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PUBLIC SERVICE
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

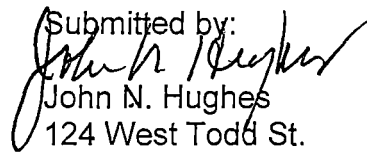
APPLICATION OF KENTUCKY FRONTIER
GAS, LLC FOR AN ADJUSTMENT OF RATES

CASE NO.
2017-00263

KENTUCKY FRONTIER GAS, LLC

RESPONSE TO COMMISSION FIFTH DATA REQUEST

Submitted by:



John N. Hughes

124 West Todd St.

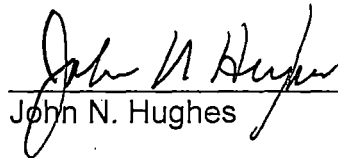
Frankfort, KY 40601

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 12th day of July, 2018.

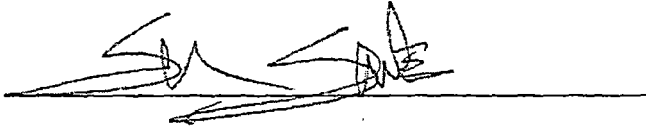


John N. Hughes

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 10th day of July 2018.

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

Steven Shute, Member,
Kentucky Frontier Gas, LLC

Kentucky Frontier Gas
Case No. 2017-00263
Response to PSC
Witness: Shute

1. Provide an updated copy of Frontier's current organizational chart, showing the relationship between Frontier and any affiliated companies, divisions, etc. Include the relative positions of all entities and affiliates with which Frontier routinely has business transactions and provide a detailed description of the relationships between the affiliates.

Response: Org chart is attached. Frontier has no affiliated companies.

KENTUCKY FRONTIER GAS LLC
STEVE SHUTE
ROBERT OXFORD
LARRY RICH
INDUSTRIAL GAS SERVICES INC.

CFO/ACCOUNTING
KIM CRISP

SR. FIELD SUPERVISOR
MIKE HARRIS

HR/PAYROLL
PAM OXFORD

OFFICE LEADER
BILLING
MICHELLE WADE

PRESTONSBURG KY.

SR. METER TECH

FIELD TECHS
X 7

DOT/COMPLIANCE

JACKSON KY.

FIELD SUPERVISOR

FIELD TECHS
X 2

PRESTONSBURG KY.

CUSTOMER
SERVICE

CUSTOMER
SERVICE

JACKSON KY.

CUSTOMER
SERVICE

PSC
TARIFF COMPLIANCE/
CONSULTING ENGINEER
DENNIS HORNER

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2. Provide all joint or shared affiliate costs incurred during the calendar year 2017 and the first six months of calendar year 2018 that are allocated to Frontier and to the other affiliates. For each cost, list the vendor, total expense amount, amounts per affiliate, and the basis for allocation.

Response: Frontier has no affiliates.

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3. Describe the procedures that are used to allocate joint and shared costs among the various affiliates for the calendar years 2017 and 2018.

Response: Frontier has no affiliates.

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4. Provide all internal memoranda, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

Response: Frontier has no affiliates.

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5. Identify the service agreement with each affiliate, state whether the service agreement has been previously filed with the Commission, and, if so, identify the proceeding in which it was filed. Provide each service agreement that has not been previously filed with the Commission.

Response: Frontier has no affiliates.

6. Refer to KRS 278.010(18), which defines an affiliate as a person that controls or that is controlled by, or is under common control with, a utility. Refer also to KRS 278.010(19), which defines control as the power to direct the management or policies of a person through ownership, by contract, or otherwise.

a. Confirm that the entities that are both independently and jointly owned by Frontier's owners, Steve Shute, Robert Oxford, Industrial Gas Services, Inc. ("IGS"), and Larry Rich, are all affiliates of Frontier pursuant to the applicable statutes and regulations.

b. If 6(a) is not confirmed, explain in full detail how the entities that are independently and jointly owned by Frontier's owners are not affiliates of Frontier pursuant to the applicable statutes and regulations.

Responses:

a. 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, and 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.

Robert Oxford has an ownership interest in IGS – a Colorado gas exploration and development company. IGS is a member of Frontier. Frontier has no ownership interest in IGS.

Larry Rich has no other corporate ownership or management interests.

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.*

2.

See (a).

3. *In conjunction with, or pursuant to an agreement.*

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

4. 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.

5. 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.

6. By contract.

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

7. 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.

Further, Kentucky Frontier LLC members no longer bill through their consulting companies that are unrelated to Frontier. The LLC members have not yet billed Frontier for any hours worked in 2018. As of January 1, 2018, the company will reimburse LLC members for time & expenses as individuals and not through their respective consulting companies.

KFG sporadically uses employees of Pinedale Natural Gas, owned by Steve Shute. Each has a specialty that Frontier employees do not or works on a specific project that Frontier cannot do. Some recent assignments are the PNG rate analyst working on the Frontier 2017 General Rate case; the GIS specialist converting Frontier

maps to ArcGIS and planning projects for PRP; design & installation of 6 odorizers on the Frontier system; and training the Frontier crew to operate a horizontal drilling machine. These PNG workers have no ownership interest in either Frontier or Pinedale.

The hourly rates for such work were set in the very first invoices in 2009 and haven't changed. These charges are well below the current market rate. Frontier could hire such work from other contractors, but at greater cost and less flexibility of engagement.

b. See a.

7. Frontier admits in its brief that entities controlled by Steve Shute, Robert Oxford and IGS have common directors with Frontier but avers that those directors have no ability to direct the management of Kentucky Frontier. Further explain the basis for this statement.

Response: 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. Those companies, even if considered affiliates, would have only one vote through Shute as a KFG member. His single vote out of the total of four member votes cannot control KFG.