

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00377 DATED OCT 26 2021

1. Refer to the GCR rate report, Schedule 2, the Expected Gas Cost Calculation sheet, regarding DLR transportation.

a. Confirm whether DLR is an affiliate of Kentucky Frontier pursuant to KRS 278.274.

Witness: Shute

Response: DLR has the same ownership as Ky Frontier, but is a separate corporate entity with separate accounting and financing. There is no co-mingling of expenses/revenues among DLR and KFG or Sigma

b. Explain when the \$1.25 per Mcf transportation fee was established and how the transportation rate was determined.

Witness: Shute

Response: DLR set this rate on inception with the sale & reconfiguration of DLR and Cow Creek Gas (see 2.a.). At the time, Frontier was paying \$1.50 per MCF to Jefferson Gas to gather & deliver locally produced gas. Now Jefferson (EKM) has little local production but is charging about \$7.00 per MCF to deliver gas off Columbia to Frontier and 2 others.

c. Explain if DLR provides any additional services to Kentucky Frontier besides the transportation of natural gas.

Witness: Shute

Response: No. DLR pays Frontier an annual operating fee for labor-vehicles-insurance to operate & maintain the DLR pipeline.

d. Explain if DLR provides transportation services to other entities besides Kentucky Frontier.

Witness: Shute

Response: DLR does not provide transportation services to entities other than Kentucky Frontier (see attached DLR System Map and CC/DLR/ARGC Schematic).

2. Refer to the GCR rate report, Schedule 2, the Expected Gas Cost Calculation sheet. A statement near the bottom of the page states "DLR Trans for Cow Creek (Sigma) = \$1.25/Mcf on volumes from CVR, EQT, HTC, ING, Jefferson, Nytis, Plateau, Southern Energy."

a. Explain what the "Cow Creek (Sigma)" is referencing.

Witness: Shute

Response: See attached CC/DLR/ARGC Schematic. The system in and east of Salyersville was originally built ca 1982 as Salyersville Gas Company, which was shortened to "Sigma" Gas. This system and tiny Cow Creek Gas near Prestonsburg were combined by Interstate Gas and reconfigured as a large unregulated gathering system "DLR" with a tiny distribution utility "Cow Creek" around Salyersville.

In 2010, Frontier purchased Cow Creek and reconfigured most of this back to distribution utility. The original Cow Creek is still operating, so we have reverted to the Sigma name for this system. About a dozen of these former stand-alone utilities are now consolidated under Frontier operation & rates.

But limited by then-corporate structure, assumed loan and fixed utility rates, the 10-mile connecting segment from Auxier to Sigma had to remain as DLR intrastate and not part of the Frontier utility.

b. For the suppliers listed that include the \$1.25 per Mcf transportation fee from DLR explain if DLR is the sole option for transportation of gas into Kentucky Frontiers system or if there are other options available to Kentucky Frontier.

Witness: Shute

Response: No other options are available for transportation of gas from the listed suppliers above to the Sigma (Cow Creek) or BTU systems (see attached DLR System Map and CC/DLR/ARGC Schematic). There are no other transmission pipelines in the area, and very little local production.

For years, Sigma & BTU Gas took primary gas supply from Jefferson Gas at 2-3 locations. But now Jefferson Gas has virtually no local production. The Jefferson A2 pipeline segment through Magoffin County is operated at a pressure too low to supply BTU-Sigma. If that pressure was somehow raised, supply from Jefferson wouldn't be acceptable. The new owners of Jefferson (EKM) are charging approximately \$7.00 per MCF for transportation to Frontier for captive former Public Gas customers and other deliveries. For Sigma & BTU volumes, \$1.25 is quite cheaper than \$7.00.