

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

ELECTRONIC INVESTIGATION OF JURISDICTIONAL	)	
STATUS OF EAST KENTUCKY MIDSTREAM, LLC	)	CASE NO.
AND OF ITS COMPLAINT WITH KRS CHAPTER 278,	)	2022-00238
807 KAR CHAPTER 005, AND 49 CFR PARTS 191 AND 192	)	

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**REBUTTAL TESTIMONY OF STEVEN SHUTE  
ON BEHALF OF KENTUCKY FRONTIER GAS, LLC**

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**Filed: August 30, 2024**

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VERIFICATION OF STEVEN SHUTE

COMMONWEALTH OF KENTUCKY )
)
COUNTY OF FAYETTE )

Steve Shute, Sole Member of Kentucky Frontier Gas, LLC, being duly sworn, states that he has supervised the preparation of his Rebuttal Testimony and Attachment SS-1 to his Rebuttal Testimony in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Handwritten signature of Steven Shute over a horizontal line.

The foregoing Verification was signed, acknowledged and sworn to before me this 27th day of August, 2024 by Steven Shute.

Handwritten signature of the Notary Public in blue ink.

Notary Commission No. KYNP76727

Commission expiration: 8/2/2027



1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. Steven Shute, 2963 Kentucky Route 321 North in Prestonsburg KY 41653. I am a natural  
3 gas utility and pipeline engineer and run several rural gas utilities. I reside in Colorado.

4 **Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

5 A. I earned a Bachelor of Science in Electrical Engineering from Kansas State University and  
6 am registered as a Professional Engineer in Colorado and Utah. I've worked as a natural  
7 gas engineer and manager or executive for more than 40 years, with Conoco Pipeline then  
8 a multi-state gas utility before forming my own organization in 1991. I am founder and  
9 owner of Pinedale Natural Gas in Wyoming and partner in several others, with about  
10 10,000 meters from Kentucky to California.

11 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR DUTIES AT**  
12 **KENTUCKY FRONTIER.**

13 A. I was one of 3 co-founders of Frontier in 2005. The other 2 partners have retired, and I am  
14 now sole member and owner. I serve as Managing Member of Frontier with oversight over  
15 all financial and operational and occupational matters.

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC**  
17 **SERVICE COMMISSION?**

18 A. Yes. Frontier has put together a dozen small gas utilities to form a single brand with about  
19 5000 customers. Frontier filed its initial purchase Case 2005-00348 and finance Case  
20 2008-00394 to join several struggling gas utilities in Eastern Kentucky. Frontier acquired  
21 Auxier Gas with Case 2009-00442 and various assets from Interstate Gas in Case 2010-  
22 00076, then consolidated rates among all Frontier utilities in Case 2011-00443. Separate  
23 Farm Tap rates were set in Case No. 2011-00513 for farm taps acquired in the initial

1 purchases. Frontier acquired the assets of Public Gas in Case 2015-00299, then again  
2 consolidated rates among all Frontier entities in Case 2017-00263. In each of these cases,  
3 I was the LLC member most familiar with utility & rate regulation, and prepared or  
4 approved most of the filing documentation, exhibits and testimony.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

6 A. The purpose of my testimony in this proceeding is to provide the Commission with  
7 relevant information on the Sander Resources Report as well as relevant information as to  
8 why rate jurisdiction of East Kentucky Midstream, LLC (“EKM”) is appropriate and  
9 needed.

10 **Q. ARE YOU SPONSORING ANY ATTACHMENTS?**

11 A. Yes. I am sponsoring Attachment SS-1 which is described below.

12 **Q. DID YOU PROVIDE COMMENTS ON THE SANDER RESOURCES REPORT,  
13 THAT WERE FILED BY COUNSEL, ON JULY 22, 2024?**

14 A. Yes. The comments that were filed on behalf of Kentucky Frontier on July 22, 2024 were  
15 provided by me.

16 **Q. DO YOU WISH FOR THOSE COMMENTS TO BE INCORPORATED INTO THIS  
17 REBUTTAL TESTIMONY AND CONSIDERED EVIDENCE IN THE RECORD  
18 OF THIS PROCEEDING?**

19 A. Yes. I am attaching the comments that were filed on July 22, 2024 as Attachment SS-1 to  
20 this testimony. I request that these comments be considered part of my rebuttal testimony  
21 and the verification provided herein.

22

1 **Q. AFTER YOUR REVIEW OF THE SANDER RESOURCES REPORT, DO YOU**  
2 **HAVE ANYTHING FURTHER TO ADD REGARDING THE ALLEGED**  
3 **DISPUTES OVER THE OWNERSHIP OF CERTAIN PIPELINE ASSETS?**

4 A. The “disputed” distribution sections were a complete surprise to Frontier, with several  
5 place names we had never heard of. Nobody at Jefferson or EKM had raised these disputes  
6 in 10+ years of diligence and operating, and nobody from Sander asked Frontier about any  
7 disputed ownership.

8 Further, EKM filed comments indicating that all master meters delivering gas from its  
9 system to Kentucky Frontier (and presumed Delta and West Liberty) are the property and  
10 responsibility of the entity receiving gas. This was another surprise, and seems odd for a  
11 distribution company, to place its revenue sources in the hands of those paying all the  
12 revenue. Frontier has never been asked or allowed by Jefferson or EKM to work on, prove  
13 or replace any of the master meters at Frontier delivery points.

14 **Q. DO YOU BELIEVE THAT THE SANDER RESOURCES REPORT HELPS**  
15 **SUPPORT THE ARGUMENT THAT EKM SHOULD BE RATE REGULATED BY**  
16 **THE KENTUCKY PUBLIC SERVICE COMMISSION?**

17 A. Yes. The Sander Resources Report found that EKM’s system that supplies natural gas to  
18 Kentucky Frontier is a PHMSA-PSC-jurisdictional, Distribution network. The Jefferson  
19 Gas system long ago had a few sections of gathering, but the network EKM now operates  
20 is simply distributing FERC-regulated gas from TCEC Columbia, to regulated utilities. As  
21 such, EKM is operating a distribution utility, just as Kentucky Frontier, and EKM should  
22 be rate regulated the same.

1 Using EKM's arguments, Kentucky Frontier's systems have many local producers, and for  
2 over half the year, at least 3/4 of Frontier *would be non-jurisdictional to PSC*. Nobody  
3 believes that is true, or workable, for systems that have operated under PSC for decades.

4 The present EKM margins and return on investment are multiples higher than regulated  
5 utilities are allowed, and EKM must be treated like every other Distribution utility in  
6 Kentucky.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes.

# ATTACHMENT SS-1

Kentucky Frontier Gas has reviewed the June 30 report by Sander Resources in this case, styled “Regulatory Status of East Kentucky Midstream, LLC (EKM) Pipeline System”.

From pg 8, “the *primary purpose of this review* was to determine the type of pipeline segments or sub-systems operated by EKM and the regulatory requirements applicable”.

The study is very thorough in evaluating the EKM system formerly operated by Jefferson Gas, with a section-by-section analysis of operating practices, pressures and gas flows.

Frontier employees are very familiar with the west half of the EKM system that supplies gas to Frontier systems and rural customers. These 1600 customers were part of the former Public Gas that Frontier acquired in December 2015. When the Jefferson was up for sale in 2020, Frontier evaluated each sub-system in detail, and again when EKM lobbied for Frontier to operate the system for EKM. The Sander analysis is generally in close agreement with Frontier’s assessment of the parts of EKM that affect Frontier.

From our operations and observations and investigations over 15 years, the section of EKM that supplies former Public Gas is simply a DOT-jurisdictional Distribution system, with a few local producers supplying a modest portion of the gas. In the winter, EKM is simply distributing FERC-regulated gas to small utilities that are inarguably DOT-jurisdictional, and mostly rate- regulated by PSC. EKM / Jefferson has always claimed Gathering status and faced very little scrutiny over safety or rates.

There are some points of the study that affect Frontier that need further clarification. These “pipelines and sub-systems are complex” (pg 1) and there are micro-details that the casual reader or even a technical reporter cannot know. Frontier hereby comments on pertinent sections. (Page numbers from Sander report.)

- 1) On page 2, Sander has divided EKM into 26 separate sub-systems; 3 of which are part of Kentucky Frontier, with 6 other sections that are somehow in dispute. Neither the Delta system at Frenchburg or the West Liberty municipal system were included as sub- systems;
- 2) (Pg 2) The EKM system is now estimated at 381 miles of pipe, vs the 256 miles of mainline as previously disclosed in detailed maps and documents. Frontier’s systems



and customers are substantially served by about 108 miles of the mainlines KZ-W, C, and A1-A2;

- 3) (Pg 2) “The System includes... 1931 meters owned and maintained as follows... EKM with 325 meters... KFG with 1076 customer meters and 530 farm tap meters”. This statement oddly implies that Frontier meters are somehow part of EKM, where they are decidedly not. By extension, this statement does not include several hundred meters ultimately supplied by EKM on the Delta system at Frenchburg, or the West Liberty municipal gas utility that in turn serves the state prison.
- 4) (Pg 5) **North to South Gas Delivery** section describes gas supply from the North system, the KZ-E line with FERC gas off Columbia into Hazel Green compressor then to lines A-1 and A-2 and Jackson (C-line, see 7 below). These segments supply nearly 100% of Frontier / Public customers. “In this scenario, transmission or distribution continues throughout the sub-system regardless of whether additional production is tied in”. This N-S flow path accounts for the vast majority of flow days and MCFs of gas supply to Frontier customers.
- 5) (Pg 6) **South to North Gas Delivery** section describes gas supply to lines A-1 and A-2 and Jackson (C-line), in the few weeks per year where the waning local production might exceed local sales to customer meters. In this case, 7 segments could flow the other way (bi-directional) and be considered Gathering lines. Again, as stated above, this S-N flow path is a vast *minority* of days and MCFs of supply to Frontier.
- 6) (Pg 6-7) **Transmission or Distribution** section describes the PHMSA criteria for discerning the two classes, which have different DOT compliance criteria. Without knowing the pipe specs, this cannot be determined precisely. But 20% of SMYS for most 4-6-inch steel pipe is 4-500 psi or more, which is several times the highest EKM operating pressure. All of EKM operates at Distribution pressure.
- 7) (Pg 7) In the 2023 PHMSA annual report filed by EKM, “the company reported 29 miles of transmission pipeline” but Sander was not informed for which segment. In our investigations to purchase Jefferson Gas, and later when asked to operate the system for EKM, their company representatives told Frontier that the C-line was reported as Transmission pipeline on DOT annual reports. See maps pg 17 and 19. The C-line was acquired from Capitol Oil, and runs 28.5 miles from (former) Ezel Compressor off the KZ- E line, to the former Frozen Compressor (now Troublesome Creek) outside of Jackson. The Sander report pg 19 labels the southern half of C-1 as the “Jackson Line”. Also, the “Jackson Loop East” (pg 37) includes C-1 down to the Troublesome Creek compressor. In past annual reports to DOT, Jefferson also included as Transmission the 15-mile A-5

segment into Catlettsburg KY refinery (fr Ashland Oil), for a total of 44 miles of Transmission lines. For years, Jefferson & EKM have reported the entire C-line as Transmission to DOT, so the bi-directional, Undetermined “sometimes, maybe Gathering” argument is moot.

- 8) Starting at pg 11 is a series of excellent graphical exhibits for sub-systems and specific line segments, with data tables and descriptions. The following comments pertain to those segments that significantly affect Frontier, and for which Frontier filed a confidential request for the un-redacted original maps.
  - a. (Pg 17) C-line can be bidirectional, see comments above. If it flows north of Hazel Green compressor, as it could in the past with much more local production toward delivery to Columbia at Means, the status is marked Undetermined. Frontier believes this now happens essentially 0% of flow days per year.
  - b. (Pg 23) The system labeled “Campton NW” is what Frontier considers the Pine Ridge and Quillens Chapel system, that Frontier has operated since Dec15. A few pages later (pg 25), “Pine Ridge” is mentioned again. This map shows Frontier meters west of the Parkway along Hwy 715. The orange section says Pine Ridge, but this is the Rogers place name on most maps. The orange section is connected to the purple section “Campton NW”, but is run by Frontier as the single, continuous Pine Ridge system, fed from one EKM master meter. But Pine Ridge II (pg 25) is marked as Disputed on this page, which was surprise news to Frontier. The issue of ownership of the Pine Ridge system through to Rogers has never been raised in 9 years as Frontier.

Actual dispute, somewhat related: The EKM master meter (MM) that supplies Pine Ridge, and a second EKM MM to the Campton SE system (pg 24), are located on an old Ashland Oil pump station site along A-1 (all “A” lines were acquired from Ashland). The owner of the surrounding property has been in a legal scuffle with EKM over its expired lease for the 100x100 ft site. Jefferson now EKM has several runs of pipe, 2 meters, a canopy and a building, where Frontier only has a pipe riser out to each of its distribution pipelines. EKM has tried to assert that Frontier somehow owns this site and lease, which we’d never known existed until 2023.

- c. (Pg 26) High Falls system is marked as Disputed. We had to search the maps for this one, when nobody at Frontier has ever heard of High Falls. Bear Pen Hallow (pg 27) is southwest of Campton on Hwy 15. Public / Frontier was assigned several dozen farm taps off Jefferson in this Bear Pen area. There is no Master

Meter off EKM, nor any distribution lines shown-described-mapped-given to Frontier. No dispute over Bear Pen has been raised in 10 years.

- d. (Pg 28) Cliftview (sp) is a relatively new development along Cliff View Rd, west of Campton near the Red River Gorge. Frontier operates the Cliffview distribution system with about 60 meters, fed from an EKM master meter off line A-1. Frontier has the Pine Ridge – Rogers system along Hwy 715 on the road to Cliffview, but the systems are not connected. No dispute over Cliffview has been raised in 10 years.

The Sander report does not discuss the entire A-1 line on sub-system pages. Group 3 – Southwest (pg 20) shows the A-1 line from Hazel Green southwest. The first section to Campton is discussed as Trent/ A-1 and supplying Campton NW and SE (pg 21-24). Segments further west are shown but not discussed on High Falls, Bear Pen and Cliffview (pgs 26-28). If the Dispute is over the ownership of line A-1 past Campton, this hasn't been raised in 10 years.

- e. (Pg 36) Simpson is marked Disputed, same story as High Falls, nobody at Frontier knows this place name. Frontier was assigned about 20 farm taps near Van Cleve and along Hwy 2055 that runs 5 miles to Simpson. EKM also has farm taps interspersed along the same road. There is no Master Meter off EKM, nor any distribution line shown-described-mapped-given to Frontier. A small pod of meters of both entities was affected by a creek washing out the EKM pipeline, and EKM asked for (and got) Frontier's help to restore the line.
- f. (Pg 41) Jackson Wolverine map and data page are misleading. The page describes supply to this area from 2 master meters off the Jackson Loop lines East and West. The light purple shading covers the entire Jackson city system operated by Frontier, shown in blue lines with orange dots for meters. Jackson system receives gas from EKM at the Loop master meter from the northwest, and at Panbowl MM from the northeast. Wolverine is in the far northwest corner of this purple shaded area, outside of Jackson and west of the Kentucky River. The section with red dots for meters is apparently "partially Disputed". Frontier has 30 farm taps around Wolverine, across the river from the Loop meter, which is the end of the West Loop (pg 40). None of this West Loop, the blue line through Wolverine and across the river to the Loop meter, were conveyed to Frontier or ever discussed in 10 years.
- g. The SW Elkatawa area (pg 42) is also Disputed, and again, Frontier has nobody familiar with that place name and had to look it up. Elkatawa is 1-4 miles west of

the Kentucky River along Hwy 30 and Hwy 52, with another 30 Frontier farm taps. The Sander map shows a connection to the West Loop near Wolverine. There is no master meter to Elkatawa, and no lines conveyed to Frontier in Dec15 or ever discussed in 10 years.

These Disputed distribution sections were a complete surprise to Frontier, with several place names we had never heard of. Nobody at Jefferson or EKM had raised these disputes in 10+ years of diligence and operating, and nobody from Sander asked Frontier about any disputes.

When Public Gas was split and sold by the Jefferson Gas owners ca 2011, the operations manager made a determination of which systems and customers went where. The distribution pipeline systems serving Jackson, Campton, Pine Ridge, Cliffview, Hazel Green and 5 tiny settlements were allotted to Public Gas, each with a master meter to define custody transfer of the gas supply.

For farm taps outside these systems, the divining criteria was portrayed to Frontier as something like, “we got first choice”, so the schools and big commercials stayed mostly with Jefferson, and the little remote ones went to Public. In Dec15, Frontier purchased the assets of Public Gas and got unambiguous maps of the master metered systems, many on GIS, and a database of farm tap accounts-locations-addresses-records.

Some of the same Jefferson operations people are still at EKM, and the Disputed sections are newly-revised history. The Disputed distribution lines were never shown-described-waved hands-mapped-given-conveyed to Frontier, either for the Dec15 transaction or in 9 years of constant contact, since. The “Dispute” appears to be wishful thinking by EKM that Frontier would now accept ownership of previously undisclosed pipelines of unknown condition or location, that supply Frontier farm taps.

EKM filed comments into the record of this proceeding on July 22, 2024 indicating that all master meters delivering gas from its system to Kentucky Frontier (and presumed Delta and West Liberty) are the property and responsibility of the entity receiving gas. This would seem to be unique for a distribution company, to place its revenue source in the hands of those paying the revenue. Frontier is about half of the EKM load, mostly through master meters in 9 locations. Frontier has never been asked or allowed by Jefferson or EKM to work on, prove or replace any of these master meters.

The Sander report cautiously hedges that the bi-directional lines are Indeterminate and could go either way. For most flow days, these are Distribution lines for Columbia FERC gas; but could be Gathering lines during low sales in summer, when local production is enough to keep pilot lights.

By the same logic, Kentucky Frontier’s systems have many local producers, and for over half the year, at least 3/4 of Frontier *would be non-jurisdictional to PSC*. Nobody believes that is true, or workable.

## Conclusion

All the 108 miles of EKM pipelines that supply the systems or rural customers of Frontier, West Liberty and Delta Frenchburg have been adjudged by this consultant to be PHMSA-PSC-jurisdictional, Distribution systems. If there was substantial local production, short segments could flow the other way for part of the year and be Undetermined. Some specific segments have possible elements of Gathering lines, if EKM did further homework. But most of that local production is now gone.

For the vast majority of days and MCF per year, EKM Jefferson is a large and complex PHMSA- PSC jurisdictional Distribution system that is simply distributing FERC-regulated gas from TCEC Columbia, to regulated utilities.

Clearly, the Kentucky PSC has jurisdiction over *pipeline safety* on PHMSA-defined Distribution pipelines operated by EKM. On those segments that supply Frontier etal (specifically the mainlines KZ-W, KZ-E, C-line, A1-A2 and Jackson Loops), the Commission should also assert *rate regulatory jurisdiction* over EKM. The present margins of \$7.00 per mcf and 100% return on investment have never been justified, far higher than the regulated utilities are allowed, and EKM must be treated like every other Distribution utility in Kentucky.