

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF KENTUCKY)	
FRONTIER GAS, LLC AND ITS INDIVIDUAL)	
MEMBERS STEVEN SHUTE, LARRY RICH,)	CASE NO.
ROBERT OXFORD AND IGS, INC, FOR)	2019-00018
APPROVAL OF TRANSFER OF OWNERSHIP)	
OF LARRY RICH'S INTEREST TO STEVEN SHUTE)	

ORDER

Kentucky Frontier Gas, LLC (Kentucky Frontier), and its individual members, Steven Shute, Larry Rich, Industrial Gas Services, Inc. (IGS), and Robert Oxford (collectively, Members) have applied for the transfer of approximately 13.6 percent interest in Kentucky Frontier owned by Larry Rich to Steven Shute pursuant to KRS 278.020(6) and (7).¹ In support of this request, Kentucky Frontier and its Members have submitted a Memorandum of Agreement for Sale of Interest in Kentucky Frontier Gas (Agreement) containing the terms of the transfer.² No person has sought to intervene in this proceeding and neither Kentucky Frontier nor its Members have requested a formal hearing. Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

¹ Application at 1 (the Application incorrectly references KRS 278.020(4) and (5) but KRS 278.020(6) and (7) is the proper statute).

² Application, Exhibit 1.

1. Kentucky Frontier was formed on August 25, 2005, operates natural gas utilities and pipelines, and is, therefore, a utility subject to the Commission's jurisdiction pursuant to KRS 278.010(3)(b) and (c) and KRS 278.040.

2. Kentucky Frontier serves approximately 5,700 distribution and farm-tap customers located in Breathitt, Floyd, Johnson, Knott, Lawrence, Lee, Letcher, Magoffin, Martin, Morgan, Perry, Pike, and Wolfe counties, Kentucky.³

3. Kentucky Frontier does not operate any other facilities in Kentucky other than those used to provide services to the above customers.

4. Pursuant to the Agreement, Larry Rich agrees to sell and assign his interest in Kentucky Frontier to Steven Shute. Mr. Rich's interest is 13.6 percent of Kentucky Frontier. Mr. Shute currently owns 60.8 percent of Kentucky Frontier. Upon completion of the transfer, Mr. Shute will own 74.4 percent of Frontier.⁴

5. The transfer will be personally financed by Mr. Shute with no financial liability or obligations assumed by Kentucky Frontier.⁵

6. Kentucky Frontier's remaining members Steven Shute, IGS, and Robert Oxford will continue as Kentucky Frontier's members and managers. The remaining Members have been owners and operators of Kentucky Frontier since its formation in 2005, and so have proven that they have the ability to continue to manage and finance Kentucky Frontier in the future. Mr. Rich has had no active role in management recently due to health issues.⁶

³ Application, at 2.

⁴ *Id.* at Exhibit 1.

⁵ *Id.* at 3.

⁶ *Id.* at 2-3.

7. There will be no change in the financial status of Kentucky Frontier, and no rate adjustment is being proposed as a result of the transfer. Current rates provide sufficient revenue to continue to operate efficiently.⁷

8. The transfer will have no effect on the daily operations of Kentucky Frontier. All current employees will remain, and all operations will continue as currently managed.⁸

9. As of October 31, 2018, Kentucky Frontier had total assets of \$5,594,611, including \$39,598 in total current assets and \$3,792,150 in net property and equipment. They also had \$3,328,453 in total liabilities.⁹

10. KRS 278.020(5) provides that “[n]o person shall acquire or transfer ownership or, or control, or the right to control, any utility under the jurisdiction of the commission . . . without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.”

11. KRS 278.020(7) provides that “[n]o individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an “acquirer”), whether or not organized under the laws of this state, shall acquire control, whether directly or indirectly, of any utility furnishing utility service in this state, without first having obtained the approval of the commission.” KRS 278.020(7) further provides that the “commission shall approve any proposed acquisition when it finds that the same

⁷ *Id.*

⁸ *Id.* at 3.

⁹ Application Exhibit 2.

is to be made in accordance with law, for a proper purpose and is consistent with the public interest.”

12. The transfer of Mr. Rich’s interest in Kentucky Frontier to Mr. Shute is a transaction subject to the jurisdiction of the Public Service Commission and requires Commission approval.

13. In view of the fact that Mr. Shute has been a member and manager of Kentucky Frontier since its formation in 2005, Mr. Shute has sufficient financial, technical, and managerial experience to continue to provide reasonable service.

14. The transfer of Mr. Rich’s interest in Kentucky Frontier to Mr. Shute is in accordance with the law, for a proper purpose, and is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The proposed transfer of Mr. Rich’s interest in Kentucky Frontier to Mr. Shute, pursuant to the terms of the Agreement, is approved, subject to the conditions set forth in ordering paragraphs 2 through 4, as of the date of this Order.

2. Mr. Shute shall notify the Commission in writing of the closing of the transaction with ten days of the closing.

3. If the transaction does not close within 90 days of the date of this Order, Mr. Shute shall file with the Commission a report on the status of the efforts to complete the transfer.

4. Any material revision to the proposed transaction shall be approved by the Commission in order for the amendment to be effective.

5. Any documents filed pursuant to ordering paragraphs 2, 3, and 4 shall reference this case number and shall be retained in the post-case correspondence file.

6. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon a showing of good cause for such an extension.

7. The case shall be closed and removed from the Commission's docket.

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By the Commission

ENTERED
MAR 06 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2019-00018

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