

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER GAS, LLC) CASE NO.
FOR ALTERNATIVE RATE ADJUSTMENT) 2017-00263

NOTICE OF FILING

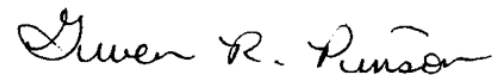
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on November 27, 2017 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on November 27, 2017.

A copy of this Notice, the certification of the digital video record, and hearing log have been electronically served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at https://psc.ky.gov/av_broadcast/2017-00263/2017-00263_27Nov17_Inter.asx.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 29th day of November 2017.

A handwritten signature in black ink that reads "Gwen R. Pinson". The signature is written in a cursive style with a large initial 'G' and a long, sweeping underline.

Gwen R. Pinson
Executive Director
Public Service Commission of Kentucky

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

Justin M. McNeil
Office of the Attorney General
Office of Rate Intervention
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

Kent Chandler
Assistant Attorney General
Office of the Attorney General
Office of Rate Intervention
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

Kentucky Frontier Gas, LLC
4891 Independence Street, Suite 200
Wheat Ridge, CO 80033

Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General
Office of Rate Intervention
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER)	
GAS, LLC FOR ALTERNATIVE RATE)	CASE NO.
ADJUSTMENT)	2017-00263

CERTIFICATE

I, Pamela Hughes, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on November 27, 2017. The Hearing Log and Witness List are included with the recording on November 27, 2017.

2. I am responsible for the preparation of the digital recording.

3. The digital recording accurately and correctly depicts the Hearing of November 27, 2017.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of November 27, 2017, and the time at which each occurred.

Signed this 29th day of November, 2017.



Pamela Hughes, Notary Public
State at Large
My Commission Expires: April 22, 2019



Judge: Bob Cicero; Talina Mathews; Michael Schmitt

Witness: Kim Krisp; Steve Shute

Clerk: Pam Hughes

Date:	Type:	Location:	Department:
11/27/2017	General Rates	Hearing Room 1	Hearing Room 1 (HR 1)

Event Time	Log Event
8:53:16 AM	Session Started
8:53:19 AM	Session Paused
9:57:11 AM	Session Resumed
9:57:14 AM	Chairman Schmitt Preliminary remarks Note: Hughes, Pam 2017-00263 Kentucky Frontier Gas Note: Hughes, Pam Introduces Commissioners; Bob Cicero-Vice Chairman and Talina Mathews -Commissioner.
9:58:29 AM	Chairman Schmitt remarks about purpose of hearing
9:58:50 AM	Atty Jack Hughes for Ky Frontier Gas, LLC Note: Hughes, Pam Introduces his witnesses
9:59:34 AM	Atty MCNeil for AG
9:59:43 AM	Atty Pinney for PSC
9:59:54 AM	Chairman asks for any other issues Note: Hughes, Pam No other issues to address.
10:00:12 AM	Public comments Note: Hughes, Pam No public comments
10:00:44 AM	Atty Hughes calls Witness Shute to the stand Note: Hughes, Pam Sworn in by the Chairman
10:01:11 AM	Atty Hughes direct exam of Witness Shute Note: Hughes, Pam Steve Shute - member of Ky Frontier Gas, LLC Note: Hughes, Pam Principal sponser of the application and responses to Data Requests. Note: Hughes, Pam Regarding his history with the company and how he got here today.
10:05:37 AM	Atty Hughes direct exam of Witness Shute Note: Hughes, Pam Regarding primary purpose of the application at issue today.
10:06:32 AM	Atty Hughes direct exam of Witness Shute Note: Hughes, Pam Regarding recent history on customer sales and decline in volume and how it is affecting the company. Note: Hughes, Pam Regarding the importance of getting this rate increase for the company as quickly as possible.
10:11:51 AM	Atty McNeil cross exam of Witness Shute Note: Hughes, Pam Referring to a cost allocation manual being used at Ky Frontier, LLC
10:13:25 AM	Atty McNeil cross exam of Witness Shute Note: Hughes, Pam Sole shareholder of PSI Note: Hughes, Pam Regarding KRS 278.2207 and 2209, Also affiliate transactions.
10:15:05 AM	Atty McNeil cross exam of Witness Shute Note: Hughes, Pam Regarding the Pipeloine Replacement Program (PRP) the Commission approved and why it wasn't finished.
10:17:07 AM	Atty McNeil cross exam of Witness Shute Note: Hughes, Pam Regarding an Estimate of pipe to be replaced in 2017.
10:17:43 AM	Atty McNeil cross exam of Witness Shute Note: Hughes, Pam Has he looked at doing much of the work in house instead of hiring contractors.

Note: Hughes, Pam Regarding much of pipeline left to be replaced is at a higher cost now.

10:19:06 AM Atty McNeil cross exam of Witness Shute
Note: Hughes, Pam Regarding other ways to reduce the replacement cost going forward.
Note: Hughes, Pam Regarding if Ky Frontier has access to a Horizontal directional drill. Any other operator in house to run this equipment.

10:20:46 AM Atty McNeil cross exam of Witness Shute
Note: Hughes, Pam Regarding the Acceleration of the PRP and what that means.

10:21:33 AM Atty McNeil cross exam of Witness Shute
Note: Hughes, Pam Regarding any safety concerns to accelerate the PRP.

10:23:26 AM Atty McNeil cross exam of Witness Shute
Note: Hughes, Pam Regarding witnesses role in the company. Unique roll and knowledge that witness has, explains this further.

10:27:00 AM Atty McNeil cross exam of Witness Shute
Note: Hughes, Pam Regarding how he splits his time between the companies.
Note: Hughes, Pam Regarding if witness was unavailable, is there a plan in place for someone else to take over his duties in the company.
Note: Hughes, Pam Regarding Pinedale, he is an employee of that company.

10:28:54 AM Atty Pinney cross exam of Witness Shute
Note: Hughes, Pam Regarding bringing uniform rates across the system. Auxier Road has a seperate coproration for tax purposes.

10:30:20 AM Atty Pinney cross exam of Witness Shute
Note: Hughes, Pam Regarding the PRP, originally approved in the 2013 Order. 12, 500 feet per year. Overall PRP

10:31:17 AM Atty Pinney cross exam of Witness Shute
Note: Hughes, Pam Staff 3rd request, item 1.a. 23.2 miles is bare steel and should be replaced in the near-to-mid future. Some other pipe is coated but is on the ground and could possibly be replaced.
Note: Hughes, Pam Staff's 3rd DR, item 1.c. result of the 189,699 collected through the 1.25 surcharge and the total amount spent of arpound 360,000, since 2013 Frontier has replaced approximately 38,000 feet or 7.2 miles of steel pipe.

10:36:21 AM Atty Pinney cross exam of Witness Shute
Note: Hughes, Pam Regarding some of the BTU pipe abvoe ground in Public Gas. Exposed pipe in some other systems that were found.

10:37:33 AM Atty Pinney cross exam of Witness Shute
Note: Hughes, Pam Staffs 3rd request , item 1.c. Frontier came close to the goal of 12,500 feet of pipe replaced. Describe the experience with the PRP and the factors that have cause Frontier to be unable to replace pipe at the annual rate it originally estimated.

10:39:55 AM Atty Pinney cross exam of Witness Shute
Note: Hughes, Pam Regarding testimony about the directional drilling machine. Drawbacks of using contractors verses Frontiers personnel in the PRP replacements.

10:41:13 AM Atty Pinney cross exam of Witness Shute
Note: Hughes, Pam Response to AG's supplemental response, Item 2.a. Staff's 4th request item 2.b. Frontier intends to replace 12,500 feet of pipe a year. A PRP surcharde of 5 % would be necessary tofinish the pipeline in 6 more seasons to meet the target. Would the 5.00 per customer PRP charge help them to complete the PRP withing the oringinal 10 to 12 years.

10:44:26 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam	Staff's 3rd request, item 1.c. Future replacements prioritized based on leak surveys. Safety and financial risks involved in operating a system with a relatively high level of lost or unaccounted for gas.
10:46:35 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Regarding problems of gas lost due to theft. Frontier's PGA filings, in last Case, 2017-00401, for sales volumes and purchases for the 12 months ending July 2017, indicated line loss of 6.7 %. Comparison of annual losses that were 15 to 20%.
10:55:44 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Regarding Frontier adding the cost of CAD and GIS updates in the PRP cost recovery. Why are these critical to planning and design for the PRP? Staff's 2nd request, item 6. gas pipeline suppliers for access to more timely delivery volume data. Provide more detail about the timeliness of the data that Frontier gets from its pipeline suppliers.
11:00:32 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam	Regarding the current meter AMR will run about 5 more years up to 2022. It coincides with the end of the AMR meter program as originally approved for Public Gas in Case No. 2016-00132. Describe the experience with the meter upgrade and AMR program, any differences it has made in metering and billing errors.
11:03:23 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam	Response to Commission's July 28, 2017 Order; item 6.e. 1st DR. The excel spreadsheet provided included only the monthly revenues for each non-recurring charge but not the number of incidences charged. PHDR
11:05:20 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam	Regarding no change to the current \$50 Large Commercial monthly service charge, and to decrease the Large Commercial volumetric charge from \$3.4454 per mcf to \$3.3970 per mcf. Explain why Frontier is proposing to decrease the volumetric charge for this class.
11:08:12 AM	PHDR Note: Hughes, Pam	Monthly sales for 2017 through most current month
11:08:37 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Staff's 1st request, item 2.b. Customers abandoning gas service over the summer months. How many customers disconnect over the summer - several hundred. Is this a significant problem in terms of revenue collection for Frontier? Frontier proposes to raise the reconnet fee to 96.00. Would this limit the disconnects during the summer months.
11:11:31 AM	Atty Pinney cross exam of Witness Shute Note: Hughes, Pam	Response to AG's supplemental DR, item 11. Auto loans in which Frontier didn't receive Commission approval and statute states any loans over a two year period or longer. Aware that utilities are to get approval and explains why they didn't ask for permission from the Commission.
11:14:47 AM	PHDR Note: Hughes, Pam	Balance sheets and current monthly sales volume
11:15:26 AM	VC cross exam of Witness Shute Note: Hughes, Pam	Refers to the background of Frontier and how it was formed. Started organization in 2005. Regarding the Members that belong to organization. He and Bob Oxford are managing members.

11:17:35 AM	VC cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Long term goal of the organization. Is he looking to expand in Kentucky or satisfied with what he has. Regarding owning gas companies and being succesful. They have lost money over the past two years, from a financial funding aspect, is there a long-term goal to become more financially stable.
11:22:40 AM	VC cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Regarding the Belfry gas line. Would there have been a testing of the gas in- gas out and loss of gas. Didn't have any recourse in fraudulent findings in the loss of gas. Came in agreement with them that they would not sue them. Consulting fee for his service, he has been paid up to 2014 only. Will this be converted to a debt service or just sit on the books
11:26:01 AM	VC cross exam of Witness Shute Note: Hughes, Pam	Regarding Frontier's request of deviations for the 5 or 10% to be allowed to charge. Would it be acheivable to replace that much pipe in the given time. Commission wants a plan as to how the line loss is going to be done and not over another 10 year period.
11:29:49 AM	Comm. Mathews cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Bare pipe doesn't always leak, but finding the ones that do they can be replaced and knock down on some gas loss and expenses. Regarding the 10 year replacement schedule, would be hiring more contractors. Any analysis done in hiring additional staff instead of hiring contractors.
11:33:53 AM	Chairman cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Belfry Gas is the source of the biggest leaks, is it the business district or outside the city limits. Regarding the area around the school and South Williamson are densley populated. Grade one leaks are fixed when found. Did he ever buy gas from Kinser - Quaility Natural gas. Refgarding who does the leak surveys. Done in house and keeps records. Leaks repaired prioritized by how bad they are. These are monitored.
11:37:15 AM	Chairman cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Regarding discovering those who are stealing gas. Referring to Frontier's response of a Commission's Order. Some of the overall loss is gas theft and does he have any idea what systems is this occuring in.
11:39:49 AM	Chairman cross exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Free gas service was doled out to people for right-of-ways and other services. Do they have customers that have right to free gas from other predecessors contracts. (Former owner of BTU) Referring to people not paying their bills, mainly in Magoffin County. Who assists them in getting the money in Magoffin County. Have taken people to court for non-pay but nothing has been done in the legal system in this county.
11:43:32 AM	Chairman cross exam of Witness Shute Note: Hughes, Pam	Response to DR - Frontier had identified 3rd party contractor that would be available to install gas lines for the PRP project. Witness states he isn't sure . PHDR
11:44:42 AM	Atty Hughes re exam of Witness Shute Note: Hughes, Pam Note: Hughes, Pam	Does the PRP program operate during the 12 months, but 2 to 3 months in winter is tough. Regarding the \$5 or \$10 charge increase in the PRP funding. If more projects done they need to hire someone internally for Frontier.

	Note: Hughes, Pam	If could hire additional contractors, do they have additional funding to hire staff to oversee this.
11:47:27 AM	Chairman statement about the PRP program being accelerated.	
11:48:54 AM	Witness excused	
11:49:48 AM	Atty Hughes calls Witness Krisp to the stand	
	Note: Hughes, Pam	Sworn in by the Chairman
11:50:23 AM	Atty Hughes calls Witness Krisp to the stand	
	Note: Hughes, Pam	Kim Krisp, employed at Ky Frontier Gas for 7 years. Employed by Auxier Gas for 20 years in accounting.
11:51:03 AM	VC cross of Witness Krisp	
	Note: Hughes, Pam	Several fixed long term loans, standard debts.
	Note: Hughes, Pam	Regarding the balance sheet and long term debt in 2016. What was the decrease in long-term debt contributed to.
	Note: Hughes, Pam	In accounts payable it increased 300,000. What is that related to. Falling behind in current debt, some are 90 days over. Cash contributions from the owners currently.
11:54:12 AM	VC cross of Witness Krisp	
	Note: Hughes, Pam	Maintenance expenses in previous years. Increases due in PHDR and accounts payable and cash flow
11:55:17 AM	Comm. Mathews cross of Witness Krisp	
	Note: Hughes, Pam	Concerning the vendors that haven't been paid in over 90 days. How much of the increase is due to this? PHDR
11:56:15 AM	Witness excused	
11:56:37 AM	PHDR	
	Note: Hughes, Pam	PHDR's need to be filed by Dec. 4th. Atty Hughes response by Dec. 11th.
11:57:50 AM	Parties reserves right to file brief	
	Note: Hughes, Pam	Dec 18th is when briefs need to be filed. AG will contact Atty Hughes to let him know if he is filing a brief and the subject matter.
11:59:20 AM	Adjourned	
11:59:29 AM	Session Paused	
3:18:24 PM	Session Ended	

*Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

*Justin M. McNeil
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Kent Chandler
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Kentucky Frontier Gas, LLC
4891 Independence Street, Suite 200
Wheat Ridge, CO 80033

*Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204