

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	CASE NO.
FRONTIER GAS, LLC FOR APPROVAL OF)	2021-00466
FINANCING)	

ORDER

On December 16, 2021, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed an application, pursuant to KRS 278.300, seeking Commission approval for financing of a loan in the amount of \$125,000 for the purchase of three service trucks to replace older service trucks that have significant mileage and require extensive maintenance. There are no intervenors in this case and Kentucky Frontier responded to one request for information. The matter is now submitted to the Commission for a decision based upon the evidentiary record.

LEGAL STANDARD

KRS 278.300 requires Commission approval before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person.”¹ The legal standard contained in KRS 278.300(3) establishes the purview of Commission review, stating:

The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate

¹ KRS 278.300(1).

for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

PROPOSED FINANCING

Kentucky Frontier intends to purchase three service trucks at a cost of approximately \$140,000.² Kentucky Frontier expects to finance \$125,000 of the total cost at 3.0 percent for 60 months or at a monthly payment of \$2,250 per month.³ The financing will be either through Toyota Financial Services or Community Trust Bank, whichever is most favorable at the time of closing. Exact terms and conditions will not be known until the proposed loan is executed. Kentucky Frontier stated that these trucks will replace three existing trucks, each with mileage in excess of \$150,000 miles and with a need for extensive maintenance.⁴

DISCUSSION AND FINDINGS

Kentucky Frontier indicated that through the years Kentucky Frontier has acquired several small gas utilities. As a result, Kentucky Frontier's footprint has expanded to over 13 counties in eastern Kentucky and customers can be as far as 50 miles away from company offices. Kentucky Frontier has 12 field service and construction technicians and each are assigned a field truck which can be driven up to approximately 25,000 miles annually. Kentucky Frontier evaluated lease versus purchase alternatives for the vehicles and found that there was minimal cost difference for the first three years of the vehicle's

² Application, paragraph 4.

³ *Id.*

⁴ *Id.*, paragraph 14.

life, but beyond five years, the advantage of ownership was significant.⁵ Kentucky Frontier maintained that it will seek out the most beneficial financing available at the time of the purchase and will evaluate financing options from both Toyota Financial Services and Community Trust Bank.⁶

Having reviewed the proposed financing, the Commission finds that the proposed loan from Toyota Financial Services or Community Trust Bank is for lawful objects within the corporate purpose of Kentucky Frontier, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved. Kentucky Frontier's lawful purpose is providing safe, adequate, and reliable natural gas service to the public. The financing discussed above will provide Kentucky Frontier's field service personnel with service trucks appropriate for the work they do in support of providing such service. The Commission further finds that Kentucky Frontier should execute its note as security for the proposed loan in the manner described in its application.

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier is authorized to borrow \$125,000 from either Toyota Financial Services or Community Trust Bank, whichever has the lowest cost financing at the time of the purchase. The loan maturity date and interest rate shall be in accordance with the terms as described in Kentucky Frontier's application.

2. Kentucky Frontier shall execute the loan documents as authorized herein.

⁵ Kentucky Frontier's Responses to Staff's First Request for Information (filed Jan. 24, 2022) (Staff's First Request), Item 1.

⁶ Application, paragraph 4.

3. Within ten days of the execution of the new loan, Kentucky Frontier shall file with the Commission an electronic version of the loan documents.

4. Any documents filed shall reference this case number and shall be retained in the post-case correspondence file.

5. The proceeds from the proposed loan shall be used only for the lawful purposes set out in Kentucky Frontier's application.

6. The terms and conditions of the loan shall be consistent with the terms as described in Kentucky Frontier's application.

7. Nothing contained herein shall be deemed a warranty of finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

8. This case is hereby closed and will be removed from the Commission's docket.

By the Commission

ENTERED
FEB 09 2022
rCS
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2021-00466

*Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

*Kim Crisp
Kentucky Frontier Gas, LLC
2963 KY RT 321
P. O. Box 408
Prestonsburg, KY 41653

*Kentucky Frontier Gas, LLC
111 W 2nd Street
Glenwood Springs, CO 81601

*Steven E Shute
Kentucky Frontier Gas, LLC
4891 Independence Street, Suite 200
Wheat Ridge, CO 80033