

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

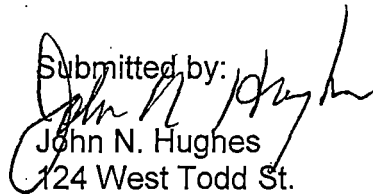
APPLICATION OF KENTUCKY FRONTIER
GAS, LLC FOR AN ADJUSTMENT OF RATES

CASE NO.
2017-00263

KENTUCKY FRONTIER GAS, LLC

RESPONSE TO ATTORNEY GENERAL'S
SUPPLEMENTAL DATA REQUEST

Submitted by:



John N. Hughes

124 West Todd St.

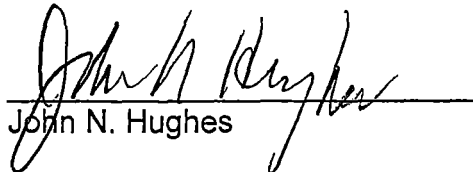
Frankfort, KY 40601

502 227 7270

Attorney for Kentucky Frontier Gas, LLC

Certificate:

I certify that a copy of this Response was emailed to the Attorney General, Capital Building, Frankfort, KY 40601 this the 9th day of August, 2018.




John N. Hughes

DECLARATION OF STEVEN SHUTE

I, Steven Shute, am a Member of Kentucky Frontier Gas, LLC, the Applicant in the referenced matter. I have read the responses and I have full authority to sign this declaration. The facts set forth therein are true and correct to the best of my knowledge, information and belief. Pursuant to KRS 523.020-040, I certify under penalty of false swearing that the foregoing is true and correct.

Dated this 3rd day of August 2018.

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

Steven Shute, Member,
Kentucky Frontier Gas, LLC

Kentucky Frontier Gas LLC
Case No. 2017-00263
Response To Attorney General Supplemental DR
Witness: Shute

1. Refer to Frontier's Response to Attorney General's Initial Data Requests on Affiliate Transactions, Questions 2-3. Fully explain how Kentucky Frontier LLC decided that members are to begin billing Frontier as individuals instead of through their respective consulting companies for work performed. Provide the member meeting minutes, and any other documentation related to the relevant meeting in which this change was adopted.
 - a. Explain why the LLC members have not yet billed Frontier for any hours worked in 2018.
 - b. Explain why this billing change was instituted on January 1, 2018, whether it was planned in advance, and if so, how far in advance.
 - c. Explain whether this billing change had any effect on billing efficiency as referenced in Frontier's Brief, pg. 6.

Response: In the Data Requests and the hearing, it was clear that the AG and PSC did not understand the 10-year practice of members billing Frontier for part-time consulting work through their respective consulting companies. To eliminate this confusion, Robert Oxford and Steven Shute will now bill directly for services. There was no LLC meeting or other documentation.

- a. Frontier members have typically billed for their services once per calendar year, so any work for 2018 would normally bill in 1Q19.
- b. This policy changed due to the DRs and the hearing on November 26. The members billed through their consulting companies for 2017 work. All subsequent work will be billed directly by them to Frontier.
- c. It has no effect on billing efficiency for Frontier. It requires Shute and Oxford to generate separate bills for Frontier, but that has no cost increase on Frontier or the non-Kentucky companies.

2. Refer to Frontier's Response to Staff's Data Requests Part 2, Items 12 and 32, and the VTE 11:15:26-11:17:32, where Steve Shute stated that he and Bob Oxford are managing members of Frontier, and that Larry rich is now retired from the active management on Frontier, and "seldom participates" in managing member conference calls.
 - a. Confirm that Larry Rich no longer has an active role in the management of Frontier.
 - b. Explain whether Mr. Rich still exercises his vote as a member or utilizes a proxy, and if not indicate the last time he did cast a vote.
 - c. Confirm that Mr. Shute and Mr. Oxford comprise the total active member management of Frontier.
 - d. Confirm that if Mr. Rich does not participate in managing member meetings and Mr. Oxford represents both himself and IGS, Inc., Mr. Oxford is able to cast the majority of votes.
 - e. Within this arrangement, fully explain how Mr. Shute or Mr. Oxford do not directly or indirectly have the power to direct, or to cause the direction of, the management of Frontier.
 - f. By virtue of Mr. Shute and Mr. Oxford's ownership interests in PSI/Pinedale and IGS, respectively, fully explain how these entities do not have at the very least indirect power to cause the direction of the management of Frontier.

Response:

- a. Larry Rich has no active role in the day to day management of Frontier.
- b. Larry Rich's membership in the LLC is now represented by his attorney. The last time Frontier had a significant, actionable vote was for the purchase of Public Gas in December 2015. Mr. Rich participated in that vote.
- c. Dennis Horner as President of IGS is also an active managing member and has one vote.
- d. The LLC has had no managing member meetings with any significant matters since the Public Gas transaction. If such a matter comes forth, there will be 4 votes available to Steven Shute, Robert Oxford, Mr. Rich's representative individually, and to Dennis Horner as President of IGS. Mr. Oxford has 1 individual vote and cannot cast the vote of IGS.
- e. There are 4 members and 4 votes. The LLC ownership has changed over the years, but the members have not changed the 4 vote policy.
- f. Pipeline Solutions and Pinedale Natural Gas have no legal or financial ties to Kentucky Frontier. They are connected only through the fact that PSI and PNG and KFG are wholly or partly owned by Steven Shute

Robert Oxford (20%) is an owner of Industrial Gas Services (IGS) which in turn owns 6% of Frontier LLC. Regardless of the ownership of IGS, PS and PNG, each Frontier member only has one vote out of four.