

COMMONWEALTH OF KENTUCKY

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BEFORE THE PUBLIC SERVICE COMMISSION

MAY 04 2012

In the Matter of:

PUBLIC SERVICE
COMMISSION

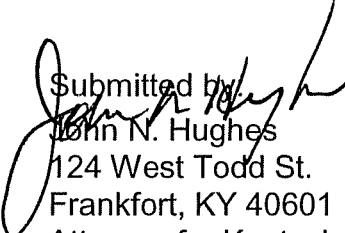
APPLICATION OF KENTUCKY FRONTIER GAS, LLC
FOR APPROVAL OF TRANSFER OF ASSETS OF THE
FORMER B.T.U. GAS COMPANY AND APPROVAL OF
FINANCING OF ACQUISITION

Case No.
2012-00099

KENTUCKY FRONTIER GAS, LLC'S RESPONSES

TO THE COMMISSION'S FIRST REQUEST FOR INFORMATION

Kentucky Frontier Gas, LLC ("Frontier"), by counsel, provides the following responses to the Commission's data request.


Submitted by
John N. Hughes
124 West Todd St.
Frankfort, KY 40601
Attorney for Kentucky Frontier Gas, LLC

Certificate:

I certify that a copy of these responses was served by mail on the Attorney General, 1024 Capital Center Dr., Frankfort, KY the 4th day of May, 2012.

John N. Hughes

1. Refer to Item 6 of Frontier's application.
 - a. Explain in detail why the acquisition of the former assets of B.T.U. Gas Company ("BTU") will necessitate the addition of one field employee and one office employee to Frontier's operations.
 - b. Provide the gas supply agreements referenced in Item 6, discuss the various supply options available for the BTU system and explain why the current options were chosen.

Witness: Shute

RESPONSE: Frontier has maintained a small staff over the last several years even though the company has grown from an initial customer count of approximately 800 to almost 4000 customers now. However, In order to meet the needs of the addition of a large, wide-spread service area of BTU, it is necessary to add a field employee. The additional BTU meters that must be read and serviced, as well as the extensive repair and replacement requirements of the BTU system, place too large a strain on the existing workforce. The additional worker will help assure continued timely response to customer needs as well as help maintain the safety of the system.

The office employee is needed to relieve the existing staff of a workload that has grown with the acquisition of new gas systems. The office employee will assist in billing, customer relations and regulatory compliance.

b. The gas supply agreements are attached. The current gas supply agreements are the most cost effective available and are with the most reliable suppliers that Frontier could locate in the area.

GATHERING AGREEMENT

THIS GATHERING AGREEMENT (the "Agreement") effective as of October 18, 2011, by and between FONTAINE-WILLIAMS GAS GATHERING SYSTEM, LLC, a Kentucky limited liability company ("FWGGS") and KENTUCKY FRONTIER GAS, LLC, a Colorado limited liability company ("KFG").

WITNESSETH:

WHEREAS, KFG has contracted to purchase natural gas from the wells listed on **Exhibit "A"** attached hereto and incorporated by reference, as it may be amended from time to time (the "Wells"); and

WHEREAS, the Wells are currently connected or may be connected, to FWGGS's gathering system; and

WHEREAS, KFG desires to contract with FWGGS to gather and compress natural gas produced from the Wells and to re-deliver said natural gas to certain agreed-upon interconnects with the pipeline system of B.T.U. Gas Company, Inc. ("BTU"); and

WHEREAS, FWGGS is willing to receive KFG's natural gas from the Wells into its pipelines for compression (utilizing FWGGS's compression facilities) and delivery to agreed-upon delivery points at existing interconnections between the systems of FWGGS and BTU.

NOW THEREFORE, in consideration of the premises, the covenants and agreements herein contained and the benefits to be derived by each party, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, KFG and FWGGS agree as follows:

ARTICLE I.

DEFINITIONS

1.1 The term "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 10:00 a.m., Eastern U.S. Time.

1.2 The term "point of receipt" shall mean the agreed-upon points where the wellhead gathering lines or flow lines of the Wells are or may be connected to FWGGS's lines on FWGGS's system, as identified on **Exhibit "B"** attached hereto and incorporated by reference herein.

1.3 The term "Delivery Point" shall mean the agreed-upon points where FWGGS's lines are, or may be connected, to BTU's lines, as identified on **Exhibit "C"** attached hereto and incorporated by reference herein, or such other mutually-agreeable points as KFG and FWGGS may agree upon from time to time.

1.4 The term "Mcf" shall mean one thousand (1,000) standard cubic feet of gas.

1.5 With respect to FWGGS, the term "facilities" shall mean all compressors, meters or other contractual agreements, rights, equipment or property used in connection therewith and all of FWGGS's field gathering lines connected to the well flow lines, and all rights of way, easements and licenses pertaining to said pipelines.

1.6 The term "Wells" shall mean the Wells listed on **Exhibit "A"** hereto.

ARTICLE II.

GATHERING AND DELIVERY

2.1 Subject to the terms of this Agreement, FWGGS agrees that it will maintain connection and/or connect to its gathering system any or all of the Wells, as requested by KFG, and FWGGS agrees to receive for the account of KFG all natural gas delivered by KFG to FWGGS at

mutually-agreeable points of receipt on FWGGS's facilities for delivery to Delivery Points designated by KFG on the terms set forth herein.

2.2 To the extent of its then-current capacity, FWGGS shall accept KFG's gas from the Wells, and shall compress and redeliver same on an equivalent Mcf basis, less the amount of gas attributable to fuel consumption and the amount of gas that is lost or unaccounted for in the ordinary course of system operations, to the Delivery Points as provided herein. All KFG gas received onto FWGGS's facilities shall be delivered to the Delivery Points on a reasonable basis, subject to any capacity limitations of the receiving pipeline and KFG's arrangements with the receiving pipeline. KFG expressly understands that FWGGS will make reasonable efforts to deliver KFG's volumes of natural gas to the Delivery Points, but that FWGGS may from time to time interrupt service at various compression stations due to force majeure event (as described in Article XI hereof), and scheduled and unscheduled repairs, maintenance, upgrade of facilities, pigging of lines, or for reasons beyond its control caused by third party transporters and others. In the event FWGGS interrupts or curtails service to the Wells, FWGGS shall give KFG prompt written notice, specifying the reason for such service disruption. In addition to the foregoing, FWGGS shall give KFG fifteen (15) days advance notice of any planned/scheduled repairs, maintenance, upgrade of facilities, pigging of lines or shutdown that would affect the transportation of KFG's gas.

2.3 FWGGS's gathering and compression obligation hereunder shall be discharged in a good and workmanlike manner and in accordance with good oilfield practice. FWGGS's obligations hereunder shall be subject to (a) KFG's existing contractual obligations; (b) KFG's obligations to any retail and transportation customers served pursuant to statute (KRS 278.485 *et seq.*) and Kentucky Public Service Commission ("PSC") regulations; (c) to orders, rules, statutes

and regulations of any lawful authority having jurisdiction; (d) capacity limitation of the FWGGS system; and (e) to any matter constituting a “force majeure” as outlined below.

2.4 FWGGS shall utilize its field gathering lines and its compression facilities as well as interconnections with the pipeline facilities of BTU that are necessary to effectuate the gathering and compression service for KFG as described in Article II hereof. KFG will provide or cause to be provided all facilities necessary to deliver gas to FWGGS against the varying pressure in FWGGS’s facilities.

2.5 The parties do not intend hereby to create, nor shall this agreement be construed as creating, a partnership, joint venture, agency relationship or association.

2.6 Under no circumstances will FWGGS have any obligation to provide, or liability for, stand-by or make-up gas to KFG.

2.7 Notwithstanding anything contained in this Agreement to the contrary, the parties hereby acknowledge their mutual understanding that FWGGS does not have any compressors or compression capability on its system. The parties further agree that it is their current understanding that compression will not be needed for FWGGS to comply with its delivery obligations hereunder. If compression should be required at some time in the future, FWGGS will consider providing those services, provided the parties can agree upon the terms for those services, including an appropriate fee. If compression is needed, and the parties cannot so agree, this Agreement will terminate without any liability on the part of either party, other than those obligations already incurred at that time.

ARTICLE III.

FARM TAPS

3.1 Subject to the terms of this Agreement, FWGGS agrees that KFG may use the FWGGS facilities to provide gas to residential customers located in the vicinity of the FWGGS lines by means of farm taps.

3.2 KFG shall be solely responsible for the cost and liability associated with the construction and installation of such taps. KFG shall also be solely responsible and liable for the operation of the farm taps and for the provision of gas to the residential customers served by the farm taps. FWGGS shall have no contract with, or obligation or liability to, the residential customers served by the farm taps.

3.3 KFG shall construct, install and operate (or caused to be constructed and installed or operated) all farm taps in strict conformity with all state, federal and local statutes, regulations and orders, and will obtain all necessary licenses, permissions or tariffs for same.

ARTICLE IV.

TERM

4.1 This Agreement and all rights hereunder shall commence on the date first above written and shall continue in full force and effect for one year unless earlier terminated in accordance with this Agreement. Provided, however, in the event that: (i) the volume of gas gathered from any of the Wells is, in the reasonable opinion of FWGGS, insufficient to generate revenues sufficient for FWGGS to fulfill its obligations hereunder, or (ii) changes in regulatory requirements or the requirements of BTU would require FWGGS to provide additional treatment or services to meet quality specifications (collectively "Alterations"), and FWGGS cannot economically undertake the Alterations based on the Rate provided in Section 8.1, then FWGGS

shall provide KFG written notice of its intention to increase the gathering and compression rate to a rate under which FWGGS would continue to provide the services provided for herein. Within thirty (30) days after receipt of said notice, KFG shall either accept the new rate proposed by FWGGS, or KFG shall terminate this Agreement to the extent it pertains to the subject portion of facilities by providing FWGGS thirty (30) days written notice of its intent to do so.

4.2 This Agreement may be terminated by either party on thirty (30) days notice. Notwithstanding the foregoing, FWGGS may, in its discretion, terminate this Agreement without notice upon the sale of BTU or substantially all of its assets.

ARTICLE V.

QUALITY

5.1 KFG acknowledges and agrees that in order for gas to be delivered into FWGGS's facilities, such gas must comply with the following terms and conditions.

5.2 All gas delivered and redelivered hereunder shall be commercially free from air, dust, gum, gum-forming constituents, harmful or noxious vapors, or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters and other equipment of the receiving party.

5.3 The gas delivered and redelivered shall not contain:

(a) any free water produced by or from the Wells;

(b) in excess of four percent (4%) by volume of a combined total of carbon dioxide and nitrogen components, provided, however, that the total carbon dioxide content shall not exceed three percent (3%) by volume;

(c) in excess of twenty-five hundredths (0.25) grains of hydrogen sulfide per one hundred (100) cubic feet of gas;

(d) in excess of twenty (20) grains of total sulfur per one hundred (100) cubic feet.

5.4 FWGGS shall have the right to have gas from the Wells tested by a competent third-party to ascertain its compliance with the quality parameters set out in Sections 5.3 and 5.4 above (“Specifications”) as well as the BTU content of the gas. If the results of the testing indicate the gas from any of the Wells fails to meet any of the specifications, KFG shall reimburse FWGGS for the cost of the testing. Otherwise, each party shall bear one-half of the costs of the testing.

5.5 If the gas delivered by KFG to FWGGS’s facilities fails to meet any of the Specifications, then upon instruction by KFG, FWGGS agrees to take such steps and measures as instructed to bring the gas into conformity with the Specifications, and all additional costs in connection with such measures shall be borne by KFG. If the gas delivered by KFG to FWGGS’s facilities fails to meet the Specifications, and KFG does not instruct FWGGS to take corrective action to bring the gas into compliance with the Specifications, FWGGS may (i) reject the gas and suspend its acceptance of gas from the Wells; or (ii) at FWGGS’s sole and absolute discretion, blend the non-conforming gas with other gas in the FWGGS system so that the commingled gas will conform to the Specifications.

ARTICLE VI.

DELIVERY PRESSURE

6.1 All gas delivered by KFG to FWGGS shall be delivered by KFG at pressures sufficient to enter the gas into FWGGS’s system or against the prevailing pressure at such point.

FWGGS shall maintain a pressure on its system at each of the Wells that is reasonable in the context of the operations of the FWGGS gathering system as a whole.

ARTICLE VII.

MEASUREMENT AND MEASURING EQUIPMENT; ACCESS AND INFORMATION

7.1 For the purpose of this Agreement, the unit of volumetric measurement shall be a standard cubic foot of gas at a pressure base of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute, a temperature base of sixty (60) degrees Fahrenheit (five hundred twenty (520) degrees Rankine) and without adjustments for water vapor.

7.2 The gas subject to this Agreement shall be measured for the purpose of payment hereunder at each Well using the existing Well Meter (or any agreed upon replacement thereof) (the "Master Meter"). The Well operator shall be responsible for the changing and maintenance of the charts for the Master Meter. Each Master Meter will be calibrated and tested twice each year under the supervision of the Well operator, FWGGS and the third-party calibrator. The cost of calibration, maintenance and repair of each Master Meter shall be borne one half by KFG and one half by the Well Operator.

7.3 Upon request and reasonable notice during the term of this Agreement, each party and its representatives, including its engineer and/or operator, shall have access to and the right to inspect the properties, facilities, fixtures, books, records, personnel, and equipment (including the point of receipt and Delivery Point) of the other party to the extent they are directly used in or are directly related to such party's performance under this Agreement. Prior to such inspection, the parties, and/or any of their representatives shall enter into reasonable confidentiality agreements.

7.4 Upon request from the other party, each party shall promptly provide to the other any reports or test results relating to the Wells or the gas therefrom that are prepared or obtained in the ordinary course of its business, subject to the execution of a confidentiality agreement as provided above.

7.5 In no event shall FWGGS make any physical modifications at the point of receipt or Delivery Point without first giving KFG written notice of such modification, and giving KFG a reasonable opportunity to have a representative present at the time such modification is made.

ARTICLE VIII.

RATE

8.1 For FWGGS's gathering and compression services hereunder, KFG shall pay FWGGS \$0.35 for each Mcf of gas gathered or received from any of the Wells (the "Gathering Fee") plus the costs associated with testing and with the Master Meter as set out above.

ARTICLE IX.

STATEMENTS AND PAYMENT

9.1 **Billing.** On or before the thirtieth day of each calendar month during the term of this Agreement, KFG shall render to FWGGS a statement (the "Production Report") on which is reported the metered quantities of gas produced from each of the Wells during the previous calendar month and delivered through each of the farm taps during the previous calendar month. KFG shall also provide to FWGGS, along with the Production Report, an integration report or reading for each of the Wells showing the metered quantity of gas produced by such Well and delivered through the farm taps in the corresponding month, and at FWGGS's request will provide FWGGS with the original well charts or other volume recordings. KFG shall also provide FWGGS with a computation of the amount due FWGGS pursuant to this Agreement (the "Payment Statement").

Chart integration and volume measurement shall be made as accurately as possible and within the accuracy prescribed by the manufacturer of the measuring equipment used.

9.2 Payments. Payments shall be made by check, payable to the order of FWGGS at the address contained in Section 14.1 of this Agreement, and shall be delivered to FWGGS along with the Payment Statement. Late payments and refunds of disputed amounts shall bear interest at a rate equal to the highest Prime Rate at large U.S. money center banks that is published in *The Wall Street Journal* plus five percent (5%), on the unpaid balance.

ARTICLE X.

TITLE TO GAS; APPLICATIONS, REPORTS

10.1 KFG warrants that it will have good title to, or to its knowledge, be in lawful possession of all gas delivered or caused to be delivered to FWGGS under this Agreement and that to KFG's knowledge, such gas will be free and clear of all liens, encumbrances and claims whatsoever; that it will at the time of delivery have the right to deliver or cause to be delivered the gas hereunder; and that it will indemnify FWGGS and save it harmless from suits, actions, debts, accounts, damage, costs, losses and expenses arising from or out of adverse claims of any and all persons to said gas or to royalties, taxes, license fees or charges thereon, to the extent such claims arise out of KFG not having good title or not being in lawful possession of such gas or such gas being subject to liens.

10.2 KFG and FWGGS mutually covenant and agree that each shall timely execute all necessary applications and reports to such federal, state and local regulatory authorities as each is required by statute, regulation or rule to make, and continue to pursue same until all such necessary applications and reports are filed and accepted. Each party shall keep the other timely advised of all such reporting and application activities.

ARTICLE XI.

RESPONSIBILITY; INDEMNITY

11.1 Except as otherwise provided in this Agreement, it is agreed that from the time gas is received onto FWGGS's facilities until the delivery of such gas to any third party transporter at the Delivery Points, FWGGS will assume all responsibility for the gathering and compression of such gas, will indemnify and hold KFG harmless against any injuries, losses, claims, or damages caused thereby, subject to the provisions of this agreement, and FWGGS will have the unqualified right to commingle such gas with other gas in its pipeline system.. Otherwise, KFG shall have all responsibility for such gas.

11.2 KFG will indemnify and hold harmless FWGGS from and against all claims, losses, damages and expenses, including reasonable attorneys' fees arising from or related any way to (i) the farm taps; (ii) any failure by KFG to comply with its obligations hereunder; or (iii) the gas during the time it was under the control or in the possession of KFG.

ARTICLE XII.

FORCE MAJEURE

12.1 In case either party to this Agreement fails to perform any obligations hereunder assumed by it and such failure is due to acts of God or a public enemy, strikes, riots, vandalism, sabotage, eco-terrorism, injunctions or other interference through legal proceedings, breakage or accident to machinery or lines or wells, blowouts, the failure of wells in whole or part, or the compliance with any statute, either State or Federal, or with any other of the Federal Government or any branch thereof, or of the Governments of the State wherein subject premises are situated, or to any causes not reasonably within the control of the party claiming force majeure, or is caused by the necessity for making repairs or alterations in machinery or lines of pipe, such failure shall not be

deemed to be a violation by such party of its obligations hereunder, but such party shall use due diligence to again put itself in position to carry out all of the obligations which by the terms hereof it has assumed. It is expressly understood and agreed, however, that this Article XII shall not apply to the obligation of KFG make any payments hereunder.

ARTICLE XIII.

GOVERNMENTAL REGULATION

13.1 This Agreement shall be subject to all applicable and valid statutes, rules orders and regulations of any federal, state or local governmental authority or agency having jurisdiction over the parties, their facilities or gas supply, this Agreement or any provision hereof. The parties agree that should any state, federal or local governmental authority or agency with jurisdiction over this Agreement or transactions herein require approval for the gathering or sale of gas hereunder, then each party shall make all necessary applications or filings and shall submit any records or data required by such governmental authority or agency.

13.2 Neither FWGGS nor KFG shall be liable for failure to perform hereunder if such failure is due to compliance with rules, regulations, laws, orders or directives of any state, federal or local governmental regulatory authority or agency having jurisdiction.

13.3 Nothing in this Agreement shall prevent either party from contesting the validity of any law, order, rule, regulation or directive of any state, federal or other governmental regulatory authority or agency, nor shall anything in this Agreement be construed to require either party to waive its right to assert the lack of jurisdiction of such regulatory body, governmental entity, or agency over this Agreement or any party hereto.

13.4 This Agreement is subject to the terms and conditions of any third party rules and regulations for gathering of gas for others, off-system utilization, as set forth in such third party's tariffs on file with any lawful authority, as same may be changed from time to time.

ARTICLE XIV.

TRANSFER AND ASSIGNMENT

14.1 This Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto.

ARTICLE XV.

NOTICES

15.1 All notices, requests, statements and other communications hereunder shall be in writing and shall be delivered as follows:

To KFG: KENTUCKY FRONTIER GAS, LLC
4891 Independence Street, Ste. 200
Wheat Ridge, CO 80033
Attn: Robert J. Oxford, Member

To FWGGS: FONTAINE WILLIAMS GAS GATHERING SYSTEM, LLC
663 POTTS BRANCH PO BOX 11590
PRESTONSBRWG KY 41653 DAMBRIDGE IS., WA 98110
Attn: CHRIS SLONE Attn: ROBERT CARLSON

The parties may, from time to time, designate other addresses for notices and other communications by first giving notice of such change of address, in writing, as provided above. Any required written notice of default shall be by certified mail, return receipt requested.

ARTICLE XVI.

WAIVER

16.1 A waiver by either party of any one or more defaults by the other in the performance of any provisions hereof shall not operate as a waiver of any future default.

ARTICLE XVII.

SEVERABILITY

17.1 Except as otherwise provided herein, any provision of this Agreement declared or rendered unlawful by a statute, court of law or regulatory agency with jurisdiction over the parties or either of them, shall not affect the other obligations of the parties hereunder.

ARTICLE XVIII.

DEFAULT AND REMEDIES

18.1 The following shall be Events of Default under the terms of this Agreement and the terms "Events of Default" or "Default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) If KFG shall fail to pay sums due to FWGGS for a period of five (5) or more days after FWGGS has given KFG notice thereof and an opportunity to cure thereon;

(b) If either party shall file a voluntary petition for bankruptcy or shall be adjudicated bankrupt or insolvent, or shall file any petition or any answer seeking or acquiescing in any reorganization, arrangement, composition, adjustment, liquidation, dissolution, or similar relief for itself under any then current federal, state or other statute, law, or regulation, or shall seek, consent to, or acquiesce in the appointment of any trustee, receiver, or liquidator of such party, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(c) If either party shall materially fail to perform or observe any covenant, provision, term, restriction, or condition required to be performed or observed by such party under the terms of this Agreement (other than the obligation to pay money referenced in subsection (a) above) which continues for more than thirty (30) days after such party has received written notice thereof;

provided that if such failure cannot be cured within such thirty (30) day period, no default shall occur if the relevant party has begun good faith efforts to cure the failure within such thirty (30) days. In the event of a dispute between the parties whether a material failure to perform has occurred, no termination of this Agreement shall occur until the defaulting party has the opportunity to cure provided by this section, after the existence of such failure has been determined in accordance with this Agreement.

18.2 If any of the Events of Default enumerated in Section 8 occurs, then in such event and as often as the same occurs, the non-defaulting party may terminate this Agreement.

18.3 Exercise of the foregoing remedies shall not preclude the parties from exercising every other remedy provided herein or at law, it being the intention of the parties that parties' remedies shall be cumulative and shall survive termination of this Agreement.

ARTICLE XIX.

GOVERNING LAW; SUBMISSION TO PROCESS

19.1 THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE COMMONWEALTH OF KENTUCKY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE COMMONWEALTH OF KENTUCKY AND THE COUNTY OF LAUREL OR FAYETTE AND AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN ANY LEGAL PROCEEDING RELATING HERETO BY ANY MEANS ALLOWED UNDER KENTUCKY OR FEDERAL LAW. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY

OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

ARTICLE XX.

WAIVER OF JURY TRIAL, PUNITIVE DAMAGES, ETC.

20.1 EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY (A) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR ASSOCIATED HEREWITH, BEFORE OR AFTER MATURITY; (B) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY PUNITIVE DAMAGES, (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (D) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION.

ARTICLE XXI.

HEADINGS

21.1 The headings of the provisions of this Agreement are used for convenience only and shall not be deemed to affect the meaning or construction of such provision.

ARTICLE XXII.

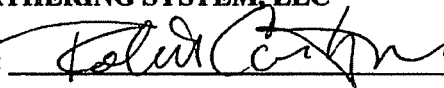
ENTIRE AGREEMENT

22.1 This Agreement contains the entire agreement between the parties and there are no promises, agreements, warranties, obligations, assurances or conditions other than those contained herein.

[Signatures on following page]

WITNESS the authorized signatures of the parties hereto, hereunto subscribed and affixed effective as of the day and year first hereinabove written.

**FONTAINE WILLIAMS GAS
GATHERING SYSTEM, LLC**

By: 

Its: PRESIDENT

Date: 1/16/12

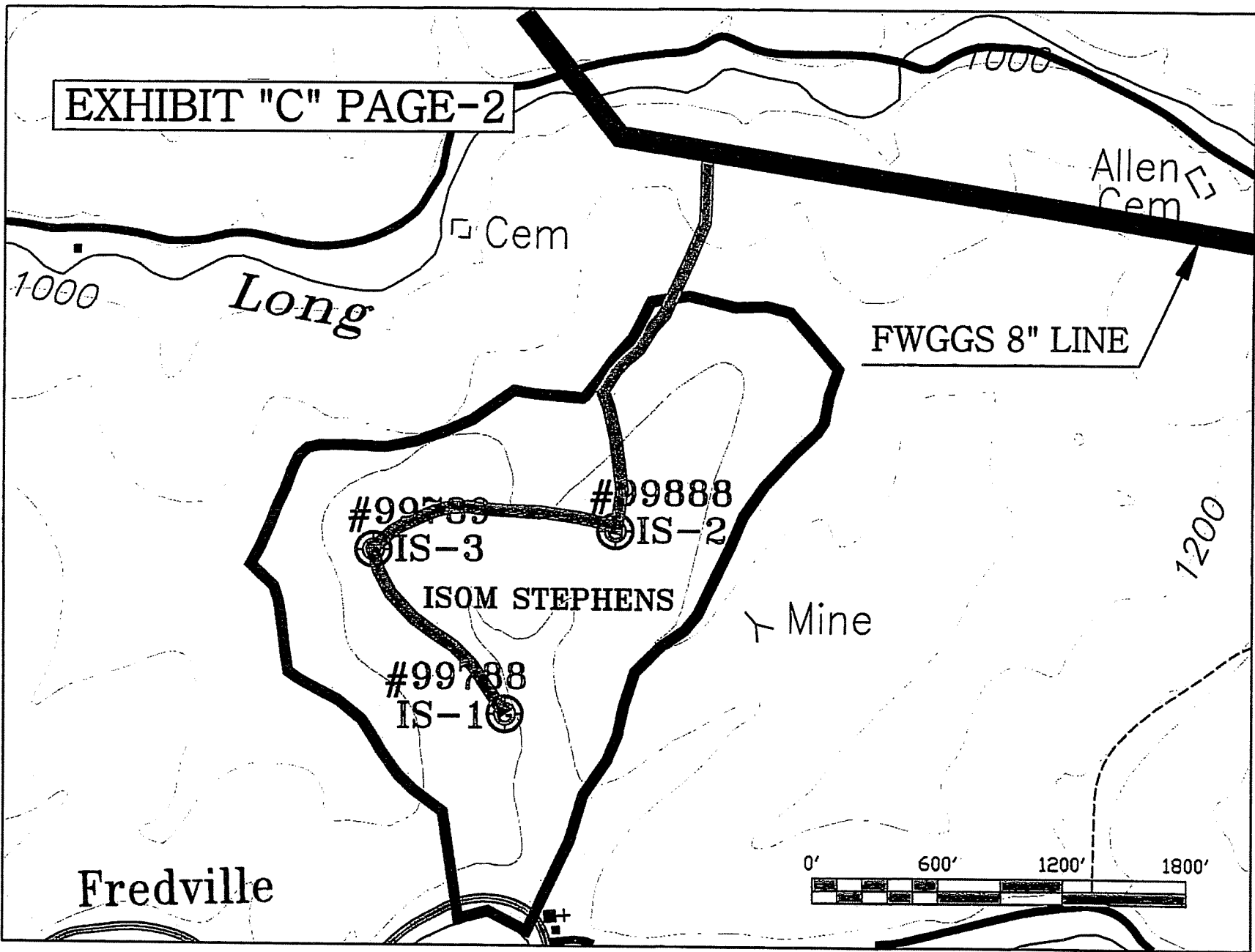
KENTUCKY FRONTIER GAS, LLC

By: *Russell Wood*

Its: Member

Date: October 18, 2011

EXHIBIT "C" PAGE-2



Cem

Allen Cem

Long

FWGGS 8" LINE

#99788
IS-3

#99888
IS-2

ISOM STEPHENS

Mine

#99788
IS-1

Fredville



EXHIBIT "C" PAGE-1

1100

LAWSON JOHNSON

#98544

⊙ LJ-2

□ Cem

Cem

Cooper
Cem

Creek

LICK CREEK/BRUSHY FORK 3IN

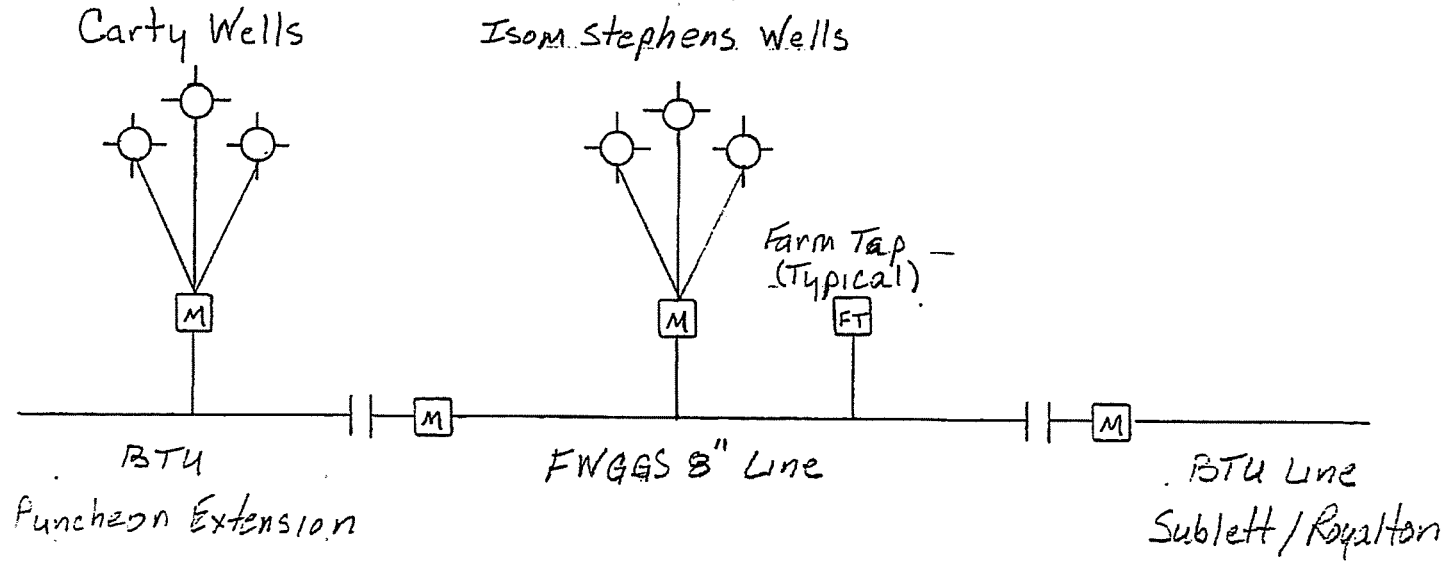


Exhibit "A"

Gas supply from FSV, LLC to BTU System

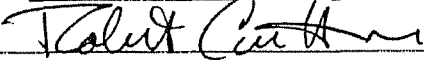
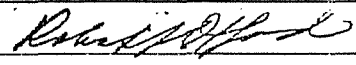
Well Name	Supply Location	General Notes
Isom Stephens #1	FWGGS 8"	Gas will gather on 8" and flow to BTU System near Royalton
Isom Stephens #2	FWGGS 8"	Gas will gather on 8" and flow to BTU System near Royalton
Isom Stephens #3	FWGGS 8"	Gas will gather on 8" and flow to BTU System near Royalton
Lawson Johnson #2	BTU System	Gas will flow directly into BTU System near Brushy Fork of Lick Creek

Exhibit C
(Preliminary)
Isom Stephens Wells



TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

	Date: <u>September 23, 2011</u> Transaction Confirmation #: <u>01</u>			
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated <u>September 23, 2011</u> . The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.				
SELLER: FSV, LLC PO Box 11590 Bainbridge Island, WA 98110 Attn: <u>Robert Carlson</u> Phone: <u>(206) 842-3206</u> Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: Kentucky Frontier Gas, LLC 2962 Route 321 N Prestonsburg, KY 41653 Attn: <u>Robert J. Oxford</u> Phone: <u>(303) 422-3400</u> Fax: <u>(303) 422-6105</u> Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: <u>\$3.00/MMBtu or 80% of Platts IFERC FOM TCo Appalachia Index, whichever is greater.</u>				
Delivery Period: Begin: <u>Oct 1, 2011</u> End: <u>Sep 30, 2012</u>				
Performance Obligation and Contract Quantity: (Select One) <table style="width: 100%;"> <tr> <td style="width: 33%;"> Firm (Fixed Quantity): _____ MMBtus/day " EFP </td> <td style="width: 33%;"> Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of " Buyer or o Seller </td> <td style="width: 33%;"> Interruptible: Up to <u>200</u> MMBtus/day </td> </tr> </table>		Firm (Fixed Quantity): _____ MMBtus/day " EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of " Buyer or o Seller	Interruptible: Up to <u>200</u> MMBtus/day
Firm (Fixed Quantity): _____ MMBtus/day " EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of " Buyer or o Seller	Interruptible: Up to <u>200</u> MMBtus/day		
Delivery Point(s): <u>BTU Gas System and Fontaine System Direct Interconnections</u> (If a pooling point is used, list a specific geographic and pipeline location):				
Special Conditions: Gas must not have free-water, must be dehydrated, and meet pipeline specifications for H ₂ S and Sulfur, and have a heating value of 900 BTU/SCF or greater. Any confidentiality obligations hereunder are subject and subordinate to any legal disclosure obligations of the parties or BTU.				
Seller: <u>FSV, LLC</u> By: <u></u> Title: <u>Manager</u> Date: <u>10/7/11</u>	Buyer: <u>Kentucky Frontier Gas, LLC</u> By: <u></u> Title: <u>Member</u> Date: <u>September 23, 2011</u>			

TRANSACTION CONFIRMATION FOR IMMEDIATE DELIVERY

EXHIBIT /

Letterhead/Logo		Date: <u>January 5</u> , 2012 Transaction Confirmation #: <u>01</u>	
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.			
SELLER: Attn: <u>John Gray Energy, LLC</u> Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____		BUYER: Kentucky Frontier Gas, LLC 2882 Route 321 N Prestonsburg, KY 41653 Attn: <u>Robert J. Ford</u> Phone: <u>(303) 422-3400</u> Fax: <u>(303) 422-6105</u> Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	
Contract Price: <u>\$4.00</u> MMBtu or <u>80%</u> of <u>Henry Hub</u> (FEBC EDW ICo Appalachia Index, whichever is greater).			
Delivery Period: Begin: <u>January 5</u> , 2012; End: <u>December 31</u> , 2012			
Performance Obligation and Contract Quantity: (Select One)			
Firm (Fixed Quantity): _____ MMBtu/day <input type="checkbox"/> FFP		Firm (Variable Quantity): _____ MMBtu/day Minimum _____ MMBtu/day Maximum subject to Section 4.2, at election of <input checked="" type="checkbox"/> Buyer or <input type="checkbox"/> Seller	
Interruptible: Up to _____ MMBtu/day			
Delivery Point(s): <u>DLR Pipeline, BTU Gas System and System Direct Interconnections to any available KFG System</u> (If a pooling point is used, list a specific geographic and pipeline location):			
Special Conditions: Gas must not have free water, must be dehydrated, free of H ₂ S and Sulphur. CO ₂ not to exceed 2% and with a heating value of 900 BTU/SCF or greater.			
Seller: <u>John Gray Energy LLC</u> By: _____ Title: <u>President</u> Date: <u>Jan/9/12</u>		Buyer: <u>Kentucky Frontier Gas, LLC</u> By: _____ Title: <u>Member</u> Date: <u>January 5, 2012</u>	

cont. upon negotiations.

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

	Date: <u>September 23, 2011</u> Transaction Confirmation #: <u>01</u>	
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated <u>September 23, 2011</u> . The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.		
SELLER: HTC Gas Company, LLC P.O. Box 783 Hindman, KY 41822 Attn: <u>Jed Weinberg</u> Phone: <u>(606) 785-0761</u> Fax: <u>(606) 785-0013</u> Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: Kentucky Frontier Gas, LLC 2962 Route 321 N Prestonsburg, KY 41653 Attn: <u>Robert J. Oxford</u> Phone: <u>(303) 422-3400</u> Fax: <u>(303) 422-6105</u> Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	
Contract Price: \$ _____/MMBtu or <u>80% of Platts IFERC FOM TCo Appalachia Index, or \$3.00/MMBtu, whichever is greater.</u>		
Delivery Period: Begin: <u>Oct 1, 2011</u> End: <u>Sep 30, 2012</u>		
Performance Obligation and Contract Quantity: (Select One)		
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): <u>0</u> MMBtus/day Minimum <u>200</u> MMBtus/day Maximum subject to Section 4.2. at election of <input checked="" type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Delivery Point(s): <u>DLR Pipeline, BTU Gas System at Lacey Creek Road and Tackett System Direct Interconnections</u> (If a pooling point is used, list a specific geographic and pipeline location):		
Special Conditions: Gas must not have free-water, must be dehydrated, and free of H ₂ S and Sulfur, and have a heating value of 900 BTU/SCF or greater.		
Seller: <u>HTC Gas Company, LLC</u> By: _____ Title: <u>Manager</u> Date: <u>9/30/11</u>	Buyer: <u>Kentucky Frontier Gas, LLC</u> By: _____ Title: <u>Member</u> Date: <u>September 23, 2011</u>	

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

Letterhead/Logo

Date: February 15, 2012
Transaction Confirmation # 01

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated February 15, 2012. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:
HI-Energy Gas Company, LLC
 679 Corb Reed Br. Rd.
 Salyersville, KY 41465
 Attn: Kenneth W. Carty
 Phone: 606-794-6229
 Fax: _____
 Base Contract No. _____
 Transporter: _____
 Transporter Contract Number: _____

BUYER:
Kentucky Frontier Gas, LLC
 2962 Route 321 N
 Prestonsburg, KY 41653
 Attn: Robert J. Oxford
 Phone: (303) 422-3400
 Fax: (303) 422-6105
 Base Contract No. _____
 Transporter: _____
 Transporter Contract Number: _____

Contract Price: \$4.00 /MMBtu or 80% of Platts IFCOM TCo Appalachia Index, whichever is greater.

Delivery Period: Begin: February 15, 2012 End: December 31, 2012

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity): <u>0</u> MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): <u>0</u> MMBtus/day Minimum <u>0</u> MMBtus/day Maximum subject to Section 4.2. at election of x Buyer or <input type="checkbox"/> Seller	Interruptible: Up to <u>0</u> MMBtus/day
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Delivery Point(s): BTU Gas System and System Direct Interconnections to any available KFG System (MAPS SHOWING DELIVERY POINTS ARE REQUIRED).
 (If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions: Gas must not have free-water, must be dehydrated, free of H₂S and Sulfur, CO₂ not to exceed 2% and with a heating value of 900 BTU/SCF or greater (QUARTERLY GAS ANALYSIS TO BE PROVIDED). Meter calibration must be witnessed every six (6) months.

Seller: Kenneth W. Carty
 By: *Kenneth W. Carty*
 Title: Organizer / Manager
 Date: _____

Buyer: Kentucky Frontier Gas, LLC
 By: *R. J. Oxford*
 Title: Member
 Date: 02-15-12

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

Letterhead/Logo	Date: <u>January 5</u> , 2012 Transaction Confirmation #: <u>01</u>			
<p>This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.</p>				
<p>SELLER: Slone Energy, LLC</p> <p>Attn: <u>Chris Slone</u> Phone: <u>(606) 225-2206</u> Fax: <u>(606) 349-8778</u> Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____</p>	<p>BUYER: Kentucky Frontier Gas, LLC 2962 Route 321 N Prestonsburg, KY 41653</p> <p>Attn: <u>Robert J. Oxford</u> Phone: <u>(303) 422-3400</u> Fax: <u>(303) 422-6105</u> Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____</p>			
<p>Contract Price: \$ <u>4.50</u> /Mcf or _____</p>				
<p>Delivery Period: Begin: <u>January 5</u>, 2012 End: <u>December 31</u>, 2012</p>				
<p>Performance Obligation and Contract Quantity: (Select One)</p> <table style="width:100%;"> <tr> <td style="width:33%; vertical-align: top;"> <p>Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP</p> </td> <td style="width:33%; vertical-align: top;"> <p>Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of x Buyer or <input type="checkbox"/> Seller</p> </td> <td style="width:33%; vertical-align: top;"> <p>Interruptible: Up to _____ MMBtus/day</p> </td> </tr> </table>		<p>Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP</p>	<p>Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of x Buyer or <input type="checkbox"/> Seller</p>	<p>Interruptible: Up to _____ MMBtus/day</p>
<p>Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP</p>	<p>Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of x Buyer or <input type="checkbox"/> Seller</p>	<p>Interruptible: Up to _____ MMBtus/day</p>		
<p>Delivery Point(s): <u>DLR Pipeline, BTU Gas System and System Direct Interconnections to any available KFG System</u> (If a pooling point is used, list a specific geographic and pipeline location): <u>From wells: Tussey #1, #2, #3</u></p>				
<p>Special Conditions: Gas must not have free-water, must be dehydrated, free of H₂S and Sulfur, CO₂ not to exceed 2% and with a heating value of 900 BTU/SCF or greater.</p>				
<p>Seller: <u>Slone Energy, LLC</u> By: <u>S. Chris Slone</u> Title: <u>Member</u> Date: <u>January 5, 2012</u></p>	<p>Buyer: <u>Kentucky Frontier Gas, LLC</u> By: <u>Robert J. Oxford</u> Title: <u>Member</u> Date: <u>January 5, 2012</u></p>			

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

	Date: <u>11-30-11</u> Transaction Confirmation #: MO/YR/CoAb	
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated <u>11-30-2011</u> . The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.		
SELLER: <u>WALKER RESOURCES CO., LLC</u> *Company Name* ("CoAb") *Company Address* <u>1213 GLEN CREST</u> *Company City/State* <u>LEXINGTON, KY 40502</u> Attn: <u>DAVID WALKER</u> Phone: Fax: Base Contract No. _____ Transporter: Transporter Contract Number: _____	BUYER: <u>KENTUCKY FRONTIER GAS, LLC</u> *Company Name* ("CoAb") *Company Address* *Company City/State* Attn: <u>ROBERT S. OXFORD</u> Phone: <u>505-422-3400</u> Fax: <u>505-422-6105</u> Base Contract No. _____ Transporter: Transporter Contract Number: _____	
Contract Price: <u>\$3.00 / MMBTU OR 80% OF PLatts / ERC FROM TCO APPALACHIA INDEX</u>		
Delivery Period: Begin: _____ End: <u>WHICHEVER IS GREATER</u>		
Performance Obligation and Contract Quantity: (Select One)		
Firm (Fixed Quantity): <u>0</u> MMBtus/day EFP	Firm (Variable Quantity): <u>0</u> MMBtus/day Minimum <u>0</u> MMBtus/day Maximum subject to Section 4.2. at election of Buyer or Seller	Interruptible: Lp to <u>0</u> MMBtus/day
Delivery Point(s): <u>BTU GAS SYSTEM DIRECT INTERCONNECTIONS TO ANY AVAILABLE HIG SYSTEM (MAPS SHOWING DELIVERY POINTS REQUIRED)</u>		
Special Conditions: No balancing required—Buyer to pay Seller based on actual volumes delivered to Buyer per meter at delivery point. <u>GAS MUST NOT HAVE FREE WATER, MUST BE DEHYDRATED, FREE OF H₂S AND SULFUR, CO₂ NOT TO EXCEED 2% AND WITH A HEATING VALUE 1,033 BTU/SCF OR GREATER (QUARTLY GAS ANALYSIS TO BE PROVIDED). METER CALIBRATION MUST BE WITNESSED EVERY 6 (SIX) MONTHS.</u>		
Seller: <u>WALKER RESOURCES CO., LLC</u> By: <u>David B. Walker</u> Title: <u>MEMBER</u> Date: <u>11-30-11</u>	Buyer: <u>KENTUCKY FRONTIER GAS, LLC</u> By: <u>[Signature]</u> Title: <u>MEMBER</u> Date: <u>11-30-11</u>	

2. Refer to Item 10 of the application.

a. Confirm, pursuant to its application, that Frontier will be the entity acquiring the former assets of BTU and that, subsequent thereto, it plans to transfer those assets to Cow Creek Gas, Inc. ("Cow Creek"). If this does not accurately describe the approach Frontier intends to follow, explain why.

b. Frontier owns the stock of Cow Creek; however, they are separate corporate entities. Provide the accounting entries, for both Cow Creek and Frontier, that will be made to record the transfer of the assets from Frontier to Cow Creek.

c. Exhibit 3 of the application is a proposed Frontier adoption notice of the BTU rates, rules and regulations. Explain whether Frontier anticipates the need to file a Cow Creek adoption notice upon the transfer of the former BTU assets from Frontier to Cow Creek.

d. The second paragraph in Item 10 indicates that Frontier intends to "[c]onsolidate Cow Creek with its other utilities in 2012." Explain, in this instance, what Frontier means by its use of the word "consolidate" and provide the timetable for the planned consolidation.

Witness: Shute

RESPONSE: Frontier is the acquiring entity, but BTU's assets will be placed into Dema Gas Company. BTU's location and facilities are compatible with Dema and make the transition into Frontier's system more orderly. It was originally believed that Cow Creek would be the best option for the BTU assets, but after reviewing the matter, it appears that Dema is a better option due to its relative size, lack of assets and rate base.

b. After reviewing the options, KFG has determined that BTU assets will be transferred into Dema Gas, rather than Cow Creek. Because of the small size of Dema, the accounting will be simplified. The accounting entries for this transaction are attached.

c. An adoption notice can be filed if necessary. However, KFG expects to operate BTU under its current rates rather than adopting Dema's rates.

d. Frontier has been operating some of the companies it has acquired as Frontier Gas and some as separate entities, such as Cow Creek. It is preparing a rate application to consolidate all of the acquired entities into Frontier, except BTU. The consolidation will include a single rate structure for all customers and a single tariff for all customers. It is expected that the filing will be made by July, 2012.

KFG is acquiring the assets of BTU, which must be placed into a corporate entity. Because of the problems of creating a new corporation for BTU, such as adequate capitalization, the assets will be put into the existing Dema corporation. After this transaction, Dema will hold the assets of BTU. This will allow KFG to operate the BTU assets as a separate entity until it has sufficient financial experience to develop accurate rate information. Then, those assets will be consolidated into KFG in the next rate case. At that time all of the assets (assuming no additional acquisitions) of KFG will be operated as one entity. Because KFG currently owns all of the assets involved, there is no "transfer" of facilities contemplated by KRS 278.020. This is simply an accounting transaction for bookkeeping and ratemaking simplification.

The accounting entries for the transfer of Dema are included in b.

JOURNAL ENTRIES
DEMA GAS COMPANY INC

5/4/2012

ACCT #		DEBIT	CREDIT	2008 PSC Annual Report
	BTU GAS CO			
131	CASH		\$255,000.00	
	DISTRIBUTION PLANT:			
376	MAINS	\$538,471.00		\$538,471.00
381	METERS	\$49,783.00		\$49,783.00
383	HOUSE REGULATORS	\$22,544.00		\$22,544.00
	TOTAL DISTRIBUTION PLANT	\$610,798.00		\$610,798.00
	GENERAL PLANT:			
394	TOOLS, SHOP & GARAGE EQUIP	\$0.00		\$9,893.00
396	POWER EQUIPMENT	\$0.00		\$30,307.00
398	MISC EQUIPMENT	\$0.00		\$6,959.00
	TOTAL GENERAL PLANT	\$0.00		\$47,159.00
108	ACCUMULATED DEPRECIATION	\$365,119.00		\$365,119.00
114	GAS PLANT ACQUISITION ADJUSTMENT	\$9,321.00		
	NET UTILITY PLANT	\$255,000.00	\$255,000.00	\$292,838.00

3. Refer to Item 15 of the application, which states that "A description of the original cost of the BTU property to be acquired by Frontier can be found in the PSC Annual Reports, which are incorporated by reference." The most recent annual report for BTU on file with the Commission is for calendar year 2008, which shows a net original cost of \$228,946 for BTU's utility plant as of December 31, 2008. Frontier's purchase price for the assets formerly owned by BTU is \$255,000. Explain how Frontier intends to value the assets it is proposing to acquire.

Witness: Oxford

RESPONSE: See attached

JOURNAL ENTRIES
KENTUCKY FRONTIER GAS LLC

5/4/2012

ACCT #		DEBIT	CREDIT	2008 PSC Annual Report
	BTU GAS CO			
131	CASH		\$255,000.00	
	DISTRIBUTION PLANT:			
376	MAINS	\$538,471.00		\$538,471.00
381	METERS	\$49,783.00		\$49,783.00
383	HOUSE REGULATORS	\$22,544.00		\$22,544.00
	TOTAL DISTRIBUTION PLANT	\$610,798.00		\$610,798.00
	GENERAL PLANT:			
394	TOOLS, SHOP & GARAGE EQUIP	\$0.00		\$9,893.00
396	POWER EQUIPMENT	\$0.00		\$30,307.00
398	MISC EQUIPMENT	\$0.00		\$6,959.00
	TOTAL GENERAL PLANT	\$0.00		\$47,159.00
108	ACCUMULATED DEPRECIATION	\$365,119.00		\$365,119.00
114	GAS PLANT ACQUISITION ADJUSTMENT	\$9,321.00		
	NET UTILITY PLANT	\$255,000.00	\$255,000.00	\$292,838.00

4. Refer to Exhibits 5 and 6 of the application. According to the last page of Exhibit 5, Frontier's inventory of the BTU system showed 475 meters. Exhibit 6 of the application contains a statement that BTU's assets include "[o]ver 500 customers."

a. Confirm whether the difference between these numbers is due solely to the unmetered service provided to some customers on the BTU system.

b. Exhibit 6 is a letter dated March 14, 2012. Provide the number of customers (approximately) on the BTU system as of that date.

WITNESS: Shute

RESPONSE: KFG has billed 475 meters. Some meters were in place that were either free gas or believed to be inoperable. KFG has since begun billing the free gas meters and confirming the actual number of customers. As of today, there are 492 billed customers, however, it is believed that there are 20 to 30 additional customers that are taking gas without a meter or without a meter known to Frontier.

5. Refer to Exhibit 6 of the application. Both the first and last paragraphs of the letter from Mr. Robert Oxford to Mr. Terry Spear of Community Trust Bank of Pikeville, Kentucky reference a loan commitment letter that Frontier needs as part of its application with the Commission.

a. Explain why Frontier's application does not include a loan commitment letter from Community Trust Bank of Pikeville, Kentucky.

b. Explain whether the requested loan commitment letter will set out the terms and conditions of the loan Frontier is seeking to finance the acquisition of the former BTU assets.

c. If it has been received, provide the loan commitment letter. If it has not been received, explain when Frontier expects it will receive the requested loan commitment letter.

WITNESS: OXFORD

RESPONSE:

KFG has not received the commitment letter from the Bank. On May 2, 2012, Frontier received a request from the bank for additional information. As of now, the anticipated terms will be a 15 year note at 5% APR. As soon as the commitment is received, it will be provided.

6. In a separate matter, Frontier has filed a complaint case with the Commission regarding the provision of gas service to BTU customers by individuals not associated with Frontier.'

a. Provide an update of Frontier's efforts to serve the 30-plus BTU customers identified by Harry Thompson ("Thompson") in Frontier's complaint case who are currently being provided "free gas" by Thompson.

b. Describe Frontier's efforts to discuss issues involving these customers with Thompson directly.

c. Provide details of efforts made to transfer these customers back to the BTU system. If nothing has occurred in this regard, explain why and describe Frontier's plans to do so in the future.

WITNESS: SHUTE

RESPONSE: Because of ongoing needs to maintain day to day operations of BTU, KFG has not made progress in resolving these issues. KFG continues to locate problems related to the former William's pipeline and customers. Once the transfer is complete and staff is available in the summer, KFG intends to address these issues in more detail.

7. Confirm whether Frontier agrees that it is responsible for filing BTU's 2011 Annual Report with the Commission.

WITNESS: SHUTE

RESPONSE: Yes, to the extent that the information required in the report is available.

8. Confirm whether Frontier agrees that, if the Commission approves the proposed transfer, Frontier will be responsible for the Commission's assessment on BTU, based on 2011 revenue, the payment of which will be due July 31, 2012.

WITNESS: SHUTE

|

RESPONSE: Yes, based on revenue actually collected after August 1, 2011, the date KFG began billing for service. KFG has no records to validate any revenue prior to that date.