

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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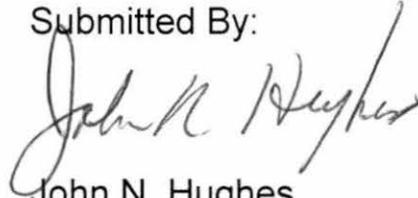
In the Matter of:

The Joint Application of Kentucky Frontier Gas, LLC)
and Public Gas Company for approval of transfer)
and acquisition of assets and financing)
)

2015-00299

RESPONSES TO PSC

Submitted By:



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Frankfort, KY 40601
502 227 7270
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Attorney for:

Kentucky Frontier Gas, LLC
on behalf of Joint Applicants

DECLARATION OF STEVEN SHUTE

I, Steven Shute, am a Member of Kentucky Frontier Gas, LLC, the Joint Applicant in the referenced matter. I have read the Responses and I have full authority to sign this declaration. The facts set forth in the responses are true and correct to the best of my knowledge, information and belief.

Pursuant to KRS 523.020-040, I certify under penalty of false swearing that the foregoing is true and correct.

Dated this 6th day of October, 2015.

A handwritten signature in black ink, appearing to read 'S. Shute', is written over a horizontal line.

Steven Shute, Member,
Kentucky Frontier Gas, LLC

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.

WITNESS: SHUTE

RESPONSE:

1. All responses are based solely on information provided by Public, including numerous followups Frontier made. Frontier has no way to independently verify most of these data.

The actual number of Public customers is somewhat elusive, since there are dozens of customers shut off for non-payment at end of winter than come back in the fall. Public Gas represents that they had 1730 customers last January & February, but the August count was 1496. Frontier has similar swings and expects that most will come back before winter.

Public Gas operates 11 different utility systems serving about 1270 customers.

Public has given a list of about 460 customers that are served directly off pipelines operated by Jefferson Gas. These could be considered farm taps. Public has no separate farm tap rate, and serves these customers at the same rate as utility 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 nonrecurring charges to Public's current customers following the proposed transfer.

WITNESS: SHUTE

RESPONSE:

2.a. Frontier has no specific timeline to file a consolidating rate case, see below.

2.b. Frontier believes it can continue and even improve service to Public customers at the existing rates. The incremental gross margin from Public is more than adequate to operate Public and service debt. Frontier sees some good opportunities for shared use of personnel and equipment with Frontier's nearby systems. As we sort out the proper staffing levels and amount of sharing, we will consolidate Public into Frontier for general rates and PGAs.

2.c. For the time being, Frontier plans to make separate PGA filings for Public, but as discussed in 2.b. will eventually consolidate Public into Frontier for all purposes.

2.d. N/A.

2.e. The current Public tariff for other charges is adequate for now, and will be addressed in the future consolidation rate case. Frontier is evaluating the state of Public mains & meters and may file a separate case in the near future to add the PRP and AMR surcharges that are now included on Frontier customer bills.

Case No. 20015-00299

Responses to Commission order of September 25, 2015

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.

WITNESS: OXFORD

RESPONSE:

That is correct.

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.

WITNESS: OXFORD

RESPONSE:

4. Jefferson Gas, LLC declined to approve the transfer of their contract with Public Gas. Kentucky Frontier Gas has negotiated a new contract with Jefferson Gas, a copy of which is attached. This contract includes 9 delivery points for Public Gas customers.

The following is a list of leases and contracts received from Public Gas to date that will be assigned to Kentucky Frontier Gas, LLC:

- a. Office lease is effective March 1, 2013 through February 29, 2016. Frontier is undecided regarding the renewal of the lease. Frontier may extend it on a month to month basis until it has more experience in operating the Public Gas systems.
- b. Public Gas ROW's: There are 119 pages of ROW descriptions on file in the Public Gas data room. The ROW's will be assigned to Frontier.
- c. Hinkle Contracting agreement through May 2017 for a special rate on natural gas purchases. Public provided this agreement this week and Frontier has asked for further details, including whether a summer-only load, and actual volume and pricing history.

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: October 1, 2014

The parties to this Base Contract are the following:

PARTY A Jefferson Gas, LLC	PARTY NAME	PARTY B Kentucky Frontier Gas, LLC
P.O. Box 35 Winchester, KY 40392	ADDRESS	4891 Independence Street, Suite 200 Wheat Ridge, CO 80033
www.jeffersongas.com	BUSINESS WEBSITE	
NAESB 0121	CONTRACT NUMBER	
80-131-7421	D-U-N-S® NUMBER	
<input checked="" type="checkbox"/> US FEDERAL: [REDACTED] <input type="checkbox"/> OTHER:	TAX ID NUMBERS	<input type="checkbox"/> US FEDERAL: [REDACTED] <input type="checkbox"/> OTHER:
Kentucky	JURISDICTION OF ORGANIZATION	
<input type="checkbox"/> Corporation <input checked="" type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other:	COMPANY TYPE	<input type="checkbox"/> Corporation <input checked="" type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other:
	GUARANTOR (IF APPLICABLE)	
CONTACT INFORMATION		
ATTN: Patrick J. McGonagle. TEL#: [REDACTED] FAX#: (859) 737-0102 EMAIL: mcgonaglepatrick@sbcglobal.net	• COMMERCIAL	ATTN: TEL#: FAX#: EMAIL:
ATTN: Jack Banks TEL#: [REDACTED] FAX#: (859) 737-0102 EMAIL: jackjeffersongas@kymail.com	• SCHEDULING	ATTN: Mike Harris TEL#: (606) 886-2431 FAX#: (606) 889-9196 EMAIL: mike@kyfrontiergas.com
ATTN: Patrick J. McGonagle TEL#: [REDACTED] FAX#: (859) 737-0102 EMAIL: mcgonaglepatrick@sbcglobal.net	• CONTRACT AND LEGAL NOTICES	ATTN: Dennis B. Homes TEL#: (303) 422-3400 FAX#: (303) 422-6105 EMAIL: dhomes@kyfrontiergas.com
ATTN: Patrick J. McGonagle. TEL#: [REDACTED] FAX#: (859) 737-0102 EMAIL: mcgonaglepatrick@sbcglobal.net	• CREDIT	ATTN: TEL#: FAX#: EMAIL:
ATTN: Jack Banks TEL#: [REDACTED] FAX#: (859) 737-0102 EMAIL: jackjeffersongas@kymail.com	• TRANSACTION CONFIRMATIONS	ATTN: Mike Harris TEL#: (606) 886-2431 FAX#: (606) 889-9196 EMAIL: mike@kyfrontiergas.com
ACCOUNTING INFORMATION		
ATTN: Linda Koppelman TEL#: [REDACTED] FAX#: (859) 737-0102 EMAIL: lindak@jeffersongas.com	• INVOICES • PAYMENTS • SETTLEMENTS	ATTN: Kim Criss TEL#: (606) 886-2431 FAX#: (606) 889-9196 EMAIL:
BANK: ABA: ACCT: OTHER DETAILS:	WIRE TRANSFER NUMBERS (IF APPLICABLE)	BANK: ABA: ACCT: OTHER DETAILS:
BANK: PNC Bank ABA: [REDACTED] ACCT: [REDACTED] OTHER DETAILS:	ACH NUMBERS (IF APPLICABLE)	BANK: ABA: ACCT: OTHER DETAILS:
ATTN: Linda Koppelman ADDRESS: P.O. Box 35 Winchester, KY 40392	CHECKS (IF APPLICABLE)	ATTN: ADDRESS:

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Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

Section 1.2 Transaction Procedure <input checked="" type="checkbox"/> Oral (default) OR <input type="checkbox"/> Written	Section 10.2 Additional Events of Default <input checked="" type="checkbox"/> No Additional Events of Default (default) <input type="checkbox"/> Indebtedness Cross Default L Party A: _____ L Party B: _____ <input type="checkbox"/> Transactional Cross Default Specified Transactions: _____ _____
Section 2.7 Confirm Deadline <input type="checkbox"/> 2 Business Days after receipt (default) OR <input checked="" type="checkbox"/> 5 Business Days after receipt	
Section 2.8 Confirming Party <input type="checkbox"/> Seller (default) OR <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> _____ Jefferson Gas	
Section 3.2 Performance Obligation <input checked="" type="checkbox"/> Cover Standard (default) OR <input type="checkbox"/> Spot Price Standard	Section 10.3.1 Early Termination Damages <input checked="" type="checkbox"/> Early Termination Damages Apply (default) OR <input type="checkbox"/> Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding.	
Section 2.31 Spot Price Publication <input checked="" type="checkbox"/> Gas Daily Midpoint (default) OR <input type="checkbox"/> _____	Section 10.3.2 Other Agreement Setoffs <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) L Bilateral (default) <input checked="" type="checkbox"/> Triangular OR <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
Section 6 Taxes <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) OR <input type="checkbox"/> Seller Pays Before and At Delivery Point	
Section 7.2 Payment Date <input checked="" type="checkbox"/> 25 th Day of Month following Month of delivery (default) OR <input type="checkbox"/> Day of Month following Month of delivery	Section 15.5 Choice Of Law _____ Kentucky
Section 7.2 Method of Payment <input type="checkbox"/> Wire transfer (default) <input checked="" type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check	Section 15.10 Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) OR <input type="checkbox"/> Confidentiality does not apply
Section 7.7 Netting <input checked="" type="checkbox"/> Netting applies (default) OR <input type="checkbox"/> Netting does not apply	
<input checked="" type="checkbox"/> Special Provisions Number of sheets attached: <u>TBD</u> <input type="checkbox"/> Addendum(s): _____	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

Jefferson Gas, LLC	<small>PARTY NAME</small>	Party B
By: _____	<small>SIGNATURE</small>	By: _____
Gene Mapes, Jr.	<small>PRINTED NAME</small>	
Managing Member	<small>TITLE</small>	

General Terms and Conditions
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.9.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Additional Event of Default" shall mean Transactional Cross Default or Indebtedness Cross Default, each as and if selected by the parties pursuant to the Base Contract.

2.2. "Affiliate" shall mean, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of at least 50 percent of the voting power of the entity or person.

- 2.3. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.
- 2.4. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.
- 2.5. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).
- 2.6. "Business Day(s)" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S.
- 2.7. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.8. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.9. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation, all of which shall form a single integrated agreement between the parties.
- 2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.11. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.12. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.13. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as cash, an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, guaranty, or other good and sufficient security of a continuing nature.
- 2.14. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.15. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.16. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.17. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.18. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.19. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.20. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.21. "Guarantor" shall mean any entity that has provided a guaranty of the obligations of a party hereunder.
- 2.22. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.23. "Indebtedness Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it or its Guarantor, if any, experiences a default, or similar condition or event however therein defined, under one or more agreements or instruments, individually or collectively, relating to indebtedness (such indebtedness to include any obligation whether present or future, contingent or otherwise, as principal or surety or otherwise) for the payment or repayment of borrowed money in an aggregate amount greater than the threshold specified in the Base Contract with respect to such party or its Guarantor, if any, which results in such indebtedness becoming immediately due and payable.

- 2.24. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability; except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.25. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.26. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.27. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.28. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.29. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.30. "Specified Transaction(s)" shall mean any other transaction or agreement between the parties for the purchase, sale or exchange of physical Gas, and any other transaction or agreement identified as a Specified Transaction under the Base Contract.
- 2.31. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.
- 2.32. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.
- 2.33. "Transactional Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it shall be in default, however therein defined, under any Specified Transaction.
- 2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.
- 2.35. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s) excluding any quantity for which no sale is available; and (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of Gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the Gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the quantity of such Gas not replaced or sold. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury (including death) or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. The parties agree that the delivery of and the transfer of title to all Gas under this Contract shall take place within the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3); provided, however, that in the event Seller took title to the Gas outside the Customs Territory of the United States, Seller represents and warrants that it is the importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

8.5. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payment instructions, and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder shall be in writing and may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is

not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

9.4. The party receiving a commercially acceptable Notice of change in payment instructions or other payment information shall not be obligated to implement such change until ten Business Days after receipt of such Notice.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; or (ix) be the affected party with respect to any Additional Event of Default; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and

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Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

Bilateral Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties.

Triangular Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MARKET DISRUPTION

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Floating Price (or on a method for determining a replacement price for the Floating Price) for the affected Day, and if the parties have not so agreed on or before the second Business Day following the affected Day then the replacement price for the Floating Price shall be determined within the next two following Business Days with each party obtaining, in good faith and from non-affiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the average of the other party's two quotes shall determine the replacement price for the Floating Price. "Floating Price" means the price or a factor of the price agreed to in the transaction as being based upon a specified index. "Market Disruption Event" means, with respect to an index specified for a transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Floating Price has occurred. For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

SECTION 15. MISCELLANEOUS

15.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

15.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

15.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

15.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

15.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

15.7. There is no third party beneficiary to this Contract.

15.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

15.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

15.10. Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure,

and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

15.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties

15.12. Any original executed Base Contract, Transaction Confirmation or other related document may be digitally copied, photocopied, or stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the Transaction Confirmation, if introduced as evidence in automated facsimile form, the recording, if introduced as evidence in its original form, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the recording, the Transaction Confirmation, or the Imaged Agreement on the basis that such were not originated or maintained in documentary form. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

**Special Provisions to NAESB Base Agreement ("Agreement")
Between Jefferson Gas, LLC ("Seller") and Party B ("Buyer")**

Buyer's Credit Requirements

Seller may waive Credit Requirements as long as Buyer pays by the 25th day of the following month of delivery.

Formatted: Superscript

During the first two years (24 months) of this agreement, and for a further period if deemed appropriate by Seller, Buyer may shall be required to post one of the following forms of credit assurances if Buyer is delinquent on making payment as required in this Agreement. The requirement for Buyer to post credit assurances shall be at the sole discretion of Seller:

- (a) A guaranty in a form and issued by a creditworthy guarantor acceptable to Seller in its sole discretion for an amount equal to the revenues Buyer would pay to Seller for two (2) months of peak winter service measured by the highest two month's volumes experienced by Buyer in the past 24 months times Seller's reasonable estimate of future market pricing at the time Buyer is deemed to require special credit assurances pursuant to this section; or
- (b) A letter of credit to be effective through the ending term of any transaction confirmation for an amount equal to the revenues Buyer would pay to Seller for two (2) months of peak winter service measured by the highest two month's volumes experienced by Buyer in the past 24 months times Seller's reasonable estimate of future market pricing at the time Buyer is deemed to require special credit assurances pursuant to this section, in a form and from a financial institution approved by and acceptable to Seller, in Seller's sole reasonable discretion; or
- (c) A cash prepayment in an amount equal to the revenues Buyer would pay to Seller for the applicable month of supply/service using Seller's commercially reasonable estimate of future contract pricing and estimated volume. This cash prepayment requirement under this section would continue to roll each month with payments due by Seller to Buyer each month at least 48 business hours prior to the first day of gas delivery. Prepayments after the initial month of service would also include any adjustments due to either Buyer or Seller because of volume or contract price variances that occur after the previous prepayment occurred.

Notwithstanding anything to the contrary in this Attachment A, if Seller at any time throughout the term of this Service Agreement has reasonable grounds for insecurity regarding:

- (a) the performance by Buyer, or by the guarantor, of any obligation hereunder;
- (b) the guaranty with respect to the guarantor; or
- (c) the Buyer's performance under the terms and provisions of the NAESB Agreement and any related transaction confirmations, including without limitation and in Seller's sole reasonable discretion, the occurrence of a material change in the creditworthiness of Buyer or the guarantor;

then Seller may demand credit assurance in one or more of the forms set forth above so long as the total credit assurance demand does not exceed the amounts determined above. If Buyer fails to provide the required credit assurance within three (3) business days after written demand thereof, Seller may suspend or terminate performance under the Agreement and any applicable transaction confirmations immediately upon written notice, in addition to any and all other remedies otherwise available to Seller at law or in equity. Suspension or termination by Seller will also include Seller's right to turn off the physical meter(s) allowing physical natural gas to flow into Buyer's system if satisfaction arrangements for payment are not acceptable to Seller.

If Buyer chooses credit option (c) above, then Buyer shall pre-pay Seller at least four (4) business days before the start of the Delivery Month.

If any part of these Special Provisions conflict with the language contained in the NAESB Base Agreement, then the language in these Special Provisions shall govern any transactions between the parties.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties hereto have executed these Special Provisions to NAESB Base Agreement.

KENTUCKY FRONTIER GAS, LLC BUYER

By: _____

Name: _____

Its: _____

Date: _____

JEFFERSON GAS, LLC

By: _____

Name: _____

Its: _____

Date: _____

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

	Date: <u>October 1, 2015</u> Transaction Confirmation #: _____			
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated <u>October 1, 2015</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: Jefferson Gas, LLC P.O. Box 35 Winchester, KY 40392 Attn: Jack Banks Phone: (606) 434-6157 Fax: (859) 245-9409 Base Contract No. <u>NAESB 0124</u> Transporter: Jefferson Gas, LLC-Gathering & Columbia Gas Transmission	BUYER: Kentucky Frontier Gas, LLC 2962 Route 321 N Prestonsburg, KY 41653 Attn: Dennis R. Horner, Gas Contracts Mgr. Phone: (303) 422-3400 Fax: (303) 422-6105 Base Contract No. <u>NAESB 012</u>			
Contract Price: \$ _____/MMBtu or _____ (see special conditions)				
Delivery Period: Begin: <u>October 1, 2015</u> End: September <u>March 30, 2016</u>				
Performance Obligation and Contract Quantity: (Select One) <table style="width: 100%;"> <tr> <td style="width: 33%;"> Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP </td> <td style="width: 33%;"> Firm (Variable Quantity): <u>1</u> MMBtus/day Minimum <u>1,000</u> MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input checked="" type="checkbox"/> Seller </td> <td style="width: 33%;"> Interruptible: Up to _____ MMBtus/day </td> </tr> </table>		Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): <u>1</u> MMBtus/day Minimum <u>1,000</u> MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input checked="" type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): <u>1</u> MMBtus/day Minimum <u>1,000</u> MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input checked="" type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day		
Delivery Point(s): Public Gas City-gate at various connections in Magoffin County KY <u>City of Salyersville Interconnection with Jefferson Gas Gathering</u> (If a pooling point is used, list a specific geographic and pipeline location):				
Special Conditions: 1. Contract Price for Producer Gathered Supplies: For gas supplies delivered to Buyer from the Jefferson Gas Gathering system that originated on the Jefferson Gas system (direct producer gas), the price shall be the applicable NYMEX settlement price for each month plus <u>\$2.004-50</u> per MMBtu. These units will be converted to an Mcf price using the actual monthly Btu factor provided by TCO to Jefferson at its Van Lear meter station. Should the Van Lear station cease operation or TCO otherwise discontinue gas sampling at Van Lear, then the Btu factor used for billing purposes shall be set by Jefferson's other gas samples at meter stations with TCO. 2. Contract Price for Baseload TCO Supplies: For monthly baseload gas supplies delivered to Buyer from the Jefferson Gas				

Gathering system that originated on the Columbia Gas Transmission (TCO) system, the price shall be the applicable The *Inside FERC* TCO Appalachian Index price plus \$2.004-50 per MMBtu. These units will be converted to an Mcf price using the actual monthly Btu factor provided by TCO to Jefferson at its Van Lear meter station. Should the Van Lear station cease operation or TCO otherwise discontinue gas sampling at Van Lear, then the Btu factor used for billing purposes shall be set by Jefferson's other gas samples at meter stations with TCO.

If Seller is required to purchase additional gas supplies during the Delivery Month, because projected gas deliveries for the remainder of the month are expected to exceed the Nomination for that Delivery Month, as stated in Paragraph 4 below, then Buyer shall pay the applicable *Platt's Gas Daily* Midpoint Price for TCO Appalachian Index price plus \$2.004-50 per MMBtu for these additional supplies. Seller shall provide Buyer with notice of these additional gas supplies.

3. Contract Price During TCO Operational Flow Orders: For gas supplies during periods where TCO has declared an Operational Flow Order (OFO), the price shall be the applicable *Platt's Gas Daily* Midpoint Price for TCO Appalachian Index price plus \$2.004-50 per MMBtu. Seller shall provide Buyer written confirmation of the applicable dates where TCO OFO's were in place. These units will be converted to an Mcf price using the actual monthly Btu factor provided by TCO to Jefferson at its South Means Van-Lear meter station. Should the South Means Van-Lear station cease operation or TCO otherwise discontinue gas sampling at South Means Van-Lear, then the Btu factor used for billing purposes shall be set by Jefferson's other gas samples at meter stations with TCO.

~~4. Contract Quantity: The meter used for billing shall be the Jefferson meter station at the point of interconnection between Jefferson and the City of Salyersville. Jefferson is obligated to provide the full requirements of the City of Salyersville, except the "BTU System" (north of Salyersville) regardless of weather conditions and demand changes. Any daily volume variance will be fulfilled on a no-notice basis, regardless of resulting cost to Jefferson. Buyer shall nominate to Seller its estimated demand levels at least four (4) business days before the start of the Delivery Month but shall not be responsible for demand variances ("Nomination").~~

~~4. Buyer is responsible for all service lines, and shall make repairs and replacements in a diligent and workmanlike manner.~~

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Seller: _____
 By: _____
 Title: _____
 Date: _____

Buyer: _____
 By: _____
 Title: _____
 Date: _____

Case No. 20015-00299

Responses to Commission order of September 25, 2015

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.

WITNESS: OXFORD

RESPONSE:

Frontier has analyzed information provided by Public Gas for the period October 2014 to September 2015.

Sales were about 128,000 MCF when adjusted for back-billing of the school and several small customers for pressure factor errors.

Purchases from Jefferson Gas were 133,500 MCF, resulting in a calculated L&U of (4.3)% gas loss.

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.

WITNESS: SHUTE

RESPONSE:

The PHMSA Annual Report submitted by Public Gas for Calendar 2014 shows 1 mile of bare steel pipe in the system, along with 4 miles of protected, coated steel pipe.

Frontier worked with Public Gas to more closely quantify the various types of pipe, Bare Steel, Coated Steel, PE and PE inserted into steel.

From reports supplied by Public Gas, we estimate the actual bare steel pipe at between 7,300 feet and 10,000 feet.

Since Public Gas was separated from the joint ownership of Jefferson Gas in 2012, there has been 100%+ turnover of employees and managers, enough that nobody knows with certainty the quantity, location and condition of all steel pipe in Public Gas.

Case No. 20015-00299

Responses to Commission order of September 25, 2015

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.

WITNESS: OXFORD

RESPONSE:

All correspondence concerning the gas supply contract, including the refusal to approve the assignment of the contract between Public Gas Company and Jefferson Gas, LLC has been by email. All such emails between Jefferson and Frontier regarding the Gas Purchase Agreement are attached.

John Hughes

From: IGS Inc. <igsinc@att.net>
Sent: Wednesday, October 07, 2015 4:02 PM
To: John Hughes
Cc: Steven Shute
Subject: Fw: Clean Gas Purchase Agreement for Public Gas Supply
Attachments: NAESB Clean Base Contract Jefferson_Frontier (PG)(09-28-2015.docx; Jefferson Service Line Definitions.pdf

Jack,

Attached is the last GPA sent 9/29 to McGonagle. He hasn't returned a signed copy. I will call him this afternoon.

Dennis

Industrial Gas Services, Inc. 4891 Independence Street, Ste 200 Wheat Ridge, CO 80033-6714 ph 303.422.3400 fx 303.422.6105 e-mail igsinc@att.net

----- Forwarded Message -----

From: IGS Inc. <igsinc@att.net>
To: Patrick McGonagle <mcgonaglepatrick@sbcglobal.net>
Sent: Tuesday, September 29, 2015 5:43 PM
Subject: Clean Gas Purchase Agreement for Public Gas Supply

Pat,

Attached is a clean copy of the GPA for the PG system supply. I've also attached Bob's diagram depicting Jefferson main lines and what we believe are service lines (lines in red). Please confirm both the GPA and the definition of service lines.

Thanks,
Dennis

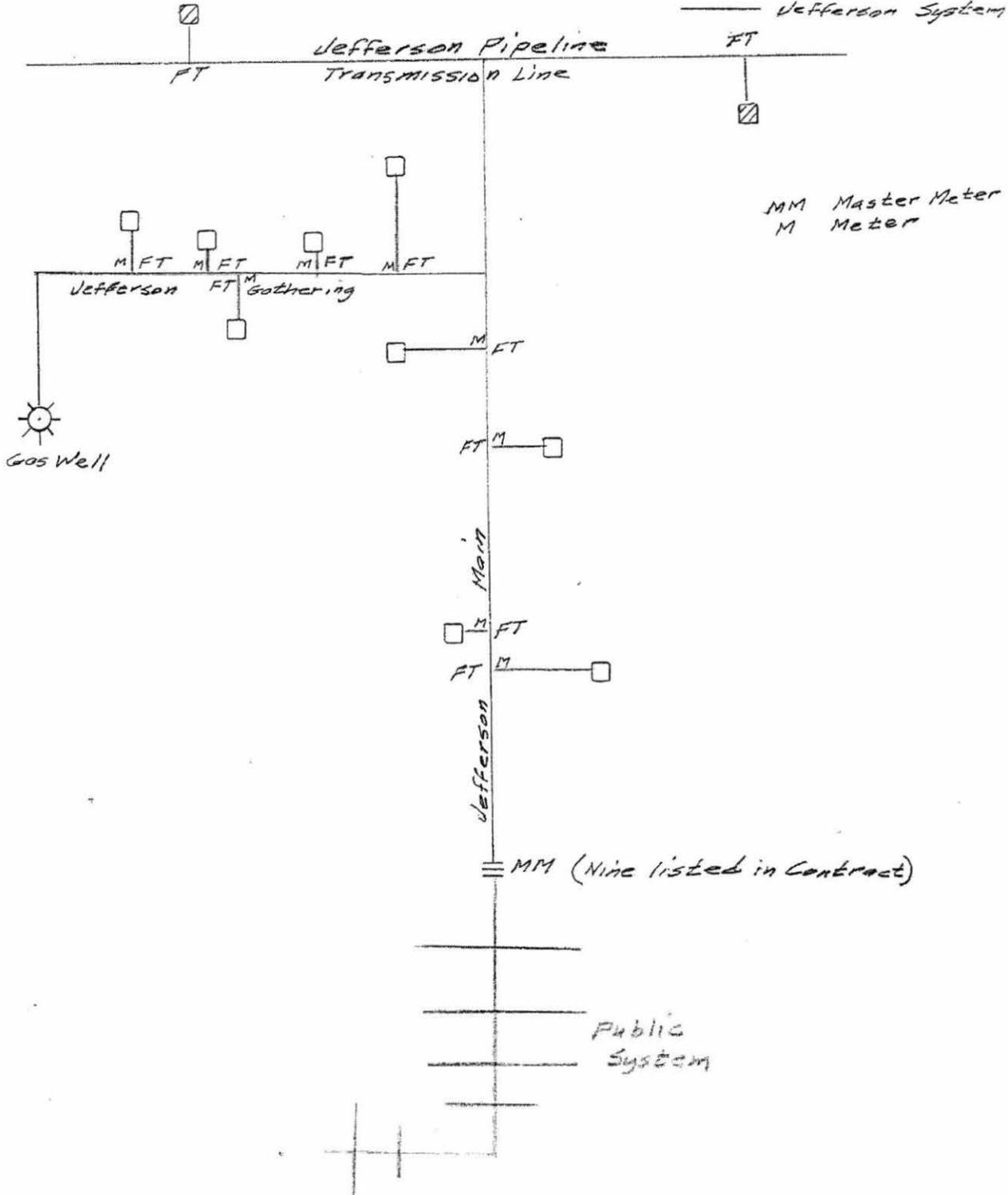
Industrial Gas Services, Inc. 4891 Independence Street, Ste 200 Wheat Ridge, CO 80033-6714 ph 303.422.3400 fx 303.422.6105 e-mail igsinc@att.net

Delivery Points
and Service Lines

Jefferson Gas/Public Gas Co.
Base Contract
Oct. 1, 2015

- ▣ Jefferson Customer
- Public Gas Customer

- Service Line Maintained by Public Gas
- Public Gas System
- Jefferson System



MM Master Meter
M Meter

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: October 1, 2015

The parties to this Base Contract are the following:

PARTY A Jefferson Gas, LLC	PARTY NAME	PARTY B Kentucky Frontier Gas, LLC
P.O. Box 35 Winchester, KY 40392	ADDRESS	4891 Independence Street, Suite 200 Wheat Ridge, CO 80033
<u>www.jeffersongas.com</u>	BUSINESS WEBSITE	
NAESB 012	CONTRACT NUMBER	
80-131-7421	D-U-N-S® NUMBER	
<input checked="" type="checkbox"/> US FEDERAL: ██████████ <input type="checkbox"/> OTHER:	TAX ID NUMBERS	<input type="checkbox"/> US FEDERAL: ██████████ <input type="checkbox"/> OTHER:
Kentucky	JURISDICTION OF ORGANIZATION	
<input type="checkbox"/> Corporation <input checked="" type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____	COMPANY TYPE	<input type="checkbox"/> Corporation x LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____
GUARANTOR (IF APPLICABLE)		
CONTACT INFORMATION		
ATTN: Patrick J. McGonagle. TEL#: (614) ██████████ FAX#: (859) 737-0102 EMAIL: mcgonaglepatrick@sbcglobal.net	▪ COMMERCIAL	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: Jack Banks TEL#: (606) ██████████-57 FAX#: (859) 737-0102 EMAIL: jackjeffersongas@kymail.com	▪ SCHEDULING	ATTN: Mike Harris TEL#: (606) 886-2431 FAX#: (606) 889-9196 EMAIL: mike@kyfrontiergas.com
ATTN: Patrick J. McGonagle TEL#: (606) ██████████ FAX#: (859) 737-0102 EMAIL: mcgonaglepatrick@sbcglobal.net	▪ CONTRACT AND LEGAL NOTICES	ATTN: Dennis R. Horner TEL#: (303) 422-3400 FAX#: (303) 422-6105 EMAIL: dhorner@kyfrontiergas.com
ATTN: Patrick J. McGonagle. TEL#: (606) ██████████ FAX#: (859) 737-0102 EMAIL: mcgonaglepatrick@sbcglobal.net	▪ CREDIT	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: Jack Banks TEL#: (606) ██████████ FAX#: (859) 737-0102 EMAIL: jackjeffersongas@kymail.com	▪ TRANSACTION CONFIRMATIONS	ATTN: Mike Harris TEL#: (606) 886-2431 FAX#: (606) 889-9196 EMAIL: mike@kyfrontiergas.com
ACCOUNTING INFORMATION		
ATTN: Linda Koppelman TEL#: (606) ██████████ FAX#: (859) 737-0102 EMAIL: lindak@jeffersongas.com	▪ INVOICES ▪ PAYMENTS ▪ SETTLEMENTS	ATTN: Kim Crisp TEL#: (606) 886-2431 FAX#: (606) 889-9196 EMAIL: _____
BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____	WIRE TRANSFER NUMBERS (IF APPLICABLE)	BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____
BANK: PNC Bank ABA: ██████████ ACCT: ██████████ OTHER DETAILS: _____	ACH NUMBERS (IF APPLICABLE)	BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____
ATTN: Linda Koppelman ADDRESS: P.O. Box 35 Winchester, KY 40392	CHECKS (IF APPLICABLE)	ATTN: _____ ADDRESS: _____

Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

Section 1.2 Transaction Procedure <input checked="" type="checkbox"/> Oral (default) OR <input type="checkbox"/> Written	Section 10.2 Additional Events of Default <input checked="" type="checkbox"/> No Additional Events of Default (default) <input type="checkbox"/> Indebtedness Cross Default <input type="checkbox"/> Party A: _____ <input type="checkbox"/> Party B: _____ <input type="checkbox"/> Transactional Cross Default <u>Specified Transactions:</u> _____ _____
Section 2.7 Confirm Deadline <input type="checkbox"/> 2 Business Days after receipt (default) OR <input checked="" type="checkbox"/> 5 Business Days after receipt	
Section 2.8 Confirming Party <input type="checkbox"/> Seller (default) OR <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> <u>Jefferson Gas</u>	
Section 3.2 Performance Obligation <input checked="" type="checkbox"/> Cover Standard (default) OR <input type="checkbox"/> Spot Price Standard	Section 10.3.1 Early Termination Damages <input checked="" type="checkbox"/> Early Termination Damages Apply (default) OR <input type="checkbox"/> Early Termination Damages Do Not Apply
<i>Note: The following Spot Price Publication applies to both of the immediately preceding.</i>	
Section 2.31 Spot Price Publication <input checked="" type="checkbox"/> Gas Daily Midpoint (default) OR <input type="checkbox"/> _____	Section 10.3.2 Other Agreement Setoffs <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) <input type="checkbox"/> Bilateral (default) <input checked="" type="checkbox"/> Triangular OR <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
Section 6 Taxes <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) OR <input type="checkbox"/> Seller Pays Before and At Delivery Point	
Section 7.2 Payment Date <input checked="" type="checkbox"/> 25 th Day of Month following Month of delivery (default) OR <input type="checkbox"/> Day of Month following Month of delivery	Section 15.5 Choice Of Law _____ <u>Kentucky</u> _____
Section 7.2 Method of Payment <input type="checkbox"/> Wire transfer (default) <input checked="" type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check	Section 15.10 Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) OR <input type="checkbox"/> Confidentiality does not apply
Section 7.7 Netting <input checked="" type="checkbox"/> Netting applies (default) OR <input type="checkbox"/> Netting does not apply	
<input checked="" type="checkbox"/> Special Provisions Number of sheets attached: <u>TBD</u> <input type="checkbox"/> Addendum(s): _____	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

Jefferson Gas, LLC	<i>PARTY NAME</i>	Kentucky Frontier Gas, LLC
By: _____	<i>SIGNATURE</i>	By: _____
Gene Mapes, Jr.	<i>PRINTED NAME</i>	Dennis R. Horner
Managing Member	<i>TITLE</i>	Gas Contracts Manager

John Hughes

From: IGS Inc. <igsinc@att.net>
Sent: Wednesday, October 07, 2015 3:48 PM
To: John Hughes
Subject: Fw: Revisions - Public Gas Contract
Attachments: NAESB Base Contract Jefferson_Frontier (Public Gas)(09-11-2015.docx

Jack,

There may be a later NAESB agreement than the one attached here. I'll let you know soon as I finish the conference call I'm on right now.

Dennis

Industrial Gas Services, Inc. 4891 Independence Street, Ste 200 Wheat Ridge, CO 80033-6714 ph 303.422.3400 fx 303.422.6105 e-mail igsinc@att.net

----- Forwarded Message -----

From: Patrick McGonagle <mcgonaglepatrick@sbcglobal.net>
To: Dennis Horner <igsinc@att.net>
Sent: Friday, September 11, 2015 12:01 PM
Subject: Revisions - Public Gas Contract

Dennis:

I made the following three (3) revisions to the contract that you can insert into your version:

- 1) I inserted the original credit requirement language from the Salyersville Contract, including the waiver of pre-payment if Frontier pays on the 25th of the month.
- 2) I replaced all the TCO "Van Lear" to "South Means" on Exhibit A.....the source of your gas
- 3) I inserted in the definition of "Service Line". Jack and Mike Harris have talked about using the Master Meter at Hazel Green and Public does own all the distribution lines down-stream of the Master Meter.

That should be everything.....thanks for the follow-up.

Pat

Patrick J. McGonagle

3832 Woodbridge Road
Columbus, Ohio 43220
Mobile: (614) 499-3234
mcgonaglepatrick@sbcglobal.net

This E-mail, including attached files, may contain confidential and privileged information for the sole use of the intended recipient. Review, use, distribution, or disclosure by others is strictly prohibited. If you are not the intended recipient, please contact the sender by reply E-mail and delete all copies of this message.

John Hughes

From: IGS Inc. <igsinc@att.net>
Sent: Wednesday, October 07, 2015 3:37 PM
To: John Hughes
Subject: Fw: Public Gas Usuages

Jack,

I'm going to be forwarding several emails from Pat McGonagle. Here is the first one.

Dennis
Industrial Gas Services, Inc. 4891 Independence Street, Ste 200 Wheat Ridge, CO 80033-6714 ph 303.422.3400 fx
303.422.6105 e-mail igsinc@att.net

----- Forwarded Message -----

From: Patrick McGonagle <mcgonaglepatrick@sbcglobal.net>
To: Dennis Horner <igsinc@att.net>
Sent: Wednesday, September 30, 2015 1:58 PM
Subject: FW: Public Gas Usuages

Dennis:

Here is the historic "Average" and "Peak" volumes based upon the Winter of 2014/2015. This past winter was unprecedented as to cold weather, hence a Maximum Daily Quantity of 1,500 Mcf/d should be sufficient.

I will revise the "Transaction Confirmation" (Exhibit A) of the NAESB Contract between Jefferson Gas and Kentucky Frontier Gas.

Sincerely,

Pat McGonagle

From: Jack Banks [mailto:jackjeffersongas@kymail.com]
Sent: Wednesday, September 30, 2015 12:08 PM
To: Patrick McGonagle <mcgonaglepatrick@sbcglobal.net>
Subject: Public Gas Usuages

November 2014	Average 477mcfs/day Peak 562mcfs/day
December 2014	Average 612mcfs/day Peak 784mcfs/day
January 2015	Average 811mcfs/day Peak 1,238mcfs/day
February 2015	Average 1,032mcfs/day Peak 1,430mcfs/day

March 2015

Average 641mcfs/day
Peak 877mcfs/day

John Hughes

From: John Hughes
Sent: Friday, September 04, 2015 1:42 PM
To: Bob Oxford; IGS Inc.; Steve Shute
Subject: Jefferson Gas

Bob, I left a voice message for you - Pat McGonagle called about the JG/Public gas assignment. He was unaware that KFG had included it as part of the transfer case. He does not intend to agree to assign without changes, primarily an increase in the base rate to \$2.00. [REDACTED]

Jack

Case No. 20015-00299

Responses to Commission order of September 25, 2015

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.

WITNESS: OXFORD

RESPONSE:

No disclosure schedules have been received as of this date. Upon receipt of such disclosures Frontier will promptly file them with the Commission.

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.

WITNESS: SHUTE

RESPONSE:

9.a. YTD number of customers, Residential & Commercial:

	Resl	Coml
Jan	1,461	269
Feb	1,469	264
Mar	1,365	263
Apr	1,286	264
May	1,268	259
Jun	1,258	258

9.b. YTD 2015 Mcf sales, Residential & Commercial

	Resl	Coml
Jan	15,127	11,603
Feb	15,106	11,611
Mar	11,573	14,906
Apr	8,076	5,255
May	2,710	1,533
Jun	924	816

9.c. All Commercial sales were made per tariff. Public Gas underbilled a school account in 2014 and has an agreement to pay the underbilled amount over 24 months.

Public provided a copy of a contract with Hinkle Contracting but no details on sales.

9.d. As specified in Question 1 above, approximately 460 customers are fed directly off Jefferson Gas systems. Public Gas doesn't separately track those customers, but Jefferson Gas billed about 49,000 Mcf to Public for those customers.

9.e. At its office complex in Jackson, Public Gas has a small retail propane dispensing unit to fill gas grill bottles and small cylinders. Sales in 2014 were about \$4979 on 1386 gallons.

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.

WITNESS: SHUTE

RESPONSE:

10. These companies are "adjacent" in the sense that they are next-door neighbors. Public Gas operates about 11 utility systems in its service territory, and serves farm tap customers directly supplied by Jefferson Gas. Many Public Gas customers are located near or even interspersed with Frontier farm tap customers, particularly in Lawrence and Magoffin counties. The former BTU and Sigma utility systems operated by Frontier are separated by a few miles from Public systems and don't actually cross anywhere. Frontier doesn't anticipate tying together the utility systems.

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.

WITNESS: SHUTE

RESPONSE:

11. Frontier will evaluate staffing levels over the next 1-2 years, including sharing of personnel and equipment with nearby BTU and Sigma and farm taps, whether an office in Jackson or someplace nearer the Mountain Parkway is better, whether to move some existing Frontier employees to a more central Parkway location, etc. Frontier doesn't have any preconceived plan on this, except that the current staffing level seems to be sustainable.

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.

WITNESS: SHUTE

RESPONSE:

12.a. CTBI is Community Trust Bank, Inc.

12.b. In 2011, Frontier was nominated by CTBI and honored by SBA as one of Kentucky's "SBA Success Stories." Our bankers and two Frontier members attended a banquet and presentation at a regional SBA conference at Churchill Downs. SBA recognized Frontier for good performance on the original SBA loan, and its success in consolidating several uneconomic utilities, creating new jobs and preserving gas service to about 2000 customers.

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.

WITNESS: SHUTE

RESPONSE:

13. Community Trust has prepared their final package for loan committee ca October 8, and Frontier will provide documents as available.

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.

WITNESS: SHUTE

RESPONSE:

14.a. The debt schedule is on a form provided by Community Trust Bank.

14.b. The proposed loan and terms are not yet approved by Community Trust and the loan guarantee by SBA, but CTB has stated that terms will likely be 5% APR for 15 years.

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.

WITNESS: SHUTE

RESPONSE:

15 a-b-c. The balances of these 3 Frontier accounts for each month of the 12-month period ended May 31, 2015:

	DR1-15.a. Acct 131 Bank Accts	DR1-15.b. Acct 232 Accts Payabl	DR1-15.c. Total Equity
May-15	519,177	484,712	2,183,854
Apr-15	454,865	563,281	2,175,573
Mar-15	349,797	812,758	2,003,203
Feb-15	129,778	1,137,611	1,692,600
Jan-15	37,136	1,289,749	1,243,624
Dec-14	22,228	1,416,133	907,927
Nov-14	8,274	1,195,795	1,108,934
Oct-14	11,095	1,037,822	988,110
Sep-14	11,271	951,261	993,673
Aug-14	9,204	923,275	999,466
Jul-14	17,746	929,479	1,002,029
Jun-14	383	897,717	1,016,596

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.

WITNESS: SHUTE

RESPONSE:

16.a-b. The balances of these Auxier Road Gas accounts for each month of the 12-month period ended May 31, 2015:

	DR1-16.a. Auxier Total Equity	DR1-16.b. Acct 145 Assoc Notes Recvble
May-15	863,546	541,871
Apr-15	823,222	446,591
Mar-15	741,212	292,219
Feb-15	635,101	144,830
Jan-15	515,412	51,309
Dec-14	407,701	0
Nov-14	626,127	221,395
Oct-14	547,933	230,201
Sep-14	542,463	232,574
Aug-14	526,528	222,746
Jul-14	524,247	209,814
Jun-14	505,742	189,583

16.c. Account 145, Notes Receivable from Associated Companies is used for various intercompany transactions between Frontier and Auxier Road Gas. This account depicts all cash transfers (increases to account) from Auxier to Frontier and Auxier's portion of expenses (decreases to account) paid by Frontier. Consequently, we zero out this account to Intercompany Management Fee-KFG at the end of each year. Frontier records the transaction as Management Income Fee.

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.

WITNESS: SHUTE

RESPONSE:

17.a. Public monthly charge is \$10 per month or \$120 per year; added to 60 Mcf at \$3.09 margin, gives $\$120 + \185.40 or \$305.40.

17.b. All Frontier and Public customers pay the same monthly charge of \$10 per month or \$120 per year.

Frontier will provide Staff with a copy of the Excel file used to generate the exhibits, where some of these calculations are self-evident.

Pro Forma - Kentucky Gas LDCs

Calendar Year Project Year	2016	2017	2018	2019	2020	2021	2022
	1	2	3	4	5	6	7
22-Sep-15							
Cumulative Investment	\$ 6,222,000	\$ 6,257,000	\$ 6,292,700	\$ 6,329,100	\$ 6,365,500	\$ 6,402,600	\$ 6,439,700
Additions		\$ 35,000	\$ 35,700	\$ 36,400	\$ 36,400	\$ 37,100	\$ 37,100
Sales							
Frontier utility customers	3,325	3,358	3,392	3,426	3,460	3,495	3,530
- Volume (mcf)	230,000	231,980	234,020	236,060	238,100	240,200	242,300
- Gas Margin (per mcf)	\$4.18	\$4.18	\$4.18	\$4.18	\$4.18	\$4.18	\$4.18
- Monthly Charges	\$399,000	\$402,960	\$407,040	\$411,120	\$415,200	\$419,400	\$423,600
- Margin + Monthly	\$1,360,400	\$1,372,636	\$1,385,244	\$1,397,851	\$1,410,458	\$1,423,436	\$1,436,414
Frontier industrial customers	3	3	3	3	3	3	3
- Volume (mcf)	70,000	70,000	70,000	70,000	70,000	70,000	70,000
- Gas Margin (per mcf)	\$3.35	\$3.35	\$3.35	\$3.35	\$3.35	\$3.35	\$3.35
- Monthly Charges	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
- Margin + Monthly	\$236,300	\$236,300	\$236,300	\$236,300	\$236,300	\$236,300	\$236,300
Public Gas customers	1,725	1,742	1,759	1,777	1,795	1,813	1,831
- Volume (mcf)	120,000	121,020	122,040	123,120	124,200	125,280	126,360
- Gas Margin (per mcf)	\$3.09	\$3.09	\$3.09	\$3.09	\$3.09	\$3.09	\$3.09
- Monthly Charges	\$207,000	\$209,040	\$211,080	\$213,240	\$215,400	\$217,560	\$219,720
- Margin + Monthly	\$577,800	\$582,992	\$588,184	\$593,681	\$599,178	\$604,675	\$610,172
Farm Tap customers (paying)	440	442	444	446	448	450	452
- Volume (mcf)	35,000	35,120	35,240	35,360	35,480	35,600	35,720
- Gas Margin (per mcf)	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
- Monthly Charges	\$52,800	\$53,040	\$53,280	\$53,520	\$53,760	\$54,000	\$54,240
- Margin + Monthly	\$192,800	\$193,520	\$194,240	\$194,960	\$195,680	\$196,400	\$197,120
Total Customers	5,493	5,545	5,598	5,652	5,706	5,761	5,816
Total Volume (mcf)	455,000	458,120	461,300	464,540	467,780	471,080	474,380
Gross Revenue after Gas Cost	\$2,367,300	\$2,385,448	\$2,403,967	\$2,422,792	\$2,441,616	\$2,460,811	\$2,480,006

Pro Forma - Kentucky Gas LDCs

Calendar Year Project Year	2016 1	2017 2	2018 3	2019 4	2020 5	2021 6	2022 7
22-Sep-15							
<u>Utility Income Statement</u>							
Gas Revenue	\$2,367,300	\$2,385,448	\$2,403,967	\$2,422,792	\$2,441,616	\$2,460,811	\$2,480,006
Interest on Capital Fund	\$0	\$2,733	\$5,398	\$7,993	\$10,748	\$14,121	\$17,423
Gas Commodity Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PUC Assessment	\$10,986	\$11,090	\$11,196	\$11,304	\$11,412	\$11,522	\$11,632
Operating & Maint Costs	\$1,550,000	\$1,568,600	\$1,587,423	\$1,606,472	\$1,625,750	\$1,645,259	\$1,665,002
Property Tax	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Income Taxes (paid by Members)	\$21,277	\$25,090	\$28,290	\$30,849	\$32,757	\$32,543	\$31,555
Deferred Inc Taxes (accrued to Mbrs)	\$21,560	\$21,887	\$23,037	\$25,026	\$27,865	\$31,559	\$36,120
Operating Income	\$678,477	\$676,514	\$674,420	\$672,134	\$669,580	\$669,049	\$668,121
<i>Net Income</i>	\$110,152	\$120,798	\$131,982	\$143,678	\$155,884	\$164,834	\$174,019
<i>EBITDA</i>	\$721,314	\$718,026	\$714,950	\$712,022	\$708,706	\$704,910	\$700,949
<u>Return on Investment</u>							
Operating Ratio on expenses	\$263,864	\$266,639	\$269,449	\$272,295	\$275,172	\$278,085	\$281,030
Depreciation (book)	\$385,000	\$386,750	\$388,535	\$390,355	\$392,175	\$394,030	\$395,885
Interest	\$183,325	\$168,965	\$153,902	\$138,100	\$121,521	\$110,185	\$98,217
Allowable Return	\$832,189	\$822,354	\$811,886	\$800,750	\$788,868	\$782,299	\$775,132
<u>Tax Calculation</u>							
Net Revenue (pre-tax & interest)	\$721,314	\$723,491	\$725,746	\$728,008	\$730,202	\$733,151	\$735,795
Tax Depreciation	\$462,000	\$464,917	\$470,808	\$479,733	\$491,692	\$506,742	\$524,883
Interest	\$183,325	\$168,965	\$153,902	\$138,100	\$121,521	\$110,185	\$98,217
Taxable Income	\$75,989	\$89,609	\$101,035	\$110,175	\$116,989	\$116,225	\$112,695
Income Taxes	\$21,277	\$25,090	\$28,290	\$30,849	\$32,757	\$32,543	\$31,555
<i>Income Tax Credit Carryforward</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Pro Forma - Kentucky Gas LDCs

Calendar Year Project Year	2016	2017	2018	2019	2020	2021	2022
	1	2	3	4	5	6	7
22-Sep-15							
<u>Cash Flow & Balance Sheet</u>							
Cash Flow after Interest	\$495,152	\$507,548	\$520,517	\$534,033	\$548,059	\$558,864	\$569,904
Cash Flow aftr Principal & Dividend	\$171,627	\$168,972	\$166,160	\$174,128	\$205,749	\$202,217	\$199,290
Gross return on equity (before Tax)	20%	21%	21%	22%	23%	23%	23%
Debt	\$3,657,000	\$3,333,475	\$2,994,898	\$2,640,542	\$2,347,636	\$2,142,326	\$1,925,679
Common Stock	\$2,565,000	\$2,565,000	\$2,565,000	\$2,565,000	\$2,565,000	\$2,565,000	\$2,565,000
Retained Earnings (ending) plus Equity contributions	\$495,152	\$1,002,700	\$1,523,217	\$2,057,251	\$2,538,310	\$2,960,174	\$3,390,078
less accum Depreciation	(\$385,000)	(\$771,750)	(\$1,160,285)	(\$1,550,640)	(\$1,942,815)	(\$2,336,845)	(\$2,732,730)
less Dividends				(\$67,000)	(\$137,000)	(\$140,000)	(\$142,000)
Shareholders Equity	\$2,675,152	\$2,795,950	\$2,927,932	\$3,004,611	\$3,023,495	\$3,048,329	\$3,080,348
<i>Debt to Equity Ratio</i>	1.4	1.2	1.0	0.9	0.8	0.7	0.6
<i>Equity</i>	42%	46%	49%	53%	56%	59%	62%
<i>Total Capitalization</i>	\$6,332,152	\$6,129,425	\$5,922,831	\$5,645,152	\$5,371,131	\$5,190,655	\$5,006,027
<u>Capital Additions by Year</u>							
Public Gas	\$6,222,000	\$ 35,000	\$ 35,700	\$ 36,400	\$ 36,400	\$ 37,100	\$ 37,100
Beg. Capital Acct Balance	\$6,222,000	\$171,627	\$305,598	\$436,059	\$573,787	\$743,136	\$908,253
Cash Flow after Principal & Divdnd	\$171,627	\$168,972	\$166,160	\$174,128	\$205,749	\$202,217	\$199,290
Capital Additions	(\$6,222,000)	(\$35,000)	(\$35,700)	(\$36,400)	(\$36,400)	(\$37,100)	(\$37,100)
Initial Equity	\$2,565,000						
Initial Debt	\$3,657,000						

Pro Forma - Kentucky Gas LDCs

Calendar Year Project Year	2016	2017	2018	2019	2020	2021	2022
	1	2	3	4	5	6	7
22-Sep-15							
Tax Depreciation by Addition Year		\$2,917	\$5,892	\$8,925	\$11,958	\$15,050	\$18,142
Interest on Loans							
SBA loan Dec08	\$22,125	\$16,895	\$11,470	\$5,840			
USDA loan Dec09	\$76,200	\$71,110	\$65,715	\$59,997	\$53,935	\$47,509	\$40,698
BTU loan Jul12	\$10,000	\$9,435	\$8,843	\$8,220	\$7,567	\$6,880	\$6,160
Public loan Nov15	\$75,000	\$71,524	\$67,875	\$64,043	\$60,019	\$55,795	\$51,359
Total Interest Pmt	\$183,325	\$168,965	\$153,902	\$138,100	\$121,521	\$110,185	\$98,217
Principal on Loans							
SBA loan Dec08 (10yr)	\$157,894	\$163,815	\$169,958	\$98,333			
USDA loan Dec09 (15-20yrs)	\$84,827	\$89,917	\$95,312	\$101,030	\$107,092	\$113,518	\$120,329
BTU loan Jul12 (20yr)	\$11,291	\$11,856	\$12,448	\$13,071	\$13,724	\$14,411	\$15,131
Public loan Nov15 (15yr)	\$69,513	\$72,989	\$76,639	\$80,470	\$84,494	\$88,719	\$93,155
Total Principal Pmt	\$323,525	\$338,576	\$354,357	\$292,905	\$205,311	\$216,647	\$228,615
Debt at start of Period	\$3,657,000	\$3,333,475	\$2,994,898	\$2,640,542	\$2,347,636	\$2,142,326	\$1,925,679
Total Debt Pmts	\$506,850	\$507,542	\$508,259	\$431,005	\$326,832	\$326,832	\$326,832
Ratio of Cash Flow (EBITDA) to Pmts	1.4	1.4	1.4	1.7	2.2	2.2	2.1
Assumptions:							
Debt Financing	59% financed			Tax Rate	28%		
Interest Rate	5.0% per annum composite rate			Gas Cost DTh	\$0.00 DTh		
Return on Equity	11.0% target for ratemaking			Ave Res'l Load	60 MCF		
Loan Life	20 years amortization			Ave Com'l Load	220 MCF		
Rate (Book) Life	30 years SL			Growth	1%		
Tax Life	20 years (IRS) SL			Payout	25%		

Form M: Customer Debt Schedule

Customer Name: Kentucky Frontier Gas LLC

Date: 7/23/2015

Lender	Loan Type¹	Commitment/Loan Balance	Interest Rate	Fixed/ Variable	Payment Frequency²	Scheduled Monthly Pmt Amount³	Total Annual Payments
CTB-SBA Loan	T	\$ 648,906	3.75%	V	Monthly	\$ 16,889	\$ 172,670
CTB-SBA #2	T	203,820	5%	F	Monthly	1,883	22,596
CTB-USDA #1	T	1,176,515	6%	V	Monthly	13,277	159,327
CTB-USDA #2	T	130,724	6%	V	Monthly	1,475	17,703
CTB-Tacoma Access	T	8,041	3.50%	F	Monthly	587	7,047
CTB-2015 Tacoma	T	19,650	2.99%	F	Monthly	365	4,377
CTB-2015 Ch Silver	T	31,332	2.99%	F	Monthly	610	7,324
CTB-F350	T	31,495	2.99%	F	Monthly	614	7,371
TOTALS		\$ 2,250,481	5.14%			\$ 35,701	\$ 398,415
CTB new Public	T	1,500,000	5.00%			11,862	142,343
TOTALS		\$ 3,750,481	5.08%			\$ 47,563	\$ 540,758

1. Enter one of the following choices: 2. Enter monthly, quarterly, annually, et 3. Enter N/A for demand notes, lines of credit, and floor plans.
 T - Term Loan
 L - Line of Credit
 D - Demand

Kentucky Frontier Gas LLC
KPSC 2015-00299 Debt Financing

Loan Description	Issue Date	Maturity Date	Interest Rate	Original Balance	Current Balance	Monthly Prin+Int Payment
Loans with Community Trust Bank:						
SBA Loan	12/30/2008	12/30/2018	3.75%	\$1,525,000	\$648,906	\$16,889
USDA Loan #1	4/13/2010	4/13/2025	6.00%	\$1,571,760	\$1,176,515	\$13,277
USDA Loan #2	4/13/2010	4/13/2025	6.00%	\$160,431	\$130,724	\$1,475
SBA Loan - BTU	7/23/2012	7/23/2027	5.00%	\$237,000	\$203,820	\$1,883
2012 Tacoma	5/28/2012	5/28/2016	3.50%	\$23,655	\$8,041	\$587
2015 Tacoma	4/22/2015	4/22/2020	2.99%	\$20,278	\$19,650	\$365
2015 Chev util	2/2/2015	2/2/2020	2.99%	\$33,973	\$31,332	\$610
2015 Ford F350	2/2/2015	2/2/2020	2.99%	\$34,150	\$31,495	\$614
SBA Loan - Public	11/2/2015	11/2/2030	5.00%	\$1,500,000	\$1,500,000	\$11,862
Totals				\$5,106,247	\$3,750,481	\$47,563
						\$540,759

balances as of 07/27/2015

**Kentucky LDC
Meters & Revenues - "Rent Roll"**

Company	Average			Monthly Charges	Gas Rev	Total Annual Margin	Wtd Contribn
	Meters	Sales mcf	Resident'l bill/yr				
Auxier Road Gas	486	110,000	\$370.80	\$58,320	\$401,700	\$460,020	19%
Alert-Kinzer-Quality	555	29,000		\$66,600	\$116,000	\$182,600	8%
Belfry Gas Co.	441	38,000		\$52,920	\$158,840	\$211,760	9%
Blaine	46	4,000		\$5,520	\$16,720	\$22,240	1%
BTU	454	28,000		\$54,480	\$117,040	\$171,520	7%
Cow Creek Gas	49	2,900		\$5,880	\$12,122	\$18,002	1%
Sigma Gas	685	37,000		\$82,200	\$154,660	\$236,860	10%
Dema Gas	10	350		\$1,200	\$1,463	\$2,663	0%
Interstate paying taps	84	6,000		\$10,080	\$24,000	\$34,080	1%
EKU - Floyd County Gas	773	60,000		\$92,760	\$250,800	\$343,560	14%
Mike Little Gas Co.	299	21,500		\$35,880	\$89,870	\$125,750	5%
Peoples Gas Co.	72	5,000		\$8,640	\$20,900	\$29,540	1%
Public Gas Co.	1,725	120,000	\$305.40	\$207,000	\$360,000	\$567,000	24%
Totals	5,679	461,750	\$120.00	\$681,480	\$1,724,115	\$2,405,595	100.0%
						\$5.21 / mcf	

"Gross Margin" after gas cost, before O&M expenses

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.

WITNESS: OXFORD

RESPONSE:

18.a. The original application submittal included a Purchase Agreement, dated November 11, 2011, between Public Gas and Jefferson Gas. This agreement is not transferable to Frontier due to Jefferson's refusal to do so. Therefore Frontier is providing the new agreement between Jefferson Gas and Frontier dated October 1, 2015.

18.b. See attached Gas Purchase Agreement, dated October 1, 2015.

18.c. Public Gas is still connected to Jefferson Gas, its only source of gas. Public Gas is not directly connected to an interstate gas pipeline. Jefferson Gas is connected to gas wells and interstate pipelines.

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.

WITNESS: OXFORD

RESPONSE:

The performance obligation of the new contract is to provide a firm minimum daily quantity of 1 MMBTU and a firm maximum daily quantity of 1,000 MMBTU. See attached new contract between Frontier and Jefferson Gas, which replaces the Public Gas contract dated November 11, 2011.

The number of customers of record for November 11, 2011 was 1,631.

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

WITNESS: SHUTE

RESPONSE:

20. Public Gas has provided general information about the state of its customer meters. The Public meters seem slightly better than the motley mix of meters in the various systems Frontier has integrated. Generally, Public meters are:

- Almost all American brand, which Frontier is migrating to.
- About 75% of all meters are American AC250, starting 1983
- Frontier inferred these data from a list of serial numbers:
 - aprx 420 American meters from 1957-82, mostly AL-175s
 - aprx 1450 Americans 1983-present, mostly AC-250s
 - aprx 50 unknowns, likely commercial meters like R750 etc
- The pre-1983 meters are AL-175 and non-TC, which Frontier will replace 5-7 yrs.
- Approximately 50% are TC or temperature-compensated.
- Public has used an AMR or Automated Meter Reading data collection device, but does not have a radio-based reader or any meter transmitters.
- Nearly all meters will support the AMR transmitter used by Frontier.
- Commercial meters include a few Rockwells, to be replaced sooner than later.

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.

WITNESS: SHUTE

RESPONSE:

21. From the information available, the Public Gas meters are generally American branded. In the current ongoing AMR program, Frontier's first and biggest hurdle is to replace 40-50% of its 4000 meters that were non-American. AMR remote transmitters are available for most makes and models of meters, but most non-American meters in Frontier were also obsolete (off-off brand, 175s no longer supported, non-TC etc).

Frontier will start immediately to implement radio AMR in Public Gas, first in the sections where meters are toughest to read.

Frontier will systematically retire and replace all obsolete Public meters including 175s and pre-1980s, as it is doing in other systems. Even as they await retirement, the older American meters use the same AMR transmitter as new meters, so Public can be completely converted to AMR. Meter upgrades in Public will be lower priority than upgrades in non-standard systems to enable AMR. Frontier expects to complete the AMR project in 5 years and complete meter upgrades in 10 years.

As stated in 2.e., Frontier intends to file a PRP and AMR plan for Public with the Commission. We don't yet have complete details on the projects required. Frontier wants to avoid delaying the Public transfer application and will file PRP and AMR details after the purchase is complete.

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

WITNESS: SHUTE

RESPONSE:

22. Frontier will purchase only the assets of Public Gas, and will assume no loans or liabilities. The Asset Purchase Agreement at Sec 1.03 seems to limit the assumption of utilities to "all other liabilities of Seller incurred in the ordinary course of business arising after the Closing". These are construed to be limited to gas supply and possibly transition timing items that can't be switched in a day or two. Frontier would expect to pay these minor items as we begin to operate the utility after closing.

Not stated on any balance sheet is the future liability for replacement of bare steel pipe, estimated to be between 7,000 feet and 10,000 feet based on reports on file in the data room of Public Gas. Some sections of steel pipe are operated at low pressure (typically less than 1/2 psig), where the customer meters do not have a domestic pressure regulator. The steel replacements and conversion to conventional medium pressure (typically 20 psi) will be completed over several years. Frontier will evaluate the scope and cost of these projects and expects to propose a Pipeline Replacement Program similar to its present PRP.

Case No. 20015-00299

Responses to Commission order of September 25, 2015

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

WITNESS: SHUTE

RESPONSE:

23. Frontier will begin immediately to brand all former Public customers as "Frontier", with bills and correspondence under the Frontier logo and name. As we work through the staffing-office-equipment-sharing issues discussed herein, Frontier plans to file a consolidation rate case in the next 1-2 years, to consolidate all rates.

The intent is that these Public Gas customers will identify with Frontier branding, as do most of our current customers from about 15 different entities.