, the *Disclosure Schedules* document. The first page of this *Disclosure Schedules* section states that it is to be updated by the

seller prior to closing. Provide updates of the indicated sections as they become available. This should be considered an ongoing request.

9. Refer to the application, Exhibit 3, specifically, the income statement for Public included in Exhibit 1.01-A to the *Disclosure Schedules* document.

a. Provide the average number of customers served by Public over the year-to-date period ended June 30, 2015, broken down by customer class, i.e., residential and commercial.

b. Provide the Mcf sales volumes for both residential and commercial customers for the year-to-date period ended June 30, 2015.

c. State whether all of the commercial sales were made pursuant to Public's gas sales service tariff, or if any occurred pursuant to special contract. If any are special contract sales, provide the Mcf sales volumes, rates, and total special contract sales revenue for the year-to-date period ended June 30, 2015.

d. State whether any of the gas sales revenue is from farm tap sales. If so, provide the associated volumes, rate, and total farm tap revenue for the period.

e. Describe the nature of the propane sales which produced \$4,979 in Other Income during the year-to-date period ended June 30, 2015.

10. Refer to the application, Exhibit 5, second page, fifth paragraph, which states that Public's system is adjacent to Frontier's existing system. Explain whether Frontier has any short-term or long-term plans to interconnect these systems and explain how this interconnection may affect the level of service, reliability, and safety of Frontier's system.

11. Refer to the application, Exhibit 5, second page, fifth paragraph, which states the number of Public employees and that Frontier intends to maintain that staffing level. Provide the length of time that Frontier expects to maintain the additional staffing level of four field operating workers and two office staff.

12. Refer to the application, Exhibit 5, third page, fifth paragraph, which states that Frontier was nominated by CTBI and honored by the Small Business Administration ("SBA") in 2011 as one of Kentucky's "SBA Success Stories."

a. State whether CTBI is the acronym for Community Trust Bank, Inc. ("Community Trust").

b. Describe the nature of the honor or recognition Frontier received as one of Kentucky's SBA Success Stories.

13. Refer to the application, Exhibit 6, specifically, the letter acknowledging Frontier's loan request with Community Trust in Pikeville, Kentucky. The last sentence in the second paragraph of the letter dated August 31, 2015, states that Frontier's loan application will be submitted to the bank's "Senior Loan Committee in the next week or two for consideration." The next paragraph states that if the loan is approved by the bank, it will be submitted to SBA for authorization. As they become available, provide the approval documents of the bank and SBA.

14. Refer to the application, Exhibit 7, Form M: Customer Debt Schedule, on which Frontier is identified as the customer.

a. Explain whether this schedule was provided by Community Trust.

b. Explain whether the 5 percent rate in the column headed *Interest Rate* on the line identified as *CTB new Public* represents the interest rate already established for the \$1.5 million loan for which Frontier applied to Community Trust.

15. Refer to the application, Exhibit 7, the Frontier balance sheet, which reflects its account balances as of May 31, 2015. For each month of the 12-month period ended May 31, 2015, provide the following:

- a. The balance of Account 131, Cash – Bank Accounts;
- b. The balance of Account 232, Accounts Payable; and
- c. The Total Equity balance.

16. Refer to the balance sheet of Auxier Road Gas Company, Inc. included in Exhibit 7 of the application, which reflects its account balances as of May 31, 2015. For each month of the 12-month period ended May 31, 2015, provide the following:

- a. The Total Equity balance;
- b. The balance of Account 145, Notes Receivable from Associated Companies; and
- c. A description of the nature of Account 145, Notes Receivable from Associated Companies, which had a balance of \$541,871 as of May 31, 2015.

17. Refer to the application, Exhibit 8, the schedule headed *Kentucky LDC Meters & Revenues – “Rent Roll”*.

- a. Explain how the amount of \$305.40 as the average residential bill per year for Public was derived.
- b. Explain how the amount of \$120.00 as the average residential bill per year in the *Totals* line was derived.

18. Refer to the application, Exhibit 9, which is page 1 of 10 of a transaction confirmation between Public and Jefferson Gas, LLC ("Jefferson Gas") dated November 11, 2011. The sentence in the first box that goes across the entire page states that the transaction confirmation is subject to the terms of the base contract between the two parties.

- a. Provide pages 2 through 10 of the transaction confirmation.
- b. Provide the aforementioned base contract.
- c. At the time of its transfer from Kentucky Energy Development, LLC to Gas Natural, Inc. in 2012, Public was not interconnected to an interstate pipeline and Jefferson Gas was its only source of supply. Confirm that these circumstances have not changed during the period since that transfer.

19. Refer to the application, Exhibit 9. Item 3 in the box entitled "Other Comments or Special Conditions" states that Jefferson Gas is obligated to provide the full requirements of Public's customers of record as of November 11, 2011. Provide the number of customers of record for Public as of November 11, 2011.

20. Provide the type of meter used by Public and the age(s) of the meters currently in service.

21. State whether Frontier intends to pursue a meter-replacement program based on the age of Public's meters, and if so whether it intends to replace the current meters with Automatic Meter Reading meters as Frontier is doing in its current service area.

22. Identify and quantify any liabilities that will be assumed by Frontier as a result of this transfer.

23. Describe Frontier's plan for uniformity in rates, brand, trademark, etc.



Jeff Derouen
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Public Service Commission
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DATED SEP 25 2015

cc: Parties of Record

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