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PUBLIC SERVICE  
COMMISSION

February 13, 2013

Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

RE: Application of Kentucky Frontier Gas Co.  
Case No. 2011-00443

Dear Commission Members:

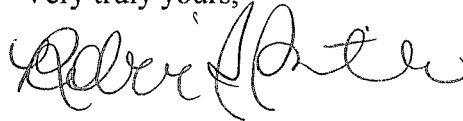
I represent First Baptist Church of Salyersville, Inc. ("church"), and submit the following as the church's public comments concerning the above-referenced application:

- 1) According to the Press Release issued by the Commission in regard to the application of Kentucky Frontier Gas Co. ("Frontier") for an increase in its tariff, the church is one of 458 customers of BTU Gas Company ("BTU"), now owned by Frontier. This document further states that the current average "Distribution Charge" for BTU's customers is \$189.36, and this amount will increase by \$181.44 if the increase is approved. Thus, customers of BTU will face a doubling of this rate if the application is approved. BTU customers are not alone in this – customers of Peoples Gas, Cow Creek, and Belfry Gas face a similar increase. Residential customers on a fixed income will be substantially impacted by this increase, as will the church, which is a non-profit entity relying upon contributions from its parishioners (including many on fixed incomes) to pay the bills. Further, the calculations relative to the increased annual cost to the customers of BTU are based upon an annual volume per customer of 60 mcf. In the winter months, however, the church's monthly volume can be 60 mcf.
- 2) The application indicates that Frontier requires an increase to improve and replace "aging" pipelines, presumably including BTU lines; however, many of the BTU lines (including that servicing the church) are less than ten (10) years old and should not require replacement.
- 3) Included within Frontier's exhibit entitled "Revenue Requirements" is a line item for depreciation of \$278,320.00. The church notes that this is not an actual out-of-pocket expense for Frontier, and further, that Frontier is using "carryover" depreciation from its

purchase of the assets of BTU, Belfry, etc. At least as to BTU, those assets were purchased at a court-ordered public auction, at which Frontier was the only bidder, resulting in what could most charitably be called a “buyer’s price”.

- 4) Finally, it appears from a review of the multitude of schedules attached to the application that Frontier seeks to generate revenue sufficient to earn an annual profit margin of twelve percent (12%). Certainly the utility should earn a profit; however, it should be in line with industry standards. For instance, a cursory review of the public record financial information of Delta Natural Gas Company reveals its annual profit margin to be far less than twelve percent (12%).

Very truly yours,

A handwritten signature in cursive script, appearing to read "Robin Simpson Smith".

Robin Simpson Smith