

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

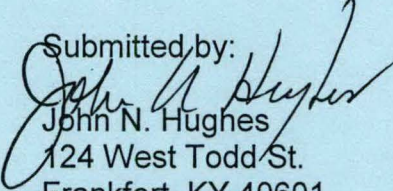
APPLICATION OF KENTUCKY FRONTIER  
GAS, LLC FOR AN ADJUSTMENT OF RATES

CASE NO.  
2017-00263

KENTUCKY FRONTIER GAS, LLC

BRIEF

Submitted by:

  
John N. Hughes

124 West Todd St.

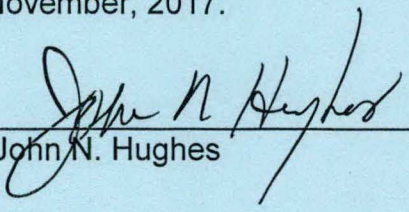
Frankfort, KY 40601

502 227 7270

Attorney for Kentucky Frontier Gas, LLC

Certificate:

I certify that a copy of this Brief was mailed to the Attorney General, Capital Building,  
Frankfort, KY 40601 this the 18<sup>th</sup> day of November, 2017.

  
\_\_\_\_\_  
John N. Hughes

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF FRONTIER GAS, LLC  
FOR AN ADJUSTMENT OF RATES

CASE NO. 2017-00263

**BRIEF**

I. Introduction

Pursuant to the Commission's Order of December 4, 2017, the Attorney General provided Frontier with notice of two issues to be briefed – affiliated interest and Pipeline Replacement Program (PRP).

II. Argument – Affiliated Interest

The first issue to be addressed is affiliated interest. The definition of affiliate is stated in KRS 278.010:

(18) "Affiliate" means a person that controls or that is controlled by, or is under common control with, a utility;

The term is further defined in 807 KAR 5:001 Section 1:

Definitions. (1) "Affiliate" means an entity:

- (a) That is wholly owned by a utility;
  - (b) In which a utility has a controlling interest;
  - (c) That wholly owns a utility;
  - (d) That has a controlling interest in a utility; or
  - (e) That is under common control with the utility.
- (2) "Case" means a matter coming formally before the commission.  
(3) "Commission" is defined by KRS 278.010(15).  
(4) "Controlling interest in" and "under common control with" mean a utility or other entity if the utility or entity:

- (a) Directly or indirectly has the power to direct, or to cause the direction of, the management or policies of another entity; and
- (b) Exercises that power:
  1. Alone or through one (1) or more intermediary companies;
  2. In conjunction with, or pursuant to an agreement;
  3. Through ownership of ten (10) percent or more of the voting securities;
  4. Through common directors, officers, stockholders, voting or holding trusts, or associated companies;
  5. By contract; or
  6. Through direct or indirect means.

Apparently, the Attorney General believes that the ownership of unrelated corporations by the members of Frontier creates an affiliated interest. The facts prove otherwise. Frontier is a limited liability corporation owned by three individuals and one corporation. As explained by the organizational chart and response to PSC DR 1-12 attached as exhibit 1, Steve Shute, Robert Oxford, Larry Rich and Industrial Gas Services or IGS are the members of Frontier. The articles of organization of Frontier verify that ownership, exhibit 2.

Steve Shute owns a natural gas utility in Wyoming – Pinedale Natural Gas, which has no ownership or management interest in Frontier. He also owns 100% of a utility consulting business – Pipeline Solutions, Inc. - which has no ownership or management interest in Frontier. Pipeline Solutions, Inc. was incorporated December 12, 1991 in Colorado. Pinedale Natural Gas, Inc. was incorporated September 10, 1993 in Colorado, Shute was founder and co-owner until his partner died in 2011. Shute now owns 100%. See PSC DR 1-12, exhibit 1. The relationship of Shute's companies to Frontier was explained in response to the AG 1-16 through 1-18 – copies attached as exhibit 3

Robert Oxford has an ownership interest in IGS – a Colorado gas exploration and development company. Larry Rich has no other corporate ownership or

management interests. IGS is a member of Frontier. Frontier has no ownership interest in IGS.

The essential fact to the Attorney General's assertion of affiliation is that Frontier has no ownership interest in or control over Pinedale Natural Gas, Pipeline Solutions, Inc. or IGS. Similarly, none of those companies individually or collectively own any interest in Frontier or have any control over it. This is confirmed by Mr. Shute in his hearing testimony – Video TR 10:13:58 to 10:14:58.

Based on the definition of affiliate in KRS 278.010 - a person that controls or that is controlled by, or is under common control with, a utility – none of the Frontier members qualifies as an affiliate. Frontier is controlled by four members – three of whom have no ownership in either of Shute's other companies – IGS, Oxford and Rich. The Articles of Organization of Frontier provide for management by the four members with each having equal authority. Thus, none of the individual members has control over Frontier. Neither of Shute's unrelated companies control or are under the control of Frontier or exercise common control over Frontier. Assuming that one or both of Shute's companies has common ownership with Frontier, neither company, individually or collectively, has control over Frontier or is controlled by Frontier as a consequence of Shute's ownership.

Just as unrelated companies do not fall within the definition of affiliate in the statute, they do not fall within the terms of the regulation. 807 KAR 501(1) requires a relationship:

(a) That is wholly owned by a utility: None of the Shute or Oxford companies is owned by Frontier

(b) In which a utility has a controlling interest:

Frontier has no controlling interest in Shute's or Oxford's companies;

(c) That wholly owns a utility:

Frontier is not wholly owned by any of or any combination of Shute or Oxford companies;

(d) That has a controlling interest in a utility:

The companies owned by Shute and Oxford do not have a controlling interest in Frontier;

(e) That is under common control with the utility:

The companies of Shute and Oxford are separately owned and operated independently from Frontier and none of those companies individually or collectively control Frontier. Neither the Shute companies or IGS controls Frontier.

(4) "Controlling interest in" and "under common control with" mean a utility or other entity if the utility or entity:

(a) Directly or indirectly has the power to direct, or to cause the direction of, the management or policies of another entity.

Neither of the Shute companies or IGS has this authority. Shute cannot as one member of the Frontier LLC direct the management of Frontier either individually or through his companies. Similarly, neither Oxford or IGS, individually can direct the management of Frontier.

(b) Exercises that power:

Such power of control cannot be exercised if it does not exist.

1. Alone or through one (1) or more intermediary companies.

See (a).

2. In conjunction with, or pursuant to an agreement.

There is no agreement among Frontier, IGS or the Shute companies for management of Frontier.

3. Through ownership of ten (10) percent or more of the voting securities.

Each member of Frontier has one equal vote and cannot individually control Frontier.

4. Through common directors, officers, stockholders, voting or holding trusts, or associated companies.

Shute, Oxford and IGS have common directors with Frontier, but those directors have no ability individually to direct the management of Frontier.

5. By contract.

There is no management contract among Frontier, IGS or the Shute companies.

6. Through direct or indirect means.

See 1-5.

Based on the only evidence in the record, Frontier has no affiliated interest in any of the companies referenced in the Attorney General's data requests. Assuming there is an affiliate interest, the issue of concern presumably is the cost charged to Frontier.

KRS 278.2207 addresses pricing of transactions among affiliates.

278.2207 Transactions between utility and affiliate

Pricing requirements

(1)The terms for transactions between a utility and its affiliates shall be in accordance with the following:

(a)Services and products provided to an affiliate by the utility pursuant to a tariff shall be at the tariffed rate, with nontariffed items priced at the utility's fully distributed cost but in no event less than market, or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.

**(b)Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology. (Emphasis added)**

There are no tariffed services involved in the transactions among Frontier and the unrelated companies, leaving pricing as the sole issue. The services billed to Frontier from the Shute and Oxford companies are in conformity with the restriction in paragraph (b) of the statute. Because Frontier is not regulated by the SEC, FERC and has no business activities with the USDA, it has no cost allocation manual (CAM) required by those entities. KRS 278.2203 and 278.2205 require a CAM for

nonregulated utility activities and are not applicable to Frontier. The only remaining restriction is that all of the charges be below market costs. The invoices provided in responses PSC DR 2-13, PSC DR 3-4 and AG Supp. 4(b) verify that the charges by Shute, Oxford and IGS are all below market. Copies attached as exhibit 4.

Even if the Attorney General is correct that the Shute/Oxford companies are affiliated with Frontier, he has no proof that the fees charged are in excess of market or are in and of themselves excessive. Thus, there is no violation of the affiliated interest statute.

The fallacy of the Attorney General's assertion is that Shute and Oxford could bill Frontier for the same services individually, rather than through their companies. The fees are for their individual services, not services provided by or available from their companies. There is no company overhead, margin, or other "distributed cost" included in the professional fees. See Response AG Supp. 4(b). The simplified billing available through those companies is the rationale for the Frontier invoices, not the services provided. The practical effect of the transactions among Frontier, Shute, Oxford and their companies is simply to facilitate billing.

### III. Argument - PRP

The second issue the Attorney General opposes is the Pipeline Replacement Program (PRP). Frontier proposes to accelerate its Pipeline Replacement Program (PRP) and increase the surcharge approved in Case No. 2016-00132, which became effective October 6, 2016. The PRP project has made significant progress since 2013, with the replacement of several miles of leaking bare steel pipe, with focused attention

to problem areas identified by increased leak surveys, and installation of gas odorizers to better draw attention to leaks. Frontier acquired several gas systems with decades of leak history. The worst was the Belfry system, now (after years of replacement projects) with 16 miles of unprotected steel pipe at least 40 to 50 years old. The former owner filed DOT and PSC reports showing virtually zero L&U, but it was soon discovered it was actually 35-50%. Frontier has extensively used leak surveys to identify and replace approximately 5 miles of pipe and has noticeably reduced the gas losses. There are other segments of bare steel and other marginal pipe in the former Mike Little, BTU and Public Gas systems that are planned for systematic replacement.

The PRP provides a mechanism to recover more currently the cost of replacing all existing bare steel and marginal pipe within Frontier, including replacement of service lines, curb valves, meter loops, and any mandated relocates. Frontier expects to enhance the safety of its system by replacement of facilities with new, longer lasting and safer materials. Replacement cost varies from year-to-year depending on size and location and digging conditions of the pipe replaced.

The cost of this program has been recovered through a \$1.25 monthly surcharge on each utility customer's bill (not applicable to farm taps). After review of results from 2013-16, Frontier proposes to continue the PRP project at an accelerated pace. Frontier has done most PRP work to date with internal forces at very low costs of \$5 to \$8 per foot, but has limited ability on difficult or extended projects. Frontier intends to use contractors to do more extensive and complicated projects, but the resulting cost will be higher at \$12 to \$ 15 per foot. (Application Section 7, Q.6; PSC DR 4-2 attached as



exhibit 5). The cost of flaggers is three to four times the cost of Frontier's labor. (Shute, Video TR, 10:18:30).

Frontier proposes to increase the monthly PRP surcharge from \$1.25 to \$2.00 per customer, both to accelerate the progress of PRP and to reflect higher per-foot construction costs.

The surcharge funds the cost of the replacement of the following categories of bare steel (which cannot be effectively cathodically protected); coated steel without CP, and ineffectively coated steel whether or not with cathodic protection. In nearly all cases, replacement piping will be polyethylene PE plastic where the system pressure and conditions allow. Some projects may require coated steel pipe with cathodic protection, but that is not expected.

Included in the surcharge is the cost of all of the planning, design, replacement construction, investment and retirement expenses related to the replacement of piping from the main to the customer's meter - curb valves, service risers, meter sets and other related appurtenances - that do not meet current material and construction standards or pose other operational issues. In response to PSC DR 2-3, Frontier explained that the allowed expenses for the PRP include CAD and GIS mapping, citing the final order in Case No. 2011-00443. See Shute testimony (Video TR 10:55:44) The CAD to GIS or paper to GIS conversions are a one-time cost, which should be completed in 2018. The total cost is approximately \$20,000 to \$25,000 of the total \$350,000 PRP cost to date. See Response to PSC DR 3-3.

Finally, Frontier will be taking steps to ensure that the newly installed facilities are appropriately designed and sized. This may necessitate in certain circumstances the replacement of facilities other than bare steel mains and services and those planning, design, replacement construction, investment and retirement costs will be included in the PRP as well.

Frontier plans to complete the PRP, including the associated Automated Meter Reading (AMR), projects within 5-7 years. Frontier started both programs in May 2013, then added Public Gas Company systems in October 2016. Total surcharges for AMR+PRP in 2016 (with a partial year for Public) were \$102,000 and Frontier spent about \$150,000. Current annual surcharges are about \$60,000 for AMR and \$74,000 for PRP. The proposal would increase PRP to \$118,000 per year. In its original PRP proposal, Frontier estimated 27 miles of bare steel pipe, mostly in the Belfry and Mike Little systems. After the acquisition of Public gas, an additional 1.4 miles of steel pipe was added to the estimate. Frontier has replaced approximately 7.22 miles of pipe. Based on current information, 23.2 miles of pipe remain to be replaced. See Response PSC DR 3-1 and Shute Testimony (Video TR 10:30:20 – 10:31:30).

The need for the accelerated PRP is predicated on reduction of line loss. Frontier inherited high L&U up to 50% on some systems, mostly Belfry, BTU and Peoples Gas. Commission rules allow no more than 5% lost and unaccounted-for gas (L&U) to be included in the cost of gas. Any excess gas cost above 5% losses must be absorbed as a loss by Frontier, which losses can be greater than the utility's operating margin. The Commission has granted waivers for some of these losses over the past 3 years. Frontier has found and fixed many metering, billing and pressure errors and has

repaired or replaced pipe on innumerable leaks on certain parts of its most recently acquired systems. On most of its systems, Frontier has found very few leaks and has significantly reduced L&U. But none of the systems consistently runs under 5% L&U, and overall losses at times run over 10%. The effectiveness of the PRP is beginning to show positive results. As Mr. Shute testified, the most recent 12 month period line loss is approximately 7%. (Shute, Video Tr. 10:46:25)

If Frontier is granted the requested increase in PRP surcharge or an additional increase, that funding will be used to expand the replacement program using contractors. The cost will be greater than using only Frontier staff, but will allow the company to proceed to replace pipe in areas requiring specialized equipment, larger labor force or safety flaggers. There are several benefits to the accelerated PRP. There will be an improvement to safety with the reduction of leaks. There will be a lower cost of gas to Frontier due to reduced line loss and a lower O&M cost associated with leak detection and repair. There will eventually be a reduction in the cost of service to the customers through lower Gas Cost Recovery rates.

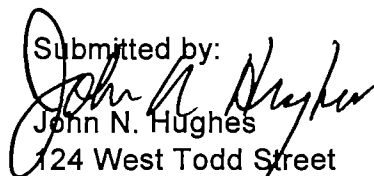
Given the benefits of the program, its effectiveness to date and the potential to shorten the time to completion, it is difficult to understand the Attorney General's objection to any aspect of the PRP. The Attorney General should be supportive, rather than an obstacle to a program that has direct benefits to the customers: the low costs due to use of Frontier employees; the amount of pipe replaced since inception of the program; and the measurable improvement to line loss as well as the associated improvement in safety from reduction in leaks. Of course, the most direct benefit to

customers is the reduction in gas purchases that exceed gas sales, i.e. line loss, which lowers the cost of gas purchased and ultimately, the rate the customers pay for the gas.

### III. Conclusion

The evidence provided by Frontier verifies that there is no affiliated interest among the Shute, Oxford, Frontier companies that is governed by KRS 278.2201 ff. The ownership of Frontier and the ownership of its managers' unrelated companies are legally and operationally independent of Frontier.

The PRP has been in effect since 2013 and has contributed to the improvement of line loss and pipeline safety at a cost that is below comparable market costs due to Frontier's use of its labor at hourly wages approximately one-half of contract labor. The proposed increase in the surcharge is a modest step to maintain the progress of the replacement program. Any increase above the proposed surcharge will only magnify the benefits of the program, which will be reflected in increased safety from reduced line loss and reduced costs to customers due to reduced purchased gas costs.

Submitted by:  
  
John N. Hughes  
124 West Todd Street  
Frankfort, KY 40601  
502 227 7270  
Fax: none  
[jnhughes@johnnhughespsc.com](mailto:jnhughes@johnnhughespsc.com)

Attorney for Kentucky Frontier Gas, LLC

Certification:

I certify that a copy of this brief was mailed to the Attorney General, ORI, 700 Capitol Ave. Frankfort, KY 40601, the 18<sup>th</sup> day of December. 2017.

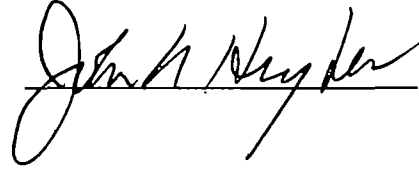
A handwritten signature in black ink, appearing to read "John H. Snyder", is written over a horizontal line. The signature is cursive and somewhat stylized.

Exhibit 1

Q12. Provide a copy of the current organizational chart that identifies the parent and shows the relationship between Frontier and all affiliated companies. Include the relative positions of all entities and affiliates with which Frontier routinely has business transactions. Also, provide a detailed description of the relationships between the affiliates.

A: See PSC 17-263 DataReq1 PDF's form Q12 Org Chart

Attached is a current Organization Chart showing the Kentucky Frontier Gas, LLC (Frontier) Owners and the relationship between Frontier and affiliates of the Owners.

Steve Shute, Owner-Manager, also owns Pinedale Natural Gas Co (PNG), a Wyoming gas distribution system. There is no relationship between Frontier and PNG.

Shute owns Pipeline Solutions, Inc., (PSI), a gas engineering and management consulting company. PSI performs consulting services for Frontier.

Robert Oxford, Owner-Manager, owns or controls 100% of Industrial Gas Services, Inc. (IGS), a gas engineering and management consulting company. IGS performs consulting services for Frontier. IGS and PSI have worked together on numerous gas distribution and transmission projects.

Larry Rich, Owner, is a retired business man, experienced in the natural gas business. Rich has worked with IGS and PSI on other gas distribution, gathering and transmission projects. Rich has retired from the management of Frontier.

IGS, Inc., Owner, performs consulting services for Frontier.

Auxier Road Gas Company, (Auxier) a C-Corporation, is solely owned and operated under contract by Frontier.

DLR Enterprises, Inc. is a gas gathering and transmission company owned by the four Frontier Owners, and is operated under contract by Frontier. DLR transports gas from the Auxier gas system to Frontier's gas system at Ivyton and the Royalton area of Magoffin County.

Question 12 Attachment

KENTUCKY FRONTIER GAS, LLC

Organization Chart

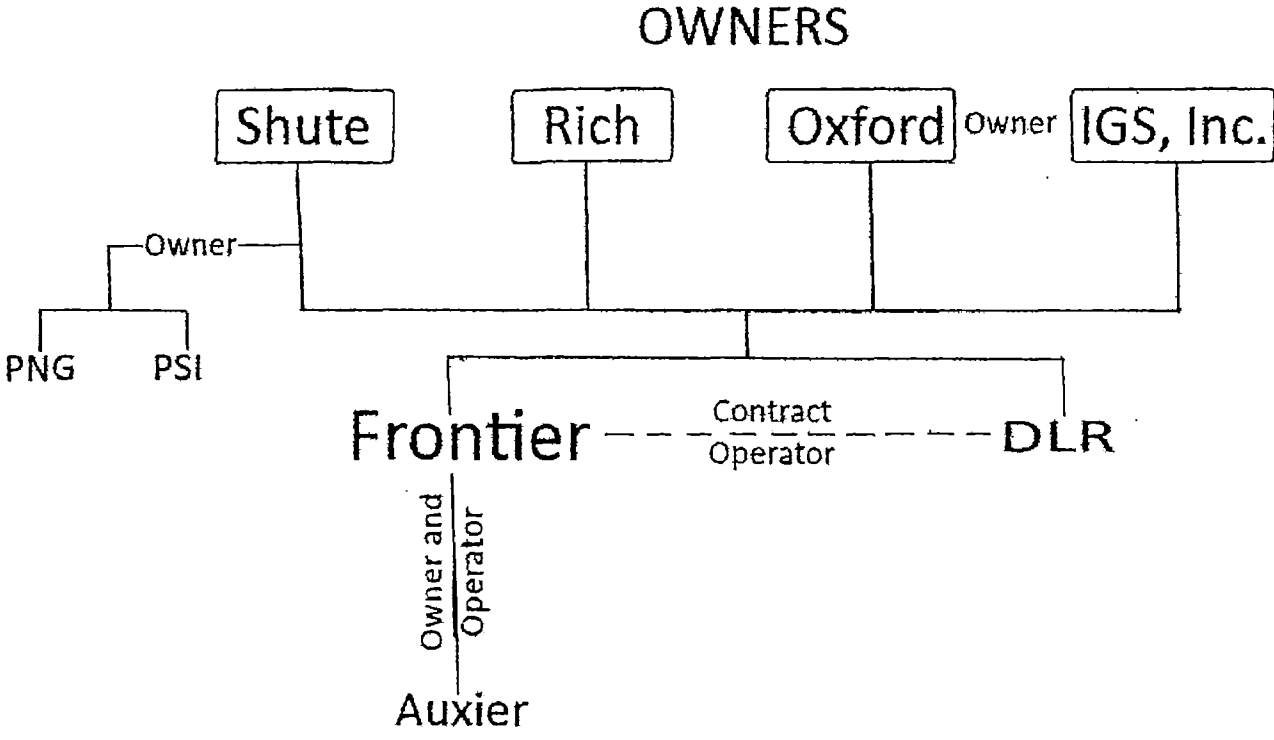
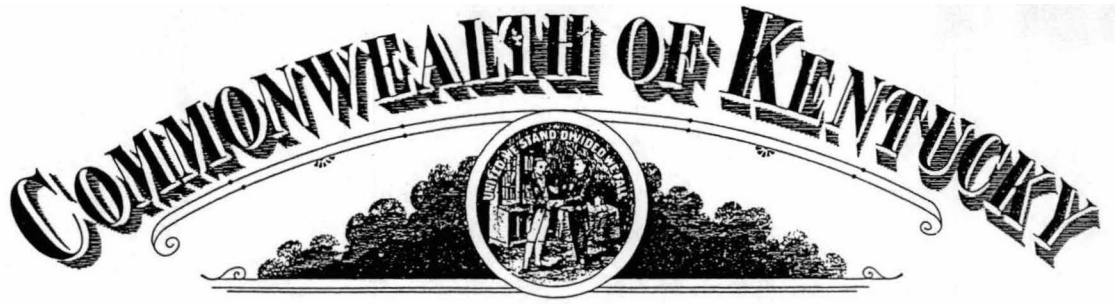




Exhibit 2



Trey Grayson  
SECRETARY OF STATE

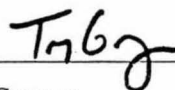
CERTIFICATE

I, **Trey Grayson**, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of **APPLICATION FOR CERTIFICATE OF AUTHORITY OF**

**KENTUCKY FRONTIER GAS, LLC FILED AUGUST 25, 2005.**



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at Frankfort, Kentucky this 26th day of August, 2005.

  
\_\_\_\_\_  
Trey Grayson  
Secretary of State  
Commonwealth of Kentucky

(Printed By: BWeber - Certificate ID: 19205)

COMMONWEALTH OF KENTUCKY  
TREY GRAYSON  
SECRETARY OF STATE



0620382.06  
Trey Grayson  
Secretary of State  
Received and Filed  
08/25/2005 12:38:13 PM  
Fee Receipt: \$90.00

part  
L902

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of KRS Chapter 275, the undersigned hereby applies for authority to transact business in Kentucky on behalf of the limited liability company named below and for that purpose submits the following statements:

1. The company is  a limited liability company (LLC).  
 a professional limited liability company (PLLC).

2. The name of the limited liability company is  
Kentucky Frontier Gas, LLC

3. The name of the limited liability company to be used in Kentucky is  
Kentucky Frontier Gas, LLC

(If "real name" is unavailable for use)

4. Colorado is the state or country of organization.

5. August 4, 2005 is the date of organization and, if the limited liability company has a specific date of dissolution, the latest date upon which the limited liability company is to dissolve is August 3, 2035

6. The street address of the office required to be maintained in the state of formation or, if not so required, the principal office address is

3760 Vance St, Suite 200 Wheat Ridge CO 80033-6275

Street

City

State

Zip Code

7. The names and usual business addresses of the current managers, if any, are as follows:

Robert J. Oxford 3097 Owens Ct, Lakewood, CO 80215

Name

Address

Larry Rich

104 Sand Castle Dr, Emerald Isle, NC 28594

Name

Address

(Attach a continuation, if necessary)

8. The street address of the registered office in Kentucky is

Kentucky Home Life Building Louisville KY 40202

Street

City

State

Zip Code

and the name of the registered agent at that office is

CT Corporation System

9. This application will be effective upon filing, unless a delayed effective date and/or time is specified:

N/A

(Delayed effective date and/or time)

I certify that, as of the date of filing this application, the above-named limited liability company validly exists as a limited liability company under the laws of the jurisdiction of its formation.

Robert J. Oxford

Signature

Robert J. Oxford, Member

Type or Print Name & Title

Date: August 22, 2005

I, CT Corporation System

company,

Type or print name of registered agent

consent to serve as the registered agent on behalf of the limited liability

James Martin

Signature of Registered Agent

James Martin  
Assistant Secretary

Type or Print Name & Title

**ARTICLES OF ORGANIZATION**  
**For**  
**Kentucky Frontier Gas LLC, a Colorado LIMITED LIABILITY COMPANY**

The undersigned, natural persons of at least 18 years of age, acting as organizers, hereby form a limited liability company by virtue of the Colorado Limited Liability Company Act and adopt the following Articles of Organization for such limited liability company.

**ARTICLE I**  
**Name**

The name of the limited liability company is Kentucky Frontier Gas, L.L.C.

**ARTICLE II**  
**Principal Place of Business**

The principal place of business of the limited liability company is the county of Jefferson, State of Colorado. The address of the principal place of business is: 3760 Vance Street, Suite 200, Wheat Ridge, Colorado 80033.

**ARTICLE III**  
**Duration**

The limited liability company shall dissolve and terminate thirty (30) years from the date of filing of these Articles of Organization with the Secretary of State.

**ARTICLE IV**  
**Registered Agent**

The registered agent of this limited liability company in this state is Industrial Gas Services, Inc., a Colorado corporation. The business address of the registered agent is 3760 Vance Street, Suite 200, Wheat Ridge, Colorado 80033.

**ARTICLE V**  
**Initial Managers**

The management of the LLC is vested in the managers of the LLC. The name and business addresses of the initial managers who shall serve until the first annual meeting of the members or until their successors are elected and qualified are: Robert J. Oxford, 3097 Owens Court, Lakewood, CO 80215, and Steven Shute, 993 ~~Brush Creek~~ <sup>Brush Creek</sup>, Glenwood Springs, CO. ~~81601~~, and Larry Rich, 104 Sand Castle Drive, Emerald Isle, NC 28594.

**ARTICLE VI**  
**Purposes**

The limited liability company is organized for the following purposes:

1. To conduct and carry on any lawful business.

**ARTICLE VII**  
**Manager Liability and Indemnity**

To the fullest extent permitted by Colorado law:

(a) A Manager of the limited liability company shall not be personally liable to the limited liability company or to the Members for monetary damages for breach of fiduciary duty, except with respect to (1) any breach of the duty of loyalty; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or (3) any transactions from which the Manager derived an improper personal benefit;

(b) A Manager shall not be liable to the limited liability company or to any Member for any action taken or omitted to be taken by such Manager, provided that such Manager acted in good faith and such action or omission does not involve the gross negligence, willful misconduct or fraud of such Manager; and

(c) The limited liability company shall hold harmless and defend each such Manager against expenses (including any legal fees and expenses), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by such Manager, in connection with any threatened, pending or completed claim, demand, action, suit or proceeding to which such Manager was or is a party or is threatened to make a party, by reason of (1) such Manager's status as Manager or any person who is or was serving at the request of the Manager, or (2) any action taken or omitted to be taken by such Manager in any capacity referred to in clause (1) of this subsection (c), relating to the property, business, affairs or management of the limited liability company (provided that the Manager acted in good faith and the act or omission that is the basis of such claim, demand, action, suit or proceeding does not involve the gross negligence, willful misconduct or fraud of such Manager).

IN WITNESS WHEREOF, we have signed these Articles of Organization this 4th day of August, 2005, and we acknowledge the same to be our true act and deed.

ORGANIZER

*Robert J. Oxford*  
Robert J. Oxford

ORGANIZER

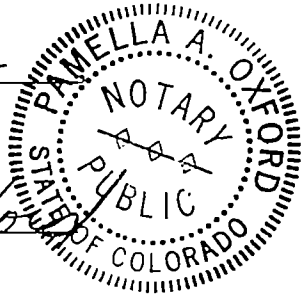
*Steven E. Shute*  
Steven E. Shute

STATE OF COLORADO    )  
  ) ss.  
COUNTY OF JEFFERSON )

I, *Pamella A. Oxford* a Notary Public in and for the County and State as aforesaid, hereby certify that Robert J. Oxford and Steven Shute whose names are subscribed to the annexed and foregoing Articles of Organization appeared before me this day in person and acknowledged that they signed, sealed, and delivered the said instrument of writing as their free and voluntary act, for the uses and purposes therein set forth.

SUBSCRIBED AND SWORN TO before me this 4 day of August 2005.

*Pamella A. Oxford*  
NOTARY PUBLIC



My Commission expires \_\_\_\_\_ My commission expires 9/22/08

IN WITNESS WHEREOF, I have signed these Articles of Organization this 8th day of August, 2005, and acknowledge the same to be my true act and deed.

ORGANIZER

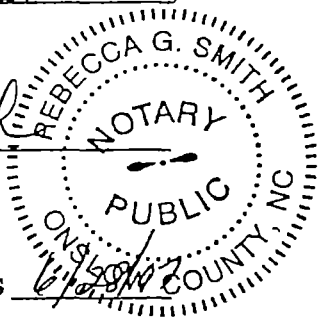
[Signature]  
Larry Rich

STATE OF NORTH CAROLINA )  
  ) ss.  
COUNTY OF CARTERET )

I, Rebecca Smith a Notary Public in and for the County and State as aforesaid, hereby certify that Larry Rich whose name is subscribed to the annexed and foregoing Articles of Organization appeared before me this day in person and acknowledged that he signed, sealed, and delivered the said instrument of writing as his free and voluntary act, for the uses and purposes therein set forth.

SUBSCRIBED AND SWORN TO before me this 9<sup>th</sup> day of August, 2005.

[Signature]  
NOTARY PUBLIC



My Commission expires 6/15/07

99061b.rjo

# Information On File

ID Number: 20051297798  
Name: Kentucky Frontier Gas, LLC.

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Registered Agent: Industrial Gas Services, Inc.  
Registered Agent Street Address: 3760 Vance Street, Suite 200, Wheat Ridge, CO  
80033, United States  
Registered Agent Mailing Address:

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Principal Office Street Address: 3760 Vance St., Suite 200, Wheat Ridge, CO 80033,  
United States  
Principal Office Mailing Address:

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Status: Good Standing  
Form: Limited Liability Company  
Jurisdiction: Colorado  
Formation Date: 08/04/2005  
Term of Duration: Perpetual  
Annual Report Month: August

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You may:

- View History and Documents
  - Obtain Certificate of Good Standing
  - File a Document
  - Set Up Email Notification
-



Exhibit 3

16. Refer to Frontier's Response, Item 38, Attachments, showing expenses and invoices billed for professional services rendered, from Pipeline Solutions, Inc. ("PSI") to Frontier for years 2015 and 2016. Pursuant to KRS 278.2207, services provided to a utility by an affiliate must be priced at the affiliate's fully distributed cost, but not greater than market cost, or in compliance with the utility's regulatory approved cost allocation methodology.
- a. State whether any agreements or other documentation for affiliate transaction pricing exist as required by KRS 278.2209.
  - b. State whether Frontier has a cost allocation manual.
  - c. Explain how the rate for these services is determined.
  - d. State whether the rate is different for "Engineering, financial & management services" and "Public Gas purchase analysis-financing-mgmt."
  - e. State whether PSI, and Mr. Shute in his capacity as engineer, also provide these same professional services to Pinedale Natural Gas Co., or other utilities in which Mr. Shute is involved. If so, provide a breakdown of how he divides his time providing these services to each utility.
  - f. State whether Frontier ever solicited bids for these engineering services from other firms or consultants. Explain why or why not, as well as the details of any bids and the resulting decision to retain PSI.

Response: Neither Pipeline Solutions Inc. (PSI) or Pinedale Natural Gas (Pinedale) are affiliated in any way with Kentucky Frontier Gas LLC. Steven Shute is sole owner of PSI and Pinedale, and majority owner of Frontier, but they are in no way legally bound nor share facilities or employees.

- a. No and N/A.
- b. No and N/A.
- c. PSI has charged \$75 per hour for the services of Mr. Shute since inception of Frontier in 2005. This is the same as 2 employees of IGS that are also members of the LLC.
- d. Public Gas no longer exists and as such is not billed for any services. The rate is the same for all services provided to Frontier.
- e. Mr. Shute is an employee of Pinedale Natural Gas and typically spends at least 1200 hours per year on matters for several Pinedale entities.
- f. Since inception of Frontier, LLC members Steven Shute and Bob Oxford have provided services on an as-needed basis through their consulting companies PSI and IGS. As Frontier was getting off the ground, this started with just a few hours per month and has ramped up to several hundred hours per year.

They are both employees of other entities, and the uncertain workload makes difficult any typical employee arrangement.

Kentucky Frontier Gas Case No. 2017-00263

Attorney General's First Data Request

Witness: Shute

Both companies have given Frontier a preferential rate of \$75 per hour that is unchanged for 12 years. IGS and PSI bill their other consulting clients \$150 to \$250 per hour for the same services.

Frontier hires outside consultants for other tasks that can't justify full-time employees. Frontier has used GIS and CAD technicians for \$45-50 per hour, OQ trainers at \$125 per hour, and attorneys and CPAs up to \$350 per hour.

Frontier has not solicited for assistance from other firms or consultants for the work done by Mr. Shute. First, this isn't regular work. Second, there are very few consultants that specialize in all aspects of the natural gas utility business: there are utility engineers out there, and metering specialists, and pressure regulator designers, and corrosion control technicians, and rate making analysts, and strategic business consultants and CPAs and M&A specialists, etc. But none of them can do more than 1 or 2 of these tasks, few have ever worked for a tiny gas utility, and none has been part of a utility startup venture.

As Mr. Shute says, "I don't know anybody that does what I do."

17. Refer to Frontier's Response, Item 38, Attachments, showing expenses and invoices billed for professional services rendered, from Industrial Gas Services ("IGS") to Frontier for work done in 2015, 2016, and 2017.
- a. State whether any agreements or other documentation for affiliate transaction pricing exist as required by KRS 278.2209.
  - b. Explain how the rate for these services is determined.
  - c. State whether all payroll, human resources, and administrative functions of Frontier are managed by IGS.
  - d. Explain how much of these functions are managed by IGS, and how many employees of IGS are dedicated to providing these services to Frontier.
  - e. Refer to Frontier's Response, Item 12. Explain what other consulting services IGS provides to Frontier, and whether this relationship is ongoing or on a project to project basis.

Response: IGS and its majority owner Robert Oxford are minority LLC members of Frontier. IGS is not legally bound with Frontier, nor shares facilities or employees.

- a. No and N/A.
- b. IGS has charged \$75 per hour for the services of Mr. Oxford and Mr. Horner since inception of Frontier in 2005. This is the same rate charged by PSI for Mr. Shute.
- c. One IGS employee prepared payroll and did most HR functions for Frontier for several years, and is now a part-time employee of Frontier. Other administrative functions like personnel decisions are split between IGS and PSI.
- d. IGS has 2-3 employees with administrative duties.
- e. IGS manages gas supply contracts and approximately 25% of engineering and operations management. This relationship is ongoing.

18. Refer to Frontier's Response, Item 12, explaining that DLR Enterprises, Inc. ("DLR") transports gas from the Auxier system to Frontier's system.
- a. State whether any agreements or other documentation for affiliate transaction pricing exist as required by KRS 278.2209.
  - b. Explain how the rate for these services is determined.
  - c. Provide the invoices from the last three winter months of 2016 from Frontier to DLR.

Response:

a. DLR has similar ownership but is not legally bound with Frontier, nor does it share facilities or employees.

b. When the Cow Creek (Sigma) and DLR assets were financed, purchased and reconfigured in 2010, DLR moved significant volumes of gas for producers as a gas gathering entity. These activities were a departure from normal utility practice. In the 2010 reorganization, about one-third of the DLR system was retained for gathering, while the other DLR pipelines were purchased and consolidated into Frontier.

The DLR transportation rate of \$1.25 per mcf for Frontier gas is the same rate as Interstate Natural Gas charged Cow Creek Gas, Inc. prior to Frontier's acquisitions in 2010. Frontier currently pays \$2.00 per mcf to Jefferson Gas for transportation and \$1.68 per mcf to EQT.

c. DLR invoices are attached for October through December 2016.

DLR ENTERPRISES INC.  
P O BOX 408  
PRESTONSBURG, KY 41653

DEC 31, 2016

KENTUCKY FRONTIER GAS LLC  
P O BOX 408  
PRESTONSBURG, KY 41653

TRANSPORTATION COST FOR OCT 2016

$2,237 \text{ mcf's} \times \$1.25 = \$2,796.25$

DLR ENTERPRISES INC.  
P O BOX 408  
PRESTONSBURG, KY 41653

DEC 31,2016

KENTUCKY FRONTIER GAS LLC  
P O BOX 408  
PRESTONSBURG, KY 41653

TRANSPORTATION COST FOR NOV 2016

7068 mcf's X \$1.25 = \$ 8,835.00

DLR ENTERPRISES INC.  
P O BOX 408  
PRESTONSBURG, KY 41653

DEC 31,2016

KENTUCKY FRONTIER GAS LLC  
P O BOX 408  
PRESTONSBURG, KY 41653

TRANSPORTATION COST FOR DEC 2016

9233 mcf's X \$1.25 = \$ 11,541.25



Exhibit 4

13. Refer to Frontier's response to the July 28, 2017 Order, Item 16, the 2015 General Ledger.

a. Frontier reports in Account, 923.3 - Outside Services- Engineering, a balance of \$77,544. For each expenditure included in this expense account that is listed in the table below, provide a detailed description and copies of all related invoices.

Response:

<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
a. 01/31/2016	Slone Energy, LLC	675.00
c. 02/29/2016	Slone Energy, LLC	633.98
d. 03/21/2016	Keith E Krejci	2,000.00
e. 03/31/2016	Slone Energy, LLC	1,729.05
f. 05/01/2016	Slone Energy, LLC	1,125.00
g. 05/26/2016	Keith E Krejci	1,800.00
h. 06/01/2016	Slone Energy, LLC	675.00
i. 12/31/2016	Pipeline Solutions Inc	68,400.00

Response: Slone Energy has a CAD and mapping specialist with good base maps on Pike & Magoffin Counties. Frontier hired Slone to update CAD maps of the Auxier-BTU-Dema-Sigma systems, for eventual conversion to GIS.

Mr. Krejci was the GIS expert for Gas Natural when the Public Gas system was converted to GIS mapping. Frontier hired Mr. Krejci (who is no longer at GNI) to update the GIS files for the Public system. He also has added considerable data for the entire Frontier network, including most of the meter locations and other appurtenances on other systems.

For Pipeline Solutions, as stated in Item 38 of the first DR:

Mr. Shute bills his time & expenses through his wholly-owned consulting company PSI or Pipeline Solutions, Inc. Mr. Shute billed his actual time spent on Frontier matters at \$75 per hour, which has not changed since 2005. This total includes \$42,700 for the second half of 2015 (total \$63,675), and the 2016 invoice of \$66,000. Frontier accrued these charges, but still owes \$30k for 2015 and all of the 2016 bill.

The 2016 invoice above was provided in that response. Mr. Shute provides all manner of support including management, strategy, acquisitions, financing, engineering including metering-regulators-CP-odorization; rate design, legal case support and other

topics. The 2016 invoice also includes work done for Frontier by an associate of Mr. Shute's, for tracking gas volume data and DIMP program updates, among other tasks.

13. Refer to Frontier's response to the July 28, 2017 Order, Item 16, the 2015 General Ledger.

b. Frontier reports in Account, 923.4 · Outside Services - Legal, a balance of \$23,592. For each expenditure included in this expense account that is listed in the table below, provide a detailed description and copies of all related invoices.

<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
a. 06/05/2016	John N. Hughes, PSC	979.74
c. 06/05/2016	John N. Hughes, PSC	9,906.26
d. 06/09/2016	LAW OFFICES OF TIMOTHY PARKER	108.90
e. 06/09/2016	LAW OFFICES OF TIMOTHY PARKER	1,101.10
f. 10/05/2016	John N. Hughes, PSC	1,244.67
g. 10/05/2016	John N. Hughes, PSC	12,585.02

Response: John Hughes represents Frontier in matters before the PSC.

Tim Parker represents Frontier in in two cases filed with the Magoffin Count Circuit. These cases were brought by a father and a daughter, two customers of the former BTU Gas regarding a right-of-way issue on an unrelated pipeline. These are Case #12CI00215 Rudd vs. Frontier (8/9/2012) and Case #12CI00261 Bailey vs. Frontier (9/26/2012).

The former owner of BTU Gas was indicted for numerous felonies for fraud and securities violations. He had supposedly promised free gas to these two particular landowners in exchange for an easement for a large cross-country gathering pipeline unrelated to BTU Gas, but tapped the BTU Gas system to provide the gas. When Frontier acquired the BTU Gas assets in mid-2012, the landowners quickly sued Frontier to continue free gas service.

The case has now been in Magoffin County Court for 5 years. The court ordered Frontier to continue gas deliveries to both parties. For five years Mr. Parker has attempted on numerous occasions to have the court dismiss the Rudd case (no written contract) and set a trial date for the Bailey case (written contract with a corporation not related to BTU Gas).

13. Refer to Frontier's response to the July 28, 2017 Order, Item 16, the 2015 General Ledger.

c. Frontier Reports in Account, 923.5 · Outside Services - Administrative, a payment to Industrial Gas Services Inc. of \$7,181. Provide a detailed description of the service provided by this vendor for this payment and copies of all related invoices.

Response: IGS billed Frontier \$10,211.25 for consulting services by way of Invoice 101730, dated August 31, 2016. The \$7,181 referenced here is from that invoice for services provided by Dennis R. Horner (see attached invoice).



Slope Energy, LLC  
 417 E. Mountain Parkway  
 Salyersville, KY 41465

# Invoice

Date	Invoice #
2/1/2016	2262

**Bill To**

Kentucky Frontier Gas LLC  
 2962 Route 321 N  
 Prestonsburg, KY 41653

P.O. No.	Terms	Due Date	Account #	Project
Mapping-January 2016	Due on receipt	2/1/2016		
Description		Qty	Rate	Amount
Mapping/Drafting		15	45.00	675.00

Please remit to above address.

Total	\$675.00
Payments/Credits	\$0.00
Balance Due	\$675.00

Phone #
606.225.2206

E-mail
chrisslone@sloncenergy.com



SLONE ENERGY

Slone Energy, LLC  
417 E. Mountain Parkway  
Salersville, KY 41465

# Invoice

Date	Invoice #
3/1/2016	2285

Bill To

Kentucky Frontier Gas LLC  
2962 Route 321 N  
Prestonsburg, KY 41653

P.O. No.	Terms	Due Date	Account #	Project
Mapping Feb 2016	Due on receipt	3/1/2016		
Description	Qty	Rate	Amount	
Mapping/Drafting	10	45.00	450.00	
Misc reimbursements.	1	183.98	183.98	

Please remit to above address.

Total	\$633.98
Payments/Credits	\$0.00
Balance Due	\$633.98

Phone #
606.225.2206

E-mail
chrisslone@sloneenergy.com



Slope Energy, LLC  
 417 E. Mountain Parkway  
 Salyersville, KY 41465

# Invoice

Date	Invoice #
4/1/2016	2286

**Bill To**

Kentucky Frontier Gas LLC  
 2962 Route 321 N  
 Prestonsburg, KY 41653

R/O No	Terms	Due Date	Account #	Project
Mapping March 2016	Due on receipt	4/1/2016		
Description	Qty	Rate	Amount	
Mapping/Drafting	37	45.00	1,665.00	
Misc Reimbursements.	1	64.05	64.05	

Please remit to above address.

Total	\$1,729.05
Payments/Credits	\$0.00
Balance Due	\$1,729.05

Phone #
606.225.2206

E-mail
chrisslone@sloneenergy.com



SLONE ENERGY

Slone Energy, LLC  
417 E. Mountain Parkway  
Salyersville, KY 41465

# Invoice

Date	Invoice #
5/1/2016	2309

**Bill To**

Kentucky Frontier Gas LLC  
2982 Route 321 N  
Prestonsburg, KY 41653

P.O. No.	Terms	Due Date	Account #	Project
Mapping - April 2016	Due on receipt	5/1/2016		
Description	Qty	Rate	Amount	
Mapping/Drafting.	25	45.00	1,125.00	

Please remit to above address.

Total	\$1,125.00
Payments/Credits	\$0.00
Balance Due	\$1,125.00

Phone #
606.225.2206

E-mail
chrisslone@sloneenergy.com





SLONE ENERGY

Slone Energy, LLC  
417 E. Mountain Parkway  
Salyersville, KY 41465

# Invoice

Date	Invoice #
6/1/2016	2310

**Bill To**

Kentucky Frontier Gas LLC  
2962 Route 321 N  
Prestonsburg, KY 41653

P.O. No.	Terms	Due Date	Account #	Project
Mapping - May 2016	Due on receipt	6/1/2016		
Description	Qty	Rate	Amount	
Mapping/Drafting.	15	45.00	675.00	

Thank you for your business.

Total	\$675.00
Payments/Credits	\$0.00
Balance Due	\$675.00

Phone #
606.225.2206

E-mail
chrisslone@sloneenergy.com



**C & B Blueprint, Inc.**  
 824 6<sup>th</sup> Street  
 Huntington, WV 25701-2618  
 Local: 304-525-2175  
 Toll Free: 800-248-8812  
 Fax: 304-529-7651  
 Website: www.cbblueprint.com

**INVOICE**  
 Number: 137115  
 Date: 02/24/2016

Account: Sloneenerg

Page: 1

Slm #: 3

<b>BILL TO</b>
Slone Energy, LLC 417 E. Mountain Parkway Salysersville KY 41465

<b>SHIP TO</b>
Slone Energy, LLC 417 E. Mountain Parkway Salysersville KY 41465

Description	Order Date	Customer PO#	Sales Order	Shipping Instructions	
Invoice	02/24/2016		137115	UPS	
Code	Quantity	U/M	Description	Price	Amount
KY100	1.00	Each	#72 Matte black Ink cartridge HEWC9403A 1	\$69.00	\$69.00
KY001	1.00	Each	Shipping	\$17.78	\$17.78
Terms: NET 30 C & B Blueprint, Inc. 824 6th St. Huntington WV 25701				Discount: \$0.00 Subtotal: \$86.78 Tax: \$5.21 Freight: \$0.00 Less Deposit: \$0.00 <b>TOTAL AMOUNT: \$91.99</b>	

*Total Month = 183.98*



C & B Blueprint, Inc.  
 824 6<sup>th</sup> Street  
 Huntington, WV 25701-2618

Local: 304-525-2175  
 Toll Free: 800-248-8812  
 Fax: 304-529-7651  
 Website: www.cbbblueprint.com

**INVOICE**  
 Number: 137127  
 Date: 02/25/2016

Account: Sloneenerg  
 SIm #: 3

Page: 1

BILL TO
Slone Energy, LLC 417 E. Mountain Parkway Salyserville KY 41465

SHIP TO
Slone Energy, LLC 417 E. Mountain Parkway Salyserville KY 41465

Description	Order Date	Customer PO#	Sales Order	Shipping Instructions	
Invoice	02/25/2016		137127	UPS	
Code	Quantity	U/M	Description	Price	Amount
KY100	1.00	Each	#72 Gray Ink cartridge HEWC9374A 1	\$69.00	\$69.00
KY001	1.00	Each	Shipping	\$17.78	\$17.78
Terms: NET 30 C & B Blueprint, Inc. 824 6th St. Huntington WV 25701				Discount: \$0.00 Subtotal: \$86.78 Tax: \$5.21 Freight: \$0.00 Less Deposit: \$0.00 <b>TOTAL AMOUNT: \$91.99</b>	



C & B Blueprint, Inc.  
824 6th Street  
Huntington, WV 25701-2618

Local: 304-525-2175  
Toll Free: 800-248-8812  
Fax: 304-529-7651  
Website: www.cbblueprint.com

**INVOICE**

Number: 137273  
Date: 03/11/2016

Account: Sloneenerg  
Sim #: 3

Page: 1

BILL TO
Slone Energy, LLC 417 E. Mountain Parkway Salysersville KY 41465

SHIP TO
Slone Energy, LLC 417 E. Mountain Parkway Salysersville KY 41465

Description	Order Date	Customer PO#	Sales Order	Shipping Instructions	
Invoice	03/11/2016		137273	UPS	
Code	Quantity	U/M	Description	Price	Amount
KY100	1.00	Roll	42" x 300' plotter bond paper 20 lb.	\$39.40	\$39.40
KY001	1.00	Each	RBCIJB2042300 1 Shipping	\$21.02	\$21.02
Terms: NET 30 C & B Blueprint, Inc. 824 8th St. Huntington WV 25701				Discount: \$0.00 Subtotal: \$60.42 Tax: \$3.63 Freight: \$0.00 Less Deposit: \$0.00	<b>TOTAL AMOUNT: \$64.05</b>

Total Month = \$ 64.05

*Keith E. Krejci GIS Consulting*

5241 Chestnut Hill Drive  
Willoughby, OH 44094

---

DATE OF INVOICE: MARCH 21<sup>ST</sup>, 2016  
BILL TO: PUBLIC GAS – KENTUCKY  
DESCRIPTION OF SERVICE: PUBLIC GAS INFORMATION GATHERING & GIS DATA  
ANALYSIS AND RESEARCH  
RATE (INITIAL): AGREED UPON AMOUNT OF  
TOTAL = \$2,000

Checks can be made payable to: Keith E. Krejci  
And mailed to: 5241 Chestnut Hill Drive  
Willoughby, OH 44094

**Thank You**

*Keith E. Krejci GIS Consulting*

5241 Chestnut Hill Drive  
Willoughby, OH 44094

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DATE OF INVOICE: MAY 26<sup>TH</sup>, 2016

BILL TO: PUBLIC GAS – KENTUCKY

DESCRIPTION OF SERVICE: GIS DATA MAPPING, ANALYSIS, & RESEARCH

RATE (\$40.00 PER HOUR): 45 HOURS – (TOTAL HOURS UP TO MAY 26)

TOTAL = \$1,800

Checks can be made payable to:  
And mailed to:

Keith E. Krejci  
5241 Chestnut Hill Drive  
Willoughby, OH 44094

Thank You



Billing for Professional Services: 2016

Invoice Date: 31-Dec-16  
Invoice No. 1616  
Client: Kentucky Frontier Gas LLC  
PO Box 408  
Prestonsburg KY 41653

Eastern Kentucky Gas Utility	hrs	rate	Total
Engineering, financial & management services	769		
DOT annual reports			
O&M program updates			
DIMP program updates			
Meter & ITRON programs			
Sales - BREG - BSUM reports			
Gas msmt, L&U analysis			
various mgmt duties			
Conversion to Caselle billing program			
Public Gas merge, start odorizers	80		
<i>Sr. Utility Engineer</i>	<u>849</u>	hours	\$66,000.00
Utility Analyst - data, BREG, Volumes, Meters	60	\$40	\$2,400.00
<i>Expenses (see detail)</i>			\$2,563.99
<i>Prior payments</i>			\$0.00
<b><i>Amount This Invoice</i></b>			<b><u>\$70,963.99</u></b>

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

**PIPELINE SOLUTIONS, INC.**  
**Time & Mileage Report for Steven Shute**  
**Client: Kentucky Frontier Gas, LLC**

Date	Description	Hours	Description	Hours
January-16	On site management	40	Home office management	116
February-16			trip to Pburg Jan 11-15	96
March-16			Home office management	96
April-16			PubGas transition	124
May-16			Home office management	92
June-16			Deb, PubGas, GIS	92
July-16			Taxes, GIS, odorizers	72
August-16			Odorizers, GIS	72
September-16	On site management	48	Home office management	72
October-16			Odorizers	64
November-16			Southside Br, Dr Connelly	20
December-16			Home office management	36
			Install odorizers	32
			Home office management	32
			GR17 rate case, ops	24
			Home office management	24
			Home office management	44
			DOT files ops	
<b>Total for Shute</b>		<b>88</b>		<b>792</b>
<b>Hourly Rate</b>		<b>\$75</b>		<b>\$75</b>
<b>Total Billing</b>		<b>\$6,600</b>		<b>\$59,400</b>
				<b>\$66,000</b>



**EXPENSE SUMMARY**

1/26/2017

Steven Shute  
 PO Box 1054  
 Glenwood Springs, CO 81602

Date	Place	Meals No.	Amt.	Lodging	Transportation		Other	Detail	Amount
					Air, Car	Pers Mi **			
11-Jan-16	week in	6	cc		\$1,270.40	\$43.20		with Jan; fly from EGE, strm ORD delay; divert SDF	\$1,313.60
15-Jan-16	Prestonsburg	5	\$70.00		cc		cc	Natl Car + gas; drop charge, fly from LEX	\$70.00
6-Apr-16	PSI cc						\$148.00	Automation Direct - CTT controls for odorizer	\$148.00
							\$18.49	Big John's Ace Hdwr - odorizer	\$18.49
23-Sep-16	week in	8	cc				\$482.08	CostCo LEX bt 21 Jackets	\$482.08
29-Sep-16	Prestonsburg	4	\$29.00		\$449.64	\$43.20		fly EGE to CVG	\$521.84
30-Nov-16							\$9.98	odor controls, 24v supply	\$9.98
<b>Totals</b>		23	\$99.00	\$0.00	\$1,720.04	\$86.40	\$658.55		<b><u>\$2,563.99</u></b>

\$0.540 per mile IRS rate

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
			<b>Total</b>	<b>\$3,625.00</b>

*Austrial Gas Services,*

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

**Invoice**

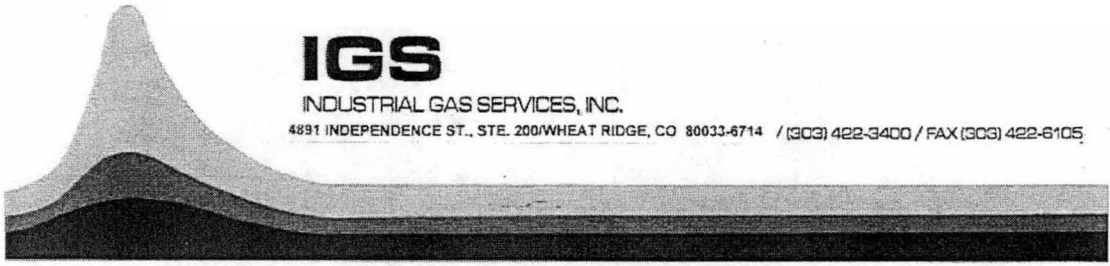
DATE	INVOICE NO.
2/4/2016	101705



<b>BILL TO</b>
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) Service Truck (1)	12	125.00	1,500.00
Extra Work	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
			<b>Total</b>	<b>\$32,258.31</b>



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.

Function	Rate \$/Hr.
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

<u>Tongue River Gas Utility</u>	<u>hrs</u>	<u>rate</u>	<u>Total</u>
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
<b>Amount This Invoice</b>			<b><u>\$11,010.00</u></b>

**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

<b>Tongue River Gas Utility</b>	<b>hrs</b>	<b>rate</b>	<b>Total</b>
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
<b>Amount This Invoice</b>			<b>\$10,176.00</b>

**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
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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
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**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>
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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	<u>7.0</u>	



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>
<b><i>Amount This Invoice</i></b>			<b><u><u>\$7,917.33</u></u></b>

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

4. Refer to Frontier's Response to the Attorney General's First Request, Items 16, 17, and 18, and Frontier's Response to the Commission Order from July 28, 2017, Items 14 and 15.

a. Frontier stated the rate charged by PSI since 2005, noting a similar arrangement with 2 employees of IGS. However, Frontier did not explain how the rate for these services is determined. Provide a detailed explanation of how this rate is set, as well as all studies, analyses, or other documentation which helped Frontier determine the competitiveness of this rate against the current market for these services.

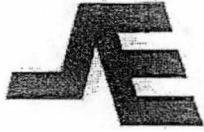
Response: In the response to Staff DR #3, IGS & PSI submitted representative invoices for the same types of services.

Both IGS and PSI charge more than twice as much per hour for identical work for other clients with natural gas pipelines and utility systems.

There was no study or analysis or documentation. IGS and PSI were already set up to provide consulting services to other clients. We agreed on this arrangement and the preferential initial rate for early work in Frontier ca 2005 while operating the EKV system. Frontier needed occasional expertise, the cash flow wasn't substantial, and we agreed to a reduced hourly rate for work to get the company off the ground. The rate hasn't changed since then.

As a simple check, Summit Engineering of Lexington is currently coordinating utility work for Frontier and others on the KyDOT Mountain Parkway project at Salyersville. Frontier submits a sample invoice, where Principals are billed at \$130 per hour, Sr Engineers at \$105, and starting engineers and GIS techs at \$82 and \$72 per hour respectively.

These are just civil engineers doing a "dirt" project. None of them knows much about natural gas or DOT pipeline safety regulations, or the daily operation of gas utilities. For another example, Frontier hires an experienced former gas manager (not an engineer) for onsite OQ training at \$125 per hour. All of these data points emphasize that the Frontier principals with 40+ years of gas pipeline & utility experience could charge well above \$75 per hour.



# SUMMIT ENGINEERING INC.

since 1977

## INVOICE

Project No.: 3838.001  
10-166.00 Salyersville Utility Relocation

Invoice No.: 8

Date: April 29, 2017

Client: Frontier Gas  
2963 KY Route 321 North  
Prestonsburg, KY 41563

Description: Magoffin County  
NH 0061 060  
Mountain Parkway (KY9009)  
Item No.: 10-166.01  
Invoice No. 8

This invoice is for Engineering and inspection services of utility line relocation on Mountain Parkway KYTC project. The man-hour breakdown for the work is included in this attached invoice. If there are any questions please contact Derek Motsch at 859-264-9860 ext. 104.

Amount Due: \$15,201.30

Payment To: Summit Engineering, Inc.  
131 Summit Square Place  
Pikeville, KY 41501

131 Summit Drive, Pikeville, Kentucky 41501 Phone 606-432-1447

Mining Engineering    Civil Engineering    Environmental  
Architecture    Surveying    GIS Services

3838.001 KTC 10-166 Relocation  
 Personnel Billing Breakdown

Invoice Period 3/27/2017 - 4/29/17

		Total Hours	Prev Hours	Current Hours	Rate	Total
<b>Principal</b>						
	Kevin Howard	50.5	50.5	0	\$ 130.00	\$ -
	Mike Hill	5	0	5	\$ 130.00	\$ 650.00
<b>Senior Project Engineer</b>						
	Derek Motsch	560	544	16	\$ 105.00	\$ 1,680.00
<b>Engineer 1</b>						
	Matt Jolly	8	8	0	\$ 82.00	\$ -
	Peter Guth	454.5	436	18.5	\$ 82.00	\$ 1,517.00
<b>Technician</b>						
<b>GIS Tech</b>	Cleve Justice	450	450	0	\$ 72.00	\$ -
<b>tech 3</b>	Alberto Gomez	0	0	0	\$ 72.00	\$ -
<b>tech 1</b>	Marsha Ratliff	2	2	0	\$ 52.00	\$ -
<b>tech 1</b>	Gratho Williams	1140.5	934.5	206	\$ 52.00	\$ 10,712.00
<b>Clerical</b>						
	Devra Pomeroy	22.5	22.5	0	\$ 45.00	\$ -
	Elaine Cartmell			0	\$ 45.00	\$ -
<b>Mileage</b>						
		6852	5781.5	1070.5	\$ 0.60	\$ 642.30
					<b>TOTAL</b>	<b>\$ 15,201.30</b>

Exhibit 5

costs into the quarterly PGA filings by Frontier. With these proposed changes, the former Public Gas customers will be fully integrated into a single Frontier utility rate structure.

We have already realized the benefit of economies of scale. We unified billing, bookkeeping, recordkeeping and reporting functions. We upgraded broadband connections and phone systems in Prestonsburg and Jackson offices, connected to a shared offsite server, and are able to take a phone call or serve a customer regardless of location. We routinely share field workers and equipment between systems. We have consolidated gas supply purchase practices and eliminated higher cost suppliers. We have one management team with a great deal of experience in financial, regulatory and safety matters. All of these enhance the consolidation of these small companies and will ultimately be reflected in lower operating costs and lower rates than otherwise would have been experienced.

**Q 2 What is the benefit of consolidating rates and tariffs for all Frontier customers?**

A. To equalize the rates of all of the customers who are receiving the same level of service, including non-gas rates and Gas Cost Recovery Rates and non-recurring charges; to simplify the record keeping and regulatory costs of multiple rates and tariffs, to eliminate confusion among customers of inconsistent tariffs and to reduce the administrative burden of multiple rates and tariffs.

**Q 3 Why is there disparity in the rate adjustment for some customers?**

A. Frontier and Public currently have different rate schedules. The cost study indicates the required revenue to be collected from all customers. When these costs are allocated among all customers of the same size and type of service, some customers will pay more, and some less than currently paying, depending on annual gas usage. See the following narrative on the overall effect of the proposed rates, since there are substantial offsetting changes for all customers.

**Q 4 Does that mean now that, after this proceeding, all customers will be paying the same rate for the same amount of gas and for the same service?**

A. Yes.

**Q 5 What is the benefit of a single tariff for all customers?**

A. The service standards, conditions for service, deposits, special charges and all other rules will be uniform throughout Frontier. All customers will have the same level of service and everyone will be subject to the same standards. This will eliminate any differences in service and any confusion among the customers about the applicable rules.

**Q 6 Please explain the objective of the Pipe Replacement Program.**

A Frontier proposes to accelerate its Pipeline Replacement Program (PRP) and increase the surcharge, as approved in Case No. 2011-00443 for Frontier, then extended to Public customers in Case

No. 2016-00132 effective October 6, 2016. The PRP project has made good progress since 2013, with the replacement of several miles of leaking bare steel pipe, focused attention to problem areas identified by increased leak surveys, and installation of gas odorizers to better draw attention to leaks.

Frontier inherited several systems with decades of leak history. The worst was the Belfry system, now (after years of replacement projects) with 16 miles of unprotected steel pipe at least 40 to 50 years old. The former owner filed DOT and PSC reports showing virtually zero L&U, but we quickly discovered it was actually 35-50%. Frontier has extensively leak surveyed and replaced at least 5 miles of pipe, and has noticeably reduced the gas losses. There are other segments of bare steel and other marginal pipe in the former Mike Little, BTU and Public Gas systems that are planned for systematic replacement.

The PRP provides a mechanism to recover more currently the cost of replacing all existing bare steel and marginal pipe within Frontier, including replacement of service lines, curb valves, meter loops, and any mandated relocates. Frontier expects to enhance the safety of its system by replacement of facilities with new, longer lasting and safer materials. Replacement cost varies from year-to-year depending on size and location and digging conditions of the pipe replaced.

The cost of this program has been recovered through a \$1.25 monthly surcharge on each utility customer's bill (not applicable to farm taps). After review of results from 2013-16, Frontier proposes to continue the PRP project at an accelerated pace. Frontier has done most PRP work to date with internal forces at very low costs of \$5 to \$10 per foot, but has limited ability on difficult or extended projects. Frontier has identified a contractor that could do more extensive and complicated projects, but the resulting cost will be higher at \$12 to 15 per foot. Frontier proposes to increase the monthly PRP surcharge from \$1.25 to \$2.00 per customer, both to accelerate the progress of PRP and to reflect higher per-foot construction costs.

**Q 7 Please describe in more detail the pipe replacement components that Frontier proposes to include in its PRP.**

A Frontier proposes to include in the PRP all of the planning, design, replacement construction, investment and retirement costs related to the replacement of the following categories of bare steel (which cannot be effectively cathodically protected); coated steel without CP, and ineffectively coated steel (whether or not CP'ed). Also, as a part of the PRP Frontier proposes to include all of the planning, design, replacement construction, investment and retirement costs related to the replacement of all piping from the main to the customer's meter including curb valves, service risers, meter sets and all other related appurtenances that do not meet current material and construction standards or pose other operational issues. Finally, Frontier will be taking steps to ensure that the newly installed facilities are appropriately designed and sized. This may necessitate in certain circumstances the



2. a. State whether Frontier has considered increasing its Pipeline Replacement Program ("PRP") surcharge to fund pipeline replacement at a level that would allow it to complete its program within the original ten-year time approved by the Commission.

Response: Frontier has considered accelerating the PRP more than the proposed \$2.00 per month surcharge would fund, but progress is limited by Company manpower.

From previous discussions,

- Frontier will use contractors to supplement the work by Company forces, but cost will be higher at \$12 to 15 per ft
- Frontier estimates that 23.2 miles of pipe should be replaced in the near- to mid-future.
- Year-round average: 5050 Utility customers paying PRP surcharges

We have identified about 23.2 miles of pipe to be replaced "near to mid-future" or in 10 years. We haven't done a detailed analysis of the complexity or cost of individual projects. We will target about 2.5 miles per year, which would finish in about 9 years if we can sustain the average mileage.

But the heavily populated and paved sections like Jackson are tougher. If the work is mostly complicated and mostly done by contractors, at \$15 per ft would cost \$1.84 million.

The original PRP approved in April 2013 did not include the Public Gas assets acquired in December 2015.

Even with unlimited funding, Frontier has limitations to doing work with Company forces. We are also limited on supervising work by contractors, since that usually requires a Company technician for most of the hours worked. We're comfortable with the proposal to increase the PRP to \$2.00 and ramp up PRP work, which will have substantial progress by 2023, and certainly in the segments with the highest gas losses.

2. b. Provide a calculation of the PRP rate that would be required to accelerate the program and complete the replacement by 2023.

Response: Mostly answered in 2.a. above.

The original Frontier PRP approved in April 2013 anticipated completion in 10 years or 2023. It did not include the Public Gas assets acquired in December 2015, for which we extended the PRP in 2016 and expected PRP could also finish by 2023. Since then, we've identified a few more miles of pipe to replace, and will likely find more.

If the work is mostly complicated and mostly done by contractors, the current 23.2 miles at \$15 per ft would cost \$1.84 million.

At 5050 average payers per month, the PRP surcharge would be \$5.05 to finish in 6 more seasons for the original 2023 target. As discussed, the proposed \$2.00 surcharge and expanded timeline are more likely to succeed than pushing too hard.

We're also cognizant that the proposed monthly charge in this Case will rise from \$10 to \$16 per month, along with the PRP from \$1.25 to \$2.00. Customers already abandon gas service over the summer months to avoid \$12.25 monthly charges (including AMR). We're somewhat concerned these turnoffs will escalate at the proposed \$19.25, and a ramped up PRP with \$22.30 monthly charges would escalate further.

We could further raise Connect / Reconnect fees, but it seems the proposed \$2.00 PRP is a compromise figure somewhere in the middle.