

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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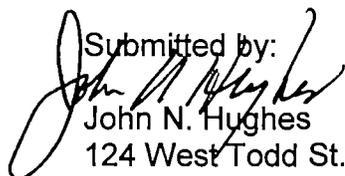
In the Matter of:

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

CASE NO.
2017-00263

KENTUCKY FRONTIER GAS, LLC's RESPONSE TO
PSC FOURTH REQUEST FOR INFORMATION

Submitted by:

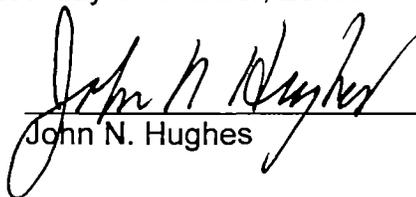


John N. Hughes
124 West Todd St.
Frankfort, KY 40601
502 227 7270

Attorney for Kentucky Frontier Gas, LLC

Certificate:

I certify that a copy of these responses was mailed to the Attorney General, Capital Building, Frankfort, KY 40601 this the 20th day of October, 2017.



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 20th day of October, 2017.

A handwritten signature in black ink, appearing to read 'S. Shute', with a horizontal line drawn through it.

Steven Shute

Member-Manager, Kentucky Frontier Gas,
LLC

1. The following table compares the operation and maintenance expenses reported in the *Annual Reports of Kentucky Frontier Gas, LLC and Auxier Road Gas Company, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2016* with those reported in the Application.

Account Titles	2015 Annual Reports			Application	Differences
	Frontier	Auxier	Totals		
Other Gas Supply Expenses	1,624,890	359,918	1,984,808	1,984,808	(0)
Distribution Expense	67,049	300,027	367,076	133,392	233,684
Customer Accounts Expense	72,600	758	73,358	69,723	3,635
Customer Service and Informational Expenses	0	0	0	6,474	(6,474)
Administrative & General Expenses	1,302,865	49,893	1,352,758	1293,940	58,818

- a. Provide a reconciliation for each major operation and maintenance expense category difference that is noted in the comparative table above.

Response:

Note: the table excerpted is labeled as 2015 Annual Reports although the numbers are from the 2016 reports.

See attached spreadsheet for Question 1.a. The Test Year analysis combined Frontier and Auxier numbers, and some items were included in a different expense category between the two entities.

We reconciled the differences down to \$4,082 and cannot determine the source.

Kentucky Frontier Gas
PSC Case No. 22017-00263
Response to PSC DR -4
Witness: Shute

1. The following table compares the operation and maintenance expenses reported in the *Annual Reports of Kentucky Frontier Gas, LLC and Auxier Road Gas Company, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2016* with those reported in the Application.
 - b. Provide the expense detail included in Frontier's 2016 Annual Report for each category listed for the Application in the table above.

Response: See attached spreadsheet for Question 1.b.

Staff DR #4 Item 1.a.	Amount	Total Test Yr	Difference
Distribution Expense Annual Report	367,076		
Subtract Intercompany management fee	(293,746)		
Add repairs/tools and equip/fuel	64,405		
Subtract contract labor/Auxier easment rent	(4,806)		
Add Auxier accounts 92108/93003	461		
Total	133,390	133,391	(1)

Customer Accounts Expense Annual Report	73,358		
Add postage Auxier account 92103	2,840		
Subtract Web support/pub. Awareness/info & instruct advertise	(6,474)		
Total	69,724	69,723	1

Customer Service an information Annual Report	-		
Add Web support/pub. Awareness/info & instruct advertise	6,474		
Total	6,474	6,474	-

Admin and Gen Expenses Annual Report	1,352,758		
Subtract repairs/tools and equip/fuel	(64,405)		
Subtract Postage Auxier Account 92103	(2,840)		
Add contract labor/Auxier easment rent	4,806		
Subtract Auxier accounts 92108/93003	(461)		
Total	1,289,858	1,293,940	(4,082)

Item 1.b.	KFG	ARG	TOTAL
Other Gas Supply Exp's	1,624,890	359,918	1,984,808
Refer to pg 3, Gas Purchases on the Annual Reports of Ky Frontier Gas and Auxier Road Gas			
Distribution Exp's	67049	300,027	367,076
Mains & Services	22,119	2,465	24,584
Meter & House Regulator	5,381	402	5,783
Maint of Meters	10,327	816	11,143
Maint of Other Equipment	2,532	250	2,782
DOT Physicals	374		374
DIMP Program	395		395
Travel for Tech Training	516		516
Drug Testing	159		159
Licenses & Permits	5,159		5,159
Travel for Members	16,749		16,749
Training	865		865
Easements	2,402	2,348	4,750
Other Miscell Exp	71		71
Intercompany Management Fee		293,746	293,746
TOTAL	67,049	300,027	367,076
Customer Acct's Exp	72,600	758	73,358
Uncollectible Accts	35,216	485	35,701
Postage & Delivery	31,182		31,182
Web Support	514	25	539
Public Awareness Exp	163		163
Informational & Instructional Advertise	5,525	248	5,773
TOTAL	72,600	758	73,358
Admin & Gen Exp's	1,302,865	49,893	1,352,758
Admin & Gen Salaries	654,981		654,981
Office Supplies & Exp	107,616	19,486	127,102
Outside Serv Employed	233,163	4,759	237,922
Insurance	85,331	6,871	92,202
Employee Pensions & Benefits	124,468	6,566	131,034
Office Rent	38,472	3,960	42,432
Maint of Gen Plant	57,840	7,207	65,047
Miscell Gen Exp	994	1,044	2,038
TOTAL	1,302,865	49,893	1,352,758

2. a. State whether Frontier has considered increasing its Pipeline Replacement Program ("PRP") surcharge to fund pipeline replacement at a level that would allow it to complete its program within the original ten-year time approved by the Commission.

Response: Frontier has considered accelerating the PRP more than the proposed \$2.00 per month surcharge would fund, but progress is limited by Company manpower.

From previous discussions,

- Frontier will use contractors to supplement the work by Company forces, but cost will be higher at \$12 to 15 per ft
- Frontier estimates that 23.2 miles of pipe should be replaced in the near- to mid-future.
- Year-round average: 5050 Utility customers paying PRP surcharges

We have identified about 23.2 miles of pipe to be replaced "near to mid-future" or in 10 years. We haven't done a detailed analysis of the complexity or cost of individual projects. We will target about 2.5 miles per year, which would finish in about 9 years if we can sustain the average mileage.

But the heavily populated and paved sections like Jackson are tougher. If the work is mostly complicated and mostly done by contractors, at \$15 per ft would cost \$1.84 million.

The original PRP approved in April 2013 did not include the Public Gas assets acquired in December 2015.

Even with unlimited funding, Frontier has limitations to doing work with Company forces. We are also limited on supervising work by contractors, since that usually requires a Company technician for most of the hours worked. We're comfortable with the proposal to increase the PRP to \$2.00 and ramp up PRP work, which will have substantial progress by 2023, and certainly in the segments with the highest gas losses.

2. b. Provide a calculation of the PRP rate that would be required to accelerate the program and complete the replacement by 2023.

Response: Mostly answered in 2.a. above.

The original Frontier PRP approved in April 2013 anticipated completion in 10 years or 2023. It did not include the Public Gas assets acquired in December 2015, for which we extended the PRP in 2016 and expected PRP could also finish by 2023. Since then, we've identified a few more miles of pipe to replace, and will likely find more.

If the work is mostly complicated and mostly done by contractors, the current 23.2 miles at \$15 per ft would cost \$1.84 million.

At 5050 average payers per month, the PRP surcharge would be \$5.05 to finish in 6 more seasons for the original 2023 target. As discussed, the proposed \$2.00 surcharge and expanded timeline are more likely to succeed than pushing too hard.

We're also cognizant that the proposed monthly charge in this Case will rise from \$10 to \$16 per month, along with the PRP from \$1.25 to \$2.00. Customers already abandon gas service over the summer months to avoid \$12.25 monthly charges (including AMR). We're somewhat concerned these turnoffs will escalate at the proposed \$19.25, and a ramped up PRP with \$22.30 monthly charges would escalate further.

We could further raise Connect / Reconnect fees, but it seems the proposed \$2.00 PRP is a compromise figure somewhere in the middle.