

RECEIVED

AUG 25 2017

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF)
KENTUCKY FRONTIER GAS, LLC) CASE NO.: 2017-00263
FOR ALTERNATIVE RATE ADJUSTMENT)
PUSUANT TO 807 KAR 5:076)

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), and submits these Initial Data Requests to Kentucky Frontier Gas, LLC (hereinafter "Frontier") to be answered by September 8, 2017, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial

statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and

method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

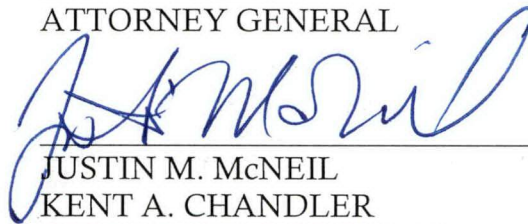
(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



JUSTIN M. McNEIL
KENT A. CHANDLER
REBECCA W. GOODMAN
ASSISTANT ATTORNEYS GENERAL
700 CAPITAL AVE., SUITE 20
FRANKFORT KY 40601-8204
(502) 696-5453
Justin.McNeil@ky.gov
Kent.Chandler@ky.gov
Rebecca.Goodman@ky.gov

1. Refer to the Application, Section 6, Notice to Customers, and Frontier's Response to the Commission's July 28, 2017 Order ("Frontier Response"), Item 1, the Corrected Notice to Large Customers.
 - a. Explain why the Residential and Commercial classes have a proposed total base rate increase of 14%, while the Large Commercial class has a proposed total base rate decrease of 1%. Provide any studies, analyses, memoranda, or other documents specifically discussing the reasoning for the difference in rates.
 - b. Explain why the Residential and Commercial classes have a proposed 60% increase in the customer charge, while the Large Commercial class has no proposed increase. Provide any studies, analyses, memoranda, or other documents specifically discussing the reasoning for the difference in rates.
2. Refer to Application, Section 11, Rate Design, Question 5, paragraph 1. What does Frontier maintain is the size threshold for requiring an extensive Cost of Service Study ("COSS")?
 - a. Refer to Application, Section 11, Rate Design, Question 5, paragraph 1, where it states "In the 2011-00443 case Frontier used an allocation method as we used to establish a new rate class with the Wyoming PSC for Pinedale Natural Gas." Explain who the "we" is as to who established this rate class with the Wyoming PSC, and why the Pinedale Natural Gas example should have any bearing on this matter, especially given Mr. Shute's ownership of it.
3. Explain why all other costs as indicated in response to Question 5 are allocated 30% to Demand and 70% to Commodity.
 - a. Is there any literature or direction from FERC or NARUC advocating for cost to be allocated on a 30% demand/70% commodity ratio?
 - b. Provide all evidence unique to Frontier that demonstrates justification of customer service cost allocation consisting of 1/3 to demand and 2/3 to commodity.
 - c. Provide the representative who asked and answered the questions regarding rate design in this testimony.
 - i. Did this same person sponsor the COSS?
4. Refer to Application, Section 11, Rate Design, Question 5. Does the "very simplified COSS method" proposed by Frontier follow the standard COSS practice of 1) assignment of components of the revenue requirement functional costs; 2) allocating functional costs to cost components; and 3) distributing those costs to each customer class? Explain the rationale of this simplified method against the standard COSS criteria.
5. Refer to Application, Section 11, Rate Design, Question 5, paragraph 2. What segments of operating costs did Frontier identify as being "clearly attributed to customer service"? Explain the rationale of designating them as such.

6. Refer to Application, Section 11, Rate Design, Question 1, paragraph 3, and Application Section 7, Question 1, paragraph 4. Quantify the savings in year 2016 from consolidation and economies of scale.
 - a. Will these savings be passed onto customers in subsequent rate cases?
7. Refer to the 2016 Annual Report filed by Frontier with the Commission (“Frontier 2016 Annual Report”), Gas Operation and Maintenance, pg. 323. Explain in detail the \$28,542.00 increase in Office Supplies and Expenses from \$79,074.00 in 2015 to \$107,616.00 in 2016.
8. Refer to the Frontier 2016 Annual Report, Gas Operation and Maintenance, pg. 323. Explain in detail why the Information and Instructional Expenses under the Customer Service category increased from \$533.00 in 2015 to \$6,202.00 in 2016, break out the line items in this expense category.
9. Refer to the Frontier 2016 Annual Report, Gas Operation and Maintenance, pg. 323. Explain why the Employee Pensions and benefits increased from \$63,955.00 in 2015 to \$124,468.00 in 2016.
10. Refer to the Frontier 2016 Annual Report, Statement of Income, pg. 116. Explain the increase in Interest on Long Term Debt from \$45,774.00 in 2015 to \$131,375.00 in 2016.
 - a. State whether Frontier intends on changing the capital structure, either through issuing more equity or taking on more debt. Explain your answer fully, whether in the affirmative or negative.
 - b. Was the increase in long-term debt due to an increase in debt principal? If so, was the increase approved by the Commission?
11. Refer to the Application, Section 15, Auto Loans with Community Trust Bank, and Frontier 2016 Annual Report, Long-Term Debt, pg. 256, which shows loans issued on a 2016 Tacoma SR 4x4 (\$17,695) and a 2017 Toyota Tacoma 4x4 (\$27,323) during 2016, as well as on three vehicles in 2015. Further, refer to other documents, in which it shows four other vehicles were purchased outright in 2015.
 - a. Explain whether the proposed rates factor in the costs of financing or purchasing these vehicles.
 - b. If so, state whether Frontier expects to finance or purchase any other vehicles in the next year, and the reason for such planned purchases.
12. Refer to the Application, Section 7, and Reasons for Application, where it says that consolidating rates and tariffs for all customers would “eliminate confusion among customers of inconsistent tariffs and ... reduce the administrative burden of multiple rates and tariffs.”
 - a. Explain the extent of the confusion that has existed among customers regarding tariffs and rates, identify the class of customers they belong to, and state how

many customer complaints were lodged in relation to this issue since the acquisition of Public Gas.

- i. Provide all evidence of customer confusion referenced in the Application.
 - ii. Provide all customer complaints regarding this issue, and the date the when each was received.
 - b. Refer to the Application, Section 8, Current and Proposed Rates, Effect on Average Customer. Explain why Frontier did not attempt to gradually consolidate Public Gas customers' rates.
 - i. Explain how increases of 41% for base rates and 24% for total bill charges (including gas cost) benefit customers. Provide any studies, analyses, memoranda, or other documents specifically discussing the reasoning for the difference in rates.
 - ii. Was the benefit of consolidating rates into one tariff weighed against the impact on these customers' bills?

13. Refer to the Application, Section 11, Rate Design. Did Frontier perform any analysis to determine the cost of service separately for the Frontier service area prior to the Public Gas acquisition and the former Public Gas service area? If so, provide all such analyses and data. If not, why not?
 - a. Provide the MCF for the Public Gas service area and the rest of the system.
 - b. Provide the revenue requirement for the Public Gas service area, and the remainder of the current Frontier system.

14. Refer to Frontier's Response, Item 5.b., pg. 29.
 - a. State how many Farm Tap customers currently have a Free Gas allotment, and how such was determined.
 - b. Has Frontier has ever thought about discontinuing the Free Gas allotment? Explain answer fully whether in the affirmative or negative.
 - c. Is a tariff specifying these Farm Tap rates on file with the Commission?

15. Refer to Frontier's Response, Item 32, Attachment 1 – Member Meeting Minutes, where Larry Rich's voluntary resignation as member-manager was accepted by the remaining member-managers on November 23, 2015, and Frontier's Response, Item 12, where it says that Larry Rich "has retired from the management of Frontier."
 - a. Explain whether Mr. Rich expressed an intent to continue working with Frontier in a different role. Provide any documentation evidencing the same.
 - b. Explain the invoices from 2016 and 2015 from Mr. Rich where he appears to do work for the company as needed, and the extent of his work for Frontier.
 - c. State Mr. Rich's current title and role, explain the type of work Mr. Rich performs, and state whether he continues to perform such work on an ongoing basis in 2017. If Mr. Rich does continue to work with Frontier, what rate does he charge and how was that determined?

- d. Refer to Frontier's Response, Item 38, where it states that \$4,200.00 "accrued to [Mr. Rich] but not paid." Explain whether Frontier plans to pay Mr. Rich this accrued amount.

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.

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.

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.
- 19. State whether Frontier plans to continue acquisitions of other natural gas providers in Kentucky.
 - a. If so, explain any projected timeline and strategy of such acquisitions.

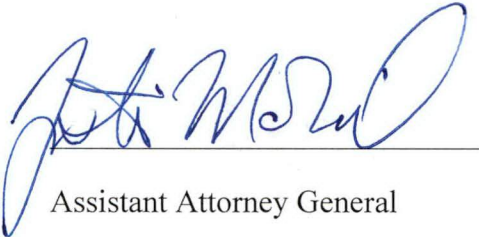
Certificate of Service and Filing

Counsel certifies that an original and ten (10) photocopies of the foregoing were served and filed by hand delivery to Mr. John Lyons, Acting Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were emailed to jnhughes@johnnhughespsec.com, and mailed via First Class U.S. Mail, postage pre-paid, to:

Hon. John N. Hughes
Attorney at Law
124 West Todd Street
Frankfort, KY 40601

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

This 25th day of August, 2017



Assistant Attorney General