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

ORDER

This matter comes before the Commission by the August 9, 2012 application of Kentucky Frontier Gas, LLC ("Frontier") requesting approval to: (1) consolidate the rates and tariffs of the local gas distribution companies ("LDCs") it has acquired over the past four years; (2) implement a general increase in rates; (3) implement an Automated Meter Reading ("AMR") program; (4) begin a Pipeline Replacement Program ("PRP"); and (5) impose surcharges to fund the AMR and PRP programs. In conjunction with its request for approval of the AMR program, Frontier also requested a Certificate of Public Convenience and Necessity ("CPCN") if required, pursuant to KRS 278.020.

After its application was found deficient, Frontier filed information that cured the deficiencies on September 6, 2012.[1] Frontier's proposed rates would produce a revenue increase of $239,545, a 7.3 percent increase over its test year revenues of $3,296,614.

[1] Frontier filed a notice of intent to file an application for rate adjustment on November 14, 2011. It filed its application with the Commission on August 6, 2012. Because the application did not conform to 807 KAR 5:001, it was not accepted for filing. Following the submission of additional information on September 6, 2012 to supplement the application, the Commission accepted the application for filing.

BACKGROUND

Frontier, a limited liability corporation based in Wheat Ridge, Colorado, was formed for the purpose of acquiring and operating small LDCs generally located in eastern Kentucky.[2] Since 2008, it has acquired control of nine small, Kentucky-based LDCs by purchasing either the assets or common stock of those LDCs.[3] At this time, all nine LDCs except Auxier Road Gas Company ("Auxier Road") have been combined into a single corporate entity, Kentucky Frontier Gas, LLC.[4]

Intervenors in the case are the First Baptist Church of Salyersville, and Mr. and Mrs. Joe and Gloria Conley. Neither the church nor the Conleys actively participated in the case. Frontier was subject to two rounds of discovery by Commission Staff. An evidentiary hearing was held February 14, 2013, and Frontier filed post-hearing data responses on March 1, 2013.[5] The record is complete and the case stands submitted for a decision.

TEST PERIOD

Frontier proposed the 12–month period ending December 31, 2011 as the test period for determining the reasonableness of its proposed increase. The Commission

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[2] Case No. 2008-00394, Application of Kentucky Frontier Gas LLC for Approval of Financing and Transfer of Control (Ky. PSC Nov. 25, 2008).

[3] Frontier has acquired the following LDCs: Auxier Road Gas Company, Inc., Belfry Gas, Inc. ("Belfry"), Cow Creek Gas, Inc., BTU Gas Company ("BTU"), Dema Gas Company, Inc., East Kentucky Utilities, Inc., Mike Little Gas Company ("Mike Little"), Peoples Gas, Inc., and Sigma Gas. It has acquired 630 gathering system customers served pursuant to KRS 278.485 and 807 KAR 5:026, which govern the rates for customers that tap on to such systems.

[4] Control of Auxier Road was achieved by purchasing 100 percent of the stock of Auxier Road. It continues as a separate corporate entity due to tax implications associated with combining it with Frontier.

[5] Due to a notice problem with a newspaper in Frontier's service area, the hearing was continued on March 7, 2013 to receive comments from members of the public who may not have been aware of the hearing on February 14, 2003. No member of the public attended the hearing on either date.

finds using the 12-month period ending December 31, 2011 as the test period in this proceeding to be reasonable. In utilizing a historic test period, the Commission has given full consideration to appropriate known and measurable changes, based on changes occurring both during and subsequent to the test period.

For the test period, Frontier reported operating revenues of $3,482,834, which consisted of $1,478,811 in revenues from base rates and miscellaneous charges plus $2,004,023 in gas cost recovery revenues. Frontier initially requested a base rate increase that would generate additional annual revenues of $239,545. However, based on its post-hearing data responses, which included corrections of several accounting errors, Frontier recalculated its revenue requirement and revised the amount of its required revenue increase, raising it to $351,516. This amount represents an increase of 10.1 percent above Frontier's test year revenues.

REVENUE REQUIREMENT ISSUES

Frontier's post-hearing data responses included four changes to its proposed adjustments that differed from what was included in its application and earlier data responses. The Commission finds the final revenue requirement-related adjustments proposed by Frontier to be reasonable, except for those that are discussed in the following paragraphs.

Other Revenues

In its application, Frontier proposed to eliminate the full amount, $186,220, it had reported as Other Revenues during the test year. In its post-hearing data responses, it proposed to eliminate $147,020 of these revenues, leaving $39,200 to be recognized in the determination of its revenue requirement. This reflected Frontier's estimate of what

revenues from late payment penalties and other nonrecurring charges, such as bad check charges, reconnect charges, etc., would be on an ongoing basis. Of the amount eliminated by Frontier, $143,185 was revenue it received under a contract to operate the BTU system while the bankruptcy case of BTU's owners was still pending.

The Commission agrees that an adjustment to eliminate the $143,185 in revenue Frontier received for operating the BTU system is reasonable. However, we find there is insufficient support for any further adjustment. A general estimate such as the one Frontier included in its post-hearing response does not meet the known and measurable standard the Commission typically uses to evaluate adjustments. Also, given that nearly all the nonrecurring charges Frontier has proposed for the future are higher than the charges it inherited from the LDCs it has acquired, it appears highly unlikely that the revenues it realizes from such charges will decline in the future. Accordingly, upon eliminating the $143,185 Frontier realized from operating the BTU system during the test year, the remainder of the test year level of Other Revenues, $43,035, will be recognized in the determination of Frontier's revenue requirement.

Uncollectible Accounts-Bad Debt Expense

Frontier did not raise this issue until it filed its post-hearing data response.[6] According to its response, after filing its rate application, Frontier realized that it had not booked any Uncollectible Accounts-Bad Debt Expense in 2009-2012, which is nearly the entire period it has been operating in Kentucky. It stated in its response that bad debts were very high in 2011-2012, that it estimated bad debts to be about $35,000 per

[6] *See* Item 10 of Frontier's Post-hearing data responses filed March 1, 2013.

year on a going-forward basis, and that this would largely offset its $39,200 estimate for Other Revenues.[7]

Having thoroughly considered this issue, the Commission finds that no amount should be allowed for Uncollectible Accounts-Bad Debt Expense. While there is little reason to doubt the veracity of what Frontier provided in its post-hearing data response, with this issue's not being disclosed until after the formal hearing, Commission Staff ("Staff") was prevented from conducting discovery or raising questions at the hearing concerning the accuracy or legitimacy of the expense amounts historically or on an ongoing basis. Frontier's post-hearing response states that it discovered that Bad Debt Expense was not booked in 2009-2012 after filing its application, ***not*** after the hearing was concluded. As such, there appears to be no valid reason for Frontier's failure to bring this matter to the Commission's attention at an earlier point in the proceeding. Therefore, due to the untimeliness of the issue of Uncollectible Accounts-Bad Debt Expense's being raised, we will deny Frontier's proposed post-hearing adjustment.

Gas Plant Acquisition Adjustments

Consistent with its statements in its five acquisition cases before the Commission since 2008, Frontier proposed to amortize the acquisition adjustments it has recorded when it paid more than the net book value of the LDCs it has acquired. Frontier addressed the five-criteria test for acquisitions the Commission established in Case No. 1998-00613[8] in its application in the pre-filed testimony of Mr. Steve Shute. Based on

[7] *Id.*

[8] Case No. 1998-00613, Application of Delta Natural Gas Company, Inc. for an Order Authorizing the Purchase of the Assets of Mt. Olivet Natural Gas Company (Ky. PSC, Sept. 7, 1999).

its review of the five-criteria test and the evidence in Frontier's five acquisition cases, the Commission is satisfied that the Frontier acquisitions meet those criteria.

Frontier omitted amortization expense on some plant acquisition adjustments in its application. In response to data requests, Frontier corrected its omissions, but raised several questions about the amounts and the accuracy of some acquisition adjustments which were discussed at the hearing. In its post-hearing data responses, Frontier resolved nearly all of these questions; however, it did not fully resolve the issue of the acquisition adjustment associated with its purchase of the Cow Creek (Sigma Gas) system or the purchase by Cow Creek of part (75 percent of the linear length of pipe) of the DLR Enterprises ("DLR") gathering system.

Frontier reported a net investment of $105,707 in Cow Creek after completing the aforementioned acquisitions. However, it paid $550,000 for 100 percent of Cow Creek's stock (when the net book value of the Cow Creek system was $420,153), and for 75 percent (by linear length of pipe) of the DLR system (when 75 percent of the net book value of that system was $325,414).[9] This produces a combined net-book value of $745,567 for the Cow Creek (Sigma Gas) and DLR acquisitions. Based on a combined purchase price of $550,000, the result is a negative acquisition adjustment of $195,567.

Frontier included the following acquisition amounts and related amortization expense in its post-hearing response, broken down into three categories:

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[9] Assigning 75 percent of the net book value of the DLR system to the 75 percent of the linear length of pipe acquired by Frontier may be somewhat imprecise. However, the record of this proceeding contains no additional information on the DLR acquisition that would result in greater precision.

	Transaction Type	Investment/Cost	Amortization Expense
(1)	Asset acquisitions	$1,629,787	$ 81,489
(2)	Stock acquisitions	$1,369,618	$ 68,481
(3)	Origination fees	$ 58,154	$ 5,223
	Totals	$3,357,559	$155,193

The expense amounts are based on a 20-year amortization period, which we find to be reasonable. Using the revised amount for the Cow Creek/DLR acquisition, the stock acquisitions investment is reduced to $1,068,344, and the amortization expense for the stock acquisitions is reduced by $15,064, from $68,481 to $53,417.

Frontier proposed to amortize loan origination fees over 10 years for one loan and 15 years for two other loans. While it is common to amortize such financing-related costs in this manner, in none of its acquisition and financing cases did Frontier seek Commission approval to capitalize and defer these costs for later recovery through rates. Therefore, recovery of this amortization expense should be denied.

Summary of Operations

Based on the adjustments proposed by Frontier which we have accepted and the denial or modification of other adjustments as discussed herein, Frontier's adjusted test-year operating results are as shown in the following table:

Account Titles	Test-Period Operations	Accepted Adjustments	Adjusted Operations
Operating Revenues	$ 3,482,834	$(2,147,208)	$ 1,335,626
Operating Expenses	2,763,310	(1,467,347)	1,295,963
Net Operating Income	$ 719,524	$ (679,861)	$ 39,663
Interest Expense	136,513	11,856	148,369
Net Income	$ 583,011	$ (691,717)	$ (108,706)

Based on these adjusted test-year operating results and applying an 88 percent operating ratio as Frontier did in its application, the Commission finds that, as shown below, Frontier requires an increase in base rate revenues of $285,428.

Adjusted Operating Expenses	$ 1,295,963
Divided by : 0.88	88%
Revenue to Cover Expenses and Operating Ratio	$ 1,472,685
Add: Interest Expense	148,369
Total Base Rate Revenue Requirement	$ 1,621,054
Less: Adjusted Test Year Operating Revenues	$ 1,335,626
Required Increase in Base Rate Revenues	$ 285,428

Using Frontier's test-year gas cost recovery revenues, a rate increase of this amount will produce total annual revenues of $3,625,077. This level of revenues reflects gas cost recovery revenues of $2,004,023.

NON-REVENUE REQUIREMENT ISSUES

Sales Volumes

Frontier's test-year sales to its utility customers were 275,536 Mcf. It proposed to adjust these volumes in an attempt to estimate BTU and Blaine sales volumes for a full year[10] and to normalize the past two years for "average" weather because the test year included an "unusually cold and lingering winter."[11] Frontier used sales for the years 2010-2012 to develop an adjusted three-year average sales level of 289,500 Mcf. Stating that the three years in total were 2.8 percent above the normal level of Heating Degree Days ("HDD") using normal HDD based on data for 1990-2010, Frontier derived

[10] Frontier acquired both BTU and Blaine subsequent to the test year.

[11] *See* Item 9.c. of Frontier's response to Staff's First Information Request.

an estimate of 285,000 Mcf, which includes its actual 2011 sales to its three large-commercial customers.

In arriving at its adjusted three-year average sales level, Frontier developed 12-month "adjusted averages" for the each of the calendar years 2010, 2011, and 2012, and for the 12 months ended June 30, 2012. The "adjusted average" developed by Frontier for the test year reflects its actual 2011 sales adjusted upward by 17,346 Mcf. The resulting adjusted sales volume is 292,882 Mcf, which the Commission finds to be the volume that should be used to calculate the rates needed to generate the level of revenue we have found reasonable. An adjustment to test year sales volumes based on a change in conditions, such as acquiring the BTU and Blaine systems post-test year, is preferred to the "averaging" approach Frontier used and is more consistent with the Commission's known and measurable standard.[12]

In addition to Frontier's post-test year acquisition of these two systems, the test year was slightly warmer than normal, based on HDD data, not colder than normal as Frontier initially claimed. Together, recognition of (1) a full 12-months' sales to BTU, (2) the acquisition of the Blaine system, and (3) the test year's being slightly warmer than normal, support an adjustment to increase test-year sales volumes by more than what Frontier proposed. Therefore, the Commission finds that the actual test-year sales volume should be adjusted from 275,536 Mcf to 292,882 Mcf.

Rate Design

For both its residential/small commercial and large-commercial customer classes, Frontier proposed to establish a unified rate design composed of a monthly

[12] While it has stated that Blaine's records are somewhat suspect, Frontier stated its belief that annual sales to this group of customers will approach 4,000 Mcf.

customer charge and a volumetric rate for all Mcf. Frontier proposed monthly customer charges of $10 for its residential and small-commercial customers and $50 for its large-commercial customers. We find that the proposed rate design and customer charges are reasonable, and are similar to recent rate designs and customer charges approved for other small gas utilities to provide stability to revenue collection, especially during summer months when low sales volumes are experienced. The Commission also finds, based on the increase found reasonable herein, that the volumetric base rates Frontier proposed for both customer classes are reasonable and should be charged for service rendered on and after the date of this Order pending further action by Frontier.

With respect to the commodity cost of gas, concurrent with the Commission's approval of unified, system-wide rates for the Frontier utilities, there will be one system-wide gas cost and one Purchased Gas Adjustment ("PGA") tariff for the combined system. The Appendix to this Order reflects one system-wide gas cost for Frontier based on the most current gas cost information available for the individual Frontier systems. The Commission finds that Frontier should file its first unified PGA application no later than July 2, 2013 for rates to be effective August 1, 2013 pursuant to the PGA tariff approved herein. This filing will establish an Expected Gas Cost for the combined system. The first Actual Adjustment to track under/over-recoveries for the combined system will be included in Frontier's PGA application for rates effective February 1, 2014.

As most of the individual utilities acquired by Frontier have their own PGA mechanisms through which they track under/over-recoveries of gas cost, Frontier should continue to charge customers of each of those utilities a tracker specific to that

specific utility to reconcile any remaining under/over-recoveries of gas cost. Those individual tracking adjustments will be established in Frontier's PGA application for rates effective November 1, 2013, which should be filed no later than October 2, 2013.

With respect to Frontier's proposed PGA tariff, the Commission finds that it should be revised to include a provision for a Balancing Adjustment to track any under/over-recoveries that remain following the expiration of refund amounts (if any) and Actual Adjustment amounts. This provision will allow Frontier to more closely track and collect its cost of gas, with less possibility of under/over-recovery from its customers.

Nonrecurring Charges

Frontier proposed the following system-wide nonrecurring charges, for which it provided cost support:

Turn on fee	$100
Reconnection Fee	$100
Relocate Meter	$ 35 plus cost
Transfer Service Fee	$ 30
Returned Check Charge	$ 30 plus bank fees
Late Payment Charge	12 percent
Service Trip Charge	$100
Special Meter Reading Charge	$100
Meter Test Fee	$35/hour

The Commission has continued concerns regarding the reasonableness of the proposed nonrecurring charges. In order to avoid delay in approval of Frontier's base rates and PRP and AMR charges while the Commission continues to review the record

in this proceeding, Frontier should charge the proposed nonrecurring charges, subject to refund, pending further Order of the Commission.

Tariff Issues

Frontier filed a proposed Farm Tap PGA along with its proposed LDC tariff. While the proposed tariff appears to be reasonable, it should be filed separate and apart from the LDC tariff to be included with the Frontier farm tap tariff currently on file with the Commission.

Frontier proposed one consolidated tariff to replace the existing tariffs of its acquired systems. The proposed tariff in its application included general provisions for its farm tap operations in addition to the Farm Tap PGA mentioned above. In response to a Staff request for information, Frontier stated it would remove the farm tap provisions from the general tariff.[13]

Frontier's proposed tariff included the nonrecurring charges discussed earlier, as well as the following proposed programs and associated surcharges.

Pipe Replacement Program

Frontier proposed an accelerated Pipeline Replacement Program ("PRP") and associated tariff to replace more than 26 miles of bare steel pipe on the systems of some of the LDCs it has acquired, beginning with the Belfry and Mike Little systems. It has targeted 22 miles of unprotected steel pipe on the Belfry system for immediate replacement, and four miles of bare steel on the Mike Little system. Frontier estimates the pipe targeted for replacement to be 40 to 50 years old. It plans to replace this pipe

[13] Frontier has acknowledged that the farm tap provisions should be segregated from its general tariff and has agreed to remove the provisions from its general tariff. Frontier's Response to Commission Staff's First Request for Information, Item 16(a).

over 10 to 12 years with an average annual expenditure level of $50,000. This estimate is based on a $4 per foot cost of replacing 12,500 feet per year, with Frontier performing the work. The proposed program includes planning, design, replacement, construction, investment, and retirement costs of steel pipe and piping to meters, curb valves, risers, and meter sets that are not to current standards, and may also include other services not appropriately designed or sized. It proposes to fund the pipe replacement program with a $1.25 per-customer monthly surcharge to its LDC customers.

Frontier proposed a PRP tariff rider similar to those we have approved for major LDCs pursuant to KRS 278.509. Based on Frontier's agreement during the public hearing of this matter, the proposed tariff will be revised to allow recovery of actual PRP net plant additions rather than a return on PRP investment, as is allowed for the major LDCs. Because Frontier's intent as expressed in the hearing is not based on the "rate base" approach used by the large LDCs, the Commission finds that the following revisions should be made to the PRP tariff:

a. Part A. of the PRP tariff should be changed from "CALCULATION OF PIPELINE REPLACEMENT RIDER REVENUE REQUIREMENT" to "CALCULATION OF PIPELINE REPLACEMENT RIDER SURCHARGE." The sentence referring to the elements included in the PRP Rider Revenue Requirement should be deleted, and all four parts, a., b., c., and d. should be removed and "Revenue Requirement" should be removed. That sentence should be revised to state "The PRP Rider Surcharge is based on the annual cost of replacing older metal pipe on the Frontier distribution system."

b. Part B. of the PRP tariff, second paragraph, should be modified to delete the phrase ". . . on the Company's revenue requirement . . ." and in the second sentence, the word "revenue" should be removed from both places where it is used.

Frontier plans to file an annual update to its PRP to reflect the amount of its net plant additions. The Commission finds that such filings should include the amount of PRP net plant additions, the miles of pipe replaced, where the replacements occurred on the Frontier system, and net plant additions scheduled for the following year along with expected cost of those additions. Such updates, based on the specific information contained therein, may result in revisions to Frontier's PRP surcharge.

The Commission finds that the proposed PRP tariff rider is reasonable and should be approved. It is consistent with KRS 278.509, will improve the safety of Frontier's distribution system and likely enhance the reliability of Frontier's service. We further find that the proposed tariff should be revised as discussed above to reflect the recovery of net PRP plant additions rather than recovering a return on PRP investment.

Automated Meter Reading System ("AMR")

Frontier proposes to install an Itron AMR system with standard temperature compensating meters for both its LDC and farm tap systems. It states that the meters of the combined systems consist of 21 models from four to five manufacturers, and that many of the meters are no longer manufactured or supported. Frontier states that approximately three-fourths of the meters are not temperature-compensating meters, meaning that 75 percent of its meter readings are not accurate during the winter and register lower sales volumes than are actually consumed. Frontier projects the total cost of the AMR system and meter upgrade to be $400,000 over eight years, or $50,000

per year. Frontier states that the proposed meter program will: (1) reduce meter reading costs; (2) assure the timeliness of readings; (3) greatly reduce the need to re-read meters; and (4) assure the accuracy of meter readings. It proposes to fund the system with a $1.00 monthly per-customer surcharge to both its distribution system and farm tap customers.

The Commission finds that the proposed AMR meter program and the associated surcharge are reasonable and should be approved. The meter program is reasonable because of the benefits inherent in the AMR system and temperature compensation, including reduced costs and improved meter readings. Due to its size, Frontier would have difficulty financing such a project through internally generated funds. Frontier has also stated that, because its AMR program will not generate a new revenue stream, it would not qualify for external financing for the project. The Commission finds that, with respect to the AMR program, Frontier should file annual updates to reflect how many meters have been replaced, how much was collected through the surcharge, and how much was spent during the previous calendar year.

CPCN Request

In response to Frontier's request for a CPCN, if required, the Commission finds, pursuant to KRS 278.020 and 807 KAR 5:001, Section 15, that the facility addition represented by the proposed AMR program is necessary to the public convenience and necessity, that a CPCN is required, and that a CPCN should be granted.

PROCEDURAL ISSUES

The revenue increase the Commission has found reasonable for Frontier results in an increase that is $45,883 greater than Frontier's original proposal and results in

rates that exceed those in Frontier's notice to its customers. In this situation, we readily acknowledge that Frontier is entitled to an increase greater than its original proposed increase.

Frontier may receive the larger increase the Commission has found reasonable upon giving notice to its customers of the higher rates necessary to generate the additional revenue. Frontier must provide written notice to the Commission within seven days of the date of this Order to advise the Commission if it wishes to receive or forgo the higher rates.

If Frontier indicates that it wishes to receive the higher rates, the Commission will schedule a public hearing for the purpose of allowing customers the opportunity to comment on the increase and will require Frontier to provide notice of the proposed rates and hearing in the same manner as notice was provided for the prior hearing in this case.

Based on the revenue increase found reasonable herein, and the adjusted Mcf sales volume accepted by the Commission, if Frontier indicates that it desires the full amount of that increase, the residential and small commercial volumetric base rate will be $4.2023 per Mcf and the large-commercial rate will be $3.4454 per Mcf.

Given the Commission's continuing concerns regarding the proposed nonrecurring charges, this docket will remain open to address remaining issues with regard to those charges.

FINDINGS

Based on the evidence of record and being otherwise advised, the Commission finds that:

1. The consolidated and equalized base rates originally proposed by Frontier should be approved for service rendered on and after the date of this Order.

2. A system-wide gas cost and single PGA mechanism should be approved for Frontier as discussed in the Rate Design section of this Order.

3. The nonrecurring charges proposed by Frontier should be charged by Frontier, subject to refund, on and after the date of this Order pending further Order of the Commission.

4. Frontier's PRP and related surcharge should be approved as proposed.

5. Frontier should file its annual PRP update containing the information required herein with the Commission at the same time it files its annual report.

6. Frontier's proposed AMR program with temperature-compensating meters and related surcharge should be approved subject to the condition that Frontier file annual updates with the Commission, as described herein, at the same time it files its annual report.

7. Frontier should be granted a CPCN for its AMR program.

8. Subject to following the process described in the Procedural Issues section of this Order, Frontier has supported, and will be entitled to, a revenue increase of $285,428.

IT IS THEREFORE ORDERED that:

1. The consolidated and equalized base rates proposed by Frontier in its application and set out in the appendix hereto are approved for service rendered on and after the date of this Order.

2. A system-wide gas cost and GCA mechanism is approved for Frontier as described in this Order.

3. The proposed nonrecurring charges shall be charged by Frontier, subject to refund, pending further Order by the Commission.

4. Frontier's proposed PRP and related surcharge, including the filing of annual updates as described in this Order, are approved.

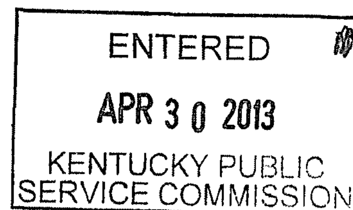
5. Frontier's proposed AMR program and related surcharge, including the filing of annual updates as described in this Order, are approved.

6. Frontier's request for a CPCN for its APR program is approved.

7. Within seven days of the date of this Order, Frontier shall file a written reply stating whether it wishes to receive or forego the greater revenue increase and rates the Commission has found reasonable herein.

8. Within 20 days of the date of this Order, Frontier shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the tariffs and rates with all modifications as approved herein and reflecting that they were approved pursuant to this Order.

By the Commission



ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00443 DATED APR 30 2013

The following rates and charges are prescribed for the customers served by Kentucky Frontier Gas, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Residential and Small Commercial

	Base Rate	Gas Cost Recovery Rate	Total
Customer Charge	$10.00		
All Mcf	$ 4.18	$5.2251	$ 9.4051

Large Commercial

	Base Rate	Gas Cost Recovery Rate	Total
Customer Charge	$50.00		
All Mcf	$ 3.35	$5.2251	$ 8.5751

Nonrecurring Charges

Turn on fee	$100
Reconnection Fee	$100
Relocate Meter	$ 35 plus cost
Transfer Service Fee	$ 30
Returned Check Charge	$ 30 plus bank fees
Late Payment Charge	12 percent
Service Trip Charge	$100
Special Meter Reading Charge	$100
Meter Test Fee	$35/hour

Pipeline Replacement Program ("PRP") Surcharge

$1.25 per meter per month for distribution system customers

Automated Meter Reading ("AMR") System Surcharge

$1.00 per meter per month for distribution system and farm tap system customers

Upon Notice to Customers and further Order of the Commission, the following rates may be charged:

Residential and Small Commercial

	Base Rate	Gas Cost Recovery Rate	Total
Customer Charge	$10.00		
All Mcf	$ 4.2023	$5.2251	$ 9.4274

Large Commercial

	Base Rate	Gas Cost Recovery Rate	Total
Customer Charge	$50.00		
All Mcf	$ 3.4454	$5.2251	$ 8.6705

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