

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

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**REBUTTAL TESTIMONY OF**

**STEVEN SHUTE**

**ON BEHALF OF KENTUCKY FRONTIER GAS, LLC**

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JANUARY 23, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

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VERIFICATION OF STEVEN SHUTE

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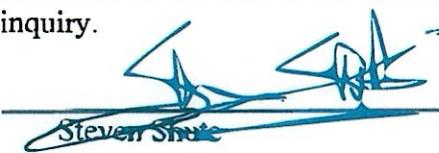
COMMONWEALTH OF KENTUCKY )

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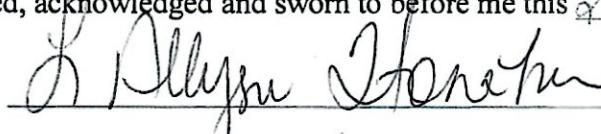
COUNTY OF FAYETTE )

)

Steve Shute, Sole Member of Kentucky Frontier Gas, LLC, being duly sworn, states that he supervised the preparation of 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.

  
Steven Shute

The foregoing Verification was signed, acknowledged and sworn to before me this 23<sup>rd</sup> day of January, 2026 by Steven Shute.

  
Leigh Allyson Preece Honaker  
Notary Commission No. KYNP76787

Commission expiration: 8/2/2027



## I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND  
3 OCCUPATION.

4 A. My name is Steven Shute. My business address is 2963 Kentucky Route 321 North  
5 in Prestonsburg KY 41653. I am a natural gas utility and pipeline engineer and run  
6 several rural gas utilities.

7 Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL  
8 EXPERIENCE.

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

16 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR DUTIES AT  
17 KENTUCKY FRONTIER.

18 A. I was one of 3 co-founders of Frontier in 2005. The other 2 partners retired and I  
19 am now the sole member and owner. I serve as Managing Member of Kentucky  
20 Frontier Gas, LLC (“Kentucky Frontier”) with oversight over all financial and  
21 operational and occupational matters.

22 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY  
23 PUBLIC SERVICE COMMISSION?

1     A.    Yes. Kentucky Frontier put together a dozen small gas utilities to form a single  
2       brand with about 5,000 customers. Kentucky Frontier filed its initial purchase Case  
3       2005-00348 and finance Case 2008-00394 to join several struggling gas utilities in  
4       Eastern Kentucky. Kentucky Frontier acquired Auxier Gas with Case 2009-00442  
5       and various assets from Interstate Gas in Case 2010-00076, then consolidated rates  
6       among all Kentucky Frontier utilities in Case 2011-00443. Separate Farm Tap rates  
7       were set in Case No. 2011-00513 for farm taps acquired in the initial purchases.  
8       Kentucky Frontier acquired the assets of Public Gas in Case 2015-00299, then again  
9       consolidated rates among all Kentucky Frontier entities in Case 2017-00263. In  
10      each of these cases, I was the LLC member most familiar with utility & rate  
11      regulation, and prepared or approved most of the filing documentation, exhibits and  
12      testimony.

13    **Q. DID YOU SPONSOR RESPONSES TO DATA REQUESTS IN THIS  
14       PROCEEDING?**

15    A.    Yes, I provided responses to three sets of data requests propounded by the  
16       Commission Staff and two sets of data requests propounded by the Attorney  
17       General (“AG”).

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

20    A.    The purpose of my testimony is to respond to issues raised in direct testimony and  
21       responses to data requests filed on behalf of the AG by John Defever.

22    **Q. WHAT IS YOUR UNDERSTANDING OF MR. DEFEVER’S TESTIMONY  
23       REGARDING PAYROLL FOR KENTUCKY FRONTIER EMPLOYEES?**

1     A.    Mr. Defever completely disallows any increase in salaries for Kentucky Frontier  
2           employees stating Kentucky Frontier has not offered evidence to support the wage  
3           increases and believes that Kentucky Frontier can get by without offering raises to  
4           any of its employees for the next 4-5 years.

5     **Q.    WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S  
6           PROPOSEAL TO DISALLOW SALARY INCREASES?**

7     A.    Employers must pay fair wages to keep good employees. Mr. Defever references a  
8           response to a data request that asked, "what information did the Company utilize to  
9           determine the employee hourly rate increases it is requesting." As cited in responses  
10           to the Attorney General's requests No.s 26 and 27, Kentucky Frontier referred to  
11           current wage information that was provided in a confidential conversation with a  
12           larger Kentucky gas utility company (the "Gas Company"). The specific details  
13           were given to Kentucky Frontier in strict confidentiality. There are no work papers  
14           or documentation that can be provided from that confidential conversation other  
15           than the comparison of Gas Company with the Staff DR1-9 spreadsheet. However,  
16           the key takeaways are as follows:

17           • Office worker salaries are very similar; the disparity lies with field Gas  
18           Technicians;

19           • Gas Technician wages were 35% higher at Gas Company for workers with the same  
20           qualifications;

21           • Gas Company's starting wages are about \$24/hour; whereas, Kentucky Frontier's  
22           starting wages are about \$18-19/hour;

23           • Gas Company's Gas Technicians with five years of experience are making about

1                   \$30/hour and the average of all Gas Technicians is about \$28/hour; whereas,  
2                   Kentucky Frontier's Gas Technicians with five years of experience are making  
3                   about \$21.33 and the average of all Gas Technicians is about \$20.10/hour (see Staff  
4                   DR1-9 spreadsheet for 2024);

5                   • Operations supervisor jobs were also about 35% higher at Gas Company compared  
6                   to Kentucky Frontier.

7                   In addition, Kentucky Frontier does not have access to any confidential information  
8                   that is filed by other gas utilities. To reinforce the pressing need for the proposed  
9                   salary increases, Kentucky Frontier reviewed publicly available wage information  
10                  provided by two large gas utilities that was filed in recent general rate cases before  
11                  the Commission:

12                  ○ *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment  
13                   of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; and  
14                   Other Relief*, Case No. 2024-00092; and

15                  ○ *Electronic Application of Duke Energy Kentucky, Inc. for 1) an Adjustment  
16                   of the Natural Gas Rates; 2) Approval of New Tariffs; and 3) All Other  
17                   Required Approvals, Waivers, and Relief*, Case No. 2025-00125.

18                  In Case No. 2024-00092, *Columbia Gas* provided a copy of its union contract  
19                  showing that personnel of similar status as Kentucky Frontier employees, such as  
20                  Customer Service A-B, General utility A-B, Leakage Inspector A-B, and Meter  
21                  Readers are making wages from \$39.40 to \$43.26 per hour.

22                  Similarly, Duke Energy Kentucky provided a copy of its union contract showing  
23                  employee wages through 2020 showing expected increases through 2025. The

1 charts show Construction Assistants, Service Mechanics A0B, and Gas System  
2 Operations Mechanics I-II-III from Levels 5-7 making \$29.33 to \$31.32 in May of  
3 2020 and predicted to escalate by 3.5% in 2022-2025. Assuming those employees  
4 received the same increase in 2021 and the forecasted 4% increase in 2025, their  
5 wages would increase as follows:

|        |          |          |      |
|--------|----------|----------|------|
| May-20 | \$ 29.33 | \$ 31.32 |      |
| May-21 | \$ 30.36 | \$ 32.42 | 3.5% |
| May-22 | \$ 31.42 | \$ 33.55 | 3.5% |
| May-23 | \$ 32.52 | \$ 34.73 | 3.5% |
| May-24 | \$ 33.66 | \$ 35.94 | 3.5% |
| May-25 | \$ 35.00 | \$ 37.38 | 4%   |
| Nov-25 | \$ 35.70 | \$ 38.13 | 2%   |

7 Kentucky Frontier proposes the wages shown in Staff DR1-9 spreadsheet for  
8 Calendar Year 2026.. Kentucky Frontier Gas Technicians would start at \$22/hour  
9 and Gas Technicians with five years of experience would be at \$28.00/hour with  
10 the average of all Gas Technicians being about \$25.50/hour. These hourly rates will  
11 still be far below the large regional companies in wages, but will allow Kentucky  
12 Frontier to be able to at least compete to recruit and retain valued employees.

13 Kentucky Frontier found that, although wages in eastern Kentucky are generally  
14 low, and poverty rates are high, this does not typically apply to skilled gas workers.  
15 Kentucky Frontier's workers making mid-\$30s for annual wages have discovered  
16 that other gas companies also pay in the mid-\$30s, but that is *hourly* wages, which  
17 is twice as much as Kentucky Frontier can currently afford to pay.

18 Kentucky Frontier is compelled to raise salaries and income in order to stay  
19 competitive in the market. Kentucky Frontier can no longer afford to train its Gas  
20 Technicians and then have them leave to receive a higher hourly wage with another

1 company, which has occurred. To that end, effective in the first pay period in  
2 January 2026, Kentucky Frontier raised overall wages by approximately 13%. The  
3 interim wages are shown on the attached Staff DR1-9 Revised spreadsheet. Under  
4 these interim wages, a worker with five years of experience will be making  
5 \$24.75/hour and Gas Technicians will start at \$22/hour, which is still quite lower  
6 than the other gas utilities in Kentucky that Kentucky Frontier has been able to  
7 obtain wage information for.

8 The as-filed SAO-G form is correct as to proposed wages. When the current ARF  
9 case is resolved, if the approved revenue requirement is close to the level proposed  
10 by Kentucky Frontier, then the company will raise wages to the 2026 level in the  
11 DR1-9 file. If the wages are cut in line with the Attorney General's  
12 recommendation, then Kentucky Frontier will be at risk of losing more trained  
13 workers to competitors willing to pay higher hourly rates. Without significant wage  
14 increases, Kentucky Frontier will have to continue to hire unexperienced workers,  
15 train them, and then lose them to competitors able to pay higher hourly wages.

16 **Q. WHAT IS YOUR UNDERSTANDING OF MR. DEFEVER'S TESTIMONY  
17 REGARDING DONATIONS?**

18 A. Mr. Defever disallows the recovery of \$1,279 in donations.

19 **Q. WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S  
20 PROPOSAL TO DISALLOW DONATIONS?**

21 A. Kentucky Frontier collects four million dollars per year from customers and sees  
22 these minimal donations as a gesture of appreciation and goodwill back into the  
23 communities it serves. Kentucky Frontier believes it is appropriate to include these

1                   donations in the revenue requirement since this is for the benefit of the customers  
2                   and their communities. However, Kentucky Frontier is aware that the Commission  
3                   has disallowed donations in prior cases and accepts Mr. Defever's recommendation  
4                   on this issue.

5   **Q.   WHAT IS YOUR UNDERSTANDING OF MR. DEFEVER'S TESTIMONY  
6                   REGARDING COMPANY PARTIES AND GIFTS?**

7   A.   Mr. Defever disallowed the entire amount of \$5,415, stating such expenses are not  
8                   necessary for the provision of utility service and provide little to no benefit to  
9                   ratepayers.

10   **Q.   WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S  
11                   ADJUSTMENT?**

12   A.   Mr. Defever listed \$5,415 for various employee gatherings for the 4<sup>th</sup> of July,  
13                   Thanksgiving, and Christmas. This included \$2,739 in gift cards given to  
14                   employees that will be re-characterized elsewhere as a taxable employee benefit,  
15                   and thus not a "gift". Most of the other expenses are accurately and legitimately  
16                   characterized as meals. At about 0.3% of payroll and benefits, these employee  
17                   gatherings help improve morale at minimal costs. Employee morale is important  
18                   to any company, and it seems that if employee morale is high, the employees will  
19                   be loyal to the company and will also work harder and accomplish more in the time  
20                   they are at work. This is beneficial to the employer, the employee, and the  
21                   customers. However, Kentucky Frontier is aware that the Commission has  
22                   disallowed these types of meals for employees and accepts Mr. Defever's  
23                   recommendation on this issue. This expense is reduced by \$2,676 for events.

1   **Q.   WHAT IS YOUR UNDERSTANDING OF MR. DEFEVER'S TESTIMONY**  
2                   **REGARDING LEGAL EXPENSES?**

3   A.   Mr. Defever recommends disallowing \$9,300 of legal fees related to the dispute  
4                   with gas supplier, EKM.

5   **Q.   WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S**  
6                   **ADJUSTMENT?**

7   A.   Frontier spent five years fighting the unfair charges propounded by EKM which  
8                   adversely impact Kentucky Frontier's customers. Although this gas cost has no  
9                   impact on Kentucky Frontier's financial performance, any regulation of EKM  
10                  charges will create a benefit to Kentucky Frontier's customers because EKM will  
11                  no longer have an unregulated monopoly over the gas it supplies to Kentucky  
12                  Frontier; will no longer have free reign over the price it charges to Kentucky  
13                  Frontier; and Kentucky Frontier's customers will reap the benefits. Kentucky  
14                  Frontier would not be opposed to including this in its GCA filings if the  
15                  Commission believes that is what Kentucky Frontier should do.

16   **Q.   WHAT IS YOUR UNDERSTANDING OF MR. DEFEVER'S TESTIMONY**  
17                   **REGARDING GAINS ON ASSET SALES?**

18   A.   Mr. Defever recommended using a five-year average from the years 2020-2024  
19                  which increases income by \$17,505.

20   **Q.   WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S**  
21                   **TESTIMONY REGARDING GAINS ON ASSET SALES?**

22   A.   Kentucky Frontier Will stipulate to \$10,000 in annual capital gains. Frontier  
23                  typically retires one truck per year at 180,000 miles or more, at about \$10,000 in

1           salvage value.

2           The annual figures given by the OAG witness were inflated and must be  
3           adjusted. These included one-time events such as sales in 2021 of 3 trucks,  
4           including a Nissan and an oversized F-350 truck carried over from the Public Gas  
5           acquisition. In 2022-23 there were one-time sales of an old trailer and spare radio  
6           meter readers pulled off retired farm taps. The 2023 truck sale was a Toyota sold  
7           at FMV to the owner with 100,000 miles, which was newer with more value than  
8           normal. The 2024 gain was for selling two trucks, one of them near end of year  
9           ahead of schedule for 2025, when there was otherwise zero capital gain.

| Gain on Asset Sale / Disposition |            |             |           |                  |
|----------------------------------|------------|-------------|-----------|------------------|
| 2022                             | 2023       | 2024        | 2025      | Average          |
| \$ 14,154                        | \$ 16,445  | \$ 23,907   | \$ -      |                  |
| \$ (4,154)                       | \$ (5,500) | \$ (12,407) | \$ 12,407 |                  |
| \$ 10,000                        | \$ 10,945  | \$ 11,500   | \$ 12,407 | <b>\$ 11,213</b> |

10           *Itron readers retired, one-time sale*

11           *Old trailer retired, one-time sale*

12           *Truck sold at 100k mi, earlier than usual*

13           *2nd truck sold early for 2025*

14           With these adjustments, the average capital gain for the last four years 2022-  
15           25 was \$11,213. This is considered more representative than the OAG figure of  
16           \$17,505 unadjusted gains in 2020-2024. Frontier will stipulate to the equivalent of  
17           one old fully-depreciated truck, or \$10,000 per year. This change is accounted for  
18           in Kentucky Frontier's updated Revenue Requirement as attached to this rebuttal  
19           testimony.

17   **Q.   WHAT IS YOUR UNDERSTANDING OF MR. DEFEVER'S TESTIMONY  
18   REGARDING INSURANCE COSTS?**

19   A.   Mr. Defever reduced \$10,000 of the property insurance expense.

1   **Q.   WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S**  
2   **PROPOSAL REGARDING INSURANCE COSTS?**

3   A.   Mr. Defever's testimony recommended disallowing the as-filed *estimate* of a  
4   \$10,000 increase. However, Mr. Defever neglected to address the updated cost  
5   described in Kentucky Frontier's response to the Attorney General's Second  
6   Request for Information Item No. 4. Information provided in that response  
7   included *actual* quotes Kentucky Frontier received for 4 of the 5 components of  
8   that insurance. These quotes amounted to a \$37,000 increase. After Kentucky  
9   Frontier filed its responses to the AG's Second Request for Information, it received  
10   the actual quote for the final component of the insurance. The final contractual  
11   amount brings the overall increase to \$42,917 that Frontier has started paying, and  
12   is shown on the revised SAO-G analysis. Mr. Defever's adjustment was based on  
13   the increase being merely an estimate because no quotes were available at the time  
14   of filing the application. Kentucky Frontier has now provided the final contractual  
15   costs, and Mr. Defever's adjustment should be rejected and the increase should be  
16   allowed in its entirety.

17   **Q.   DID MR. DEFEVER MAKE AN ADJUSTMENT FOR PENALTY**  
18   **EXPENSES?**

19   A.   Yes.

20   **Q.   WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S**  
21   **ADJUSTMENT FOR PENALTY EXPENSES?**

22   A.   Kentucky Frontier agrees with this adjustment. In the preparation of the pro forma  
23   for filing, Kentucky Frontier did not investigate the penalty expense. This was for

1 a tax return error and should not continue. Kentucky Frontier has made this update  
2 in its attached Rebuttal revenue requirement.

3 **Q. DID MR. DEFEVER MAKE AN ADJUSTMENT FOR INCOME TAXES?**

4 A. No. Mr. Defever explained that typically, reducing expenses has an impact on  
5 income taxes and he would make a corresponding adjustment. However, as  
6 Kentucky Frontier did not adjust its test year income taxes for its pro forma  
7 adjustments, he did not make a corresponding adjustment to income tax expense.

8 **Q. WHAT IS YOUR RECOMMENDATION REGARDING MR. DEFEVER'S  
9 TESTIMONY REGARDING INCOME TAXES?**

10 A. Based on Mr. Defever's testimony, along with other modifications to the SAO-G  
11 form, Kentucky Frontier has revised income taxes to the value calculated in the  
12 form and not the amount paid by Auxier for a portion of the 2024 income. This is  
13 captured in the exhibit attached and is Kentucky Frontier's rebuttal position.

14 **Q. BASED ON MR. DEFEVER'S TESTIMONY, HAS KENTUCKY  
15 FRONTIER MADE ADJUSTMENTS THAT AFFECT THE REVENUE  
16 REQUIREMENT, THE PROPOSED RATES, AND OTHER ITEMS?**

17 A. Yes. Based on the acceptance of several of Mr. Defever's proposed adjustments,  
18 the error Mr. Defever points out related to income taxes, and the actual quotes  
19 received from the insurance companies, Kentucky Frontier has revised the attached  
20 exhibits to reflect its rebuttal position in this proceeding.

21 **Q. HOW DO THESE ADJUSTMENTS MADE IN KENTUCKY FRONTIER'S  
22 REBUTTAL EXHIBITS AFFECT THE RATES PROPOSED BY  
23 KENTUCKY FRONTIER IN THIS PROCEEDING?**

1     A.    The proposed monthly customer charges will remain the same. The revenue  
2            adjustments increase the proposed volumetric rates by 2.3¢ per CCF for Residential  
3            and Commercial customers, and 2.9¢ per CCF for 2 Large Commercial customers.

4     **Q.    ARE YOU SPONSORING ANY ATTACHMENTS TO THIS REBUTTAL  
5            TESTIMONY?**

6     A.    Yes. I am sponsoring the following rebuttal attachments:

- 7            •    Support for wages / labor work papers
- 8            •    Rebuttal SAO-G
- 9            •    Rebuttal RR-OR
- 10           •    Rebuttal Cost-of-Service Study (“COSS”)
- 11           •    Rebuttal BA-DB Revenue Table (2 Proposed rate tabs only)

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

13    A.    Yes, it does.

**SCHEDULE 4****December 2024 Rates**

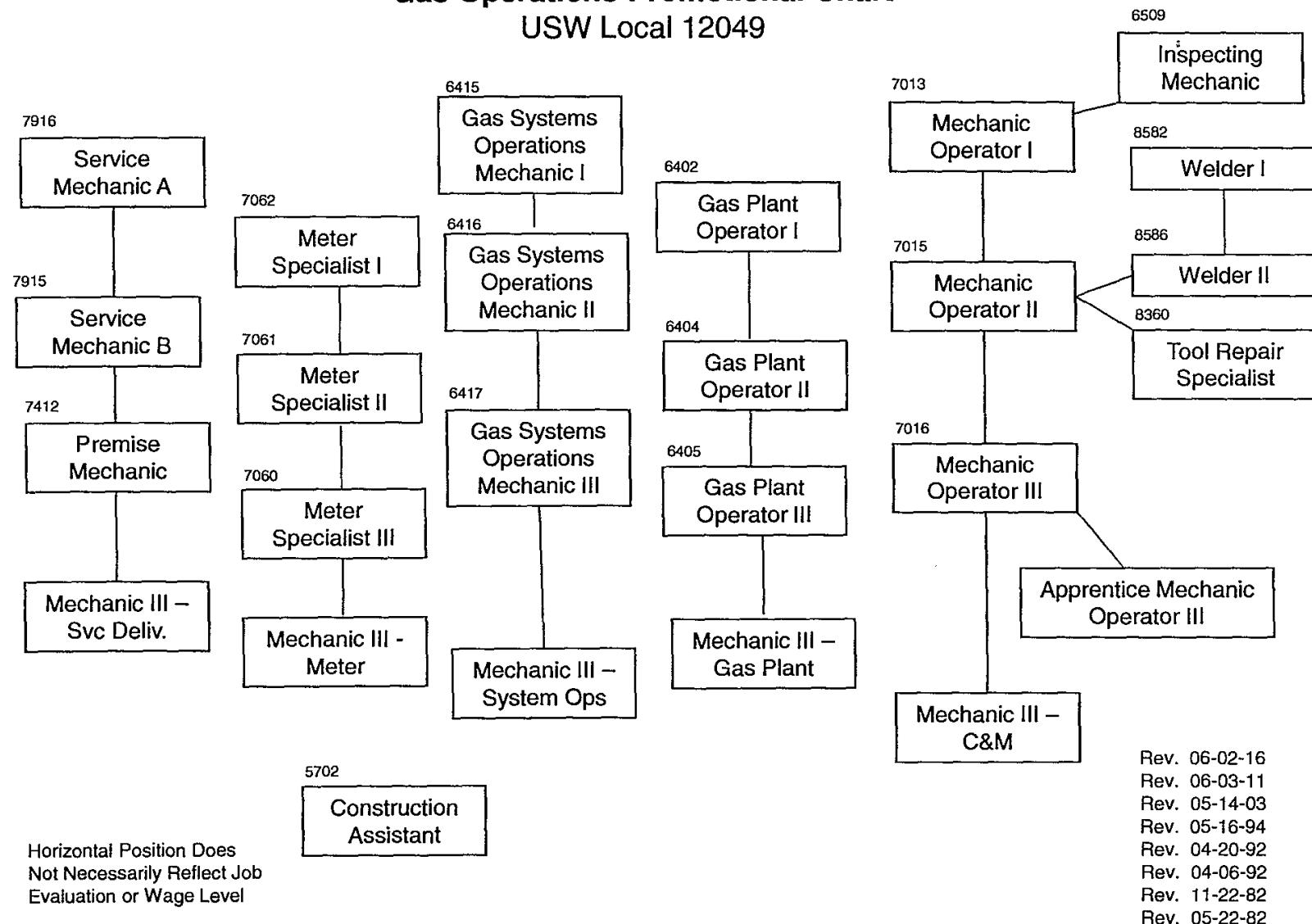
| <b>Job Classification</b>     | <b>Step 1</b> | <b>Step 2</b> | <b>Step 3</b> | <b>Step 4</b> |
|-------------------------------|---------------|---------------|---------------|---------------|
| Building Maintenance Operator | 40.89         | 41.27         | 41.81         |               |
| Construction Coordinator      | 42.89         | 43.47         | 44.69         |               |
| Construct-Regulator Operator  | 43.01         | 43.60         | 45.13         |               |
| Customer Service A            | 41.23         | 41.67         | 42.20         |               |
| Customer Service B            | 39.73         | 39.90         | 40.40         |               |
| Customer Service Sr           | 44.87         | 45.45         | 47.12         |               |
| Dispatcher A                  | 39.96         | 40.12         | 40.63         |               |
| General Utility A             | 42.63         | 43.21         | 43.64         |               |
| General Utility B             | 39.73         | 39.90         | 40.40         |               |
| Heavy Equip Operator          | 40.88         | 41.27         | 41.81         |               |
| Leakage Inspector A           | 40.09         | 40.27         | 40.74         |               |
| Leakage Inspector B           | 38.45         | 38.58         | 38.98         |               |
| M&R Tech 1                    | 44.90         | 45.44         | 47.13         |               |
| M&R Tech 2                    | 42.87         | 43.42         | 43.86         |               |
| M&R Tech Sr                   | 47.11         | 47.65         | 49.40         |               |
| Measure Regulator Inspect B   | 39.73         | 39.90         | 40.40         |               |
| Meter Reader                  | 38.44         | 38.57         | 38.99         |               |
| Meter Reader*                 | 33.75         | 35.52         | 37.23         |               |
| Plant/Service Combination     | 42.82         | 43.44         | 44.68         |               |
| Plant/Service Combination Sr  | 44.87         | 45.45         | 47.12         |               |
| Regulator Inspector A         | 42.74         | 43.29         | 43.75         |               |
| Regulator Inspector AA        | 44.41         | 45.00         | 45.49         |               |
| Street Service A              | 41.14         | 41.37         | 41.85         |               |
| Truck Driver                  | 38.44         | 38.57         | 38.98         |               |
| Truck Driver Heavy            | 39.73         | 39.90         | 40.40         |               |
| Utility A                     | 28.54         | 28.74         | 29.31         | 29.88         |
| Utility B                     | 26.89         | 27.11         |               |               |
| Utility Clerk                 | 32.51         | 33.15         | 33.80         |               |
| Utility Representative        | 37.40         | 37.73         | 37.92         |               |
| Utility Specialist            | 27.55         | 28.28         | 28.55         | 28.75         |
| Warehouseman                  | 38.45         | 38.60         | 38.99         |               |
| Welder A                      | 40.89         | 41.27         | 41.81         |               |
| Welder AA                     | 42.63         | 43.21         | 43.64         |               |
| Welder AAA                    | 44.90         | 45.45         | 47.13         |               |
| Welder B                      | 39.73         | 39.90         | 40.40         |               |

SCHEDULE 5

December 2025 Rates

| <b>Job Classification</b>     | <b>Step 1</b> | <b>Step 2</b> | <b>Step 3</b> | <b>Step 4</b> |
|-------------------------------|---------------|---------------|---------------|---------------|
| Building Maintenance Operator | 41.91         | 42.30         | 42.85         |               |
| Construction Coordinator      | 43.96         | 44.56         | 45.81         |               |
| Construct-Regulator Operator  | 44.08         | 44.69         | 46.26         |               |
| Customer Service A            | 42.26         | 42.71         | 43.26         |               |
| Customer Service B            | 40.72         | 40.89         | 41.41         |               |
| Customer Service Sr           | 45.99         | 46.58         | 48.30         |               |
| Dispatcher A                  | 40.96         | 41.13         | 41.64         |               |
| General Utility A             | 43.69         | 44.29         | 44.73         |               |
| General Utility B             | 40.72         | 40.89         | 41.41         |               |
| Heavy Equip Operator          | 41.90         | 42.30         | 42.85         |               |
| Leakage Inspector A           | 41.09         | 41.27         | 41.76         |               |
| Leakage Inspector B           | 39.41         | 39.55         | 39.95         |               |
| M&R Tech 1                    | 46.02         | 46.57         | 48.31         |               |
| M&R Tech 2                    | 43.94         | 44.51         | 44.96         |               |
| M&R Tech Sr                   | 48.29         | 48.85         | 50.64         |               |
| Measure Regulator Inspect B   | 40.72         | 40.89         | 41.41         |               |
| Meter Reader                  | 39.40         | 39.54         | 39.96         |               |
| Meter Reader*                 | 34.60         | 36.41         | 38.16         |               |
| Plant/Service Combination     | 43.89         | 44.52         | 45.80         |               |
| Plant/Service Combination Sr  | 45.99         | 46.58         | 48.30         |               |
| Regulator Inspector A         | 43.80         | 44.38         | 44.85         |               |
| Regulator Inspector AA        | 45.52         | 46.12         | 46.63         |               |
| Street Service A              | 42.17         | 42.40         | 42.90         |               |
| Truck Driver                  | 39.40         | 39.54         | 39.95         |               |
| Truck Driver Heavy            | 40.72         | 40.89         | 41.41         |               |
| Utility A                     | 29.26         | 29.46         | 30.04         | 30.62         |
| Utility B                     | 27.56         | 27.79         |               |               |
| Utility Clerk                 | 33.32         | 33.98         | 34.64         |               |
| Utility Representative        | 38.34         | 38.68         | 38.87         |               |
| Utility Specialist            | 28.24         | 28.99         | 29.27         | 29.47         |
| Warehouseman                  | 39.41         | 39.56         | 39.96         |               |
| Welder A                      | 41.91         | 42.30         | 42.85         |               |
| Welder AA                     | 43.69         | 44.29         | 44.73         |               |
| Welder AAA                    | 46.02         | 46.58         | 48.31         |               |
| Welder B                      | 40.72         | 40.89         | 41.41         |               |

**Gas Operations Promotional Chart**  
 USW Local 12049



work stoppage, slowdown, picketing or interference referred to, reinstate this section of the Contract, which section, if reinstated will, from and after the date of reinstatement, be of the same validity, force and effect as if it had not been canceled. In this connection, it is the expressed intention of the parties that for the purpose of making this cancellation provision effective, without affecting the other sections of the Contract, this Contract is to be considered a severable Contract. Should the automatic cancellation of this section occur, it is the intention and agreement of the parties that all other sections and provisions of the Contract remain in full force and effect as therein provided.

(i) The Union shall indemnify and save the Company harmless against any and all claims, demands, law suits, or other forms of liability that may arise out of or by reason of action taken by or not taken by the Company in reliance upon any check-off authorization cards signed by the individual employees and furnished to the Company by the Union for the purpose of complying with any of the provisions of this Section.

## ARTICLE V – CLASSIFICATION AND WAGES

Section 1. (a) The wage schedules described in the Contract in effect immediately prior to the date of this Contract, including all adjustments to those wages which were due to increases in the C.P.I. during the term of that Contract shall be amended as follows:

|       | As of   | Effective | Effective | Effective | Effective | Effective |
|-------|---------|-----------|-----------|-----------|-----------|-----------|
| Wage  | May 15, | May 15,   | May 15,   | May 15,   | May 15,   | May 15,   |
| Level | 2015    | 2016      | 2017      | 2018      | 2019      | 2020      |
| 1     | \$22.68 | \$23.13   | \$23.65   | \$24.19   | \$24.79   | \$25.35   |
| 2     | \$23.14 | \$23.60   | \$24.13   | \$24.68   | \$25.29   | \$25.86   |
| 3     | \$23.51 | \$23.98   | \$24.52   | \$25.07   | \$25.70   | \$26.28   |
| 4     | \$24.54 | \$25.03   | \$25.59   | \$26.17   | \$26.82   | \$27.43   |
| 5     | \$26.24 | \$26.76   | \$27.37   | \$27.98   | \$28.68   | \$29.33   |
| 6     | \$26.97 | \$27.51   | \$28.13   | \$28.76   | \$29.48   | \$30.14   |
| 7     | \$28.02 | \$28.58   | \$29.22   | \$29.88   | \$30.63   | \$31.32   |
| 8     | \$29.47 | \$30.06   | \$30.74   | \$31.43   | \$32.21   | \$32.94   |
| 9     | \$30.37 | \$30.98   | \$31.67   | \$32.39   | \$33.20   | \$33.94   |
| 10    | \$30.79 | \$31.41   | \$32.11   | \$32.83   | \$33.66   | \$34.41   |
| 11    | \$32.22 | \$32.86   | \$33.60   | \$34.36   | \$35.22   | \$36.01   |
| 12    | \$33.79 | \$34.47   | \$35.24   | \$36.03   | \$36.94   | \$37.77   |
| 13    | \$35.52 | \$36.23   | \$37.05   | \$37.88   | \$38.83   | \$39.70   |
| 14    | \$36.01 | \$36.73   | \$37.56   | \$38.40   | \$39.36   | \$40.25   |
| 15    | \$36.53 | \$37.26   | \$38.10   | \$38.96   | \$39.93   | \$40.83   |
| 16    | \$37.57 | \$38.32   | \$39.18   | \$40.07   | \$41.07   | \$41.99   |

Level 5—Construction Assistant, Mechanic III (incumbent); Level 6—Meter Specialist III; Level 7—Gas Systems Operations Mechanic III, Mechanic Operator III; Level 8—Premise Mechanic, Gas Plant Operator III; Level 11—Gas Plant Operator II, Meter

| Salary Increase History |            |             |           |             |           |             |            |             |             |
|-------------------------|------------|-------------|-----------|-------------|-----------|-------------|------------|-------------|-------------|
| Year                    | All Groups |             | Executive |             | Exempt    |             | Non-Exempt |             | Duke Energy |
|                         | Industry*  | Duke Energy | Industry* | Duke Energy | Industry* | Duke Energy | Industry*  | Duke Energy |             |
| 2022                    | 4.0%       | 3.5%        | 3.5%      | 3.5%        | 4.0%      | 3.5%        | 4.0%       | 3.5%        |             |
| 2023                    | 4.0%       | 3.5%        | 4.0%      | 3.5%        | 4.0%      | 3.5%        | 4.0%       | 3.5%        |             |
| 2024                    | 4.0%       | 3.5%        | 4.0%      | 3.5%        | 4.0%      | 3.5%        | 4.0%       | 3.5%        |             |
| 2025 <sup>Δ</sup>       |            | 4.0%        |           | 4.0%        |           | 4.0%        |            | 4.0%        |             |

\*Industry data based on surveys utilized by Duke Energy

<sup>Δ</sup>2025 industry results are not yet available

It should be noted that employees' individual increases may vary relative to the budget to allow for individual differentiators based on performance and current pay levels relative to the market. The increase awarded to each employee, if any, is based on a combination of factors, including his/her individual performance rating, his/her performance relative to his/her peers, the position of his/her salary within the salary range for his/her job and the size of the merit budget.

The forecasted test period assumes labor increases for exempt and non-exempt non-union employees of 3.5 percent which includes merit increases of 3.0 percent and an allowance for promotions of 0.5 percent.

#### Union Employees:

The general wage increases awarded to union employees may be referenced in the labor union contracts in Attachments SAC-2(a) and (b) of Shannon A. Caldwell's direct testimony.

Duke Energy Kentucky and the Utility Workers Union of America (UWUA) Local No. 600 entered into a collective bargaining agreement (CBA) effective on April 1, 2023, that expires on March 31, 2027. The chart below reflects the wage increases for the past two calendar years and the base period. Each wage increase is effective at the beginning of the pay period that includes April 1.



## Staff DR1 REQUEST #9

revised Jan26

## Payroll

| Position                        | Wage As-filed    | Interim Wage<br>eff 1/04/2026 | Proforma Wage             |
|---------------------------------|------------------|-------------------------------|---------------------------|
| <i>salaried, equivalent /Hr</i> |                  |                               |                           |
| <b>Calendar 2026</b>            |                  |                               |                           |
| CFO                             | \$ 36.06         | per Hour                      | \$ 40.87                  |
| Operations Manager              | \$ 28.85         |                               | \$ 36.06                  |
| Office Manager                  | \$ 24.50         |                               | \$ 29.00                  |
| Office Manager                  | \$ 20.00         |                               | \$ 20.70                  |
| CSR                             | \$ 17.00         |                               | \$ 18.50                  |
| Compliance Manager              | \$ 22.00         |                               | \$ 25.00                  |
| Operations Asst                 | \$ 24.00         |                               | \$ 30.00                  |
| Construction Supervisor         | \$ 23.00         |                               | \$ 28.00                  |
| Field Technician                | \$ 21.00         |                               | \$ 28.00                  |
| Field Technician                | \$ 21.00         |                               | \$ 28.00                  |
| Field Technician                | \$ 17.50         |                               | \$ 24.00                  |
| Field Technician                | \$ 21.00         |                               | \$ 28.00                  |
| Field Technician                | \$ 19.50         |                               | \$ 23.00                  |
| Field Technician                | \$ 17.50         |                               | \$ 24.00                  |
| Field Technician                | \$ 19.00         |                               | \$ 25.00                  |
| Field Technician                | \$ 20.00         |                               | \$ 25.00                  |
| Field Technician                | \$ 19.00         |                               | \$ 22.00                  |
| <b>2026 Averages:</b>           | <b>\$ 21.82</b>  | <i>current ave</i>            | <b>\$ 24.50</b>           |
|                                 |                  |                               | <i>12.3%</i>              |
| <i>Total Payroll</i>            | <b>\$ 370.91</b> | <i>per Hour</i>               | <b>\$ 416.46</b>          |
|                                 |                  |                               | <i>12.3%</i>              |
| <i>All Techs average</i>        | <b>\$ 20.23</b>  |                               | <b>\$ 23.14</b>           |
|                                 |                  |                               | <i>14.4%</i>              |
|                                 |                  |                               | <b>\$ 25.91</b>           |
|                                 |                  |                               | <i>28.1% from present</i> |

**Work Paper**      *SAO-G adjustments for **Labor** and related expenses*

SAO-G Admin & General Expenses up \$313,700 with notes ABCD

Notes on 2nd page:

- A. Wages increased to make wages locally competitive in order to retain employees:  
Adjustment \$233,000
- B. Payroll taxes will be increased due to wage increase: Adjustment \$21,100
- C. Employee Benefits are increased based on 2025 YTD numbers: Adjustment \$14,600

*Combined P&L 2024:*      Staff DR2-5 Excel tab DR2-5 SAO KFG24

|                             |            |                |
|-----------------------------|------------|----------------|
| <b>991 · Employee Wages</b> | 712,972.60 | cell B472      |
| <b>996 · Garnishment</b>    | 8,023.57   | added to Wages |
|                             |            | = \$720,996.17 |

**990 · PAYROLL - Other**      -79,363.56    Labor capitalized to PRP (Cell D471)

Capitalized labor is same for pro forma, so Adjustment A can be calculated on gross salary.

*Calcs per Staff DR1-9 xls:*

Pro forma 2026 has 17 employees at New Rate (cells F62-F78)

|  |             |
|--|-------------|
| Total \$455.13 /hr *2080 hrs               | = \$946,670 |
| Difference from Test Year 2024 (\$720,996) | = \$225,674 |

*Proforma Labor*

As-filed SAO version incl OT adjustment, difference      = \$233,000

This is more accurate than \$225k, when OT was \$12.8k on technicians in 2024

Adjustments B. Payroll taxes and C. Benefits are proportional.

## Known and Measurable Changes

*revised Jan26*

|                                       | <u>current</u> | <u>description</u>   | <u>Rev Proforma</u> | <u>Adjustmt to Te</u> |
|---------------------------------------|----------------|--|---------------------|-----------------------|
| Wages                                 | \$641,632.61   | increase by to make wages locally competitive                            | \$874,636.44        | \$233,003.83          |
| Payroll Tax                           | \$58,638.40    | Increase due to above wage increase                                      | \$79,748.22         | \$21,109.82           |
| Employee Benefits                     | \$289,228.61   | Increase based on 2025 YTD numbers                                       | \$303,834.42        | \$14,605.81           |
| Insurance                             | \$271,626.55   | increase based on actual Dec25 renewal                                   | \$314,543.55        | \$42,917.00           |
| Property Tax /taxes other than income | \$1,555.61     | bring up to normal level of \$70k; was lower in TY24 due to prev overpmt | \$70,055.61         | \$68,500.00           |
| Outside services/admin general        | \$173,373.98   | increase in costs to employ outside service providers                    | \$178,373.98        | \$5,000.00            |
| Travel for members                    | \$1,733.63     | increase to bring up to average levels                                   | \$4,733.63          | \$3,000.00            |
| Rate Case Expenses                    | \$0.00         | \$90k in rate case expenses allocated over 3 years                       | \$30,000.00         | \$30,000.00           |
| Office Supplies Expense               | \$28,647.10    | reduction for events and donations                                       | \$24,692.10         | -\$3,955.00           |
| Gain on sale of assets                | \$0.00         | addition to anticipate 1 fully depreciated old truck sold per year       | \$10,000.00         | \$10,000.00           |
| Penalty and Interest                  | \$3,295.00     | tax filing error and not a recurring expense                             | \$0.00              | -\$3,295.00           |
| Income tax                            | \$30,673.00    | RR-OR calculation vs tax paid on partial income 2024                     | \$88,713.17         | \$58,040.17           |
| Total                                 |                |  |                     | \$478,926.63          |

| <b>Schedule of Adjusted Operations - Gas Utility</b> |                       |                     |               |                       |
|--|-----------------------|---------------------|---------------|-----------------------|
|  | 2024                  | TYE 12/31/2024      |               | revised Jan26         |
|  | Test Year             | Adjustments         | Reference     | Pro Forma             |
| <b><u>Operating Revenues</u></b>                     |                       |                     |               |                       |
| Sales of Gas   |                       |                     |               |                       |
| Residential  | \$1,382,151.08        | \$107,906.00        |               | \$1,490,057.08        |
| Commercial and Industrial                            | \$1,906,692.89        | \$134,416.00        |               | \$2,041,108.89        |
| Interdepartmental                                    | \$10,000.00           |                     |               | \$10,000.00           |
| Sales for Resale                                     |                       |                     |               | \$0.00                |
| Total Sales of Gas                                   | \$3,298,843.97        | \$242,322.00        | \$0.00        | \$3,541,165.97        |
| Other Operating Revenues                             |                       |                     |               | \$0.00                |
| Forfeited Discounts                                  | \$73,284.03           |                     |               | \$73,284.03           |
| Misc. Service Revenues                               | \$42,397.00           |                     |               | \$42,397.00           |
| Rent from Gas Property                               |                       |                     |               | \$0.00                |
| Other Gas Revenues                                   | \$748,910.21          | \$705,792.00        |               | \$1,454,702.21        |
| <b>Total Operating Revenues</b>                      | <b>\$4,163,435.21</b> | <b>\$948,114.00</b> | <b>\$0.00</b> | <b>\$5,111,549.21</b> |
| <b><u>Operating Expenses</u></b>                     |                       |                     |               |                       |
| Operating Expenses                                   |                       |                     |               | \$0.00                |
| Manufactured Gas Production Expenses                 |                       |                     |               | \$0.00                |
| Natural Gas Productino Expenses                      |                       |                     |               | \$0.00                |
| Exploration and Development Expenses                 |                       |                     |               | \$0.00                |
| Storage Expenses                                     |                       |                     |               | \$0.00                |
| Other Gas Supply Expenses                            | \$2,233,755.38        |                     |               | \$2,233,755.38        |
| Transmission Expenses                                | \$3,723.71            |                     |               | \$3,723.71            |
| Distribution Expenses                                | \$178,320.45          | \$3,000.00          |               | \$181,320.45          |
| Customer Accounts Expenses                           | \$88,510.15           |                     |               | \$88,510.15           |
| Customer Service & Informational Exp                 | \$16,051.61           |                     |               | \$16,051.61           |
| Administrative and General Expenses                  | \$1,829,718.06        | \$342,645.00        |               | \$2,172,363.06        |
| Total Operation and Maintenance Expenses             | \$4,350,079.36        | \$345,645.00        | \$0.00        | \$4,695,724.36        |
| Depreciation Expense                                 | \$257,288.00          |                     |               | \$257,288.00          |
| Amortization Expense                                 | \$4,808.00            |                     |               | \$4,808.00            |
| Taxes Other Than Income                              | \$44,903.86           | \$68,500.00         |               | \$113,403.86          |
| Income Tax Expense                                   | \$30,673.00           | \$54,745.17         |               | \$85,418.17           |
| <b>Total Operating Expense</b>                       | <b>\$4,687,752.22</b> | <b>\$468,890.17</b> | <b>\$0.00</b> | <b>\$5,156,642.39</b> |
| <b>Utility Operating Income</b>                      | <b>-\$524,317.01</b>  | <b>\$479,223.83</b> | <b>\$0.00</b> | <b>-\$45,093.18</b>   |

**SCHEDULE OF ADJUSTED OPERATIONS - GAS UTILITY**

TYE 12/31/20 24

|   | Test Year           | Adjustment        | Ref.   | Pro Forma           |
|---|---------------------|-------------------|--------|---------------------|
| <b>Operating Revenues</b>                   |                     |                   |        |                     |
| Sales of Gas                                |                     |                   |        |                     |
| Residential                                 | 1,382,151.08        | 107,906.00        | J      | 1,490,057.08        |
| Commercial & Industrial                     | 1,906,692.89        | 134,416.00        | K      | 2,041,108.89        |
| Interdepartmental                           | 10,000.00           |                   |        | 10,000.00           |
| Sales for Resale                            |                     |                   |        | 0.00                |
| Total Sales of Gas                          | 3,298,843.97        | 242,322.00        |        | 3,541,165.97        |
| Other Operating Revenues                    |                     |                   |        |                     |
| Forfeited Discounts                         | 73,284.03           |                   |        | 73,284.03           |
| Miscellaneous Service Revenues              | 42,397.00           |                   |        | 42,397.00           |
| Rent from Gas Property                      |                     |                   |        | 0.00                |
| Other Gas Revenues                          | 748,910.21          | 705,792.00        | L,N    | 1,454,702.21        |
| <b>Total Operating Revenues</b>             | <b>4,163,435.21</b> | <b>948,114.00</b> |        | <b>5,111,549.21</b> |
| <b>Operating Expenses</b>                   |                     |                   |        |                     |
| Operation and Maintenance Expenses          |                     |                   |        |                     |
| Manufactured Gas Production Expenses        |                     |                   |        | 0.00                |
| Natural Gas Production Expenses             |                     |                   |        | 0.00                |
| Exploration and Development Expenses        |                     |                   |        | 0.00                |
| Storage Expenses                            |                     |                   |        | 0.00                |
| Other Gas Supply Expenses                   | 2,233,755.38        |                   |        | 2,233,755.38        |
| Transmission Expenses                       | 3,723.71            |                   |        | 3,723.71            |
| Distribution Expenses                       | 178,320.45          | 3,000.00          | F      | 181,320.45          |
| Customer Accounts Expenses                  | 88,510.15           |                   |        | 88,510.15           |
| Customer Service and Informational Expenses | 16,051.61           |                   |        | 16,051.61           |
| Administrative and General Expenses         | 1,829,718.06        | 342,645.00        | ABCD   | 2,172,363.06        |
| Total Operation and Maintenance Expenses    | 4,350,079.36        | 345,645.00        | G,H,M^ | 4,695,724.36        |
| Depreciation Expense                        | 257,288.00          |                   |        | 257,288.00          |
| Amortization Expense                        | 4,808.00            |                   |        | 4,808.00            |
| Taxes Other Than Income                     | 44,903.86           | 68,500.00         | E      | 113,403.86          |
| Income Tax Expense                          | 30,673.00           | 54,745.17         | O,P    | 85,418.17           |
| <b>Total Operating Expenses</b>             | <b>4,687,752.22</b> | <b>468,890.17</b> |        | <b>5,156,642.39</b> |
| <b>Utility Operating Income</b>             | <b>-524,317.01</b>  | <b>479,223.83</b> |        | <b>-45,093.18</b>   |

References

- A. Wages increased to make wages locally competitive in order to retain employees: Adjustment \$233,000
- B. Payroll taxes will be increased due to wage increase: Adjustment \$21,100
- C. Employee Benefits are increased based on 2025 YTD numbers: Adjustment \$14,600
- D. Outside Services are increased to reflect added cost to employ outside service providers: Adjustment \$5,000
- E. Property Taxes were not at their normal level in 2024 due to overpayment/credits being used from previous years: Adjustment \$68,500
- F. Travel for members was less than is typical: Adjustment \$3,000
- G. Insurance is increased based on actual renewal schedule: Adjustment \$42,917
- H. \$90k in rate case expenses allocated over 3 years: Adjustment \$30,000
  
- J. K. added volumetric revenue from Proposed rates, Rev Table allocations: rates revised from as-filed
- L. added revenue from Proposed monthly charges from Rev Table: not revised
  
- M. Reduction in events, gifts and donations: Adjustment -\$4,000
- N. Gain on sale of assets: forecast one retired truck sold per year: Adjustment \$10,000
- O. Penalties and Interest: non recurring expense due to filing error: Adjustment \$3,300
- P. Adjustment to RR-OR tax calculation: Adjustment \$57,100

**REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD**

(Method commonly used by investor owned utilities and/or non-profit entities that do not have long-term debt outstanding.)

|   |                |
|---|----------------|
| Pro forma Operating Expenses Before Income Taxes                                | \$2,728,986.06 |
| Operating Ratio   | 0.88           |
| Sub-Total   | 3,101,120.52   |
| Less: Pro forma Operating Expenses Before Income Taxes                          | -2,728,986.06  |
| Net Income Allowable  | 372,134.46     |
| Add: Provision for State and Federal Income Taxes, if Applicable (see footnote) | 88,713.17      |
| Interest Expense  | 108,482.78     |
| Pro forma Operating Expenses Before Taxes                                       | 2,728,986.06   |
| Cost of Natural Gas (water utilities should leave this blank)                   | 2,233,755.38   |
| Total Revenue Requirement   | 5,532,071.85   |
| Less: Other Operating Revenue   | 115,680.00     |
| Non-operating Revenue   |                |
| Interest Income   |                |
| Total Revenue Required from Rates for Service                                   | 5,416,391.85   |
| Less: Revenue from Sales at Present Rates                                       | 4,163,435.21   |
| Required Revenue Increase   | 1,252,956.64   |
| Required Revenue Increase stated as a Percentage of Revenue at Present Rates    | 30.09%         |

**Provision for Income Taxes - Calculation of Tax Gross-Up Factor**

|  |            |
|--|------------|
| Revenue  | 1          |
| Less: 5% State Tax   | -0.05      |
| Sub-Total  | 0.95       |
| Less: Federal Tax, 15% of Sub-Total                            | -0.1425    |
| Percent Change in NOI  | 0.8075     |
| Factor (Revenue of 1 divided by change in NOI)                 | 1.23839    |
| Times: Allowable Net Income                                    | 372,134.46 |
| Net Income Before Taxes  | 460,847.63 |
| Difference Equals Provision for State and Federal Income Taxes | 88,713.17  |

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

**Kentucky Frontier Gas**  
**Cost of Service Allocation**

**Customer Classes**

|   | Average<br>No of Meters | Annual<br>Use MCF | % of<br>Total | Peak<br>Month     | % of<br>Total |                        |               |              |
|---|-------------------------|-------------------|---------------|-------------------|---------------|------------------------|---------------|--------------|
| <b>Residential &amp; Commercial</b>                     | <b>4,300</b>            | <b>277,300</b>    | <b>74.5%</b>  | 73,588            | 81.4%         | <i>Combined R+C+FT</i> |               |              |
| <b>Farm Taps</b>  | <b>400</b>              | <b>25,600</b>     | <b>6.9%</b>   | 5,901             | 6.5%          | <i>Demand</i>          | <b>79,489</b> | <b>88.0%</b> |
| <b>Large Commercial</b><br><i>usage &gt; 10k mcf/yr</i> | <b>3</b>                | <b>69,300</b>     | <b>18.6%</b>  | 10,889            | 12.0%         |                        |               |              |
| <b>Totals</b>   | <b>4,703</b>            | <b>372,200</b>    | <b>MCF</b>    | <b>90,378 MCF</b> |               |                        |               |              |

| <b>Cost Allocation</b>     | <b>Annual</b>      | <b>Allocation</b> | <b>Rates</b>  |
|----------------------------|--------------------|-------------------|---|
| <b>Revenue Requirement</b> | <b>\$3,182,636</b> |                   | 5,416,392 OpsRatio - total Rev from Rates<br>2,233,755 minus Gas Cost<br><b>3,182,636</b> Revenue Requirement |

| <b>Monthly Meter Charges by Customer</b>      | <b>Annual</b>       | <b>% totl</b>                                   |                           |                            |
|---|---------------------|---|---------------------------|----------------------------|
| <b>Residential &amp; Commercial (incl FT)</b> | <b>\$ 1,415,400</b> | <b>44%</b> of total by Monthly charge per meter |                           |                            |
| <b>Large Commercial</b>                       |                     |   | <b>\$ 25.00</b> per Month | <b>\$ 150.00</b> per Month |

**xxx** *input value*

**Kentucky Frontier Gas**  
**Cost of Service Allocation**

xxx calc'd value

**Cost allocation by Demand**

**Annual**    **% totl**

35% split remaining Rev Reqmt by peak demand

Revenue Requirement      \$ 618,533    19% of total by Demand

Residential & Commercial (incl FT)  
Large Commercial

88.0%      \$544,010  
12.0%      \$74,523

\$618,533

\$1.796 per MCF  
\$1.075 per MCF

**Cost allocated by Commodity**

**Annual**    **% totl**

65% split remaining Rev Reqmt by commodity usage

\$ 1,148,703    36% of total by Commodity usage

Residential & Commercial (incl FT)  
Large Commercial

81.4%      \$934,826  
18.6%      \$213,877

\$1,148,703

\$3.086 per MCF  
\$3.086 per MCF

**Cost Allocation & Total Rate**

**Demand**

**Mtr / Vol**

**Allocation**

**%**

**Rates**

|                                    |             |             |      |           |           |
|------------------------------------|-------------|-------------|------|-----------|-----------|
| Residential & Commercial (incl FT) | \$1,410,000 | \$1,410,000 | 44%  | \$ 25.00  | per Month |
|                                    | \$544,010   | \$934,826   | 46%  | \$4.8823  | per MCF   |
| Large Commercial                   | \$5,400     | \$5,400     | 0.2% | \$ 150.00 | per Month |
|                                    | \$74,523    | \$213,877   | 9%   | \$4.1616  | per MCF   |

19%

81%

\$3,182,636

100%

Revenue from **Proposed** Rates

Test Period from Jan 1, 2024 to Dec 31, 2024

**revised 1-22-2026**

Class: Residential & Commercial

**USAGE TABLE**

Usage by Rate Increment

| (1)             | (2)<br>Bills | (3)<br>MCF     | (4) | (5) | (6) | (7) | (8) | (9)<br>Total   |
|-----------------|--------------|----------------|-----|-----|-----|-----|-----|----------------|
| Customer Charge | 56,400       | -              |     |     |     |     |     |                |
| All MCF         | -            | 302,900        |     |     |     |     |     | 302,900        |
|                 |              |                |     |     |     |     |     |                |
|                 |              |                |     |     |     |     |     |                |
| <b>Totals</b>   | <b>56400</b> | <b>302,900</b> |     |     |     |     |     | <b>302,900</b> |

**REVENUE TABLE**

Revenue by Rate Increment

**revised input**

| (1)             | (2)<br>Bills | (3)<br>MCF     | (4)<br>Rates     | (5)<br>Revenue         |
|-----------------|--------------|----------------|------------------|------------------------|
| Customer Charge | 56,400       | -              | \$25.00 per bill | \$ 1,410,000.00        |
| All MCF         | -            | 302,900        | \$4.8823 per MCF | \$ 1,478,848.67        |
|                 |              |                |                  |                        |
| <b>Totals</b>   | <b>56400</b> | <b>302,900</b> |                  | <b>\$ 2,888,848.67</b> |

Instructions for Completing Revenue Table:

*Incr - Resl*

**\$ 107,906**

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge.

Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Proposed Rates

Test Period from Jan 1, 2024 to Dec 31, 2024

*revised 1-22-2026*

Class: Large Commercial

**USAGE TABLE**

Usage by Rate Increment

| (1)             | (2)<br>Bills | (3)<br>MCF    | (4) | (5) | (6) | (7) | (8) | (9)<br>Total  |
|-----------------|--------------|---------------|-----|-----|-----|-----|-----|---------------|
| Customer Charge | 36           | -             |     |     |     |     |     |               |
| All MCF         | -            | 69,300        |     |     |     |     |     | 69,300        |
|                 |              |               |     |     |     |     |     |               |
|                 |              |               |     |     |     |     |     |               |
| <b>Totals</b>   | <b>36</b>    | <b>69,300</b> |     |     |     |     |     | <b>69,300</b> |

**REVENUE TABLE**

Revenue by Rate Increment

*revised input*

| (1)             | (2)<br>Bills | (3)<br>MCF    | (4)<br>Rates      | (5)<br>Revenue       |
|-----------------|--------------|---------------|-------------------|----------------------|
| Customer Charge | 36           | -             | \$150.00 per bill | \$ 5,400.00          |
| All MCF         | -            | 69,300        | \$4.1616 per MCF  | \$ 288,398.88        |
|                 |              |               |                   |                      |
| <b>Totals</b>   | <b>36</b>    | <b>69,300</b> |                   | <b>\$ 293,798.88</b> |

Instructions for Completing Revenue Table:

*Incr - all Comm'l*

**\$ 134,416**

(9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.

(10) Complete Column No. 4 using rates either present or proposed.

(11) Column No. 5 is completed by first multiplying the bills times the minimum charge.

Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.