

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
FRONTIER GAS, LLC FOR AN ALTERNATIVE)	CASE NO.
RATE FILING PURSUANT TO 807 KAR 5:076 AND)	2025-00277
OTHER GENERAL RELIEF)	

ORDER

On May 17, 2026, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed a motion, pursuant to KRS 278.400, requesting reconsideration of the Order entered April 29, 2026, regarding issues related to rate design.¹ On May 21, 2026, the Office of the Attorney General, by and through the Office of Rate Intervention, (Attorney General) filed a response, objecting to the motion.² The matter now stands submitted for a decision on the record.

LEGAL STANDARD

KRS 278.400, which establishes the standard of review for motions for rehearing, limits rehearing to new evidence not readily discoverable at the time of the original hearings, to correct any material errors or omissions, or to correct findings that are unreasonable or unlawful. A Commission Order is deemed unreasonable only when “the evidence presented leaves no room for difference of opinion among reasonable minds.”³

¹ Kentucky Frontier’s Motion for Rehearing (Motion) (filed May 17, 2026).

² Attorney General’s Response to Kentucky Frontier’s Motion (Response) (filed May 21, 2026).

³ *Energy Regulatory Comm’n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

An order can only be unlawful if it violates a state or federal statute or constitutional provision.⁴

By limiting rehearing to correct material errors or omissions, and findings that are unreasonable or unlawful, or to weigh new evidence not readily discoverable at the time of the original hearings, KRS 278.400 is intended to provide closure to Commission proceedings. Rehearing does not present parties with the opportunity to relitigate a matter fully addressed in the original Order.

MOTION

Kentucky Frontier requested rehearing on the Commission's determination to apply the revenue requirement portion of the rate increase across the board rather than through its proposed methodology.⁵ Kentucky Frontier argued that the filing of a Cost-of-Service-Study (COSS) is not required for an Alternative Rate Filing (ARF) proceeding, and the allocation proposed by Kentucky Frontier in its application was very similar to the method used in its prior rate proceeding Case No. 2017-00263.⁶ Kentucky Frontier reiterated its argument that its customer charge should fall in line with other larger Kentucky local distribution companies (LDCs) despite its lack of evidence and COSS.⁷ Kentucky Frontier further argued that the across-the-board increase does not fully cover

⁴ *Public Service Comm'n v. Conway*, 324 S.W.3d 373, 377 (Ky. 2010); *Public Service Comm'n v. Jackson County Rural Elec. Coop. Corp.*, 50 S.W.3d 764, 766 (Ky. App. 2000); *National Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 509 (Ky. App. 1990).

⁵ Motion.

⁶ Case No. 2017-00263 *Electronic Application Of Kentucky Frontier Gas, LLC For Alternative Rate Adjustment* (Ky. PSC July 2, 2021).

⁷ Motion at 3.

the increased fixed costs incurred by Kentucky Frontier (i.e., labor), and it will face a difficult time recovering appropriate costs during the warmer or lower usage months.⁸

Kentucky Frontier initially suggested that the Residential & Commercial customer charge should be increased, at the very least, to \$22.50 as it is close to “the \$21.41 weighted average awarded in the large five LDC cases.”⁹ Kentucky Frontier also stated that, if the Commission would not grant the increase to \$22.50, then Kentucky Frontier proposed revised rates (rehearing rates)¹⁰ that increased the customer charge to an amount in between the final order and application amounts, shown in the table below:

	Proposed Application Customer Charges	Approved April 29, 2026, final Order Customer Charges	Requested Rehearing Motion Customer Charges
Residential & Commercial	\$ 25.00	\$ 17.36	\$ 21.00
Large Commercial	\$ 150.00	\$ 71.50	\$ 75.00
Farm Taps	\$ 25.00	\$ 17.36	\$ 21.00

Kentucky Frontier then proposed rehearing rate volumetric charges for each customer classification that were reduced from the April 29, 2026 final Order volumetric charge rates to reach the total revenue required from rates. Kentucky Frontier stated that the rehearing rate volumetric charges maintain the difference between the rate classes of \$0.77 per Ccf, to account for the “difference in Demand curve from the last rate case in 2017.”¹¹

⁸ Motion at 4-5.

⁹ Motion at 4.

¹⁰ Motion at 6-7.

¹¹ Motion at 6.

ATTORNEY GENERAL RESPONSE TO THE MOTION

The Attorney General stated that the motion should be denied.¹² Furthermore, the Attorney General argued that the Commission's final Order contained no material errors or omissions nor did it violate state or federal statutes.¹³ The Attorney General also argued that the Commission's determination regarding rate design was not in error, unreasonable, or unlawful.¹⁴ In the response, the Attorney General alleged that Kentucky Frontier was merely attempting to relitigate rate design, a matter that was fully addressed and decided by the Commission in its final Order.¹⁵ According to the response, any desired changes to rate design should be properly raised in a future rate case, not through a motion for rehearing.¹⁶

DISCUSSION AND FINDINGS

In the April 29, 2026 final Order, the Commission denied Kentucky Frontier's proposed rate design and instead maintained the original rate design approved in Case No. 2017-00263 by allocating the increase across-the-board.¹⁷ The Commission has previously found that an across-the-board increase is appropriate and equitable method of cost allocation in the absence of a formal COSS.¹⁸ The purpose of an across-the-board allocated increase to rates is to maintain the rate design established in a utility's

¹² Response at 2.

¹³ Response at 2.

¹⁴ Response at 2.

¹⁵ Response at 2.

¹⁶ Response at 2.

¹⁷ Case No. 2017-00263, Dec. 22, 2017 Order.

¹⁸ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

prior rate case. This decision hinges on the belief that the rate design approved by the Commission in that utility's prior rate case remains fair, just and reasonable as when it was first approved. In cases where a shift in customer load has occurred over time that may result in a subsidization in rates, the Commission has directed the utility to perform a COSS in its next rate case.¹⁹

Kentucky Frontier argued that it proposed a simple cost of service allocation similar to its last two rate cases.²⁰ Kentucky Frontier's prior rate cases were Case Nos. 2017-00263²¹ and 2011-00443.²² In its application,²³ in responses to Requests for Information,²⁴ and even in its motion for reconsideration,²⁵ Kentucky Frontier used its proposed allocation methodology from its 2017 rate case as a rationale for the proposed rate design. However, Kentucky Frontier failed to recognize that the Commission did not officially accept its proposed allocation methodology in Case No. 2017-00263.²⁶ The Commission, in its Case No. 2017-00263 December 22, 2017 Order, did not accept the

¹⁹ See, Case No. 2020-00342, *Electronic Application of Citipower, LLC For A of Rate Adjustment For Small Utilities Pursuant To 807 KAR 5:076* (Ky. PSC Apr. 27, 2021) at 16; and Case No. 2024-00252, *Electronic Application of Navitas KY NG, LLC For An Alternative Rate Filing Pursuant To 807 KAR 5:076* (Ky. PSC Apr. 27, 2021) at 18-20.

²⁰ Motion at 3.

²¹ Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC July 2, 2021) .

²² Case No. 2011-00443, *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* (Ky. PSC Apr. 30, 2013).

²³ Application, Cost of Service Allocation at PDF page 15.

²⁴ Kentucky Frontier's Response to Commission Staffs First Request for Information (filed Jan. 11, 2021), Item 2.

²⁵ Motion at 3.

²⁶ Case No. 2017-00263, Dec. 22, 2017 Order, ordering paragraph 1,

methodology proposed by Kentucky Frontier which would have increased Residential & Commercial customer charges while reducing the volumetric rates for both the Residential & Commercial and Large Commercial customer classes.²⁷ Instead, the Commission opted to reduce the increase to the customer charge for Residential & Commercial customers, while increasing the volumetric charge.²⁸ The Large Commercial class rates were unchanged from when they were first set in Case No. 2011-00443.²⁹ As discussed, Kentucky Frontier's argument that its proposed rate allocation methodology should be accepted appears to be based upon its misinterpretation of the December 22, 2017 Order issued in Case No. 2017-00263.

Upon review, the Commission reaffirms its determination in its April 29, 2026 final Order that Kentucky Frontier's utilization of the rates of other Kentucky LDCs as its sole justification for its proposed customer charges, absent of a formal COSS, remains unconvincing. Kentucky Frontier's base level argument that its Residential & Commercial class customer charge should be close to the weighted average for all five large gas utilities in Kentucky continues to be flawed given that, among other things, all of the five large gas utilities in Kentucky maintain a separation of its Residential and Commercial, or Non-Residential, customer rate classifications, while Kentucky Frontier does not. The Commission finds the increase to the Residential & Commercial customer charge to \$22.50 initially proposed by Kentucky Frontier to be unreasonable as its sole justification

²⁷ Case No. 2017-00263, Dec. 22, 2017 Order at 14-15.

²⁸ Case No. 2017-00263, Dec. 22, 2017 Order at 14-15.

²⁹ Case No, 2011-00443, Apr. 30, 2013 Order, Appendix at 2.

for such an increase is comparing customer charges approved in cases involving the large five LDC utilities.

Furthermore, Kentucky Frontier stated, “[t]he actual cost of serving customers is illustrated by the monthly charges of \$21 to \$30 for the larger utilities in Kentucky”³⁰ The Commission reminds Kentucky Frontier that the Commission evaluates applications on an individual basis and each utility, on its own, must provide sufficient evidence to substantiate the rates requested in its application, even if not specifically required by the Commission’s regulations for a particular type of case.

This application was filed pursuant to 807 KAR 5:076, an alternative process which allows certain utilities to avail themselves of a streamlined process intended to reduce utility regulatory expense. However, in this case, because of several factors, the Commission held a hearing instead of issuing a report compiled by Commission Staff.³¹ When a Commission Staff’s Report is issued, the utility is provided the opportunity to respond³² to comments and recommendations made within the report prior to any final Order being issued from the Commission. In this case, it is on rehearing where Kentucky Frontier has taken the opportunity to put forth arguments or suggestions related to the Commission’s findings. The Commission can consider this additional information and if necessary for fair, just and reasonable rates, make appropriate adjustments to its final Order. The Commission notes that the rate design as set forth by the Commission’s Order in Case No. 2017-00263, may no longer be an accurate reflection of appropriate

³⁰ Motion at 3.

³¹ 807 KAR 5:076 Section 11.

³² 807 KAR 5:076 Section 11(3).

cost allocation for Kentucky Frontier based on the 2024 test year.³³ Thus, the across-the-board revenue increase originally approved by the Commission in its April 29, 2026 final Order may better be reallocated until such time as Kentucky Frontier's next base rate case filing, which should include a formal COSS as dictated by the Commission's April 29, 2026 final Order.

The Commission reviewed the additional information contained in the motion, and in particular, the Commission reviewed the revenue impact of the proposed rehearing rate design based on the monthly usage and meter total reports for the test year of 2024.³⁴ The rehearing rates would slightly reduce recovery for Kentucky Frontier for the colder period, high usage months (December through March), while also slightly increasing recovery for the warmer period, low usage months (April through November). Levelized recovery is important for a utility to plan and budget for a fiscal year. However, the Commission notes the rehearing reallocation slightly reduces the rate burden for Industrial customers while increasing the burden on Residential and Commercial customers; Kentucky Frontier's proposed rehearing rates as discussed herein do not affect the approved revenue requirement increase approved by the Commission in its April 29, 2026 final Order. The proposed reallocation merely shifts the timing of recovery for the utility.

Having reviewed the evidence and being sufficiently advised, the Commission, therefore, finds that Kentucky Frontier's motion for reconsideration of the revenue allocation to rates should be granted. The findings do not affect the approved revenue

³³ Order (Ky. PSC Apr. 29, 2026) at 45, footnote 182.

³⁴ Kentucky Frontier's Response to Commission Staff's Post-Hearing Request for Information, (filed Feb 16, 2026), Items 6-7.

requirement increase in the final Order in this matter. The Commission finds that the attached rate Appendix should be adopted, replacing the rate Appendix issued in the Commission's April 29, 2026 final Order. These rehearing rates will increase the gas bill of a typical residential customer using an average of 37.5 Ccf per month, or 3.75 Mcf per month,³⁵ from \$28.83³⁶ to \$39.41, an increase of \$10.58, or 36.70 percent. This is an increase of \$1.21, or 3.17 percent from the gas bill of a typical residential customer of \$38.20 based on the rates approved by the Commission in its April 29, 2026, final Order.

The Commission reminds Kentucky Frontier that the Commission's determination in this Order regarding the rate design is only a temporary solution. The Commission continues to find that Kentucky Frontier needs to perform a formal COSS when it files its next rate case proceeding. The findings in this case and the information provided in Kentucky Frontier's motion for reconsideration further allude to the historical rate design not being an accurate reflection of costs to serve the customer classes set by Kentucky Frontier. The Commission has a duty to ensure fair, just and reasonable rates and based on this proceeding; Kentucky Frontier must conduct a cost of service study for the Commission to have accurate, current test year information to allocate expenses for rate recovery.

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier's motion for reconsideration is granted as indicated herein.

³⁵ Application, Customer Notice.

³⁶ The \$28.83 gas bill of a typical residential customer is based on the rates and charges prior to the Commission's April 29, 2026 final Order in this proceeding.

2. The rate Appendix attached to the final Order issued on April 29, 2026, is stricken.

3. The rates and charges as set forth in Appendix to this Order are approved as fair, just and reasonable rates for Kentucky Frontier, and these rates and charges are approved for service rendered on and after the date of entry of this Order.

4. Within 20 days of the date of service this Order, Kentucky Frontier shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates, charges, and modifications approved or as required herein and reflecting their effective date and that they were authorized by this Order.

5. In its next base rate case, Kentucky Frontier shall ensure it has reviewed the Commission's determinations in this proceeding and complied with the findings as discussed herein.

6. The remainder of the April 29, 2026 final Order not in conflict with this Order remains in effect.


7. This case is closed and removed from the Commission's docket.

Entered on this 5th day of June, 2026.


PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director



APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00277 DATED JUN 05 2026

The following rates and charges are prescribed for the customers in the area 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.

Utility Service:

MONTHLY CHARGES & COMMODITY RATES

	<u>Base Rate</u>	<u>Gas Cost Recovery¹</u>	<u>Total</u>
RESIDENTIAL & COMMERCIAL			
Customer Charge per month			\$21.00
All Ccf	\$0.49090	\$0.74519	\$1.23609

LARGE COMMERCIAL

Customer Charge per month			\$75.00
All Ccf	\$0.41390	\$0.74519	\$1.15909

Farm Tap Service:

MONTHLY CHARGES & COMMODITY RATES

	<u>Base Rate</u>	<u>Gas Cost Recovery²</u>	<u>Total</u>
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¹ Case No. 2026-00074, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Apr. 30, 2026), final Order at 11.

² Case No. 2011-00513, *Application of Kentucky Frontier Gas Company, LLC for Approval of Adjustment of Farm Tap Rates* (Ky. PSC May 30, 2012), final Order at 6.

RESIDENTIAL & COMMERCIAL

Customer Charge per month			\$21.00
All Ccf	\$0.40000	\$0.36000	\$0.76000

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