

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY FRONTIER	)	
GAS, LLC, BELFRY GAS, INC., FLOYD COUNTY	)	
GAS (EAST KENTUCKY UTILITIES, INC.), ELAM	)	
UTILITY COMPANY, INC., AND MIKE LITTLE	)	
GAS COMPANY FOR APPROVAL OF	)	CASE NO. 2005-00348
TRANSFER AND ACQUISITION OF ASSETS	)	
AND STOCK AND ISSUANCE OF A	)	
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	
NECESSITY, IF NECESSARY	)	

COMMISSION STAFF'S INTERROGATORIES AND REQUESTS
FOR PRODUCTION OF DOCUMENTS TO KENTUCKY FRONTIER GAS, LLC

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Kentucky Frontier Gas, LLC ("Kentucky Frontier") file the original and 6 copies of the following information with the Commission no later than September 30, 2005, with a copy to all parties of record. Each copy of the information requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed (for example, Item 1(a), Sheet 2 of 6). Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. At page 3 of the Joint Application, the Joint Applicants state that “[p]urchase prices are based on the industry standard of \$1000 per meter.” Identify the source of this industry standard.

2. List the assets of Floyd County Gas that Kentucky Frontier acquired as a result of its winning public bid.

3. Explain the statement set forth at page 3 of the Joint Application that “[t]he purchase of assets did not include ECU [East Kentucky Utilities].”

4. At page 3 of the Joint Application, the Joint Applicants state that “[t]he owner of Belfry Gas will transfer the assets of the distribution entity, including the CPCN [certificate of public convenience and necessity], but will retain some of the transmission pipelines and the Belfry name.”

a. State whether the Annual Report that Belfry Gas filed with the Commission for the calendar year ending December 31, 2004, includes the transmission pipelines that will be retained.

b. If yes, provide the original cost and accumulated depreciation on the transmission lines.

5. At page 4 of the Joint Application, the Joint Applicants state that “no acquisition adjustment is being requested at this time.” Describe how, given that the purchase price for the assets exceeds the assets’ net book value, the purchase can be recorded for accounting purposes without recording a plant acquisition adjustment.

6. State why customers of Elam Utility Company, Inc. (“Elam”) and Mike Little Gas Company (“Mike Little”) will continue to be served under Elam’s and Mike Little’s names rather than under the name of “Frontier Gas.”

7. For each utility that Kentucky Frontier is acquiring, list all balance sheet items as reported in that utility's Annual Report to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2004 that Kentucky Frontier will acquire. State these balances as of December 31, 2004 and as of the date on which the Joint Applicants filed their application.

8. State Gilmer Mickey's qualifications to serve as Kentucky Frontier's chief financial officer.

9. State where the day-to-day accounting and billing and collection functions for each acquired utility will occur after the proposed transfer occurs.

10. State the number of offices Kentucky Frontier will maintain when the transfer takes place and the estimated cost to maintain those offices.

11. Each of the utilities that Kentucky Frontier proposes to acquire have filed annual reports with the Commission for the calendar year ending December 31, 2004, that show a customer deposit liability. State whether this liability will transfer to Kentucky Frontier. If no, state whether these deposits will be refunded to customers prior to the proposed transfer.

12. Commission regulations require that interest be paid on customer deposits annually. Belfry's Annual Report to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2004 indicates that it owes interest to its customers on deposits of \$19,483. Identify the entity that will be responsible for this liability and state when it will be paid to customers.

13. Monthly filings of Elam in Case No. 2003-00171¹ indicate that the utility owes interest on customer deposits of \$4,045 as of June 30, 2005. Identify the party or parties who will be responsible for this liability and state when this liability will be paid.

14. At page 13 of the Application, the Joint Applicants state that the acquisition cost of the Belfry system is \$750,000. In his letter of January 19, 2005 to J.W. Kinzer, Steven Shute states a purchase price of \$700,000. State the purchase price that Kentucky Frontier will pay for Belfry stock.

14. At page 13 of the Application, the Joint Applicants state that the purchase price includes farm tap customers controlled by Mr. Kinzer but not currently in the Belfry system.

a. State the number and identify the location of these farm tap customers.

b. Identify the lines and source of supply for these customers.

15. In his letter of June 23, 2005 to Wilma Ison, Robert J. Oxford on behalf of Interstate Gas Services ("IGS") offers to purchase Elam's stock for \$750,000, even though IGS has determined "the fair market value of the Company to be about \$720,000.

a. Explain why an offer in excess of Elam's fair market value was made.

b. Provide all calculations of the incentive to Elam based on sales in excess of a base volume.

¹ Case No. 2003-00171, A Review of the Rates of Elam Utility Company, Inc. Pursuant to the Decision to Approve the Financing Requested in Case No. 2001-00324.

16. Refer to letter of January 19, 2005 from Steven Shute to J.W. Kinzer regarding "Agreement for Sale of Belfry Gas, Inc." Provide all exhibits to this letter including those attached after the letter's execution.

17. Refer to letter of June 23, 2005 from Robert J. Oxford to Wilma Ison regarding "Agreement for Sale (Revised) Elam Utility Company, Inc." Provide all exhibits to this letter including those attached after the letter's execution.

18. Refer to letter of January 14, 2005 from Robert J. Oxford to Miki Thompson regarding "Agreement for Sale Mike Little Gas Company, Inc." Provide all exhibits to this letter including those attached after the letter's execution.

19. State whether Kentucky Frontier's acquisition of Belfry is a stock purchase.

20. State whether the documents set forth in Exhibit 2 of the Joint Application are the only documents evidencing the proposed purchase. If no, provide all other documents executed by the parties that evidence the proposed purchases.

21. Refer to the Joint Application, Exhibit 2. Explain why the letters within this Exhibit provide that the proposed purchase amounts may change.

22. Refer to the Joint Application, Exhibit 2. Explain the absence of any mention of Kentucky Frontier in any of the documents within this Exhibit except for those discussing East Kentucky Utilities.

23. In his letter of June 23, 2005 to Wilma Ison, Robert J. Oxford states that the net purchase price is equal to the purchase price minus the reduced GOLD debt and minus the Phillips loan payoff. State the current balance of the Phillips loan.

24. Refer to Joint Application, Exhibit 6 at 1. The Column labeled "2006" shows meter fee revenue of \$75,000 for residential customers and \$9,900 for commercial customers. Describe how these amounts were derived. Show all calculations and state all assumptions used.

25. Refer to Joint Application, Exhibits 6 and 7. State whether the annual salary amount of \$222,000 set forth in Exhibit 7 is based upon the salaries set forth in the column labeled "3000 mtrs" in Exhibit 6.

26. Refer to Joint Application, Exhibit 6. State whether Wilma Ison will be employed to fill the "Sr.Tech/Marketing Spec" position that is listed in Exhibit 6. If yes, explain why Exhibit 6 lists a salary of \$45,000 for the position, but Mr. Oxford in his letter of June 23, 2005 offered to employ Ms. Ison at an annual salary of \$48,000.

27. Exhibit 6 of the Joint Application lists only one employee for accounting and customer service. State why Kentucky Frontier is of the opinion that one person can adequately perform all day-to-day accounting and recordkeeping functions as well as consumer service functions for a utility with 2,500 customers.

28. State whether Kentucky Frontier intends to employ an in-house accountant.

29. Refer to Joint Application, Exhibit 7. The projected balance sheet gives only totals for assets, liabilities and equity. Provide a breakdown of each of these categories. For example, in the assets category, provide line item totals for plant, accumulated depreciation, cash, accounts receivable, etc. For the liabilities category, provide individual totals for debt, accounts payable, accrued taxes payable, customer deposits, etc.

30. Mike Little currently collects a surcharge to pay off an outstanding amount to Kentucky-West Virginia Gas Company. This debt and surcharge results from Federal Energy Regulatory Commission Docket No. TQ89-1-46-000. The surcharge, which began in January 1991, was to be in place for 10 years with an automatic 5-year extension if the balance was not paid off at the end of the 10-year period. The 5-year extension period ends December 31, 2005. State the current amount that Mike Little owes to Kentucky-West Virginia Gas Company. State whether this liability will be transferred to Kentucky Frontier.

31. Provide three copies of topographic maps showing the locations and the routes of the mains for each utility to be acquired by Frontier.

32. State when Kentucky Frontier expects the proposed transfer of ownership to be completed.

33. List all regulatory approvals of the proposed transfer, aside from the Kentucky Public Service Commission, that are required. For each regulatory agency listed, state the current status of all requests for regulatory approval.

34. Describe the timing for completion of the transfer of control of the four gas distribution systems (e.g., all transfers to occur simultaneously or in phases).

35. Provide the journal entry or entries that Kentucky Frontier will use to record the transfers.

36. a. Provide an income statement and balance sheet for East Kentucky Utilities' operations for the calendar year ending December 31, 2004.

b. Provide an income statement and balance sheet for East Kentucky Utilities' operations for the period from January 1, 2005 to the date of the filing of the Joint Application.

37. List for each note or other debt that Belfry owes to J.W. Kinzer, its original date and amount of the note, its maturation date, and the amount recorded on Belfry's Annual Report to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2004.

38. a. State the total acquisition cost.

b. Provide a breakdown by acquired utility of the total acquisition costs.

39. Provide an electronic copy of the model to which the Joint Applicants refer in their supplemental filing to the Commission on September 14, 2005.

40. Describe Kentucky Frontier's familiarity with the purchased gas adjustments (or gas recovery mechanisms) that are filed with the Kentucky Public Service Commission.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
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DATED: September 16, 2005

cc: Parties of Record