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NEWS RELEASE

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PSC to Hold Hearing on Kentucky Frontier Gas Rates *Company is seeking to set equal rates over entire system*

FRANKFORT, Ky. (Jan. 31, 2013) – The Kentucky Public Service Commission (PSC) will hold a hearing on Thursday, Feb. 14, to consider the request by Kentucky Frontier Gas Co. to equalize rates for customers throughout its system.

If approved, the new rates and two additional surcharges would result in increased bills for Kentucky Frontier's 3,400 customers, although the size of the increase will vary substantially among Kentucky Frontier's 10 distribution systems.

The hearing will begin at 10 a.m. EST at the PSC offices at 211 Sower Blvd. in Frankfort. It is open to the public.

Public comments will be taken prior to the formal evidentiary portion of the hearing.

The hearing also may be viewed live via the PSC website, psc.ky.gov.

Kentucky Frontier owns and operates 10 small natural gas distribution systems, with most of the customers in Floyd, Magoffin and Pike counties. The systems were acquired by Kentucky Frontier beginning in 2008. The company has continued to charge rates that were in place when it bought the systems.

In its application, Kentucky Frontier says that equalizing its rates will put all customers on an equal footing while providing sufficient revenue to improve operations. The adjusted rates reflect the current cost to operate the combined system, according to Kentucky Frontier.

Kentucky Frontier also is proposing a monthly \$1.00 per customer surcharge to pay for upgrading meters and a \$1.25 per customer per month surcharge to fund a program to replace gas lines.

The rate changes apply only to the amount Kentucky Frontier charges for delivering natural gas. The commodity cost of the gas itself is separate and fluctuates with conditions in the natural gas market.

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Distribution companies such as Kentucky Frontier are required to pass through the gas commodity cost on a dollar-for-dollar basis and cannot add a profit margin to the cost of gas.

Kentucky Frontier also operates five “farm tap” systems that are not included in this rate case. Farm tap systems provide gas from lines that collect gas from production wells. They are regulated differently than distribution systems.

At the proposed rates, an average residential customer using 60 thousand cubic feet of gas per year would pay about \$370.80 annually in distribution charges after the rates are adjusted, not including the proposed new surcharges. The current annual average distribution charges, not including gas cost, over Kentucky Frontier’s 10 systems range from \$181.80 to \$390.30.

At Kentucky Frontier’s \$5.25 per thousand cubic feet (mcf) system average natural gas costs at the time of the rate application, the company’s typical residential customer pays about \$315 per year for the gas itself. Average annual bills including gas cost over the 10 systems currently range from about \$497 to about \$705.

If the proposed rates and surcharges are approved, the average annual residential bill over the entire system would be about \$713 based on a gas cost of \$5.25 per mcf.

(A system-by-system chart comparing current and proposed distribution charges follows at the end of this news release. Proposed surcharges are not included.)

Written comments regarding the Kentucky Frontier application may be mailed to the PSC at P.O. Box 615, Frankfort, KY 40602, faxed to 502-564-9625 or e-mailed from the PSC website.

The Kentucky Frontier application and related documents are available on the PSC website. The case number is 2011-00443.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.

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CHART FOLLOWS

KENTUCKY FRONTIER GAS RATE COMPARISON

System Name	Number of Customers	Current Annual Average Distribution Charge	Change After Rate Equalization (to \$370.80)
Auxier Road Gas	489	\$319.42	plus \$51.38
Belfry Gas	462	\$181.80	plus \$189
Blaine	59	\$360	plus \$18.80
BTU Gas	458	\$189.36	plus \$181.44
Cow Creek/ Sigma	611	\$293.40	plus \$77.40
Cow Creek	53	\$190.62	plus \$180.18
Dema Gas	10	\$390.30	minus \$19.50
East Kentucky Utilities	796	\$372.48	minus \$16.80
Mike Little Gas	313	\$273.84	plus \$96.96
Peoples Gas	78	\$185.76	plus \$185.04