

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION FOR A DECLARATORY ORDER REGARDING COMMISSION JURISDICTION) CASE NO. 2022-00224

VERIFIED APPLICATION

Comes now Kentucky Frontier Gas, LLC (“Kentucky Frontier”) by and through the undersigned counsel, pursuant to KRS 278.010, 807 KAR 5:001 Section 19 and other applicable law, and does hereby submit its Application for the Commission to declare that the Commission has rates and services jurisdiction over one of Kentucky Frontier’s gas suppliers, respectfully stating as follows:

I. INTRODUCTION AND FILING REQUIREMENTS

1. Kentucky Frontier is a Colorado Limited Liability Company in good standing and authorized to do business in Kentucky. Kentucky Frontier was organized in Kentucky on August 25, 2005 and a copy of its articles of organization was filed with the Kentucky Public Service Commission (“Commission”) in Case No. 2005-00348. Kentucky Frontier is in good standing and authorized to operate in Kentucky.

2. Kentucky Frontier is a natural gas utility as defined in KRS 278.010 and is under the jurisdiction of the Commission.

3. Kentucky Frontier's corporate office is located in Prestonsburg and its office mailing address is 2963 Ky Rt. 321, P.O. Box 408, Prestonsburg, KY 41653.

4. Kentucky Frontier's telephone number is (606) 886-2431 and its principal email address is steve@pipeline.group. Its web address is www.kyfrontiergas.com. In addition to

Kentucky Frontier's email, Kentucky Frontier requests that service also be made to its retained counsel, L. Allyson Honaker at allyson@gosssamfordlaw.com.

5. Kentucky Frontier owns and operates approximately 360 miles of gas distribution pipeline with customers in the following thirteen counties in Eastern Kentucky: Breathitt, Floyd, Johnson, Knott, Lawrence, Lee, Letcher, Magoffin, Martin, Morgan, Perry, Pike and Wolfe. Kentucky Frontier serves approximately 4900 retail customers along with approximately 500 farm tap customers.

6. Starting in 2008, Frontier began consolidating approximately twelve small gas utilities into one unified natural gas utility. This allowed Kentucky Frontier to take advantage of economies of scale in sharing the costs for operations, maintenance, branding and safety measures.

7. Public Gas was the largest of the small utilities that has been merged into Kentucky Frontier. This incorporated approximately 1600 meters into the Kentucky Frontier system. All of these former Public Gas customers are located in close proximity to the former Jefferson Gas transmission system. For years, Public Gas and Jefferson Gas were commonly owned. The former Jefferson Gas system supplies one hundred percent of the gas supply for the former Public Gas customers. (Please note that hereafter are references to the Jefferson Gas and Public Gas pipeline systems for physical and functional clarity, although neither entity now operates these systems. All former Public customers are now served under the Kentucky Frontier brand.)

8. In 2020, Jefferson Gas informed Kentucky Frontier that it was having financial difficulties and had placed the Jefferson Gas system up for sale. In addition to placing the system on the market, Jefferson Gas informed Kentucky Frontier that the transportation charge from Jefferson Gas would be increased (almost doubled) for a short period for the transition.

9. In March 2021, Jefferson Gas informed Kentucky Frontier that it had indeed sold the system. The new entity with ownership of the Jefferson Gas system is East Kentucky Midstream, LLC (“EKM”). The transaction was effective March 1, 2021.

10. Kentucky Frontier and Jefferson Gas had a gas purchase agreement that expired on April 30, 2021 and at that time a new EKM gas supply contract continued under the same transportation fee with additional costs.

11. Kentucky Frontier purchases all of the natural gas for the former Public Gas customers from EKM. Since May 2021, Kentucky Frontier has paid an average of \$8.00/Mcf above index. Kentucky Frontier’s Commission approved commodity margin is only \$4.22 above gas cost.

12. EKM is the only source of natural gas that Kentucky Frontier has for these former Public Gas customers due to the location. Kentucky Frontier does not have the option of finding a different pipeline or supplier and believes the rates being charged by EKM are not fair, just and reasonable.

13. Kentucky Frontier also believes that the nature of EKM’s business has changed from the original Jefferson Gas system. It has evolved over the years and it is the opinion of Kentucky Frontier that EKM is no longer a gathering system.

II. DISCUSSION

14. The former Public Gas system is composed of approximately fifty (50) miles of pipeline in eleven (11) separate systems. It serves the communities of Jackson, Campton, Pine Ridge, Cliffview, Hazel Green and other rural areas. These include many rural homes that are served as farm taps, directly off the Jefferson Gas/EKM pipeline. The largest community, Jackson,

has had gas service since the 1960s. Jackson was never connected to the interstate pipeline grid and was originally only supplied with locally produced gas.

15. In 1980 Public Gas adopted the rates and tariffs on file with the Commission of its predecessor serving Jackson, Panbowl Gas Company. In addition, a tariff for Capitol Oil & Gas Company was approved by the Commission in 1987 for delivery of area production to Jackson and Hazel Green. This Capitol Oil tariff was adopted by Jefferson Gas in 1996 as part of its consolidated pipeline system. Jefferson Gas continued to add additional pipelines to its systems, including the Ashland pipelines (still referred to as A-1 and A-2) which supply the Campton area and other Public Gas customers.

16. Public Gas and Jefferson Gas were mutually owned for many years. Public Gas' system expanded along and around the Jefferson Gas system. The former Public Gas system is not located near any other supply pipeline nor any Kentucky Frontier system and there is no other supply of natural gas to serve the former Public Gas customer. This same ownership group also operated oil & gas production in this same area near the Jefferson Gas system. Once production declined, the gas volume on the Jefferson Gas system declined and the group sold its wells. In 2012 it sold Public Gas to a Cleveland-based utility and was approved by the Commission in Case No. 2012-00029.

17. When Jefferson Gas was supplying the natural gas to Public Gas, the rate was the local index rate, plus a transportation charge. In 2015, Public Gas was merged into the Kentucky Frontier system. During the transition from Public Gas to Kentucky Frontier, Jefferson Gas demanded an increase in its margin, from \$1.50 to \$2.00 per DTh. Kentucky Frontier provided this information in a response to Commission Staff's Request for Information (1-3b) in the merger case, Case No. 2015-00299. At the time the increase was demanded, Jefferson Gas was no longer

relying on locally produced gas, such as a gathering system would do, but rather was supplementing gas supply from Columbia Gulf Transmission for most of the year. In January 2018, Jefferson Gas again raised its margin from \$2.00 to \$3.25/DTh without giving any notice to Kentucky Frontier. In October 2020, Jefferson Gas informed Kentucky Frontier that it was in dire financial condition and that the owners of Jefferson Gas were going to place the system on the market for sale. The owners indicated that to survive and to continue supplying gas to the former Public Gas system, the transportation rate would be increased to \$5.75/DTh for the transition period.

18. Over the winter months of 2020-2021, Kentucky Frontier was evaluating whether to attempt to purchase the Jefferson Gas system. Jefferson Gas hired a consultant to summarize and provide data to potential buyers, including Kentucky Frontier. A marketing brochure was provided to Kentucky Frontier during the first conversation and was followed up with additional data and a non-disclosure agreement.

19. Information provided in the marketing brochure described its system as “a 235-mile, low-pressure natural gas *transmission* line”. However, Jefferson Gas apparently designated only a small fraction of these as *transmission* lines under the federal pipeline safety regulations. Jefferson Gas designated all other pipelines as *gathering* pipelines. Designating the pipelines as gathering limited the jurisdiction of PHMSA or the Commission.

20. Kentucky Frontier does not believe that the system is a gathering system. The short segments designated as transmission are interconnected with all the other pipeline segments in the former Jefferson Gas system. (This can be seen in the attached map at Exhibit A). They all have the same gas sources, similar pipeline sizes and operating pressures, and each transports gas back and forth with other connected segments. There are also gathering systems owned by producers

unrelated to Jefferson, that feed into the former Jefferson Gas system. These are normally delineated by a change of custody meter and more times than not, a compressor.

21. Years ago, Jefferson Gas had mostly gathered and transported locally produced gas to various distribution sales points. Jefferson Gas then sold any excess gas to interstate pipelines. However, this has significantly changed with declining local production. For most months of the year, the former Jefferson Gas system is predominantly a transmission system supplying gas taken from the Columbia Gulf Transmission system and supplying this gas supply to distribution systems, regulated utilities and customers.

22. Kentucky Frontier was always aware that Jefferson was purchasing much of its gas during several months of the year from the Columbia Gulf Transmission line. In recent discussions over a substantial overcharge in billing since May 2021, EKM shared volumes that verified that fact.

III. DECLARTORY ORDER REQUEST

23. When Jefferson Gas was placed on the market in October 2020, it was offered as a “235-mile, low-pressure natural gas transmission line in eastern Kentucky. The pipeline is comprised of nine distinct segments.” This information was provided to Kentucky Frontier in a sales brochure, prior to the non-disclosure agreement. Throughout the brochure, there is only one mention of “gas *gathering* and transmission pipelines” but no offering to sell of any actual gathering system. This thirty-five page brochure is attached to this Application as Exhibit A.

24. Jefferson Gas filed Annual Reports with US DOT for pipeline safety statistics, as required by Pipeline and Hazardous Materials Safety Administration (“PHMSA”). In old PHMSA reports reviewed by Frontier, Jefferson reported operating forty-four miles of 6-inch transmission pipelines subject to PHMSA regulation. Exhibit A includes a graphic that shows the different

segments owned and operated by Jefferson Gas and now owned by EKM. The forty-four miles of 6-inch transmission pipelines are assumed to be the newer pipelines C-line and A-5 line as depicted in Exhibit A.

25. In the same PHMSA report, Jefferson Gas reported nineteen miles of 6-inch gathering lines. However, when looking at the map or descriptions contained in Exhibit A, this does not seem to coincide with any segment shown. Kentucky Frontier has not been able to determine how the two transmission segments (C-line and A-5 line) can be integrated with and surrounded by the additional seven pipeline segments, interchange gas with each of these segments and still be considered “gathering”.

26. Based on the description contained in Exhibit A, Jefferson Gas had almost 200 additional miles of pipeline that are not mentioned on the PHMSA report.

27. Jefferson Gas was provided natural gas from local producers who gathered their own produced gas and delivered it to Jefferson Gas through a meter. This often involved the need for a compressor to boost the natural gas flow into Jefferson Gas’ system. According to the PHMSA pipeline safety regulations, 49 C.F.R, Part 192 Section 8(a)(4) “the endpoint of gathering, under section 2.2(a)(1)(D) of API RP 80, may not extend beyond the furthermost downstream compressor used to increase gathering line pressure for delivery to another pipeline.”

28. In addition, Kentucky Frontier has knowledge and belief that for approximately half of the year, the local production is not enough natural gas supply to provide service to all of EKM’s towns and customers. In order to have enough natural gas supply for EKM’s customers, EKM purchases natural gas from the Columbia Gulf pipeline at Means on the west end of EKM’s system. On the east side of the system, at Butcher Hollow, Jefferson Gas proposed to modify an

old sales point and reverse it to purchase natural gas off the TransCanada Line P20. EKM is apparently still working on that project.

29. Under the PHMSA pipeline safety regulations, which are enforced by the Kentucky Public Service Commission, EKM would be under PHMSA jurisdiction as a transmission or distribution pipeline that delivers gas from a FERC regulated transmission line. Furthermore, pursuant to 49 C.F.R. Section 192 under §192.5 and §192.8, there seems no pathway for natural gas from a transmission line to revert back to become *gathering* gas.

30. Therefore, when EKM is supplementing its natural gas supply from a FERC regulated pipeline, EKM becomes a PHMSA jurisdictional pipeline and gives the Commission has pipeline safety jurisdiction over EKM, as it has over every other PHMSA jurisdictional, non-FERC pipeline in Kentucky.

31. In addition to the PHMSA jurisdiction arguments, Kentucky Frontier has reason to believe that EKM is essentially a distribution system. As Jefferson Gas developed its system, it supplied gas to the Public Gas customers in Jackson, Campton, Cliffview, Hazel Green and a dozen small rural crossroad communities. These have central delivery meters off the Jefferson Gas system, then Public now Kentucky Frontier operates regulator stations to control the pressure into Kentucky Frontier lines.

32. Only 35% of the customers are located within the largest system of Jackson, with another 25% in the next largest Campton system. At the present time, Kentucky Frontier receives gas from EKM in more than 500 locations. Most of these locations are single meters designated as “farm taps” by both Jefferson Gas and Public Gas at the time the two companies split.

33. KRS 278.485 governs “farm taps”. According to this statute, every gas pipeline that obtains gas from producing wells in Kentucky has to provide gas, if requested, to any property

owner within ½ air mile of the producing well or gathering line. Under this statute, the offer of service is the right of a tap or hookup for natural gas from any gathering line which crosses the surface owner's property and the cost of the tap or hookup is borne by the consumer. The consumer is also responsible for the cost of construction, maintenance and upkeep of the service lines and the automatic gas regulators.

34. Kentucky Frontier purchased the former Public Gas system which included 1600 customers, of which 500 were deemed "farm tap" customers. The only assets conveyed to Frontier for these 500 "farm tap" customers were the meter sets. Since purchasing this system, Kentucky Frontier reads each of the meter sets for the "farm tap" customers and provides the gas usage to EKM. The volumes are then included in EKM's invoice to Kentucky Frontier for purchased gas.

35. During the time that Kentucky Frontier has owned the former Public Gas system it has been determined that not all of the "farm tap" customers are located directly on Jefferson pipelines. It appears several are actually fed with distribution lines off of EKM mainlines that were installed by Jefferson Gas.

36. EKM now delivers gas to Kentucky Frontier at more than 500 locations, to systems and customers which were part of the former Public Gas system. Some of these 500 locations appear to be functioning EKM gas distribution systems that actually deliver gas well away from the Jefferson pipelines. Kentucky Frontier has become aware of several of these gas distribution systems. Kentucky Frontier has not been provided any maps on these systems and the information that has been gathered by Kentucky Frontier is best estimates obtained by Kentucky Frontier operators by inspections and maintenance on Kentucky Frontier facilities.

37. Recently, Kentucky Frontier received a telephone call from the Commission's pipeline safety division regarding a complaint received on July 12, 2022. The complaint was from

a resident in the Van Cleve area that does not have gas service, but was concerned with a gas line that crossed his property and was exposed in a creek. Kentucky Frontier investigated this complaint and found there were five meters considered as farm tap customers, but look to be supplied by a distribution line off of EKM's steel pipeline. The exposed 2-inch PE line runs approximately 3,000 feet to serve these six meters. Kentucky Frontier does not own or operate any distribution lines at this location nor does it own or operate the regulator that feeds this line. Kentucky Frontier only owns the five meter sets in this location. This system is apparently an EKM line that runs about 3000 feet off of the main pipeline. A PE distribution main runs along the roadway with PE service lines to homes in the area. Each home has a meter set at the foundation with two regulators for mid and low pressure, as required for a farm tap regulator off a line running above 60psi. Since Kentucky Frontier does not own or operate any distribution lines at this location, Kentucky Fronter does not do any regulatory compliance tasks on this EKM distribution system. Kentucky Frontier simply reads the six meters and reports the gas usage from the six meters to EKM. This distribution line is owned by EKM and if a gas line breaks or leaks, any gas that would be lost would be upstream from Kentucky Frontier meters and would be in the custody of EKM. It does not appear that EKM gathers any gas in this area and Kentucky Frontier does not know if EKM has any farm tap customers on this section of its systems. This system is located at [REDACTED].

38. Another example of this type of distribution system is located in Wolverine Hollow where Kentucky Frontier has approximately twenty farm taps. It appears that EKM owns all of the lines in this area. There are two apparent PE line segments which are shown as black and yellow mains on the attached map at Exhibit B). These lines operate as gas distribution systems with main lines along the streets and service lines to the homes. This particular system appears to

have 5500 feet of PE mains, more than twenty service lines and three regulator stations. This system also has a meter set at the foundation at each home with two regulators for farm taps for inlet pressure above 60 psi, although there are district regulators and presumed lower pressures in this area. Kentucky Frontier only owns the twenty meters in this area and does not own any pipelines or regulators. Kentucky Frontier does not perform any regulatory tasks in this area. As with the other system mentioned above, EKM does not appear to gather any gas in this area and Kentucky Frontier has no knowledge if EKM has any farm tap customers in this area. This system is located approximately [REDACTED].

39. The third example of this type of system is located on Swamp Bridge Road. Back in 2017, Kentucky Frontier received a call regarding a gas leak when a gas main line was hit in a farm tap service area. Kentucky Frontier contacted the operations manager for then Jefferson Gas about the incident. The operations manager stated that one of Jefferson Gas' employees would investigate. However, later that evening the original caller called Kentucky Frontier's answering service to inquire as to when someone would be responding. When Kentucky Frontier's operations manager attempted to get a response from Jefferson Gas and did not receive one, Kentucky Frontier sent two senior operators to the site. These two Kentucky Frontier employees found a 1" PE gas line was severed by a small backhoe which was digging in the area to install drain pipe across a driveway. The two Kentucky Frontier operators cut off the gas and capped the service line to an old house that had previously had gas service. All of the lines in this area were owned by Jefferson Gas at that time (now EKM). This system is approximately 2500 feet of PE main, with several service lines and a central regulator station. Each house has a meter set at the foundation and only a single regulator, which is like a typical town system with a district regulator station. Kentucky Frontier only owns four farm tap meters in this area and has no pipelines or regulators and does

not perform regulatory tasks in this area. Jefferson Gas did not respond to this incident and was upset that Kentucky Frontier didn't fix the pipeline sooner because Jefferson Gas was losing gas for 6-8 hours. There does not seem to be any gas gathering done in this area by EKM and Kentucky Frontier does not know if EKM has any farm tap customers in this area. (Note that the map included in Exhibit B shows lines in red that were previously abandoned by Jefferson when a previous leak occurred in this area. The tap was moved about ½ mile west to the present site. This was before Kentucky Frontier acquired Public Gas).

40. Based on the information provided, Kentucky Frontier does not believe that EKM - Jefferson is a gathering system. EKM does not strictly provide gas service from the local producing wells. EKM purchases natural gas from a FERC regulated transmission line for resale to the public and to Kentucky regulated utilities. In addition, EKM has several distribution lines serving customers. Whether EKM is deemed to be an intrastate transmission pipeline or a distribution network, the Commission's regulations require the amounts charged by EKM to be fair, just and reasonable.

41. Kentucky Frontier's gas costs are shared equally among its 4900 customers so the high charges by EKM for gas supply for the former Public Gas customers affects all Kentucky Frontier customers. Over the past year, Kentucky Frontier paid to EKM approximately \$850,000 in margin above the index cost of gas. Taking that amount and spreading it equally among the total Mcf sales to Kentucky Frontier customers, raises the costs paid for natural gas to all Kentucky Frontier customers by approximately \$2.23/Mcf.

42. In preparation for the 3rd quarter Gas Cost Adjustment filing which was filed July 1, 2022, Kentucky Frontier made the following calculations to show this disparity in gas costs:

a. Unified gas cost for all Frontier customers	\$10.14 /MCF
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b.	Cost of supplying Public Gas customers through EKM	\$15.14/MCF
c.	Gas cost to all other Frontier customers without EKM	\$ 8.64 /MCF

43. With Unified rates, the effect on a typical Frontier customer, not in the Public Gas system, with average usage of 60 Mcf/year, would be approximately \$194/year. Keep in mind that only the former Public Gas customers have the ability to consume the gas purchased from EKM and those former Public Gas customers cannot be supplied by any other supplier due to the location and the interconnection with the EKM system (since this system was once mutually owned and operated).

44. In addition, on July 18, 2022, Kentucky Frontier received an invoice from EKM demanding payment or risk disconnection. As the Commission is aware, Kentucky Frontier filed a copy of this notice, letter and the two invoices that are referred to in EKM's letter with the Commission pursuant to KRS 270.022. A copy of the filing made with the Commission is attached as Exhibit C. The disputed amount is based on what Kentucky Frontier believes is a misinterpretation of the contract. EKM is now attempting to charge Kentucky Frontier transportation charges for all locally produced gas, whether or not it passes through a meter into Kentucky Frontier systems. In fact, the meter that this gas passes through is in an area that Kentucky Frontier does not have any meters of its own. This false interpretation adds \$250,000 or about \$2 per MCF to the cost of gas to Public customers. Kentucky Frontier cannot survive if these costs are allowed to continue to be charged by EKM.

45. These charges demanded by EKM have been non-negotiable for Kentucky Frontier even though these gas deliveries are governed by gas purchase contracts. Kentucky Frontier has attached a copy of the contract with EKM as Exhibit D, which is being filed under seal pursuant to a motion for confidential treatment. Kentucky Frontier does not have another alternative for

gas supply to the former Public Gas customers and since the rates are not on file with the Commission or any other entity, EKM has been free to charge whatever amounts it wants. A new 40 or 50-mile pipeline to serve Jackson and Campton is not remotely feasible, and couldn't serve the smaller systems or farm taps. Kentucky Frontier has evaluated other alternatives available for a different source of gas supply, including Compressed Natural Gas ("CNG") or Liquefied Natural Gas ("LNG"). These alternatives, could possibly reduce the gas costs for the customers located in Jackson, Kentucky, but would not be feasible or result in any cost savings for the remaining 1000 former Public Gas customers.

46. EKM supplies gas to Kentucky Frontier at more than 500 locations. EKM also supplies approximately 200 of its own farm tap customers. Some of these were old Capitol Oil customers. Capitol Oil had a tariff on file with the Commission, which was adopted by Jefferson Gas, but Kentucky Frontier has been unable to locate anything regarding EKM adopting this tariff or filing a tariff of its own. EKM also provides wholesale natural gas to the City of West Liberty, which was the former Elam Gas Utility. The City of West Liberty administers gas service to the Eastern Kentucky Correctional Complex from a direct EKM meter. EKM serves Delta at Frenchburg as a result of a FERC order granting Jefferson Gas the Columbia KZ pipeline.

47. Kentucky Frontier believes that EKM operates a transmission and a distribution system and should fall under the Commission's jurisdiction for both pipeline safety and rates and services.

CONCLUSION

Based on the foregoing information, Kentucky Frontier requests the Commission to issue a Declaratory Order asserting jurisdiction over EKM both for pipeline safety and rates and services. Kentucky Frontier is unable to negotiate gas prices with EKM and Kentucky Frontier is not able to supply the former Public Gas customers by any other means. Kentucky Frontier cannot continue to pay the charges demanded by EKM and have a viable company. Kentucky Frontier requests the Commission to assert jurisdiction over the rates charged by EKM to Kentucky Frontier.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Comes now Steve Shute, Owner and Managing Member of Kentucky Frontier Gas, LLC, and, after being duly sworn, does hereby verify, swear and affirm that the averments set forth in this Application are true and correct based upon my personal knowledge and belief, formed after reasonable inquiry, as of this 21st day of July, 2022.



Steve Shute
Owner and Managing Member
Kentucky Frontier Gas, LLC

The foregoing Verification was verified, sworn to and affirmed before me, a NOTARY PUBLIC, by Steve Shute, Owner and Managing Member of Kentucky Frontier Gas, LLC, on this 21st day of July, 2022.



NOTARY PUBLIC

My Commission Expires: 7-23-24



Dated this 22nd day of July, 2022.

Respectfully submitted,



L. Allyson Honaker
GOSS SAMFORD, PLLC
2365 Harrodsburg Road, Suite B-325
Lexington, Kentucky 40504
(859) 368-7740
allyson@gosssamfordlaw.com

Counsel for Kentucky Frontier Gas, LLC

CERTIFICATE OF SERVICE

This is to certify that foregoing electronic filing was transmitted to the Commission on July 22, 2022; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, no paper copies of the filing will be made.



Counsel for Kentucky Frontier Gas, LLC

EXHIBIT A
ATTACHMENT
FILED UNDER
SEAL PURSUANT
TO A MOTION FOR
CONFIDENTIAL
TREATMENT

EXHIBIT B
ATTACHMENT
FILED UNDER
SEAL PURSUANT
TO A MOTION FOR
CONFIDENTIAL
TREATMENT

EXHIBIT C



L. Allyson Honaker
allyson@gosssamfordlaw.com
(859) 368-7740

July 18, 2022

Via Email to PSCED@ky.gov

Linda Bridwell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: *Notice pursuant to KRS 278.022*

Dear Ms. Bridwell:

Please let this letter serve as notice to the Kentucky Public Service Commission pursuant to KRS 278.022 regarding a notice of disconnection from one of Kentucky Frontier Gas, LLC's ("Kentucky Frontier") natural gas suppliers, East Kentucky Midstream, LLC ("EKM"). A copy of the letter received on July 17, 2022 from EKM is attached to this letter as Exhibit A along with the invoice received last month that is referenced in the letter. The unpaid amounts claimed by EKM are a result of what Kentucky Frontier believes is a misinterpretation of the contract between the parties.

Sincerely,

L. Allyson Honaker
L. Allyson Honaker

Enclosures

East Kentucky Midstream, LLC
PO Box 1666
Salyersville, KY 41465

July 13th, 2022

Kentucky Frontier Gas
Attn: Steve Shute
PO Box 408
Prestonsburg, KY 41653

RE: June Volumes/Van Lear Meter – Past Due Balances

Mr. Shute,

Please find with this letter an invoice for one-hundred five thousand three hundred ninety-three dollars and seventy-five cents (\$105,393.75) for the June charges from the Van Lear meter. As of this date, the balance from my June 20th, 2022, letter of one-hundred seventy-eight thousand two hundred seventy-five dollars and ten cents (\$178,275.10) has not been paid. These two amounts equal two-hundred eighty-three thousand six hundred sixty-eight dollars and eighty-five cents (\$283,668.85) that is owed to East Kentucky Midstream, LLC

Kentucky Frontier Gas is put on notice, that the above balance owed to East Kentucky Midstream, LLC is due upon receipt of this letter. If payment is not received, East Kentucky Midstream is terminating the Natural Gas Sales and Transportation Agreement at the end of the thirty-day period.

Regards,

Jack Justice

East Kentucky Midstream, LLC

Invoice

PO BX 1666
KY 41465

Date	Invoice #
7/13/2022	20260

Bill To

Kentucky Frontier Gas
PO Box 408
Prestonsburg, KY 41653

P.O. No.	Terms	Project
	Due 25th	

East Kentucky Midstream, LLC
PO Box 1666
Salyersville, KY 41465

June 20th, 2022

Kentucky Frontier Gas
Attn: Steve Shute
PO Box 408
Prestonsburg, KY 41653

RE: Natural Gas Sales and Transportation Agreement

Mr. Shute,

I am writing this letter today concerning the Natural Gas Sales and Transportation between Kentucky Frontier Gas and East Kentucky Midstream, LLC (EKM). In Section 5.(c) of the Natural Gas Sales and Transportation Agreement, Kentucky Frontier Gas is to purchase "ALL" local producers gas on a "First Through The Meter" basis. In accordance of that agreement, it appears that Kentucky Frontier Gas failed to purchase the local producers gas for the months of October 2021 of 8,842 dth, April 2022 of 2,094 dth and May 2022 of 12,804 dth. Due to Kentucky Frontier not purchasing this gas as stated in Section 5. (c); EKM incurred costs that should have been passed on to Frontier Gas.

It was agreed between the companies that EKM would pass along the following costs to Kentucky Frontier:

1. Transportation - \$5.75/dth
 2. Firm - \$0.41/dth
 3. Marketing Fee - \$0.05/dth
 4. Mark West Processing - \$0.04/dth

The charges above equal \$6.25/dth. EKM is requesting that Kentucky Frontier pay the cost below from the gas that was not purchased from the local producers on the months below:

- | | |
|----|---|
| A. | October 2021 – 8,842/dth x \$6.25 per dth = \$55,262.05 |
| B. | April 2022- 2,094/dth x \$6.26 per dth = \$13,087.05 |
| C. | May 2022 – 12,804/dth x \$6.25 per/dth = \$80,025.00 |
| D. | Reimbursement \$30,000.00 |
| | TOTAL \$178,275.10 |

Regards,

Jack Justice

EXHIBIT D
ATTACHMENT
FILED UNDER
SEAL PURSUANT
TO A MOTION FOR
CONFIDENTIAL
TREATMENT