

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

APPLICATION OF KENTUCKY
FRONTIER GAS COMPANY, LLC AS
BANKRUPTCY OPERATOR OF B.T.U.
GAS COMPANY, INC.

AUG 20 2012

PUBLIC SERVICE
COMMISSION

COMPLAINANT

V.

CASE NO.
2012-00028

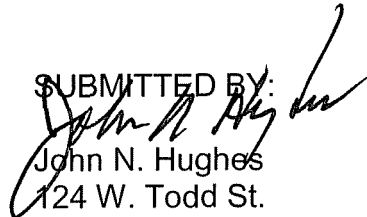
HARRY THOMPSON, THOMPSON
ENERGY, ET AL. AND OTHER
UNKNOWN ENTITIES

RESPONDENTS

KENTUCKY FRONTIER GAS, LLC RESPONSES TO COMMISSION ORDER

Kentucky Frontier Gas, LLC, by counsel, pursuant to the Commission's
order of August 10, 2012 submits the following responses.

SUBMITTED BY:



John N. Hughes
124 W. Todd St.

Frankfort, KY 40601

502-227-7270

jnhughes@fewpb.net

Attorney for Kentucky Frontier Gas, LLC

I certify a copy of this response was served on the following by first class mail the
20th day of August, 2012.

Adrian M. Mendiondo
KINKEAD & STILZ, PLLC
301 East Main Street, Suite 800
Lexington, Kentucky 40507
Phone: (859) 296-2300
E-mail: amendiondo@ksattorneys.com

1. Refer to the third sentence in Item 10 of Frontier's January 18, 2012 complaint ("Frontier's Complaint") which reads: "This segment was identified by Richard Williams to Frontier manager Robert Oxford as being part of BTU in October, 2010." Explain whether the referenced identification was provided verbally or in written form to Mr. Oxford.

Witness: Oxford

- The referenced identification was provided verbally and visually by Richard Williams by pointing to each segment on the map as we drove the various segments of the BTU system that he was offering for sale.

2. Refer to the second sentence in Item 7 of the response of Harry Thompson, Wilon Gathering Systems, Inc. (“WGSII”), and Chattaco, Inc. (collectively “WGSII et al.”) to Frontier’s Complaint. The latter part of the sentence reads, “to the extent that any BTU customers are or were ever connected to the Wilon Pipelines that those connections were made by BTU.” Explain whether Frontier has any evidence to refute this statement.

Witness: Oxford

- Frontier has no written evidence to refute this statement, since Richard Williams provided no documents of any kind, other than 1 month of billing records. One of Frontier’s current employees says that he, as an employee of BTU Gas until June 2011, for many years read dozens of meters for BTU Gas in the Oakley area. These customers were not listed on the billing documents provided by Williams. Customers in that area have told us they believed they were BTU customers. After Frontier assumed operation of BTU, those same customers were told they would now belong to Thompson Energy.

3. Refer to the third sentence in Item 10 of the response of WGSJ et al. to Frontier's Complaint which reads: "B.T.U. has always been responsible for providing any gas to its customers, and to the extent that B.T.U. did so through the Wilon Pipelines it had the contractual right to do so." Explain whether Frontier has any evidence to dispute WGSJ et al.'s statement indicating that B.T.U. Gas Company, Inc. ("B.T.U.") served customers via what WGSJ et al. refers to as the "Wilon Pipelines."

Witness: Oxford

- Frontier has no written evidence to refute this statement, since Frontier received no copies of BTU contracts from Williams or Thompson et al.

4. Refer to the response to Item 25 of Commission Staffs Initial Request for Information to WGSJ et al., dated May 21, 2012. The fourth and fifth sentences in the response read: “B.T.U. thereafter used the pipeline in accordance with its contractual rights. B.T.U. can still use the pipeline in accordance with its contractual rights.” Explain whether Frontier, as “Bankruptcy Operator” of B.T.U., has made any attempt to “use the pipeline in accordance with its contractual rights.”

Witnesses: Oxford/Shute

- Frontier has no knowledge of a contract between BTU and WGSJ for transportation of gas to “BTU” customers on WGSJ pipelines. Therefore, Frontier could not attempt to “use the pipeline in accordance with its contractual rights.” If there are such customers, Frontier is not aware of them, since we received no copies of such contracts. If so, we would treat them as farm tap customers and bill in accordance with the applicable tariff.

5. On June 11, 2012, Frontier submitted a data request to WGSII et al., to which, according to the Commission's records, no response has been filed.

a. The Commission has received no motion to compel from Frontier regarding the lack of response by WGSII et al. Explain whether Frontier has contacted WGSII et al. informally about this matter and why Frontier filed no motion to compel.

Witnesses: Oxford/Shute

- a.) Frontier has not contacted WGSII et al. Frontier has had many more pressing priorities in attempting to clean up and salvage BTU as a viable utility. Now Frontier can focus on the missing customers. A motion to compel is being filed concurrently with this response.
- b. Given its inaction regarding the lack of a response to its data request to WGSII et al., explain whether anything has changed concerning Frontier's interest in this matter.
 - b.) Frontier closed on the financing for BTU and on July 13 signed documents for the purchase and transfer of BTU assets from the bankruptcy trustee. Evidence of the transfer includes the Bill of Sale with the Map exhibit, and a Quitclaim deed for any easements or transferrable ROWs. With full control of BTU, Frontier can now prosecute the return of the diverted BTU customers.

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF KENTUCKY
PIKEVILLE DIVISION**

IN RE:

**RICHARD DOW WILLIAMS
PAMELA JEAN WILLIAMS**

CASE NO. 10-70767

DEBTORS

CHAPTER 7

**ORDER APPROVING THE SALE OF
B.T.U. GAS COMPANY, INC. ASSETS
TO KENTUCKY FRONTIER GAS, LLC**

This case having come on for hearing July 12, 2012 at Lexington on Trustee's Motion for Order Approving Sale of B.T.U. Gas Company of Salyersville to Kentucky Frontier Gas, LLC; the Court having heard the representations of the Trustee, having reviewed the record; and, being otherwise sufficiently advised, **HEREBY ORDERS:**

1. The sale of B.T.U. Gas Company, Inc.'s assets to Kentucky Frontier Gas, LLC for \$255,000.00 is approved pursuant to Bankruptcy Code Section 363 as a sale free and clear of liens.
2. Those assets sold are all assets of B.T.U. Gas Company, Inc., including but not limited to, those assets listed in the forms of Bill of Sale and Quitclaim Deed, attached hereto and incorporated herein by reference.
3. James R. Westenhoefer, is authorized and directed to conclude the sale on behalf of the herein estate.

Pursuant to Local Rule 9022-1(c), James R. Westenhoefer, shall cause a copy of this order to be served on each of the parties designated to receive this order pursuant Local Rule 9022-1(a) and shall file with the Court a certificate of service of the order upon such parties within ten (10) days hereof.

DISTRIBUTION:

**James R. Westenhoefer, by electronic notice
U.S. Trustee's Office, 100 E. Vine St., Ste. 500, Lexington, KY 40507
Richard and Pamela Williams
Debtor's Attorney
All creditors and other parties in interest.**

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

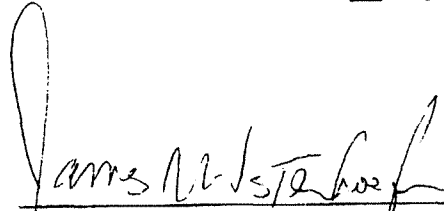
THAT JAMES R. WESTENHOEFER, Trustee in Case No. 10-70767 filed in the United State Bankruptcy Court for the Eastern District of Kentucky, Pikeville Division, (the "Seller") pursuant to that Order entered by the Court on July 12, 2012, for and in consideration of the sum of \$255,000.00, cash in hand paid by KENTUCKY FRONTIER GAS, LLC, a Colorado limited liability company (the "Purchaser"), the receipt of which is hereby acknowledged by Seller, does hereby GRANT, BARGAIN, SELL, TRANSFER and DELIVER unto Purchaser all the Seller's right, title and interest in and to all the assets of the B.T.U. Gas Company, Inc., including but not limited to, the customer and business records, permits, easements, rights of way and all physical assets of the natural gas pipeline gathering and distribution system and associated taps and facilities, service connections and meters, spare parts and tools and specialized equipment, and all other associated facilities of the B.T.U. Gas Company, Inc. system as reflected on Exhibit A, attached and made a part of this transaction, all of which are necessary for the continued operation of the natural gas gathering and distribution business of B.T.U. Gas Company, Inc., but specifically EXCLUDING any and all debts, contracts, commitments, liabilities or other obligations, whether known or unknown, accrued or contingent of B.T.U. Gas Company, Inc., its predecessor companies and Richard Dow and Pamela Jean Williams individually, jointly and as owners and operators of those companies (the "Property").

SELLER warrants that Seller is transferring free and clear title to the Property and that there are no liens against same. All Property being conveyed to Purchaser is

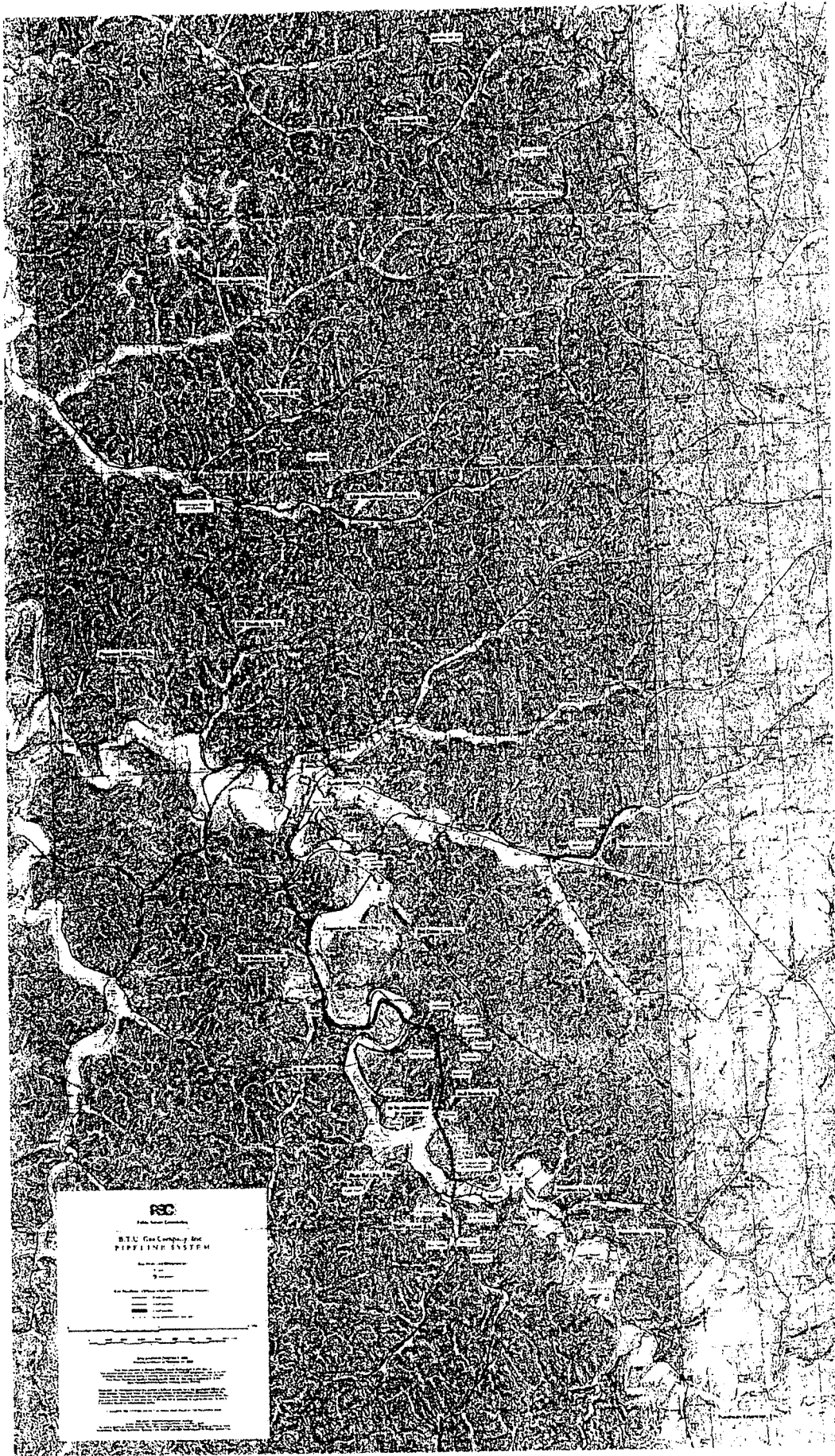
AS IS and without warranty either express or implied. Purchaser shall be entitled to allocate the purchase price at Purchaser's sole discretion.

TO HAVE AND TO HOLD said Property unto the Purchaser, its successors and assigns forever.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale this 13TH day of July, 2012.



JAMES R. WESTENHOEFER, Trustee
for the United States Bankruptcy Court
for the Eastern District of Kentucky,
Pikeville Division, in Case No. 10-70767



RSC
Rising Star Company

**BTU Gas Company and
PIPELINE SYSTEM**

Scale: 1" = 1 Mile

Legend:

- Existing Gas Pipelines
- Proposed Gas Pipelines
- Gas Processing Plants
- Compressor Stations
- Regulator Stations
- Valves
- Waterways
- Roads
- Railroads
- Boundaries
- Contours
- Spot Elevation

Map Date: 1985

Map No. 1000

Scale: 1" = 1 Mile

Map Date: 1985

Map No. 1000

THIS QUITCLAIM DEED of conveyance, made and entered into this 13th day of July, 2012, by and among JAMES R. WESTENHOEFER, TRUSTEE for U.S. BANKRUPTCY COURT, EASTERN DISTRICT of KENTUCKY, PIKEVILLE DIVISION, with mailing address of 212 South Third Street, Richmond, KY 40475 and Kentucky Frontier Gas, LLC, 4891 Independence Street, Wheat Ridge, CO 80033,

WHEREAS, the GRANTOR hereto claims ownership and interest in certain rights-of-way and easements in Magoffin County, Kentucky, upon which the GRANTOR has acquired through bankruptcy from BTU Gas Company, Inc. formerly known as and operated as B.T.U. Pipeline, Inc., owned and operated by Richard Dow and Pamela Jean Williams, individually and jointly, of Salyersville, which were acquired over the course of years by virtue of placement and locations of certain natural gas gathering or distribution pipelines; and

WHEREAS, the parties herein have entered into an agreement wherein the GRANTOR herein has agreed to sell the assets of GRANTOR James R. Westenhoef, Trustee to the GRANTEE herein, which includes those certain pipelines lying and running upon those certain rights-of-way and easements more specifically described in the Bill of Sale for Business Assets, executed among the parties on July 13, 2012; and

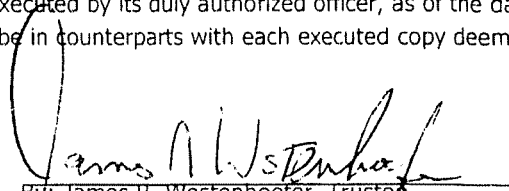
WHEREAS, it is the intention of the parties herein, that by this instrument, all those rights and interests in said rights-of-way and easements are to be transferred to the GRANTEE herein;

NOW, THEREFORE, WITNESSETH:

That for and in consideration of the agreement of the parties herein contained and other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the party of the first part, does hereby release, remise and forever quitclaim unto the party of the second part, all of its right, title and interest of the part of the first part in and to all valid and enforceable rightsof-way and easements herein described which are associated with the pipelines depicted on the maps of the GRANTOR and attached as Exhibit A to the Bill of Sale of Assets and any and all other validly executed, legally recognizable and enforceable permits, easements or rights of way, associated with the installation of natural gas facilities for or by the BTU Gas Company, Inc., its predecessor companies, related companies or Richard Dow or Pamela Jean Williams, but specifically excludes any agreements providing free or unlimited gas in exchange for a permit, easement or right of way or any other unenforceable agreement for natural gas service. This conveyance is made without any warranty whatsoever either expressed or implied and is made subject to any and all covenants, restrictions and easements as may appear in any instrument of record in the Office of the Clerk of Magoffin County, Kentucky.

The parties herein hereby declare that this deed is not subject to the excise tax imposed by the Commonwealth of Kentucky upon the transfer of the real property for the reason that said Deed is a quitclaim deed without monetary consideration.

IN WITNESS WHEREOF, the party of the first part has hereunto subscribed its signature to this quitclaim deed, or has caused this quitclaim deed to be executed by its duly authorized officer, as of the day, month and year first herein written, such execution may be in counterparts with each executed copy deemed and accepted as an original.


By: James R. Westenhoef, Trustee
For U.S. Bankruptcy Court, Eastern District
KY Pikeville Division

COMMONWEALTH OF KENTUCKY
COUNTY OF Pike

Subscribed, sworn to and acknowledged before me this the 13th day of July, 2012, by James R. Westenhoefer, Trustee for the U.S. Bankruptcy Court, Eastern District of Kentucky, Pikeville Division.

My commission expires: March 21, 2016

Handwritten Signature
NOTARY PUBLIC

Notary number: _____

KENTUCKY FRONTIER GAS, LLC

By: Handwritten Signature

Its: STEVEN SHUTE, MEMBER-MANAGER

COMMONWEALTH OF KENTUCKY
COUNTY OF Pike

Subscribed, sworn to and acknowledged before me this the 13th day of July, 2012, by Steven Shute as Member-Manager of Kentucky Frontier Gas, LLC, for and on behalf of said company.

My commission expires: March 21, 2016

Handwritten Signature
NOTARY PUBLIC

Notary number: _____

THIS INSTRUMENT PREPARED BY:

Handwritten Signature

James R. Westenhoefer, Trustee
U.S. Bankruptcy Court
Eastern District of Kentucky
Pikeville Division
212 South Third Street
Richmond, KY 40475

For purposes of compliance with KRS 382.135, the address to which the property tax bill for the year in which the property is transferred may be sent is c/o Kentucky Frontier Gas, LLC, 4891 Independence Street, Wheat Ridge, CO 80033.



Public Service Commission

**BTU Gas Company, Inc.
PIPELINE SYSTEM**

Gas Works and Compressor

- Gas Works and Compressor
- Gas Pipeline
- Gas Pipeline
- Gas Pipeline
- Gas Pipeline



This map was prepared by the BTU Gas Company, Inc. in accordance with the requirements of the Public Service Commission. It is intended for informational purposes only and does not constitute a contract. The map is based on data provided by the BTU Gas Company, Inc. and other sources. The map is subject to change without notice. The map is not to be used for any other purpose without the written consent of the BTU Gas Company, Inc.