

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER GAS, LLC )  
FOR APPROVAL OF CONSOLIDATION OF AND )  
ADJUSTMENT OF RATES, APPROVAL OF AMR )  
EQUIPMENT AND A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY FOR )  
INSTALLATION OF AMR, PIPELINE REPLACEMENT )  
PROGRAM, REVISION OF NON-RECURRING FEES )  
AND REVISION OF TARIFFS )

CASE NO.  
2011-00443

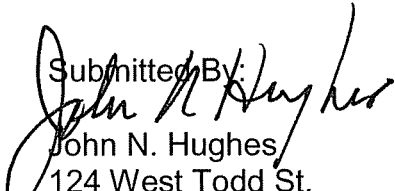
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COMMISSION

RESPONSE TO  
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Kentucky Frontier Gas, LLC. ("Frontier"), by counsel, files with the Commission  
the original and seven copies of the following information.

Submitted By:   
John N. Hughes  
124 West Todd St.  
Frankfort, KY 40601  
Attorney for Frontier Gas  
Company, LLC

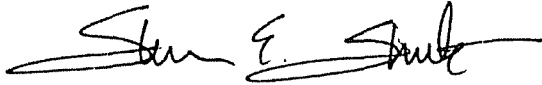
CERTIFICATION

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 16th day of October, 2012.

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

Steven Shute

Member, Kentucky Frontier Gas, LLC



1. Refer to page 2 of Frontier's Application, specifically, the fourth full sentence from the top of the page, which reads, "It acquired the assets of Cow Creek Gas Company (formerly Sigma Gas Company) and Dema Gas Company in Case 2010-0076." Frontier's February 22, 2010 Application and the Commission's May 7, 2012 Final Order in Case No. 2010-00076 state that Frontier was acquiring the stock, not the assets, of Cow Creek Gas, Inc. ("Cow Creek") and Dema Gas Company, Inc. ("Dema").

a. Confirm that the fourth full sentence on page 2 of the Application is in error in stating that Frontier acquired the assets of Cow Creek and Dema.

b. In a stock purchase, the entity whose stock is acquired remains in existence and the acquirer becomes its shareholder. Confirm that the Cow Creek and Dema acquisitions were treated as stock purchases and that they continue to exist as the utilities providing service to their customers.

Witness: Shute

a. Frontier acquired the stock of Cow Creek and Dema.

b. Yes, see response 16



2. In addition to Cow Creek and Dema, Frontier acquired Auxier Road Gas Company ("Auxier Road") via a stock purchase, which was approved in Case No. 2009-00442. In that proceeding, Frontier received approval to acquire 94.29 percent of the stock of Auxier Road and its November 3, 2009 term sheet indicated that it intended to acquire the remainder of the stock at some point in the future. Explain whether Frontier has acquired the other 5.71 percent of the stock of Auxier Road.

Witness: Shute

Frontier acquired the remaining 5.71% of Auxier stock from Bill Branham in a transaction at the same time as the larger transaction.



3. Refer to the Prefiled Testimony of Robert Oxford (“Oxford Testimony”). In the first two sentences of the response to Question 8, Mr. Oxford states, “We have eliminated several offices by consolidating all operations into the former Auxier Road Gas Company office. We have reduced administrative staff and the related costs of duplicative employees.” Provide the following information regarding the office closings and staff reductions.

a. Identify each affected office, the date the office was eliminated or closed, and what was done with the property.

b. The number of employees in each office that was eliminated or closed during the test year or since the end of the test year and the related personnel costs including salaries and wages and fringe benefits of the employees.

c. The savings that have been realized for each office that was eliminated or closed during the test year or since the end of the test year, including but not limited to: (1) reduced payroll and fringe benefit costs; (2) reduced rent expense; and (3) reduced utilities costs.

Witness: Oxford

Frontier acquired no real property with any of the utility purchase transactions, since no utility held property in its rate base or legal entity. Only 2 entities had full-time employees. In chronological order of acquisition:

- EKV was operated in Prestonsburg out of an office rented from the family that operated EKV for Floyd County. EKV had 2 field operators and 1 office staff; all of those jobs continue at the present location.



- Mike Little had an office and shop in half of the post office building in Melvin, owned by the family that owned MLG. There was no designated full-time operator for MLG for years, just family members filling in as needed. The single office worker retired just as the utility was sold.
- Belfry was operated out of the Kinzer Drilling HQ and production offices in Allen, with several Kinzer people assigned to various tasks of system operations, meter reading, billing and DOT compliance, in addition to other Kinzer work. Those folks are still employed by Kinzer in production-oriented tasks.
- Cow Creek-Dema-Sigma were operated out of the Interstate Gas HQ and production offices near Pikeville, with several Interstate staff assigned to various utility tasks, in addition to production work. Those folks continued to work for Interstate in production-oriented tasks until Interstate's dissolution last year. Frontier hired one worker with the best knowledge of these systems.
- Auxier was operated out of the present Frontier office, which is owned by the former Auxier owner, who retired when the utility was sold. Auxier's 2 operators and 2 other office positions continue with Frontier today.
- Peoples Gas in Phelps was operated out of a contractor's yard and office in Betsy Layne, with various non-utility workers doing tasks.
- BTU Gas was operated out of the former owner's personal home, with at least 3 people assigned to various utility tasks. BTU and its owners filed for bankruptcy. Frontier hired 1 of its operators.
- Blaine was run out of its town office, with nobody assigned to gas system operations and billing done with other town tasks.

Frontier has no estimate for the actual costs of the former operations, but the current operation from a single office with single systems for billing, accounting, emergency response and DOT compliance are necessarily more efficient and effective than the random, scattered former operations by the original 10 entities.

Only 2 of these utilities had full-time, dedicated and trained Utility Operators and office staff. Frontier's only business and sole focus is gas utility operations. Frontier's centralized, standardized, qualified oversight of the consolidated utilities is a significant improvement for most of Frontier's customers.

- d. If the office elimination or closing occurred during the test year or post-test year, identify where that was reflected in Exhibit 5 of the Application, in the section headed "Revenue Requirements."

N/A.



4. Refer to the Prefiled Testimony of Steve Shute (“Shute Testimony”). At roughly the mid-point of the response to Question 7 Mr. Shute states, “Frontier is proposing to acquire and install an automated metering reading system (AMR) and to replace existing meters with temperature compensating meters (TC). Regarding the proposed metering programs, provide the following;

a. A detailed explanation for why Frontier has chosen to go with AMR meters rather than Advanced Metering Infrastructure (“AMI”) meters.

Witness: Shute

Nearly all major gas utilities have converted to AMR for most gas meters, to both reduce meter reading time and human error. The AMI or “Smart Meter” technology has the remote read element but more capability. AMI is used primarily on electric meters for load-shedding in peak periods, like afternoon AC spikes. For customers that are willing, the utility can selectively turn off loads like a water heater or AC unit for a short time, to shave the peak requirements. Smart Meter customers help lower demand charges from suppliers, so they get a lower electricity rate.

Load shedding for electric utilities is an almost instantaneous, hour-by-hour process. Gas utility peaks are usually 3-4 days with cold winter storms, where the furnace and water heater cannot be practically be interrupted. Frontier does not pay Demand Charges on any of its tiny systems. Smart Metering is of no added value for Frontier, and probably not for gas utilities in the foreseeable future.

a. A detailed explanation of the benefits of Frontier using TC meters to provide service to its customers.

See the discussion at Steven Shute’s pre-filed testimony with the application at Q14:

“The TC meter corrects the reading back to 60°F standard temperature. Colder gas is denser and will not register as many cubic feet as warmer gas. The average December-January temperatures will cause a 5% reduction in metered gas on about 36% of the year’s sales, or a 1.8% annual loss in just two months’ use.”

The use of non-TC meters is an antiquated practice stretching from the time when gas BTUs had little value. Frontier intends to follow the trends of progressive gas utilities to change several practices, like changing First-Next MCF billing to Monthly Charges, upgrading gas measurement and eventually Therm billing.

The main intent of the AMR-TC program is to upgrade gas measurement. The utilities consolidated by Frontier have many flavors of meters, many of which are outdated and discontinued and not worth the cost of continued testing & repair. Frontier will work to upgrade its meters and testing program in general, with a secondary project to implement AMR. All new or refurbished Frontier meters will be 3-4 models of a single brand, all compatible with AMR. All meters will eventually be TCed in this process, but that’s the third priority of the metering project.



5. Refer to the Shute Testimony, specifically, the response to Question 12, where the last item listed among the benefits of installing AMR meters is reduced meter reading costs. Based on Frontier's anticipated schedule for beginning the installation of AMR meters, explain when a reduction in meter reading costs will begin to be realized.

Witness: Shute

Frontier has prioritized AMR installation by difficulty-to-read. The first AMRs will be on far-flung farm taps and isolated utility systems that require long driving times, 4WD travel and even long walks in the woods to read single meters. Frontier plans to change out meters and install 60 AMRs per month. The effects will be seen immediately in reduced meter reading time and mileage. These man-hours will be re-directed to other utility activities.





6. Refer to the Shute Testimony, specifically, the response to Question 15, in which the total cost of the meter upgrade plus the AMR Program is identified as approximately \$400,000 to be spread over eight years. Provide the following information.

a. An explanation of how Frontier plans to account for the \$1.00 per meter surcharge amounts it receives, including the specific accounting entries.

Witness: Shute

a. An explanation of how Frontier plans to account for the \$1.00 per meter surcharge amounts it receives, including the specific accounting entries.

The meter surcharges collected will be treated much like Contributions in Aid of Construction, as an offset against the capital cost of purchasing and installing the meters and AMR equipment.

b. The accounting or journal entries Frontier intends to make to reflect the purchases of the AMR meters and the TC meters.

New and rebuilt meters will be capitalized into the 381 Meters account as they are purchased (Credit Cash, Debit 381). The AMR meter transmitters or ERTs will be treated the same.

c. The accounting or journal entries Frontier intends to make to reflect the installation of the AMR meters and the TC meters.

Frontier has not attributed any installation cost to the Meter Upgrade project, since most of the installation work will be in conjunction with regular utility work. Most ERTs will be

attached to new or rebuilt meters that are installed to replace meters changed out for testing or retirement, for which labor & materials are expensed under 878 Meter expense. Any labor & materials for a new installation of a meter and ERT will be capitalized under 382 Meter installation.

- d. After the AMR eight-year implementation period is complete, explain whether Frontier anticipates having any investment in AMR meters or TC meters that will be reflected in its rate base.

The investment in meters and AMR will be offset by surcharges collected from customers. Each month, the AMR surcharges will Debit Cash, Credit 381 Meters. Any net increase (or decrease) in Plant will be caused by timing of charges vs investments. Frontier will likely do these projects sooner than later, so that the net change to 381 will always be positive. Depending on cash flow from utility operations and capital needs, Frontier may elect to end the PRP and AMR surcharges early and retain the net positive increase in rate base.



7. Refer to the Shute Testimony, specifically, the response to Question 17, in which the proposed acquisition “[a]djustment for the recovery of costs associated with the purchase of assets of Belfry Gas, BTU Gas, People’s Gas and East Kentucky Utilities and stock of Auxier Road Gas, Cow Creek Gas, Dema Gas and Mike Little Gas.” is discussed.

a. Confirm that the Mike Little Gas acquisition was treated as an asset purchase. rather than a stock purchase.

Witness: Shute

a. Confirm that the Mike Little Gas acquisition was treated as an asset purchase rather than a stock purchase.

Mike Little was an asset purchase.

b. Provide the amounts of the acquisition adjustments for each acquisition and the calculations, documentation, workpapers, etc. supporting how the amounts were derived.

Journal entries are shown on the attached spreadsheet. [GenJrnl tab] See tab 22. All computations and calculations were derived from company books provided by previous owners at the time of sale. In some cases like BTU, we used the most recent PSC annual report with help from the PSC staff.



8. Refer to the Shute Testimony, specifically, the response to Question 30, in which he discusses how the Pipeline Replacement Program (PRP) Rider will be allocated to customer classes. Provide all supporting calculations which support the annual per customer fee of \$15, billed at \$1.25 monthly.

Witness: Shute

From the pre-filed testimony of Steven Shute at Q27:

“Frontier plans to replace these corroding and leaky pipelines over the next 10 to 12 years. The expected cost of replacement is about \$4.00 per foot using company forces. Frontier will replace about 12,500 foot per year for about \$50,000.”

There are about 3300 utility customers of Frontier, so this PRP will cost about \$15 per year per meter or about \$1.25 per month. The PRP rider will apply to all customers equally. Frontier proposes to create a new Large Commercial class of customers for the 2 largest users, which are on a nearly-new section of the Auxier system. All other Frontier customers are on older systems which could have sections subject to replacement, so the PRP is proposed to apply to all users equally, as a flat monthly fee rather than as a volumetric charge. Another method would be to allocate the PRP costs only among the aprx 1250 customers of the Belfry, Mike Little and BTU systems that are in the worst condition. In this case the PRP would be about \$40 per year or \$3.33 per month charged only to Belfry-BTU-MikeLittle customers.



9. Refer to the Shute Testimony, at the first paragraph of the response to Question 34, and to Exhibit 5 of the Application. The testimony states that "For its rate calculations, Frontier used consolidated financials for the fiscal and calendar year ending 12/31/11." However, the second part of Exhibit 5, which contains two pages with the heading "Revenue Requirements," reflects expenses for the period identified as "FY Ended 06/30/11" which, according to the second column on page 1 of this portion of the exhibit, is identified as the "Test Year Actual."

a. Clarify whether Frontier intends for its test year to be the 12 months ended June 30, 2011 or the 12 months ended December 31, 2011.

Witness: Shute

The Test Year is Calendar 2011. The header was "old DNA" from the original spreadsheet; when BTU was added the Test Year was set to Calendar 2011.

b. Clarify whether the "Annual Use Mcf" of 285,000 shown on page 1 of the portion of Exhibit 5 headed "Cost of Service by Class" reflects sales volumes for the 12 months ended June 30, 2011 or the 12 months ended December 31, 2011.

As above, Calendar 2011.

c. The calendar year 2011 Mcf sales volumes reported in the annual reports of Frontier, Auxier Road, Cow Creek, Dema and BTU Gas Company, Inc. ("BTU") filed with the Commission sum to approximately 309,000 Mcf. Explain the discrepancy between this level of sales and the 285,000 Mcf



sales volumes shown in the portion of Exhibit 5 headed "Cost of Service by Class."

The 309,000 figure included farm tap gas volumes but no BTU or Blaine. The calendar 2011 Test Year included an unusually cold and lingering winter, where 2012 has had several of the warmest months in recorded history. The 285 estimate includes an estimate of full-year BTU and Blaine volumes, and attempt to normalize the past 2 years for "average" weather in an ever-changing climate. Frontier submits the underlying Excel spreadsheet file for Staff analysis. [MCF tab]



10. Refer to the Shute Testimony, specifically, the second paragraph of the response to Question 34, which discusses the operation of BTU. The first sentence in the paragraph states that Frontier began operating BTU in August 2011 while the second sentence states that operating costs for BTU are included “[i]n the consolidated financials for the last half of 2011.”

a. Clarify the number of months, five or six, in which BTU’s operations are reflected in calendar year 2011.

Witness: Shute

a. Clarify the number of months, five or six, in which BTU’s operations are reflected in calendar year 2011.

Frontier operated BTU for 5 months of 2011.

b. Provide the monthly revenues and expenses for BTU for the period of time it was operated by Frontier in calendar year 2011.

BTU P&L spreadsheet is attached [BTU tab].

c. Provide the monthly revenues and expenses for BTU for the first six months of calendar year 2012.

BTU P&L spreadsheet is attached. None of these BTU financials reflect what Frontier believes will be reality for long-term operations. Frontier started operating a system with 60% L&U (eg Sales were only 40% of the Purchased gas volume), and has made progress in finding & fixing leaks, metering error, non-paying “free gas” users (mostly the former owners’ friends, political

contacts, churches) and outright theft from both suppliers and customers. The extreme effort in manpower and resources to resuscitate BTU will not continue forever, and eventually the system will approach the normalcy of most gas utilities.



11. Paragraph 1 of the Application states that Frontier acquired the Blaine municipal gas system August 1, 2012. Explain whether any adjustments were made to the test year revenues and expenses to reflect the addition of the Blaine gas system.

Witness: Shute

Very little historic information was available, and it's not very helpful. Volumes (thus revenues) are only about 4000 MCF or 1.5% of the total combined Frontier volume, which is less than the expected margin of error of volume forecasts. The Blaine system will be operated with existing personnel and will not add materially to operating costs, except postage as described herein.



12. Refer to page 1 of the portion of Exhibit 5 of the Application which has the heading "Revenue Requirements."

a. Provide supporting schedules, workpapers, etc. which show the derivation of each known and measurable adjustment. Include narrative descriptions or explanations, which identify the effective dates of each adjustment for which a date is not shown on the page.

Witness: Shute

Frontier used Calendar 2011 as the Test Year. Frontier has provided an Excel version of the Test Year calculations and work papers for Staff to verify these figures - Tab 22.

- Gas Cost is adjusted to zero for these calculations;
- Frontier added an Operator on June 6, 2011 for general needs. This adjustment normalizes for an entire year, and was allocated 88% to Utility and 12% to Farm Taps in the farm tap rate case; [Labor tab]
- The next line normalizes the additional Operator's truck, based on average use and 88% utility;
- Frontier added an Operator in February 2012, mostly for BTU Gas operations; this entry normalizes for a full year; the Operator (with truck) was not included in the Farm Tap case so comes in at 100%;
- Operators: Frontier had 6 for the full year of 2011 before additions in Jun11 and Feb12; this entry is for known & measurable wage increases for these 6 workers from the calendar Test Year; loaded for average overtime and payroll taxes and at 88% utility allocation;



- Office Supplies to add Blaine and BTU Gas, mostly for postage for bills; using a ratio of additional meter count;
- Customer Records has 2 entries for measurable staff salary increases vs the Test Year; and an additional clerk starting May 2012, primarily due to the addition of BTU Gas; loaded for average overtime and payroll taxes; 2 workers are at 88% utility allocation and the new addition is at 100%;
- Pensions & Benefits includes additions for medical insurance (projected vs actual 2011, at 88%);
- Frontier also started a Simplified Employee Pension or SEP payable at 3% of Base Pay (no OT), for wages paid starting July 1, 2012;
- Property Insurance includes Liability, which will increase proportionally to Payroll increases;
- Depreciation is reduced; the old figures were carried forward from past records and likely included some faster Tax Depreciation vs Book depreciation applicable to rates. The adjusted figure is based on 30-year depreciation of mains & services, 20-year amortization of acquisition adjustment, and 7-10 year lives for vehicles and equipment. Frontier is working on a detailed compilation of depreciation which will be filed as a supplement to this case.

e. Several of the proposed expense adjustments include a reference to “BTU” or “Blaine.” Explain why, given when Frontier acquired those systems, there are no adjustments to reflect the additional Mcf sales and related revenues resulting from a full 12 months’ operations of those systems.

Full-year BTU volume is estimated and included in the 285k figure. The Blaine system records are ambiguous, but Frontier expects volume of 4000 MCF per year. This is only about 1.5% of Frontier's annual sales, which is within the margin of error of Frontier's estimated total volume. The Blaine system will be operated with existing personnel and will not add materially to operating costs. Billing postage is estimated above.



13. Refer to the portion of Exhibit 6 identified as “Nonrecurring Charge Cost Justification.” Provide the following;

a. An explanation and support for the hourly wage rates and the time to perform the function used in the calculation of the nonrecurring charges.

Witness: Shute

f. An explanation and support for the hourly wage rates and the time to perform the function used in the calculation of the nonrecurring charges.

Field Expense:

Hourly charges at \$35 per hour for work outside the office:

- 2012 average Technician base rate per is about \$14.50 per hour
- Average overtime was about 8 hrs per week or \$4.35 per hr added to base pay
- Payroll taxes, workers comp and payroll-based liability insurance add 20.15%
- SEP is 3%; total wage-based charges are about \$23.20 per hour
- Medical insurance is about \$3600 per man-year (Frontier pays first \$300/mo)
- Unemployment insurance is \$330 per man-year (Fed+KY)
- Vehicle cost is estimated at about \$13,500 per man-year for truck costs (fuel, maintenance, insurance and depreciation)
- Annual charges \$17,430 add \$8.38 /hr to the base labor rate (2080 hrs/year)
- Total actual average costs are \$31.58 /hr + 10% Supervision loading gives \$34.74 /hr, which is rounded up to \$35.00 /hr.

The “Special Meter Reading Charge”, “Turn on Fee”, “Service Charge (special trip to collect delinquent bills)”, “Meter Resetting Charge” and “Reconnection Fee” are all

based on 1 hour travel time (average customer round-trip mileage of 40 miles), plus 1 hour onsite at customer location for a total of 2 hours charged to the customer.

Clerical and Office Expense:

Most of these non-recurring tasks require a clerk to prepare a Service Order and the office manager or accountant to do the billing-collections-accounting.

- A Service Order takes about 0.5 hour of Clerical at \$22.85 /hr (\$14.00 /hr base rate + \$3.15 /hr OT + \$3.95 /hr taxes-WC-liability-SEP + \$1.75 /hr medical-UTA);
- ...and 1 hour of accounting at \$28.90 /hr (\$18.00 /hr average base + adders above).
- The total office labor is about \$40.33 per transaction, plus 10% management loading or \$44.36.
- With 2 hours of field work at \$35 /hr, the total cost of these non-recurring activities is about \$115 each.

g. An explanation and support for the miscellaneous expenses used in the nonrecurring charges such as excavator costs, mileage used in the transportation costs, meter shop testing fees and any other costs used in arriving at the proposed nonrecurring charges.

Excavator Costs:

The excavator rate is \$22.50 per hour and requires a heavy duty truck and trailer for transport to the site at \$24.50 per hour, totaling \$47 per hour.

Transportation Costs:

The area served by KFG covers 65 miles east to west and 45 miles north to south. Average roundtrip distance from the office to a customer location is about 40 miles, estimated at the IRS standard mileage allowance of \$0.555 per mile. (Frontier hasn't yet established a firm history on "normal" vehicle costs, but indications are close to this figure.)

Meter Shop Testing Fee:

When a customer formally requests a meter test, especially an old meter or one several years out from testing, Frontier will likely replace the existing meter with a new or tested meter, and hold the customer's meter with the next batch for testing. Meters are tested and calibrated at a certified meter shop in Clay City, about 80 miles from the company shop. If the customer presses for an immediate meter test, Frontier would incur about 1 hour of labor to remove and reinstall the meter, and 4 hours and 200 miles of travel to the meter shop, including 20 miles from Frontier's shop to the average customer location. The meter shop charges about \$18.00 per meter for testing.



14. Refer to Exhibit 5, the portion headed "Cost of Service by Class." Explain why \$401,400, or 52.49 percent of \$766,063, is proposed to be collected through monthly meter charges, as opposed to 50 percent of \$766,053 as indicated by the note.

Witness: Shute

The COS by Class model is very dense, and an Excel file is provided to Staff for review and verification of the formulas. This is a brief explanation:

- The total calculated Revenue Requirement is \$1,532,126 is divided into 2 halves of \$766,063 under the Atlantic Seaboard cost allocation method.
- One half (including the Depreciation component) is allocated by each customer's *actual demand* on the System. Since different customers have different Peak requirements, this Demand component is allocated by the Peak Monthly Demand. The largest Commercials use 25.1% of the annual load but only 19.3% of the Peak load, so their Demand component is slightly less per MCF than the smaller Residentials / Commercials.
- The other half is allocated to every customer on an *equal basis*: some is allocated to Monthly Charges levied to every customer every month, since the cost of meter reading and billing and operations are about the same for every customer. The largest commercials have more elaborate meter facilities and pay a higher monthly cost.
- The rest of that Equal half is allocated by MCF of usage. In this case, without any target in mind, the Monthly charges are about 52% and the MCF charges about 48% of this half of the revenue.





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15. Provide Frontier's consolidated number of customers and volumes of Mcf sales for each of the years 2009, 2010, and 2011. If such information is not available for a particular system, such as BTU, explain the basis for any estimates of sales.

Witness: Shute

Not including Kinzer and Interstate farm taps:

- Frontier ended 2009 with about 1,224 utility Customers and 118,559 Mcf in sales. This included EKU and Mike Little Gas for the entire year and Belfry for 11 months.
- Frontier ended 2010 with about 1,843 utility Customers and 202,658 Mcf in sales. This included the original three utilities plus Auxier Road for the entire year (operated under contract before closing purchase in April); Cow Creek, Dema and CC Sigma for about 8 months, and Peoples for about 10 months.
- Frontier ended 2011 with about 3,062 utility Customers and 277,636 Mcf in sales. This included BTU for 5 months.



16. Refer to Exhibit 6, Proposed Tariffs.

a. Given that Frontier has separate farm tap tariffs on file with the Commission, explain why farm tap rates and tariff provisions are included as part of its proposed gas utility tariff.

Witness: Shute

The farm tap tariffs were intended to consolidate all tariffs for the various farm tap systems acquired by Frontier. However, Frontier understands that the farm tap services should be segregated from general utility services. Frontier will remove the farm tap provisions from the proposed general tariffs. At the conclusion of the general rate case, Frontier will file a separate farm tap tariff to mirror any changes in terms and Other Charges.

b. The text at the top of the first page of the proposed tariffs indicates that the tariff will apply to “[a]ll customers served by Kentucky Frontier Gas operations.”

1) Given that Frontier serves roughly 630 farm tap customers and recognizing that farm tap systems are not legally defined as utilities, explain whether the reference text should be revised to read “[a]ll utility customer served . . . “  
The tariff will be changed to refer to all “utility customers”.

2) According to its Application, Frontier intends to have one set of tariffs for all of its utility operations. Based on the nature of its various acquisitions from 2008 to the present time, Frontier is currently operating four different utilities: (1)

Frontier, which consists of all of the systems for which it acquired the utility's assets; and (2) Auxier Road; (3) Cow Creek and (4) Dema, the three systems for which Frontier acquired the corporation's stock. Explain how Frontier envisions conducting business in the future for the latter three utilities.

Frontier currently operates these utilities listed as 10 different entities (Auxier-Belfry-Blaine-BTU-CowCreek-Dema-EKU-MikeLittle-Peoples-CCSigma) with separate gas supply and GCR, rates and billing routes. Accounting is mostly still separate. Frontier proposes to serve gas through all of these systems as one consolidated utility, with all customers branded as Frontier.

Subject to legal and tax constraints, Frontier proposes to merge the three companies, which were stock acquisitions – Dema, Cow Creek and Auxier Road Gas into a single corporation with Auxier being the survivor. This consolidated company will be operated as Auxier Road Gas Company, d/b/a/ Kentucky Frontier Gas, LLC. Because this is a merger of companies currently owned by Frontier, there is no change of control or ownership as specified in KRS 278.020. Frontier believes that this action falls within the provisions of KRS 278.020(7)(b), which allows reorganization of commonly owned or controlled entities. If additional approval of this stock consolidation is required, Frontier specifically requests such approval.

After consolidation of the stock companies, they will be operated for management, service and rates as Kentucky Frontier Gas, LLC. For financial and regulatory reporting, separate financial records will be maintained.



17. Refer to Frontier's proposed tariff, I. RATES AND CHARGES, C. OTHER CHARGES. Explain why Frontier is proposing a monthly PRP rate of \$1.50 in addition to an AMR surcharge of \$1.00 per customer per month.

Witness: Shute

Frontier proposes a \$1.25 per month PRP and \$1.00 per month AMR-metering surcharge. These are separate projects of a similar nature, in that these affect nearly every customer equally (farm tap customers won't pay the PRP), and these system-wide upgrades are necessary but not something Frontier could easily finance through its lender.





18. Refer to Frontier's proposed tariff, VII. PIPELINE REPLACEMENT PROGRAM (PRP). Explain why the proposed tariff does not include a provision for reductions for savings in operations and maintenance expenses, a provision included in the PRP tariffs of all jurisdictional gas utilities with existing PRP tariffs.

Witness: Shute

Frontier now capitalizes most of its pipe replacement costs, as substantial sections of corroding bare steel pipe are replaced with long-lasting PE pipe. Most gas losses in Belfry and Mike Little are believed to be caused by corrosion & leakage. Frontier has to make up the shortfall caused by gas losses that are far in excess of 5% allowed in the GCR process. Any savings in repair and maintenance will come near the end of the PRP, as the leaks and repairs become smaller and less frequent, and the replacements become shorter and more like simple repairs.



19. Confirm that Frontier is proposing to charge the PRP and AMR surcharges to all classes of utility customers.

Witness: Shute

The AMR-metering surcharge will apply to all customers. The PRP will apply to all but Farm Tap customers.



20. Provide the calculation of the proposed \$1.00 per customer monthly AMR surcharge.

Witness: Shute

Frontier will replace-upgrade-test meters and implement AMR over the next 8 years at a cost of about \$400,000. The annual cost of about \$50,000 works out to about \$12 per meter per year or \$1.00 per month.



21. Confirm whether Frontier intends to include farm tap customers in the PRP and AMR program and whether they will be assessed the proposed surcharges.

Witness: Shute

The AMR program will apply to the farm tap customers. PRP does not apply to farm tap customers.





Exh \_\_

**Kentucky Frontier Gas LLC**  
**FY 2011 Consolidated Income + Expense**

	1/1/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011
<b>OPERATING REVENUES:</b>						
Gas Sales Revenues	737,365	498,617	381,245	222,142	146,360	100,439
Other Revenues	2,116	4,393	3,501	1,790	774	19,745
<b>TOTAL REVENUES</b>	<b>739,482</b>	<b>503,010</b>	<b>384,745</b>	<b>223,932</b>	<b>147,133</b>	<b>120,184</b>
<b>OPERATING EXPENSES:</b>						
Natural Gas Purchases	395,275	287,671	185,192	123,326	101,211	48,038
Maintenance Expense	21,738	21,878	27,231	24,967	19,411	31,238
Office Supplies	5,235	2,263	5,550	4,644	2,989	3,714
Outside Services	7,551	3,743	5,064	1,850	3,900	6,363
Customer Records, etc	9,697	8,864	10,595	15,836	10,476	9,160
Meter Reading Labor	3,512	3,690	3,924	2,359	2,283	4,974
Admin Salaries	12,235	10,213	11,925	10,444	13,767	13,176
Pensions & Benefits	1,886	1,886	5,431	(281)	1,873	2,206
Property Insurance	2,067	7,971	2,447	2,447	1,200	1,200
Other/Misc Expenses	452	(125)	963	37	235	
Depreciation	15,446	15,446	15,446	15,446	15,446	15,446
Tax Expense - Other	2,509	2,303	2,102	1,990	2,847	7,188
Income Tax Expense		1,258		875	0	
<b>TOTAL OPERATING EXPENSE</b>	<b>477,603</b>	<b>367,060</b>	<b>275,870</b>	<b>203,939</b>	<b>175,638</b>	<b>142,703</b>
<b>NET OPERATING INCOME</b>	<b>261,878</b>	<b>135,950</b>	<b>108,875</b>	<b>19,993</b>	<b>(28,505)</b>	<b>(22,520)</b>

08/01/12

Exh \_\_\_\_

**Kentucky Frontier Gas LLC**  
**FY 2011 Consolidated Income + Expense**

	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	12/31/2011	Totals	Utilities*
<b>OPERATING REVENUES:</b>								
Gas Sales Revenues	91,725	101,022	116,000	176,950	296,764	427,986	<b>3,296,614</b>	
Other Revenues	270	779	17,629	22,866	49,323	63,033	<b>186,220</b>	
<b>TOTAL REVENUES</b>	<b>91,995</b>	<b>101,801</b>	<b>133,629</b>	<b>199,816</b>	<b>346,087</b>	<b>491,019</b>	<b>3,482,834</b>	<b>0</b>
<b>OPERATING EXPENSES:</b>								
Natural Gas Purchases	56,523	51,072	70,190	118,021	187,833	251,977	<b>1,876,328</b>	
Maintenance Expense	23,539	35,902	23,667	26,154	30,537	57,719	<b>343,980</b>	<b>302,703</b>
Office Supplies	4,500	6,144	4,405	4,861	7,373	6,046	<b>57,724</b>	<b>50,797</b>
Outside Services	9,098	8,638	11,050	3,883	12,150	2,387	<b>75,676</b>	<b>66,595</b>
Customer Records, etc	14,047	11,751	9,284	16,089	10,309	15,493	<b>141,602</b>	<b>124,610</b>
Meter Reading Labor	5,819	2,793	3,706	4,441	3,327	5,590	<b>46,420</b>	<b>40,849</b>
Admin Salaries	14,364	21,383	15,927	18,340	23,500	12,140	<b>177,414</b>	<b>156,124</b>
Pensions & Benefits	3,279	2,576	2,909	2,576	1,877	2,242	<b>28,461</b>	<b>25,046</b>
Property Insurance	11,069	1,200	1,200	1,235	3,377	2,303	<b>37,717</b>	<b>33,191</b>
Other/Misc Expenses	38	728	6	195	100		<b>2,627</b>	<b>2,312</b>
Depreciation	15,446	15,446	15,446	15,446	15,446	15,446	<b>185,352</b>	<b>185,352</b>
Tax Expense - Other	6,764	2,316	690	(23)	8,474	31,586	<b>68,745</b>	<b>60,496</b>
Income Tax Expense			4,522			511	<b>7,166</b>	<b>6,306</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>164,485</b>	<b>159,949</b>	<b>163,003</b>	<b>211,219</b>	<b>304,303</b>	<b>403,439</b>	<b>3,049,212</b>	<b>1,054,380</b>
<b>NET OPERATING INCOME</b>	<b>(72,490)</b>	<b>(58,148)</b>	<b>(29,373)</b>	<b>(11,403)</b>	<b>41,784</b>	<b>87,580</b>	<b>433,622</b>	

*Results from Fiscal & Calendar Year 2011.*

*\*Revenues, Gas Purchases & Depreciation are attributable to Utilities from Test Year.*

*All other consolidated Frontier expenses are allocated at 88% to Utility customers.*

*Consolidated Frontier expenses were allocated at 12% to tariffed Farm Taps in Case 2011-00513.*

Kentucky Frontier Gas LLC  
Revenue Requirements

Calendar & FY 2011 Income Statement	Test Year Actual	Known-Meas Adjustments	Adjusted Tyr	Known & Measurable Change
OPERATING REVENUES:				
Gas Sales Revenues			\$ -	
Other Revenues	\$ -		\$ -	minimal & not predictable
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
OPERATING EXPENSES:				
Natural Gas Purchases			\$ -	balanced to zero with GCAs
Maintenance Expense	\$ 302,703	\$ 19,252		add 1 Operator Jun11 (partial yr)
		\$ 5,854		add 1 truck (partial yr)
		\$ 40,560		add 1 Operator Feb12 for BTU
		\$ 15,120		add 1 truck for BTU
		\$ 21,822	\$ 405,311	6 Operators incr in May11+Jul12
Office Supplies	\$ 50,797	\$ 8,128	\$ 58,925	add BTU+Blaine
Outside Services	\$ 66,595		\$ 66,595	
Customer Records, etc	\$ 124,610	\$ 13,435		office staff incr in May11+Jul12
		\$ 30,401	\$ 168,447	add 1 clerk May12 for BTU
Meter Reading Labor	\$ 40,849		\$ 40,849	all addl labor in Mtce Expense
Admin Salaries	\$ 156,124		\$ 156,124	
Pensions & Benefits	\$ 25,046	\$ 7,385		incr med ins, st pension contribs
		\$ 9,768	\$ 42,199	SEP pension contributions
Property Insurance	\$ 33,191	\$ 7,964	\$ 41,155	incr liability insur for labor+trks
Other/Misc Expenses	\$ 2,312		\$ 2,312	
Depreciation	\$ 185,352	\$ (16,364)	\$ 168,988	consolidated schedule
Tax Expense - Other	\$ 60,496		\$ 60,496	all payroll changes incl above
Income Tax Expense	\$ 6,306		\$ 6,306	
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 1,054,380</b>	<b>\$ 163,326</b>	<b>\$ 1,217,706</b>	Known & Measurable changes

*Test Year is based on Fiscal & Calendar Year 2011.*

*Frontier started operating BTU Gas in August 2011 under contract with Trustee.*

*Other Revenues in 2011 were mostly accrued Ops charges to BTU Trustee.*

*Frontier added 2 employees specifically for BTU Gas in 2012,*

*these were not allocated to FTs and come in at 100% of cost.*

*For simplicity, added labor costs are all in Mtce Exp & Customer Records,*

*and not allocated into Meter Reading or Tax Expense (for payroll taxes).*

*Frontier started a Simplified Employee Pension pgm in Jul12 for all employees.*

Kentucky Frontier Gas LLC  
Revenue Requirements

**Revenue Requirement*****using Operating Ratio***

<b>Pro Forma Operating Costs</b>	\$ 1,217,706	Test Yr with Known & Meas chgs set by PSC
<b>divide by Operating Ratio</b>	<u>0.88</u>	
<b>Revenue to cover Operating Ratio</b>	<u>\$1,383,757</u>	
<b>less Ops Costs = Net Ops Income</b>	\$ 166,051	no income tax allowed by PSC
<b>Multiply by Grossup for taxes</b>	<u>1.000</u>	
<b>Net Ops Income before Income Taxes</b>	<u>\$ 166,051</u>	
<b>Add: Pro Forma Ops Costs</b>	\$ 1,217,706	see Loans exhibit no income tax allowed by PSC
<b>Interest Expense</b>	148,369	
<b>Imputed Income Taxes</b>	<u>-</u>	
<b>Total Revenue Requirement</b>	<u><u>\$ 1,532,126</u></u>	to Cost of Service exhibit

### Kentucky Frontier Gas LLC Cost of Service by Class

Customer Classes	Rates			
	Average # Meters	Annual Use MCF		Peak Month
Residential & Commercial	3,330	213,500	74.9%	44,835 80.7%
Large Commercial	3	71,500	25.1%	10,725 19.3%
<b>Totals</b>	<b>3333</b>	<b>285,000</b>		<b>55,560</b>

Costs allocated by Demand	Annual	Allocation	Rates	
Depreciation	\$168,988			
Operating Costs (partial)	<u>\$597,075</u>			
	<b>\$766,063</b>	50%	<i>by peak demand month</i>	
Residential & Commercial		80.7%	\$618,186	<b>\$2.90</b> per MCF
Large Commercial		19.3%	<u>\$147,877</u>	<b>\$2.07</b> per MCF
			<u>\$766,063</u>	

Costs allocated by Meter & Volume	Annual	Allocation	Rates	
Revenue Requirement	<u>\$1,532,126</u>			
less Demand Costs	<u>-\$766,063</u>			
other Operating Costs	<b>\$766,063</b>	50%	<i>by monthly meter charges &amp; annual volume</i>	
<b>Monthly Meter Charges</b>	<b>\$401,400</b>	26%	<i>by meter fees</i>	
Residential & Commercial			\$399,600	<b>\$10.00</b> per Month
Large Commercial			<u>\$1,800</u>	<b>\$50.00</b> per Month
<b>Volumetric</b>	<b>\$364,663</b>	24%	<i>by annual volume</i>	
Residential & Commercial		74.9%	\$273,177	<b>\$1.28</b> per MCF
Large Commercial		25.1%	<u>\$91,486</u>	<b>\$1.28</b> per MCF
			<u>\$766,063</u>	

**Kentucky Frontier Gas LLC  
Cost of Service by Class**

Allocation Summary	Demand	Mtr / MCF	Allocation	Rates
<b>Residential &amp; Commercial</b>		\$399,600 / mtr	\$399,600 26.1%	<b>\$10.00</b> per Month
	\$618,186	\$273,177 / mcf	\$891,364 58.2%	<b>\$4.18</b> per MCF
<b>Large Commercial</b>		\$1,800 / mtr	\$1,800 0.1%	<b>\$50.00</b> per Month
	\$147,877	\$91,486 / mcf	\$239,362 15.6%	<b>\$3.35</b> per MCF
	50%	50%	<b>\$1,532,126</b> 100%	

*Revenue Requirement is calculated with Operating Ratio.*

*Rev Req is allocated between Customer Classes using the Atlantic Seaboard method.*

*50% of RevReq is allocated based on Monthly Charges & Annual MCF volume.*

*50% of RevReq is allocated based on Monthly MCF usage vs Annual volume.*

**Kentucky Frontier Gas LLC  
Cost of Service by Class**

**Cost Comparison for Typ Customer**

*60 MCF/yr average use*

**Monthly Service Charge**

**\$10.00** *per month*

**Volumetric Charge**

**\$4.18** *per MCF*

**Gas Cost**

**\$5.25** *per MCF commodity (projected)*

**\$9.43** *per MCF*

**\$ 685.80** *total proposed annual bill*

**\$ 57.15** *per month*

**\$ 597.00** *current wtd ave annual bill*  
*14.9% average customer increase*

**\$ 49.75** *per month*

**Kentucky Frontier Gas LLC  
Debt Financing**

<b>Loan Description</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Balance</b>	<b>Current Balance</b>	<b>Prin+Int Payment</b>	<b>Current Interest</b>
<b>Loans with Community Trust Bank:</b>						
SBA Loan	12/30/2018	3.75%	\$1,525,000	\$1,047,152	\$15,322	\$3,272
USDA Loan #3	4/13/2025	6.00%	\$1,571,760	\$1,412,392	\$13,500	\$7,062
USDA Loan #4	4/13/2025	6.00%	\$160,431	\$156,932	\$1,500	\$785
Excavator	4/14/2013	5.00%	\$25,500	\$9,869	\$1,120	\$41
2012 Tundra	5/17/2016	3.50%	\$29,761	\$28,604	\$666	\$83
2012 Tacoma	5/28/2016	3.50%	\$23,655	\$22,805	\$531	\$67
2012 Tacoma #2	8/15/2016	3.50%	\$23,655	\$22,805	\$531	\$67
SBA Loan - BTU	7/23/2027	5.00%	\$237,000	\$237,000	\$1,874	\$988
<b>Totals</b>			<b>\$3,596,762</b>	<b>\$2,937,559</b>	<b>\$35,044</b>	<b>\$12,364</b> per mo
				<i>Total Payments</i>	\$420,529	
				<i>Components P+I</i>	\$272,160	\$148,369 per yr 5.1% wtd ave

*balances as of 07/26/2012*



Exhibit \_\_

### Kentucky Frontier Gas LLC Current Rates

Company	Eff Date of Tariff	Min Bill	Addl	Jan 18% 10.8	Feb 12% 7.2	Mar 10% 6.0	Apr 8% 4.8	May 4% 2.4	Jun 3% 1.8	Jul 3% 1.8	Aug 3% 1.8
<i>Calculates average annual margin for typical Residential customer</i>											
Auxier Road Gas	1-May-09	6.36	5.06	\$55.99	\$37.76	\$31.68	\$25.61	\$13.45	\$10.41	\$10.41	\$10.41
		1st MCF	Addl								
Belfry Gas Co.	17-Dec-04	4.27	2.72	\$30.93	\$21.13	\$17.87	\$14.61	\$8.08	\$6.45	\$6.45	\$6.45
		1st MCF	Addl								
Blaine	25-Jul-12	10.00	4.00	\$53.20	\$38.80	\$34.00	\$29.20	\$19.60	\$17.20	\$17.20	\$17.20
		per mo	all mcf								
BTU Gas Co.	23-Jan-00	3.90	2.97	\$33.01	\$22.31	\$18.75	\$15.19	\$8.06	\$6.28	\$6.28	\$6.28
		1st MCF	Addl								
Cow Creek / Sigma	19-Dec-08	6.25	4.55	\$50.84	\$34.46	\$29.00	\$23.54	\$12.62	\$9.89	\$9.89	\$9.89
		1st MCF	Addl								
Cow Creek Gas	8-Jun-06	3.18	3.18	\$34.31	\$22.87	\$19.06	\$15.25	\$7.62	\$5.72	\$5.72	\$5.72
		1st MCF	Addl								
Dema Gas	16-Jun-06	7.47	6.27	\$68.86	\$46.31	\$38.79	\$31.27	\$16.24	\$12.48	\$12.48	\$12.48
		1st MCF	Addl								
East Kentucky Utilities	1-Feb-05	10.00	5.26	\$61.55	\$42.61	\$36.30	\$29.99	\$17.36	\$14.21	\$14.21	\$14.21
		1st MCF	Addl								
Mike Little Gas Co.	1-Aug-04	5.50	4.33	\$47.93	\$32.35	\$27.15	\$21.95	\$11.56	\$8.96	\$8.96	\$8.96
		1st MCF	Addl								

Exhibit \_\_

### Kentucky Frontier Gas LLC Current Rates

Company	Eff Date of Tariff	Min Bill	Addl	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
				18%	12%	10%	8%	4%	3%	3%	3%
				<b>10.8</b>	<b>7.2</b>	<b>6.0</b>	<b>4.8</b>	<b>2.4</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>
<i>Calculates average annual margin for typical Residential customer</i>											
Peoples Gas Co.	1-May-01	4.40	2.77	\$31.55	\$21.57	\$18.25	\$14.93	\$8.28	\$6.62	\$6.62	\$6.62
		1st MCF	Addl								
<b>Consolidated companies</b>											
<i>Weighted Average Rates</i>											
		\$10.00	mo chg								
		\$2.70	all mcf	\$39.16	\$29.44	\$26.20	\$22.96	\$16.48	\$14.86	\$14.86	\$14.86
		<b>\$282</b>	annual non-gas rev								

Exhibit \_\_

**Kentucky Frontier Gas LLC  
Current Rates**

<b>Company</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>		<b>% of</b>	<b>Wtd</b>	
	3%	8%	12%	16%	100%	<b>Meters</b>	<b>Meters</b>	<b>Contrib</b>	
	<b>1.8</b>	<b>4.8</b>	<b>7.2</b>	<b>9.6</b>	<b>60 MCF</b>				
<i>Calculates average annual r</i>									
Auxier Road Gas	\$10.41	\$25.61	\$37.76	\$49.91	<b>\$319.42</b>	<b>\$319.42</b>	489	15%	<del>\$47</del>
					\$5.32				
Belfry Gas Co.	\$6.45	\$14.61	\$21.13	\$27.66	<b>\$181.80</b>	<b>\$181.80</b>	462	14%	\$25
					\$3.03				
Blaine	\$17.20	\$29.20	\$38.80	\$48.40	<b>\$360.00</b>	<b>\$360.00</b>	59	2%	\$6
					\$6.00				
BTU Gas Co.	\$6.28	\$15.19	\$22.31	\$29.44	<b>\$189.36</b>	<b>\$189.36</b>	458	14%	\$26
					\$3.16				
Cow Creek / Sigma	\$9.89	\$23.54	\$34.46	\$45.38	<b>\$293.40</b>	<b>\$293.40</b>	611	18%	<del>\$54</del>
					\$4.89				
Cow Creek Gas	\$5.72	\$15.25	\$22.87	\$30.50	<b>\$190.62</b>	<b>\$190.62</b>	53	2%	\$3
					\$3.18				
Dema Gas	\$12.48	\$31.27	\$46.31	\$61.34	<b>\$390.30</b>	<b>\$390.30</b>	10	0%	\$1
					\$6.51				
East Kentucky Utilities	\$14.21	\$29.99	\$42.61	\$55.24	<b>\$372.48</b>	<b>\$372.48</b>	796	24%	<del>\$89</del>
					\$6.21				
Mike Little Gas Co.	\$8.96	\$21.95	\$32.35	\$42.74	<b>\$273.84</b>	<b>\$273.84</b>	313	9%	\$26
					\$4.56				

Exhibit \_\_

### Kentucky Frontier Gas LLC Current Rates

Company	Sep	Oct	Nov	Dec	Total		% of	Wtd
	3%	8%	12%	16%	100%	Meters	Meters	Contrib
	<b>1.8</b>	<b>4.8</b>	<b>7.2</b>	<b>9.6</b>	<b>60 MCF</b>			
<i>Calculates average annual r</i>								
Peoples Gas Co.	\$6.62	\$14.93	\$21.57	\$28.22	<b>\$185.76</b>	78	2%	\$4
					<i>\$3.10</i>			
<b>Consolidated companies</b>						<b>3329</b>	<b>100%</b>	<b>\$282</b>
<i>Weighted Average Rates</i>								<i>wtd average</i>
	\$14.86	\$22.96	\$29.44	\$35.92	<b>\$282.00</b>			<b>\$282</b>

**KENTUCKY FRONTIER GAS LLC  
JOURNAL ENTRIES**

ACCT #		DEBIT	CREDIT
	<b>MIKE LITTLE GAS:</b>		
131	CASH		\$463,378.00
	TRANSMISSION PLANT:		
367.2	MAINS	\$16,268.00	
369.2	MEASURE & REGULATING STATION EQUIP	\$8,229.00	
	TOTAL TRANSMISSION PLANT	\$24,497.00	
	DISTRIBUTION PLANT:		
376.2	MAINS	\$170,244.00	
380.2	SERVICES	\$31,899.00	*
381.2	METERS	\$6,510.00	
383.2	HOUSE REGULATORS	\$18,779.00	
	TOTAL DISTRIBUTION PLANT	\$227,432.00	
	GENERAL PLANT:		
389.2	LAND RIGHTS	\$569.00	
392.2	TRANSPORTATION EQUIPMENT	\$58,577.00	
394.2	TOOLS, SHOP & GARAGE EQUIP	\$2,579.00	
396.2	POWER EQUIPMENT	\$3,535.00	
	TOTAL GENERAL PLANT	\$65,260.00	
108.2	ACCUMULATED DEPRECIATION		\$334,856.00
114.2	GAS PLANT ACQUISITION	\$481,045.00	
	TOTALS	\$798,234.00	\$798,234.00
	<b>BELFRY GAS INC:</b>		
131	CASH		\$353,000.00
	TRANSMISSION PLANT:		
365.3	LAND & LAND RIGHTS	\$4,498.00	
367.3	MAINS	\$270,168.00	
	TOTAL TRANSMISSION PLANT	\$274,666.00	
	DISTRIBUTION PLANT:		
381.3	METERS	\$83,619.00	
	TOTAL DISTRIBUTION PLANT	\$83,619.00	
108.3	ACCUMULATED DEPRECIATION		\$485,627.00
114.3	GAS PLANT ACQUISITION	\$480,342.00	
	TOTALS	\$838,627.00	\$838,627.00
	<b>EAST KENTUCKY UTILITIES INC:</b>		
131	CASH		\$945,135.00
	DISTRIBUTION PLANT:		
374.1	LAND & LAND RIGHTS	\$10,936.00	
376.1	MAINS	\$993,848.00	
378.1	MEASURE & REGULATING STATION EQUIP	\$17,643.00	
381.1	METERS	\$19,484.00	
383.1	HOUSE REGULATORS	\$45,860.00	
	TOTAL DISTRIBUTION PLANT	\$1,087,771.00	
	GENERAL PLANT:		

**KENTUCKY FRONTIER GAS LLC  
JOURNAL ENTRIES**

ACCT #		DEBIT	CREDIT
394.1	TOOLS, SHOP & GARAGE EQUIP	\$4,025.00	
	TOTAL GENERAL PLANT	\$4,025.00	
108.1	ACCUMULATED DEPRECIATION		\$1,102,031.00
114.1	GAS PLANT ACQUISITION	\$955,370.00	
	TOTALS	\$2,047,166.00	\$2,047,166.00

**KINZER FARM TAPS**

131	CASH		\$250,000.00
114.4	GAS PLANT ACQUISITION	\$250,000.00	

**PEOPLES GAS**

131	CASH		\$20,000.00
	DISTRIBUTION PLANT:		
376.8	MAINS	\$82,917.00	
392.8	VEHICLES	\$25,000.00	
	TOTAL DISTRIBUTION PLANT	\$107,917.00	
108.8	ACCUMULATED DEPRECIATION		\$102,122.00
114.8	GAS PLANT ACQUISITION	\$7,785.00	
114.81	GAS PLANT ACQUISITION - KFG	\$6,420.00	
	TOTALS	\$122,122.00	\$122,122.00

131	CASH		\$2,245,459.00
123.1	INVESTMENT AUXIER	\$1,695,459.00	
123.2	INVESTMENT COW CREEK	\$530,000.00	
123.3	INVESTMENT DEMA	\$10,000.00	
123.4	INVESTMENT INTERSTATE FARM TAPS	\$10,000.00	

**KY FRONTIER GAS LLC  
MCF Sales Volume History**

	<b>Jan-10</b>	<b>Feb-10</b>	<b>Mar-10</b>	<b>Apr-10</b>	<b>May-10</b>	<b>Jun-10</b>	<b>Jul-10</b>	<b>Aug-10</b>	<b>Sep-10</b>	<b>Oct-10</b>	<b>Nov-10</b>	<b>Dec-10</b>
<i>same row format as Crystal Reports</i>												
<b>Auxier Road Gas</b>												
Auxier	18,177	16,609	13,545	6,030	4,551	3,622	3,608	3,216	3,734	5,614	9,917	18,293
<b>Belfry Gas</b>												
Belfry	9,885	7,041	4,486	1,557	983	687	542	533	743	2,079	4,010	8,699
Price	194	180	92	37	18	9	9	10	6	30	53	223
<b>BTU Gas Company</b>												
<b>BTU Gas</b>												
<b>East Kentucky Utilities</b>												
Allen	4,575	4,126	2,306	1,121	522	317	292	303	318	663	1,917	3,873
Dwale	712	657	345	201	84	42	52	38	35	120	325	479
Middle Creek	743	685	354	194	83	36	28	32	38	115	276	708
Minnie	409	412	276	152	81	61	66	63	59	90	147	350
Stone Coal	2,671	2,171	1,468	705	230	133	127	121	140	401	892	1,943
Wayland	4,518	3,756	2,454	1,252	435	323	273	252	288	842	1,705	3,273
<b>Interstate Natural Gas</b>												

**KY FRONT. GAS LLC**  
**MCF Sales Volume History**

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
<i>same row format as Crystal Reports</i>			<i>Sales in MCF</i>									
Cow Creek			-	2,360	1,218	657	413	681	492	1,134	3,723	6,412
Dema			-	30	14	6	8	8	5	14	32	54
Interstate FTs			-	390	187	63	101	68	64	142	392	781
Original CC			-	209	86	37	34	41	48	95	257	531
Kinzer Farm Taps (Paying)												
AOG	3,587	4,000	2,461	1,169	511	266	226	191	198	440	1,406	3,362
Kinzer	3,381	3,817	3,534	1,359	632	350	302	287	426	1,061	2,273	6,159
KLC Entrp	1,100	1,023	902	457	491	356	179	141	293	288	541	1,082
KLC J.H.	38	38	34	13	9	6	5	6	6	11	21	54
KLC-JE			121	116	102	168	41			21	85	94
Mike Little Gas Co.												
Abner.Mtn	1,542	1,583	870	382	201	92	83	61	92	326	766	1,572
Goble Rbts	1,295	1,197	678	369	129	84	73	78	90	331	620	1,208
Langley	604	646	338	150	63	27	21	24	33	103	178	687
Osborne	1,219	1,498	756	310	177	96	85	81	92	212	401	1,536



**KY FRONTIER GAS LLC  
MCF Sales Volume History**

	<b>Jan-10</b>	<b>Feb-10</b>	<b>Mar-10</b>	<b>Apr-10</b>	<b>May-10</b>	<b>Jun-10</b>	<b>Jul-10</b>	<b>Aug-10</b>	<b>Sep-10</b>	<b>Oct-10</b>	<b>Nov-10</b>	<b>Dec-10</b>
<i>same row format as Crystal Reports</i>			<b>Sales in MCF</b>									
People's Gas												
Phelps System		-	1,145	626	214	145	130	154	169	249	602	1,854
<b>TOTAL MCF Sales</b>	<b>54,650</b>	<b>49,439</b>	<b>36,165</b>	<b>19,189</b>	<b>11,021</b>	<b>7,583</b>	<b>6,698</b>	<b>6,389</b>	<b>7,369</b>	<b>14,381</b>	<b>30,539</b>	<b>63,227</b>
FT mcf	8,106	8,878	7,052	3,504	1,932	1,209	854	693	987	1,963	4,718	11,532
Utility MCF actual	46,544	40,561	29,113	15,685	9,089	6,374	5,844	5,696	6,382	12,418	25,821	51,695
<b>UTILS Last 12 mos adjustments</b>												<b>255,222</b>
<i>Adjust 12 mos</i>	17,500	13,700	8,125	1,204	493	224	300	400	401	1,721	2,905	5,551
												307,746
Large Commls incl^	10,731	9,447	8,389	4,622	4,059	3,285	3,307	2,932	3,425	4,492	6,342	10,430
Peak Month / Yr	15.0%											14.6%
Resl-Comml	53,313	44,814	28,849	12,267	5,523	3,313	2,837	3,164	3,358	9,647	22,384	46,816
Peak Month / Yr	22.6%											19.8%

**KY FRONT GAS LLC**  
**MCF Sales Volume History**

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
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*same row format as Cryst*

Auxier Road Gas

Auxier	17,383	13,985	11,024	7,272	5,807	4,610	3,738	4,252	4,425	7,018	9,987
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Belfry Gas

Belfry	8,708	5,332	4,624	1,429	1,222	640	711	699	829	2,453	4,142
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Price	204	129	101	38	21	12	6	5	10	44	96
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BTU Gas Company

BTU Gas							-	581	401	1,721	2,905
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East Kentucky Utilitie

Allen	4,805	2,774	2,152	928	668	348	308	315	368	934	1,875
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Dwale	782	473	337	172	98	37	32	33	35	146	297
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Middle Creek	717	451	300	200	95	32	32	29	40	74	308
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Minnie	449	321	203	164	101	65	53	70	61	83	166
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Stone Coal	2,791	1,713	975	775	353	134	109	121	138	405	1,001
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Wayland	4,766	2,764	1,934	1,287	678	310	335	264	312	808	1,757
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Interstate Natural Ga

**KY FRONTIER GAS LLC  
MCF Sales Volume History**

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
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*same row format as Cryst*

Cow Creek	10,527	7,141	4,254	3,278	1,438	755	491	481	684	1,418	4,167
Dema	69	77	39	19	15	7	4	8	8	14	32
Interstate FTs	1,664	932	301	359	176	214	71	58	63	151	374
Original CC	579	571	399	181	96	35	28	30	51	137	318

Kinzer Farm Taps (Pa

AOG	3,779	2,093	2,936	1,286	522	484	267	209	300	539	1,759
Kinzer	4,216	2,275	2,928	1,366	562	1,029	404	240	529	1,333	2,054
KLC Entrp	1,281	1,007	589	759	362	243	182	24	270	287	268
KLC J.H.	27	35	26	29	3	16	5	-	5	11	16
KLC-JE	52	38	26	19	32	60	11	25	67	77	68

Mike Little Gas Co.

Abner.Mtn	1,617	957	809	269	188	132	58	64	100	401	595
Goble Rbts	1,448	824	578	344	228	90	83	90	129	267	468
Langley	695	374	273	135	69	23	19	25	46	158	300
Osborne	1,430	847	582	245	145	110	84	77	103	364	586

**KY FRONT GAS LLC**  
**MCF Sales Volume History**

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
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*same row format as Cryst*

People's Gas

Phelps System	1,510	1,529	1,177	782	506	356	129	108	245	350	852
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<b>TOTAL MCF Sales</b>	<b>69,499</b>	<b>46,642</b>	<b>36,567</b>	<b>21,336</b>	<b>13,385</b>	<b>9,742</b>	<b>7,160</b>	<b>7,808</b>	<b>9,219</b>	<b>19,193</b>	<b>34,391</b>
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<b>FT mcf</b>	<b>11,019</b>	<b>6,380</b>	<b>6,806</b>	<b>3,818</b>	<b>1,657</b>	<b>2,046</b>	<b>940</b>	<b>556</b>	<b>1,234</b>	<b>2,398</b>	<b>4,539</b>
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<b>Utility MCF actual</b>	<b>58,480</b>	<b>40,262</b>	<b>29,761</b>	<b>17,518</b>	<b>11,728</b>	<b>7,696</b>	<b>6,220</b>	<b>7,252</b>	<b>7,985</b>	<b>16,795</b>	<b>29,852</b>
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<b>UTILS Last 12 mos</b>						<b>273,301</b>			<b>276,836</b>		
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<b>adjustments</b>	<i>6,000</i>	<i>5,500</i>	<i>3,625</i>	<i>1,204</i>	<i>493</i>	<i>224</i>	<i>300</i>				
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<b>Adjust 12 mos</b>						<i>301,625</i>			<i>304,359</i>		
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<b>Large Commls incl^</b>	<b>10,030</b>	<b>8,317</b>	<b>7,143</b>	<b>5,462</b>	<b>5,100</b>	<b>3,805</b>	<b>3,303</b>	<b>3,711</b>	<b>3,943</b>	<b>5,481</b>	<b>7,142</b>
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<b>Peak Month / Yr</b>	<i>14.0%</i>										
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<b>Resl-Comml</b>	<b>54,450</b>	<b>37,445</b>	<b>26,243</b>	<b>13,260</b>	<b>7,121</b>	<b>4,115</b>	<b>3,217</b>	<b>3,541</b>	<b>4,042</b>	<b>11,314</b>	<b>22,710</b>
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<b>Peak Month / Yr</b>	<i>24.6%</i>										
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**KY FRONT GAS LLC  
MCF Sales Volume History**

	<b>Dec-11</b>	<b>Jan-12</b>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Jun-12</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Sep-12</b>
<i>same row format as Cryst</i>										
Auxier Road Gas										
Auxier	12,926	16,079	13,811	8,306	7,214	4,735	3,918	3823	3562	3,869
Belfry Gas										
Belfry	5,323	4,592	6,151	1,593	1,907	952	2,239	-1294	840	637
Price	129	134	79	114	43	10	52	-23	4	9
BTU Gas Company										
BTU Gas	5,551	3,415	5,418	3,625	1,204	493	224	157	182	63
East Kentucky Utilitie										
Allen	2,675	3,145	2,298	1,916	878	367	261	197	310	338
Dwale	423	451	202	435	145	49	36	34	29	32
Middle Creek	287	641	463	293	150	37	24	26	27	25
Minnie	252	342	154	317	112	53	48	53	45	46
Stone Coal	1,507	1,684	813	1,738	574	200	113	134	136	183
Wayland	2,400	3,014	1,403	2,798	1,012	410	310	289	259	324
Interstate Natural Ga										

**KY FRONT    GAS LLC**  
**MCF Sales Volume History**

	<b>Dec-11</b>	<b>Jan-12</b>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Jun-12</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Sep-12</b>
<i>same row format as Cryst</i>										
Cow Creek	5,491	8,240	7,760	2,906	2,538	753	632	615	424	540
Dema	45	57	25	44	24	11	2	-	11	6
Interstate FTs	614	624	1,252	354	217	142	64	49	80	69
Original CC	369	422	203	454	161	60	29	-	64	55
Kinzer Farm Taps (Pa										
AOG	2,420	2,697	2,236	1,950	845	565	268	301	214	222
Kinzer	4,587	3,302	3,110	3,259	1,284	2,211	606	393	467	618
KLC Entrp	848	813	755	577	290	467	384	190	157	280
KLC J.H.	39	39	41	38	18	17	11	12	17	1
KLC-JE	30	46	34	20	15	37	30	18	37	65
Mike Little Gas Co.										
Abner.Mtn	1,270	1,046	1,084	465	394	124	106	41	70	102
Goble Rbts	629	714	696	248	248	114	74	82	87	99
Langley	419	458	228	382	163	46	24	30	17	40
Osborne	1,069	908	711	727	274	107	100	63	65	90

**KY FRONT GAS LLC**  
**MCF Sales Volume History**

	<b>Dec-11</b>	<b>Jan-12</b>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Jun-12</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Sep-12</b>
<i>same row format as Cryst</i>										
People's Gas										
Phelps System	1,222	1,264	1,031	577	720	(4)	316	-15	147	272
<b>TOTAL MCF Sales</b>	<b>50,525</b>	<b>54,127</b>	<b>49,958</b>	<b>33,136</b>	<b>20,430</b>	<b>11,956</b>	<b>9,871</b>	<b>5,175</b>	<b>7,251</b>	<b>7,985</b>
FT mcf	8,538	7,521	7,428	6,198	2,669	3,439	1,363	963	972	1,255
Utility MCF actual	41,987	46,606	42,530	26,938	17,761	8,517	8,508	4,212	6,279	6,730
<b>UTILS Last 12 mos adjustments</b>	<b>275,536</b>			<b>263,107</b>			<b>260,951</b>			<b>256,715</b>
		4,000								
<b>Adjust 12 mos</b>	<b>292,882</b>			<b>269,328</b>			<b>265,251</b>			<b>260,715</b>
Large Commls incl^	8,132	9,781	8,518	5,822	5,678	4,117	3,481			
Peak Month / Yr	11.4%	13.7%								
Resl-Comml	33,855	40,825	34,012	21,116	12,083	4,400	5,027			
Peak Month / Yr	15.3%	18.4%								

<b>Summary</b>	<i>12mos to</i>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>6/30/2012</u>
<i>(adjusted)</i> Utilities		307,746	292,882	265,251
Large 3		71,461	71,569	69,109
FTs		51,428	49,931	46,823
Total		359,174	342,813	312,074

**KY FRONT GAS LLC**  
**MCF Sales Volume History**

*same row format as Cryst*

Auxier Road Gas

Auxier

Belfry Gas

Belfry

Price

BTU Gas Company

BTU Gas

East Kentucky Utilitie

Allen

Dwale

Middle Creek

Minnie

Stone Coal

Wayland

Interstate Natural Ga



**KY FRONT GAS LLC**  
**MCF Sales Volume History**

*same row format as Cryst*

Cow Creek

Dema

Interstate FTs

Original CC

Kinzer Farm Taps (Pa

AOG

Kinzer

KLC Entrp

KLC J.H.

KLC-JE

Mike Little Gas Co.

Abner.Mtn

Goble Rbts

Langley

Osborne

**KY FRONT GAS LLC**  
**MCF Sales Volume History**

*same row format as Cryst*

People's Gas

Phelps System

**TOTAL MCF Sales**

**FT mcf**  
**Utility MCF actual**

	<i>average</i>	
<b>UTILS Last 12 mos</b>		
<b>adjustments</b>		
<b>Adjust 12 mos</b>	282,360	
<b>Large Commls incl^</b>	<i>all</i>	<i>no Dec11</i>
<b>Peak Month / Yr</b>	13.7%	14.3%
<b>Resl-Comml</b>		
<b>Peak Month / Yr</b>	20.1%	21.4%

**BTU GAS CC ANY, INC.**  
**INCOME & EXPENSE Aug11 to Jun12**

	8/31/2011	9/30/2011	10/31/2011	11/30/2011	12/31/2011	1/31/2012
<i>*Ky Frontier began operations about 8/11/11 under contract with US Bankruptcy Trustee</i>						
<b>OPERATING REVENUES:</b>						
Gas Sales Revenues	17,065	10,021	13,332	22,007	43,272	35,690
Other Revenues						
<b>TOTAL REVENUES</b>	<b>17,065</b>	<b>10,021</b>	<b>13,332</b>	<b>22,007</b>	<b>43,272</b>	<b>35,690</b>
<b>OPERATING EXPENSES:</b>						
Natural Gas Purchases	1,219	14,621	32,305	34,067	55,756	32,323
Maintenance Expense	3,292	6,253	7,089	11,692	25,144	15,435
Office Supplies	838	1,161	604	1,151	811	1,217
Outside Services - Operting	12,265	12,760	10,920	14,450	10,670	17,570
Customer Records, etc	1,321	2,191	2,035	2,093	1,247	2,627
Meter Reading Labor	108	252	822	174	2,851	668
Admin Salaries						
Pensions & Benefits						
Property Insurance		132	419	371	253	207
Other/Misc Expenses			1,488	1,169		2,307
Depreciation						
Tax Expense - Other						
Income Tax Expense						
<b>TOTAL OPERATING EXPENSE</b>	<b>19,043</b>	<b>37,369</b>	<b>55,681</b>	<b>65,167</b>	<b>96,731</b>	<b>72,353</b>
<b>NET OPERATING INCOME</b>	<b>(1,978)</b>	<b>(27,348)</b>	<b>(42,350)</b>	<b>(43,160)</b>	<b>(53,459)</b>	<b>(36,663)</b>
<b>OTHER INCOME &amp; DEDUCTIONS</b>						
Interest on L-T Debt	4,004	12,456	11,669	12,556	12,195	12,518
Amortization Expense						
<b>Subtotal - Deductions</b>	<b>4,004</b>	<b>12,456</b>	<b>11,669</b>	<b>12,556</b>	<b>12,195</b>	<b>12,518</b>
<b>Subtotal - Income</b>						
<b>Total Other Income &amp; Deduct</b>	<b>(4,004)</b>	<b>(12,456)</b>	<b>(11,669)</b>	<b>(12,556)</b>	<b>(12,195)</b>	<b>(12,518)</b>
<b>NET INCOME</b>	<b>(5,981)</b>	<b>(39,804)</b>	<b>(54,019)</b>	<b>(55,716)</b>	<b>(65,654)</b>	<b>(49,181)</b>

**BTU GAS CC ANY, INC.**  
**INCOME & EXPENSE Aug11 to Jun12**

	2/28/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	TOTALS
<b>OPERATING REVENUES:</b>						
Gas Sales Revenues	61,283	40,735	15,395	9,471	7,908	<b>276,178</b>
Other Revenues						<b>0</b>
<b>TOTAL REVENUES</b>	<b>61,283</b>	<b>40,735</b>	<b>15,395</b>	<b>9,471</b>	<b>7,908</b>	<b>276,178</b>
<b>OPERATING EXPENSES:</b>						
Natural Gas Purchases	29,417	17,198	31,360	5,120	2,894	<b>256,280</b>
Maintenance Expense	18,247	17,203	12,022	12,575	1,004	<b>129,955</b>
Office Supplies	1,782	1,274	767	794	173	<b>10,571</b>
Outside Services	29,690	17,210	8,390	8,030		<b>141,955</b>
Customer Records, etc	4,230	3,733	3,046	2,140		<b>24,663</b>
Meter Reading Labor	1,356	1,354	1,141	835		<b>9,561</b>
Admin Salaries						<b>0</b>
Pensions & Benefits						<b>0</b>
Property Insurance	663	689	602	447		<b>3,783</b>
Other/Misc Expenses	2,219	4,053				<b>11,235</b>
Depreciation						<b>0</b>
Tax Expense - Other						<b>0</b>
Income Tax Expense						<b>0</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>87,605</b>	<b>62,714</b>	<b>57,328</b>	<b>29,941</b>	<b>4,070</b>	<b>588,003</b>
<b>NET OPERATING INCOME</b>	<b>(26,323)</b>	<b>(21,979)</b>	<b>(41,934)</b>	<b>(20,470)</b>	<b>3,838</b>	<b>(311,825)</b>
<b>OTHER INCOME &amp; DEDUCTIONS</b>						
Interest on L-T Debt	12,051	12,387	12,370	11,844	12,144	<b>126,193</b>
Amortization Expense						<b>0</b>
<b>Subtotal - Deductions</b>	<b>12,051</b>	<b>12,387</b>	<b>12,370</b>	<b>11,844</b>	<b>12,144</b>	<b>126,193</b>
<b>Subtotal - Income</b>						<b>0</b>
<b>Total Other Income &amp; Deduct</b>	<b>(12,051)</b>	<b>(12,387)</b>	<b>(12,370)</b>	<b>(11,844)</b>	<b>(12,144)</b>	<b>(126,193)</b>
<b>NET INCOME</b>	<b>(38,374)</b>	<b>(34,366)</b>	<b>(54,304)</b>	<b>(32,314)</b>	<b>(8,306)</b>	<b>(438,018)</b>

**Kentucky Frontier Gas  
Known & Measurable Labor Changes**

<b>Field-Office</b>	<b>Current Full Yr</b>	<b>Kn&amp;Msr \$ Chg</b>	<b>2012 adj Wage &gt;</b>	<b>2012 Wage Chg Date</b>	<b>2011 bfor incr</b>	<b>2011 aftr incr</b>	<b>2011 adj Wage</b>	<b>2011 Wage Chg Date</b>	<b>2010 Rate</b>
	<i>*Base Pay before OT</i>								
<b>F1</b>	27,352	2,794	\$13.15	1-Jul-12	7,556	17,002	\$12.75	11-May-11	\$10.20
<b>F2</b>	32,136	1,021	\$15.45	1-Apr-12	-	31,115	\$15.00	1-Jan-11	\$15.00
<b>F3</b>	27,352	1,460	\$13.15	18-Mar-12	8,890	17,002	\$12.75	11-May-11	\$12.00
<b>F4</b>	32,136	5,244	\$15.45	29-Apr-12	8,890	18,002	\$13.50	11-May-11	\$12.00
<b>F5</b>	32,136	2,133	\$15.45	24-Jun-12	10,001	20,002	\$15.00	11-May-11	\$13.50
<b>F6</b>	32,136	3,244	\$15.45	22-Jul-12	8,890	20,002	\$15.00	11-May-11	\$12.00
<b>F7</b>	28,912	14,024	\$13.90	10-Jun-12	-	14,888	\$12.50	5-Jun-11	
<b>F8</b>	26,000	26,000	\$12.50	8-Apr-12	-	-			
	131%	55,921	105.7%		vs 2011		112.4%	vs 2010	
		vs FY11							
<b>O1</b>	32,136	4,800	\$15.45	17-Jun-12	9,334	18,002	\$13.50	11-May-11	\$12.60
<b>O2</b>	28,912	6,169	\$13.90	22-Jul-12	7,408	15,335	\$11.50	11-May-11	\$10.00
<b>O3</b>	21,840	21,840	\$10.50	8-Apr-12	-	-			
	166%	32,808	117.4%		vs 2011		110.6%	vs 2010	
		vs FY11							