

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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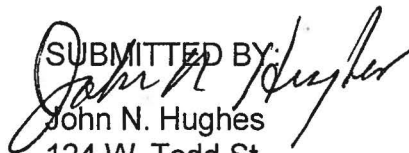
MAR 04 2020

PUBLIC SERVICE
COMMISSION

In the Matter of:

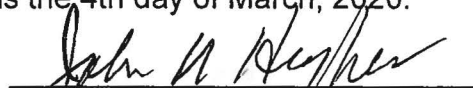
APPLICATION OF KENTUCKY FRONTIER GAS,)
LLC FOR ALTERNATIVE RATE ADJUSTMENT) CASE NO.
2017-00263

KENTUCKY FRONTIER GAS, LLC RESPONSE TO
STAFF'S EIGHTH REQUEST FOR INFORMATION

SUBMITTED BY:

John N. Hughes
124 W. Todd St.
Frankfort, Ky. 40601
(502) 227-7270

ATTORNEY FOR KFG

Certificate: I certify that a copy of this response was mailed to the Attorney General,
Capital Building, Frankfort, KY 40601 this the 4th day of March, 2020.



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 4th day of March, 2020.

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

Steven Shute, Member-Manager,
Kentucky Frontier Gas, LLC

1. In response to Commission Staffs Seventh Request for Information (Staff's Seventh Request), Item 1(b), Kentucky Frontier states that based upon Case No. 2019-00018,¹ Mr. Steven Shute acquired Mr. Larry Rich's vote upon transfer of his ownership share in Kentucky Frontier. Hence, Mr. Shute now has two votes, Mr. Oxford has one vote, and Industrial Gas Services, Inc. (IGS) has one vote. Additionally, Kentucky Frontier's response to Staff's Seventh Request, Item 1(a), states that Mr. Oxford owns IGS in its entirety.

a. Explain in specific detail who has the authority to vote for IGS in Kentucky Frontier matters. Provide all applicable documentation regarding the same.

b. If the answer to 1.a. above is that someone other than Mr. Oxford has the authority to vote for IGS in Kentucky Frontier matters, then explain how Mr. Oxford, as sole owner of IGS, does not influence or control IGS' vote.

Witness: Shute

Response:

a. Bob Oxford has been authorized by IGS to vote for IGS in all KFG matters. See attached minutes of May, 2017.

b. IGS's vote is controlled by Oxford, however, that one vote does not control the actions of KFG and that vote together with Oxford's individual vote do not control KFG. There are four voting shares in KFG. Shute has two, Oxford and IGS one each. No combination of Oxford/IGS votes can control any action of KFG without Shute concurrence. Oxford's control of IGS has no relationship to KFG matters other than the exercise of the member vote of IGS.

The LLC managers note that, from inception in 2005 to date, all LLC decisions were made with unanimous votes among the LLC members.

**MINUTES
OF THE BOARD OF DIRECTORS OF
INDUSTRIAL GAS SERVICES, INC.**

The Annual meeting of the Board of Directors of Industrial Gas Services, Inc. (the "Corporation" or "IGS") was held on May 20, 2017, at the office of IGS, 4891 Independence St, Suite 200, Wheat Ridge, CO 80033.

The Directors present in person were: Robert J. Oxford and Dennis Horner.

The meeting was properly convened, and the Directors were ready to transact business. The reading of the minutes of the previous meeting of the Board was dispensed with.

In a Board meeting on April 15, 2015 it was decided that IGS should sell its 10 shares of DLR stock to Robert J. Oxford for \$14,800. This sale was reported in the 2015 Tax Returns for DLR and IGS which were filed on September 15, 2016 with the IRS. IGS will carry a five year note with Robert J. Oxford at an interest rate of 3.0%. First payment of \$2900 is due on January 1, 2016.

Other business included a report on the status of Earth Energy Reserves, in which IGS holds stock. IGS sold 100% interest in the Behring and Hendershot wells, located in Weld County, CO, for \$385,000, payable as follows: \$55,000 by check plus 150,000 shares of EER stock delivered on March 10, 2014; and a three year note for \$330,000, with payments of \$55,000 on March 10, 2015, and March 10, 2016. The balance of principal and interest was due. March 10, 2017.

Kentucky Frontier Gas, LLC continues to grow after its acquisition of Public Gas Co. at the end of 2015. IGS's interest was reduced from 10% to about 6% because it failed to meet the cash call of about \$400,000 at closing on Dec. 3, 2015.

Dennis Horner submitted his resignation as President and Board Member, effective June 1, 2017. He will continue to consult for IGS.

After a discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that IGS should allow more time for EER to perform under the terms of the Sales Agreement, with the \$330,000 accruing interest at 7% annually. The status of EER will be monitored by IGS. In all matters related to EER and Kentucky Frontier Gas, LLC. Robert J. Oxford has full authority to manage and vote IGS's share of ownership as President and CEO of IGS. IGS accepts Dennis' resignation with regrets but is thankful for his service to the company.

There was no further business, and upon motion duly made, seconded and unanimously passed, the meeting was adjourned.

Luigi Oxford
Secretary

THE UNDERSIGNED, being all of the directors of Industrial Gas Services, Inc. a Colorado Corporation, hereby consent to and approve the foregoing minutes of the Special meeting of the Board of Directors of Industrial Gas Services, Inc.

DIRECTORS:

Robert J. Oxford
Robert J. Oxford

Dennis Horner
Dennis Horner

2. Provide all of Kentucky Frontier's Board of Director meeting minutes for calendar years 2017, 2018, 2019, and 2020 up to present date.

Witness: Shute

Response: As explained in Response 32 to the Commission's first data request, KFG does not hold meetings for routine matters. Minutes are recorded only when non-routine business activity is pending. KFG does not have a board of directors. It is managed by (now) 2 managing members, who frequently discuss company matters throughout the year, usually in telephone conferences. Each member retains his notes of the meetings and company actions. In some cases, written minutes are kept if non-routine financial, legal, regulatory or other significant issues are considered.

For example, attached are the minutes related to the acquisition of the Daysboro gas system from the City of West Liberty. This is the only meeting reflected in minutes during the period 2017 to date.



**Kentucky Frontier Gas LLC
Member Manager meeting**

This telephone conference was held September 25, 2019 between Steve Shute and Bob Oxford, designated as the 2019 annual meeting, with notice to the members, Shute, Oxford and IGS.

The members discussed and agreed by majority vote to continue the operations management by Shute with discretion to provide for day to day decision making; for retention and renewal of the current registered agent; and for distribution of funds to members as available.

The members discussed negotiations with West Liberty and the proposed acquisition of the Daysboro gas system. Bob Oxford was authorized to continue the discussions and to negotiate the acquisition on terms within the parameters discussed. Upon satisfactory completion of the negotiations, an application for transfer is to be submitted to the PSC.

The call was adjourned.

A handwritten signature in black ink, appearing to be "S Shute", is positioned above a horizontal line.

Steven Shute,
Member-Manager

Kentucky Frontier Gas LLC

PO Box 408 ♦ 2963 Kentucky Rte 321N ♦ Prestonsburg KY 41653 ♦ 606-886-2431 ♦ www.kyfrontiergas.com

3. Refer to Commission Staff's First Request for Information (Staffs First Request), Item 32, Attachment 1. Kentucky Frontier has stated that Mr. Oxford only has one vote, and even though he owns IGS in its entirety, he does not vote for IGS. However, in the November 23, 2015 member manager meeting minutes, it states that Mr. Oxford was present and represented himself and IGS. The minutes further state that topics were discussed and agreed to by a majority vote of the members. Explain in full detail how, based upon these minutes, Kentucky Frontier can assert that Mr. Oxford did not represent and vote for IGS in the November 23, 2015 meeting.

Witness: Shute

Response: See Response 1b.

4. In the 2018 Status of Pipeline Replacement Project (PRP) filed January 4, 2019, Kentucky Frontier states that it spent \$22,600 on 15 miscellaneous projects due to leaks, dig-ins, and washouts. Provide a breakdown of costs of each individual project.

Witness: Shute

Response: See the spreadsheet "PSC 17-263 GR17 DR8 PRProj's" attached with CD.

These miscellaneous projects for 2018 are listed at the bottom of the Mains tab (7 projects) and the Services tab (8 projects). For the approximate cost of these projects, we multiplied the footage times the average cost per foot for 2018 for such pipe installed throughout Frontier systems.

5. In the 2018 PRP report filed on April 17, 2019, Kentucky Frontier states that it expended \$1,731 on ERSI/GIS. Provide the status of the ERSI/GIS project, including the total funds expended to date, the percentage completion of the project, and the estimated completion date of the project.

Witness: Shute

Response: Frontier has an online subscription to ESRI ArcGIS software and data storage. Frontier's cost in 2018-20 for GIS licenses was about \$5,241.

In Docket 19-0280 on 811 fines, this same request was in DR1 as Question 8, and this was the Frontier response:

Frontier has mapped more than 95% of the mains, or every system that had paper maps. We estimate that only 20% of service lines are mapped. However, nearly 100% of all meter locations are mapped in GIS, and the service lines are generally short and run directly out to the main. GIS data acquisition will never be completed as long as KFG is in business. Frontier expenditures to date are about \$7,100 for GIS licenses and about \$40,000 in labor and contractor costs.

In 2016-17, Frontier paid contractors to convert paper maps to an electronic form, either in CAD or directly to GIS. Since then, Frontier has trained several associates as GIS specialists to coordinate the GIS mapping and data storage. Frontier is now using GIS to store several levels of operating data such as DOT records.

6. Provide a status update for the installation of Automatic Meter Reading meters.

Witness: Shute

Response: Frontier has about 5550 active customers (Dec19-Feb20 billings).

Frontier has installed radio reader modules on about 4850 meters, with another 350 scheduled for a March-April project. Most systems and farm taps have been outfitted with radio transmitters, with Jackson and outskirts left to finish in 2021.

One of the biggest challenges to the AMR project was the wide range of brands and styles of meters in service, each needing a different radio transmitter. Frontier has standardized on one manufacturer and has purchased more than 1000 new meters. This meter styles has been largely trimmed down to 2 models for nearly all customers, all of which use the same radio transmitter. The last group of off-brands is scheduled for replacement in the next few weeks. Most of the non-TC meters have been replaced or converted.

This 2020 project will leave a few hundred 175-size meters which were discontinued 35 years ago. These can drive a standard AMR transmitter, but will be replaced in the next 2-3 years to finish the AMR project.

The mobile reader technology was recently updated, which Frontier will adopt this year.

In the original application under Docket 2011-00443, Frontier estimated this program would take 8 years. AMR started in mid-2013 on the first Frontier systems, then in late 2015 Frontier added Public Gas to the project. Frontier expects completion for all systems in about 3 years.

7. Provide a detailed spreadsheet in Excel format with all formulas intact and all cells accessible showing the accounting of the PRP from 2016 to the present date. The spreadsheet should include at a minimum each month's collection of the surcharge from customers and an explanation of each expense or charge to the account including the name of vendor, project name, and items purchased. In addition, provide a detailed explanation for any amounts that have been transferred to Kentucky Frontier from the PRP account.

Witness: Shute

Response: See the spreadsheet "PSC 17-263 GR17 DR8" attached to the CD.

The PRP accounting for 2018-19 is shown on the first tab. Under the order in Docket 2017-00263 (the "GR17" general rate case), Frontier was required to open a discrete bank account for PRP. This spreadsheet has all entries from inception to present.

The PRP surcharges for 2018-19 were collected from roughly 4000 customers at \$5.00 per month. Expenditures are shown as booked. With so many short, small, brief projects, some as short as a few dozen feet of pipe, Frontier books the labor and materials to PRP in general without attempting to attribute exact costs to a very small line segment.

The 2018-19 projects are detailed as to system-location-size-footage-details in the other spreadsheet "PSC 17-263 GR17 DR8 PRProj's" attached to this response.

Frontier geared up substantially after GR17 with a sudden 4x increase in the PRP surcharge. Nearly all PRP work has been done by company forces. This work takes a significant part of the workforce and vehicles and equipment and central planning & permitting to support these projects. With this increased work, Frontier started to allocate internal costs and overhead to PRP. Much of that has been recovered through PRP surcharges, but several large items are still outstanding, as shown at the bottom of this tab. One of those items is installation of numerous odorizers to enhance the natural odor in the gas and more easily find leaks. Odorizers are a major component of PRP but through an oversight hadn't yet been charged to the project.

The 2016 and 2017 PRP years are shown in separate tabs. This is a report directly from Quickbooks. These accounting entries include the PRP surcharges collected from roughly 4000 customers at \$1.25 per month; and the expenses charged against the PRP. Some details of projects completed are in the annual PRP summary reports filed with the commission (2016 report attached). In years prior to 2018, Frontier made no charges to PRP for company labor, vehicles or equipment used to complete these projects.

KENTUCKY FRONTIER GAS, LLC.

P. O. BOX 408

PRESTONSBURG, KY 41653

May 2, 2017

Public Service Commission
Talina Mathews, Executive Dir
P O Box 615
Frankfort, KY 40601

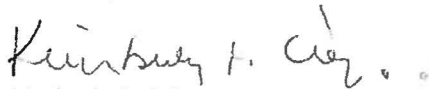
Reference: Case No. 2011-00443

Dear Ms. Mathews,

Enclosed you will find the report that provides a breakdown of the PRP and AMR Surcharges for the period Jan 01, 2016 to Dec 31, 2016. This report is being filed pursuant to the requirements in Case No. 2011-00443.

If you have any questions regarding this report, please contact me at (606) 618-0881.

Sincerely,



Kimberly R. Crisp

Accountant

Kentucky Frontier Gas, LLC.

(606) 618-0881

KENTUCKY FRONTIER GAS, LLC
Surcharge / Plant Additions

		Cost of Plant	Net Plant
2016	Surcharge	Additions	Additions
PRP	\$53,486.00	\$118,684.00	\$65,198.00
ODORANT SYSTEM		\$12,897.00	\$12,897.00
TOTAL	\$53,486.00	\$131,581.00	\$78,095.00
AMR	\$48,390.00	\$63,271.00	\$14,881.00

Pipe replacement area	Feet of pipe replaced
Belfry	7311
PUBLIC	867
Total	8178

Future plans for PRP in 2017

PRP	Projected Cost
10000 FT	120,000 - 140,000
3 ODORIZERS	13,000

Future plans for AMR program in 2017
Installation of 200 Meters and 800 AMRs

Purchase	Amount
AMR	\$50,500.00
Meter	\$15,500.00
Total	\$66,000.00

KENTUCKY FRONTIER GAS, LLC
Surcharge / Plant Additions

2017

	Surcharge	Cost of Plant Additions	Net Plant Additions
2017 PRP	\$76,722.00		
PIPELINE REPLACEMENT		\$71,531.00	-\$5,191.00
ODORANT SYSTEM		\$20,154.00	\$20,154.00
ESRI / GIS		\$2,454.00	\$2,454.00
TOTAL	\$76,722.00	\$94,139.00	\$17,417.00
AMR	\$60,022.00	\$63,319.00	\$3,297.00

Pipe replacement area	Feet of pipe replaced
Belfry	5418
Jackson	3072
MLG	844
Auxier	760
BTU	155
Total	10249

Future plans for PRP in 2018

PRP	Projected Cost
26,900	\$386,000

Future plans for AMR program in 2018
 Installation of 200 Meters and 800 AMRs

	Surcharge	Cost of Plant Additions	Net Plant Additions
2018 PRP	\$60,000.00		
AMR		\$50,500.00	
Meter		\$15,500.00	
Total	\$60,000.00	\$66,000.00	\$6,000.00