

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY FRONTIER)	
GAS, LLC FOR APPROVAL OF FINANCING AND)	CASE NO.
TRANSFER OF CONTROL)	2008-00394

FIRST DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY FRONTIER GAS, LLC

Kentucky Frontier Gas, LLC ("Kentucky Frontier"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than November 6, 2008. 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.

Kentucky Frontier shall make timely amendment to any prior responses 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 Kentucky 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to paragraph 4.a. on page 2 and paragraph 16.a. on page 5 of Kentucky Frontier's application concerning the farm tap customers which Kentucky Frontier is negotiating to take over.

a. How many farm tap customers are involved and are they all served by the Alert Gas System ("Alert")?

b. Is the Alert system physically connected to Belfry Gas, Inc. ("Belfry"), which has the same ownership as Alert? If no, describe where the Alert system is located in relation to the Belfry system.

c. Describe the physical assets involved in serving the customers on the Alert system that will be acquired by Kentucky Frontier under the proposed acquisition.

d. Under Kentucky Frontier, will the customers presently being served by Alert be considered farm tap customers or distribution customers?

2. Refer to paragraph 16.b. on page 5 of Kentucky Frontier's application.

a. What is the amount of Floyd County Gas's ("Floyd County") debt to the Governor's Office of Local Development ("GOLD")?

b. Kentucky Frontier has placed \$700,000 in escrow for the benefit of Floyd County as payment for its assets. What is the total amount Kentucky Frontier will pay to acquire the Floyd County assets?

3. Refer to paragraph 24 on page 7 of Kentucky Frontier's application. Describe in detail the reasons Gilmer Mickey and Don Silversmith, each of whom was to have a 23 percent ownership interest in Kentucky Frontier as shown in its application in Case No. 2005-00348,¹ no longer have an ownership interest in Kentucky Frontier.

4. Refer to the top of page 3 of Kentucky Frontier's amended application, which was filed with the Commission on October 23, 2008.

a. Describe the efforts Kentucky Frontier has made to date to contact either Johnson County Gas Company, Inc. ("Johnson County") or B & H Gas Company, Inc. ("B & H") for the purpose of attempting to negotiate purchase agreements to acquire those systems and/or their assets.

b. The next-to-last sentence in the paragraph discussing Johnson County and B & H states that "[i]t expects to either negotiate a mutually satisfactory agreement or to leverage the acquisition through the rights acquired with the security agreements from GOLD." Explain what Kentucky Frontier means by leveraging the acquisition through the rights acquired with the security agreements from GOLD.

¹ Case No. 2005-00348, The Application of Kentucky Frontier Gas, LLC, Belfry Gas Inc., Floyd County Gas (East Kentucky Utilities, Inc.), Elam Utility Company, Inc., and Mike Little Gas Company for Approval of Transfer and Acquisition of Assets and Stock and Issuance of Certificate of Convenience and Necessity, if Necessary. Order dated October 28, 2005.

c. Explain why it is appropriate for the Commission to consider Kentucky Frontier's request for approval of transfer of B & H and Johnson County at this time, since no agreement has been reached for said transfer and B & H and Johnson County are not parties to this proceeding.

5. Elam Utility Company, Inc. ("Elam"), one of the joint applicants in Case No. 2005-00348, has intervened in this case and opposes the acquisition of its customers and assets by Kentucky Frontier.

a. Does Kentucky Frontier believe its agreement to acquire the stock of Elam, dated June 23, 2005, which is in the record of Case No. 2005-00348, is a valid and enforceable contract? Explain the response.

b. Does Kentucky Frontier have the same ability to leverage the acquisition of Elam through the rights acquired with the security agreements from GOLD that it asserts it has in the case of Johnson County and B & H? If no, explain why.

c. Explain whether Kentucky Frontier plans to go forward with its agreement with GOLD if it is unable to reach a satisfactory arrangement with Elam at this time.

6. Refer to the last paragraph in the body of Kentucky Frontier's amended application in which Kentucky Frontier requests expedited review and approval prior to November 28, 2008. Identify and describe the specific terms of any agreements, contracts, etc. with GOLD, Community Trust Bank, Inc., Floyd County, or any other party involved in the proposed acquisitions and transfers of control which bear on the importance of the November 28, 2008 requested approval date.

7. In Case No. 2005-00428,² the Commission found that the requirements of KRS 278.300 were not applicable to Kentucky Frontier as it was not a utility. It also found that those requirements would become applicable to Kentucky Frontier after it had acquired ownership or control of facilities used to provide utility service. Explain whether Kentucky Frontier has acquired ownership or control of such facilities.

8. In Case No. 2007-00107,³ the Commission ordered Mike Little Gas Company, Inc. ("Mike Little") to replace its non-corrosion controlled steel distribution pipe. Mike Little chose to comply with the Commission's Order by inserting plastic pipe inside existing steel distribution pipe.


a. State whether Kentucky Frontier is aware of the method that Mike Little has chosen to comply with the Commission's Order. Describe Kentucky Frontier's familiarity with gas systems that faced similar situations and used the same method chosen by Mike Little.

b. State whether Kentucky Frontier is of the opinion that connecting a customer to plastic pipe inserted in a steel distribution pipe would present greater technical challenges than just connecting a customer to plastic pipe. Explain the response.

² Case No. 2005-00428, The Application of Kentucky Frontier Gas, LLC for Approval of Assumption of Existing Debt and Financing of New Debt, Order dated October 28, 2005.

³ Case No. 2007-00107, An Investigation of Mike Little Gas Company, Inc. for Alleged Violations of Commission Orders and Safety Violations Pursuant to 278.990 and KRS 278.992.

c. State whether Kentucky Frontier is of the opinion that connecting a customer to plastic pipe inserted in a steel distribution pipe would be more costly than a typical connection to a non-corrosive line. Explain the response.


Stephanie Stumbo *by permission*
Executive Director
Public Service Commission
P.O. Box 615
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DATED October 31, 2008

cc: All parties