

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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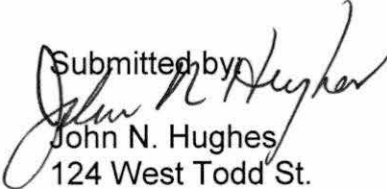
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER
GAS, LLC FOR AN ADJUSTMENT OF RATES


CASE NO.
2017-00263

KENTUCKY FRONTIER GAS, LLC's RESPONSE TO
PSC THIRD REQUEST FOR INFORMATION

Submitted by

John N. Hughes
124 West Todd St.
Frankfort, KY 40601
502 227 7270
Attorney for Kentucky Frontier Gas, LLC

Certificate:

I certify that a copy of these responses was mailed to the Attorney General, Capital Building, Frankfort, KY 40601 this the 2nd day of October, 2017.



John N. Hughes

1. Refer to the response to the Commission's Order of July 28, 2017 ("July 28, 2017 Order"), Items 2.b. and 2.f.

a. Provide a discussion of the expected future replacement of 25 miles of steel pipe, as stated in the response to Item 2.b., and reconcile the response to Item 2.b with the earlier statement in that same response that Frontier still has approximately 27 miles of steel pipe in its various systems.

Response: In the original PRP proposal in Case 2011-00443, Frontier estimated 27 miles of bare steel pipe remained in its systems (26 miles in Belfry and Mike Little, and unknown in BTU). In Case 2016-00132 that added Public Gas, Frontier estimated another 1.4 miles of steel pipe to replace.

Starting in mid-2013, Frontier has replaced about 7.22 miles of pipe under PRP (see response to Item 1.c.).

The extent of pipe replacement is a fluid number. There weren't accurate records for most of these systems. As we operate more years, find leaks and dig in other places, we learn more and can make a better estimate of what pipe will need to be replaced.

The most recent annual report to DOT lists 26.6 miles of steel pipe. Most of that is bare steel and can't be protected from corrosion. Some of the steel pipe in Public Gas is coated but above-ground; we're still assessing which sections can be protected and which may need to be replaced, and when.

The response to Item 1.c. is the best estimate we have today: 23.2 miles of pipe that should be replaced in the near- to mid-future.

1. Refer to the response to the Commission's Order of July 28, 2017 ("July 28, 2017 Order"), Items 2.b. and 2.f.

b. Reconcile the statement that 25 miles of steel pipe remains to be replaced, considering that in excess of 26 miles were originally approved for replacement in Frontier's Pipeline Replacement Program ("PRP"), as described in the question to Frontier in Item 2.f.

Response: See the responses to Items 1.a. and 1.c.

These numbers have bounced around as we've learned more about the systems. But the total has remained fairly consistent: the original estimates were about 28.4 miles for Frontier then Public. We've replaced 7.2 miles, found some more likely projects and now estimate 23.2 miles left to replace. This is still within 10% of the original numbers.

1. Refer to the response to the Commission's Order of July 28, 2017 ("July 28, 2017 Order"), Items 2.b. and 2.f.

c. Provide in spreadsheet format a comparison of the miles of pipe per system originally planned for replacement, including the Public Gas system, the miles actually replaced by system per year, and the miles per year expected to be replaced in 2017 and annually thereafter.

Response: Spreadsheet summarizes our annual reports to the Commission for PRP progress from inception mid-2013 through 2016.

The 2017 report isn't yet due. We have replaced about 4000 ft in Belfry and 2000 ft in Public systems. We also installed 3 more odorizers and did some GIS base mapping as detailed in an earlier data request. The PRP surcharge will raise about \$60,000 for the year, and we have already spent more than that.

We haven't attempted to forecast specific projects in the future, other than stating the intent to replace about 2.5 miles per year using a priority of leak history and the consequences for leaks.

**Kentucky Frontier Gas
Pipeline Replacement Program
2016**

| <u>Service Area</u> | <u>PRP Surcharge Annual Recovery (\$)</u> | <u>Pipe Replacement (\$)</u> | <u>Replacement by Service Area (ft)</u> | <u>Component Cost Odorization (\$)</u> |
|---------------------|---|----------------------------------|---|--|
| All Areas | 53,486 | 118,684 | | 12,897 |
| Belfry | | | 7,311 | |
| BTU | | | | |
| Mike Little | | | | |
| Phelps | | | | |
| Public Gas | | | 867 | |
| TOTAL | 53,486 | 118,684 | 8,178 | 12,897 |

2015

| <u>Service Area</u> | <u>PRP Surcharge Annual Recovery (\$)</u> | <u>Pipe Replacement (\$)</u> | <u>Replacement by Service Area (ft)</u> |
|---------------------|---|----------------------------------|---|
| All Areas | 46,634 | 93,205 | |
| Belfry | | | 2,593 |
| BTU | | | 6,373 |
| Mike Little | | | |
| Phelps | | | |
| | 46,634 | 93,205 | 8,966 |

2014

| <u>Service Area</u> | <u>PRP Surcharge Annual Recovery (\$)</u> | <u>Pipe Replacement (\$)</u> | <u>Replacement by Service Area (ft)</u> |
|-------------------------|---|----------------------------------|---|
| All Areas | 48,430 | 80,835 | |
| Belfry | | | 7,749 |
| BTU | | | |
| East Kentucky Utilities | | | 2,906 |
| Mike Little | | | |
| Phelps | | | 1,600 |
| | 48,430 | 80,835 | 12,255 |

2013

started in May13

| <u>Service Area</u> | <u>PRP Surcharge Annual Recovery (\$)</u> | <u>Pipe Replacement (\$)</u> | <u>Replacement by Service Area (ft)</u> | <u>Component Cost Odorization (\$)</u> |
|---------------------|---|----------------------------------|---|--|
| All Areas | 32,119 | 65,613 | | |
| Belfry | | | 7,100 | |
| BTU | | | | |
| Mike Little | | | | |
| Phelps | | | 1,600 | |
| | <u>32,119</u> | <u>65,613</u> | <u>8,700</u> | |
| TOTALS | \$ 180,669 | \$ 358,337 | 38,099 | \$ 12,897 |
| | | | \$ 9.41 per foot | |
| | | | 7.22 miles | |

Future

| <u>Service Area</u> | <u>Expected Cost by Service Area (\$)</u> | <u>Future Pipe Replacement (ft)</u> | |
|---------------------|---|---|-------------------|
| All Areas | | | |
| Belfry | 1,260,000 | 84,000 | |
| BTU | 105,000 | 7,000 | |
| Mike Little | 157,500 | 10,500 | |
| Phelps | 120,000 | 8,000 | |
| Public Gas | 195,000 | 13,000 | |
| TOTAL | <u>1,837,500</u> | <u>122,500</u> | |
| | | | 23.2 miles |

2. Refer to the response to Commission Staff's Second Request for Information, ("Staff's Second Request"), Item 6. Provide additional details concerning necessary pipe replacement in the BTU Gas system due to the use of plastic pipe not approved for distribution, as discussed in the September 18, 2017 telephonic Informal Conference.

Response: Frontier found some odd black PE pipe in the BTU system that was likely not intended for gas distribution systems. It was installed by the former owner of BTU when he was promoting BTU to investors as a gathering and transportation network, with distribution as a necessary evil. The pipe isn't much different from ASTM D2513 distribution pipe in appearance or dimensions or handling or fusing. The leak history for undisturbed pipe is not noticeably different. But Frontier has found that if we have to "squeeze-off" for a tie-in or repair as is done with D2513 pipe, within a couple of months the BTU pipe will often crack and leak at the location of the squeeze.

Frontier has not identified the extent of this pipe in the BTU system. If we find sections that are fully or predominately built of this pipe, Frontier plans to install closely-spaced block valves every mile or two, so that this pipe will not be squeezed in the future. Unless and until the leak history proves worse than regular PE pipe aside from the squeeze-offs, there is no compelling reason to replace this pipe under PRP.

3. Refer to the response to Staff's Second Request, Items 3 and 13. Confirm that the cost of the CAD and GIS updates referenced in the response to Item 3 are included in the invoices from Slone Energy, LLC and Keith E. Krejci in Item 13, and that Frontier proposes to include these expenditures in the PRP for cost recovery. If this is correct, provide the annual cost incurred or expected to be incurred and recovered through the PRP for these items, beginning with the first instances of cost incurrence, and continuing as many years as costs are expected to be incurred and charged to the PRP.

Response: The CAD-to-GIS or Paper-to-GIS conversions of base maps are a one-time project. The Slone and Krejci invoices for \$8800 submitted with the Second Request are for all CAD and GIS base maps to date, and are included as critical to planning and design for PRP. Frontier expects the remaining base map conversions will cost \$10-15,000 more for outside services charged to PRP, which should be completed in 2018. This total of \$20-25k is a small fraction of about \$350k spent to date on PRPs.

Once a system's base maps are created in GIS, Frontier is already adding elements such as valves, regulators, meters and other key points using our own personnel and a precision GPS instrument and collector software. The data collection will continue forever and is not proposed to be part of PRP.

4. Refer to the responses to the Attorney General's First Request for Information.

Item 16.f. Provide documentation (i.e., invoices or contracts to support the statement "IGS and PSI bill other consulting clients \$150 to \$200 per hour for the same services."

Response: IGS & PSI supply copies of actual invoices for the same types of services to other clients with natural gas pipelines and utility systems.

Industrial Gas Services,
 4891 Independence St., Suite 200
 Wheat Ridge, CO 80033-6714

Invoice

| DATE | INVOICE NO. |
|------------|-------------|
| 10/23/2014 | 101625 |

| |
|---|
| BILL TO |
| B&H 4891 Independence Street Suite 200 Wheat Ridge, CO 80033 |

| P.O. NO. | TERMS | DUE DATE |
|----------|-------|------------|
| | | 10/23/2014 |

| ITEM | DESCRIPTION | QTY | RATE | AMOUNT |
|--------------------|---|-----|--------------|------------|
| B&H Consulting/... | Behring Soil Remediation, testing 7/14/2014 | 29 | 125.00 | 3,625.00 |
| | | | Total | \$3,625.00 |

Industrial Gas Services,

4891 Independence St., Suite 200
Wheat Ridge, CO 80033-6714

Invoice

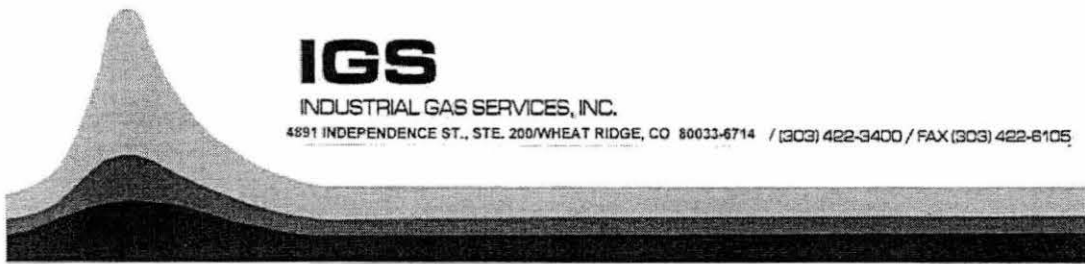
| | |
|----------|-------------|
| DATE | INVOICE NO. |
| 2/4/2016 | 101705 |

PAID

| |
|---|
| BILL TO |
| Tata Chemicals Partners PO Box 551 Green River, WY 82935-0551 Attn: Marco Cortes |

| | | |
|----------|---------|-----------|
| P.O. NO. | TERMS | DUE DATE |
| | 15 days | 2/19/2016 |

| ITEM | DESCRIPTION | QTY | RATE | AMOUNT |
|------------|--|-----|--------------|--------------------|
| TATA | Pipeline Maintenance for 1/2016 | | 6,500.00 | 6,500.00 |
| TATA MEOH | Equipment , NJEX 7300G Odorizer | 1 | 18,460.28 | 18,460.28 |
| Extra Work | Extra Work 1/13/16, NJEX 7300G Installation 12 Hours Gas System Technicians (2) | 12 | 125.00 | 1,500.00 |
| Extra Work | Service Truck (1) Extra Work 1/14/16-2/1/16 40 Hours | 40 | 80.00 | 3,200.00 |
| Extra Work | Testing /Programming /Operation Monitoring | | 282.00 | 282.00 |
| Extra Work | Sales Tax | | | |
| Adder | 10 % Adder | | 2,316.03 | 2,316.03 |
| | | | Total | \$32,258.31 |



PROFESSIONAL RATE SCHEDULE
Effective September, 2007

The following hourly rates apply to all fee services performed, and travel time to and from client's work locations. Rates are subject to change without prior notice unless otherwise agreed upon prior to commencement of work. Services will be invoiced monthly and payment must be in Industrial Gas Service, Inc.'s offices not later than 15 days after invoice date. Interest of 1.5% per month will be charged on all invoices not paid within 15 days of invoice date.

| <u>Function</u> | <u>Rate \$/Hr.</u> |
|--------------------------------|------------------------|
| Executive Management I | 200 |
| Executive Management II | 150 |
| Operations Management | 125 |
| Operations Technician (Field)* | 60 |
| Engineering Management | 125 |
| Contract Administration | 100 |
| Accounting Management | 80 |
| Accounting | 50 |

The above rates include office space, secretarial salaries, payroll taxes, employee benefits, insurance, etc., plus normal postage, copying and telephone expenses incurred in conducting client's business. These rates do not include direct cost such as travel and travel-related expenses, and overnight special delivery packages. These charges will be invoiced separately and must be paid within 15 days of the invoice date.

* Includes vehicle and small tools.



Billing for Professional Services: 2015

Invoice Date: 31-Dec-15
 Invoice No. 1505
 Client: Tongue River Joint Powers Board
 PO Box 352
 Dayton, WY 82836

| Tongue River Gas Utility | hrs | rate | Total |
|---|-------------|-------|---------------------------|
| Project Support 4Q14-1Q15 | | | |
| - MDU evaluation, new hydraulics on PE pipe | | | |
| - WyPSC strategy on rate regulation | | | |
| - refine costs with PNG recon, economics | | | |
| - prepare for Cheyenne mtgs | | | |
| - confer with JPB & leaders | 20.0 | | |
| Meetings in Cheyenne: Governor, WAM, legislators (2x) | 8.0 | | |
| 3Q-4Q15 Comprehensive study for SLIB | | | |
| - Interview engrs & project leaders | | | |
| - Technical details, gas utility details | | | |
| - MDU discussions on gas supply, load, stds | | | |
| - confer with JPB & leaders | 28.0 | | |
| | <u>56.0</u> | \$160 | \$8,960.00 |
| Sr. Utility Engineer | | | |
| Construction recon - Shawn Buchanan Dec14 | | | |
| - Site visit & tour, routes; meet JBP & MDU | | | |
| - Details on const conditions, expected costs | | | |
| | <u>30.0</u> | \$50 | \$1,500.00 |
| Sr. Utility Foreman | | | |
| 800 miles, 2 nights, expenses | | | \$550.00 |
| Amount This Invoice | | | <u>\$11,010.00</u> |

Pipeline Solutions, Inc.
PO Box 1054
Glenwood Springs, CO 81602
970-928-9208 Federal EIN# 84-1187790



Billing for Professional Services: 2016

Invoice Date: 30-Jun-16
Invoice No. 1606
Client: Tongue River Joint Powers Board
 PO Box 352
 Dayton, WY 82836

| Tongue River Gas Utility | hrs | rate | Total |
|---|------|-------|--------------------|
| 1Q-2Q16 Comprehensive study for SLIB - O&M tasks for MDU ops contract - gas use profile, MDQ, MHQ forecast - design mains & services, hydraulics - refine construction costs - MDU rates, transport, gas costs - Q&As & study guidance with WWC engrs | 38.5 | | |
| Public meetings in Dayton & Ranchester April 12-13 - plan with WWC engrs & leaders - public meeting in Dayton - followup with WWC engrs, JPB & leaders | 16.0 | | |
| Public meeting followup - meeting notes with WWC engrs - MDU issues - legislation on WyPSC rate regulation | 4.7 | | |
| Sr. Utility Engineer | 59.2 | \$160 | \$9,472.00 |
| <i>travel, 1 night, expenses see detail</i> | | | \$704.00 |
| Amount This Invoice | | | \$10,176.00 |

Pipeline Solutions, Inc.
PO Box 1054
Glenwood Springs, CO 81602
970-928-9208 EIN 84-1187790



Billing for Professional Services: 2014

Invoice Date: 22-Jul-14
Invoice No. 1412
Client: Bryan Boone
Arrow Mechanical for Dairy Farmers of America
PO Box 5358
Clovis, NM 88102

| Portales Gas Pipeline | hrs | rate | Total |
|-----------------------|-----|------|-------|
|-----------------------|-----|------|-------|

DOT pipeline safety compliance for Dairy Farmers of America pipeline to Portales Plant:

- corporate conference calls on NM PRC audit
 - OQ tasks, evaluations & records
 - draft NM PRC response
 - update OQ plans, Covered Tasks, evaluations
- Feb-14 20.0

- file DOT Annual Report incl Integrity Mgmt
 - file Natl PL Mapping System updates
 - file DAMIS drug & alcohol report
- Mar-14 4.0

- final OQ updates
 - final NM PRC response
 - corporate conf calls
- Apr-14 7.0

| | | | |
|----------------------|------|-------|------------|
| Sr. Utility Engineer | 31.0 | \$180 | \$5,580.00 |
|----------------------|------|-------|------------|

Amount This Invoice \$5,580.00

| |
|---|
| <p>Pipeline Solutions, Inc. PO Box 1054 Glenwood Springs, CO 81602 970-928-9208 Federal EIN# 84-1187790</p> |
|---|



Billing for Professional Services: 2016

Invoice Date: 11-May-17
 Invoice No. 1701
 Client: Joey Martin, Mgr
 Dairy Farmers of America
 1820 S Industrial Drive
 Portales NM 88130

| Portales Natural Gas Pipeline | hrs | rate | Total |
|-------------------------------|-----|------|-------|
|-------------------------------|-----|------|-------|

DOT pipeline safety compliance for Dairy Farmers of America pipeline to Portales Plant:

Activities in 1Q15

- wrap up DOT 2015 compliance items
 - DOT Annual Report on transmission pipeline
 - review Natl Pipeline Mapping System entry
 - transition to new Ops contractor & DFA Plant staff
 - transition PHMSA records to plant staff
- Apr-16 8.0

Prep for 2016 field work

- NM PRC issues with HQ
 - copy records & reports for DFA HQ
 - conf calls on upcoming PRC inspection
 - prep for site visit to Portales
- Jul-16 4.0

Field work for 2016

- travel RT from Colo with co-worker 8/17-18 10.0 Engineer + Technician
 - cathodic protection CP annual survey
 - leak survey pipeline & appurtenances
 - review records & reports at Plant office
 - prep for NM PRC inspection
- Aug-16 6.0 Engineer + Technician

Followup & DOT wrap-up

- respond to PRC inspection items
 - Operator Quals docs for PRC
 - draft CP-Leak-DOT reports for 2016
- Dec-16 7.0



| | | | |
|-----------------------------------|------|-------|---------------------------------|
| Sr Utility Engineer | 35.0 | \$180 | \$6,300.00 |
| Utility Technician | 12.0 | \$40 | \$480.00 |
| <i>Expenses (see detail)</i> | | | <u>\$1,137.33</u> |
| <i>Amount This Invoice</i> | | | <u><u>\$7,917.33</u></u> |

Pinedale Natural Gas
4505 S Broadway
Englewood CO 80113
970-928-9208 Federal EIN# 83-0305550