

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)	

RESPONSES TO ATTORNEY GENERAL’S POST HEARING REQUESTS FOR
INFORMATION TO KENTUCKY FRONTIER GAS, LLC

DATED FEBRUARY 6, 2026

**KENTUCKY FRONTIER GAS, LLC
CASE NO. 2025-00277
REQUEST FOR INFORMATION RESPONSE**

AG'S POST HEARING REQUEST DATED FEBRUARY 6, 2026

REQUEST 1

RESPONSIBLE PARTY: **Steven Shute**

Request 1. Rates. With the additional increase to volumetric rates requested in your rebuttal testimony, identify the increase in the average monthly bill for residential and commercial customers will be.

Response 1. The average Residential customer uses 450 ccf per year or 37.5 ccf per month. At the GCA rate, effective February 1, the average customer will pay \$59.20 per month, including PRP and AMR. Under the proposed rates, this will increase by \$12.37 to \$71.57 /mo.

The average Commercial customer uses 1200 ccf per year or 100 ccf per month. At the GCA rate, effective February 1, the average customer will pay \$126.20 per month, including PRP and AMR. Under the proposed rates, this will increase by \$18.82 to \$145.02 /mo.

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REQUEST 2

RESPONSIBLE PARTY: Steven Shute

Request 2. Rates. With the additional increase requested in your testimony, identify the average monthly bill for large commercial customers.

Response 2. The 2 large campuses use 33,000 mcf per year or 27,500 ccf average per month. At the GCA rate effective February 1, each such customer will pay \$27,406 per month, including PRP and AMR. Under the proposed rates, this will increase to \$30,489 /mo.

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REQUEST 3

RESPONSIBLE PARTY: **Steven Shute**

Request 3. Income Tax. Refer to the Rebuttal Schedule of Operations. Please provide all guidance relied upon for the proforma adjustment for income taxes reflected in the rebuttal, as Frontier is a Sub S Corp and does not pay income tax and did not include income tax in the prior filing.

Response 3. The OAG witness pointed out “the Company did not adjust its test year income taxes for its pro forma adjustments.” Frontier adjusted the pro forma income taxes in its Rebuttal. The ARF form RR-OR calculated \$88,713 provision for State and Federal income taxes, which was carried to the SAO-G form.

At \$88,713 the provision for income taxes is the third largest non-gas operating expense, after labor and insurance. Frontier files state and local income tax returns and pushes its tax liability to the owner. The RR-OR form uses a minimal 15% Federal rate, which is lower than the actual rate paid for Frontier income. This is a significant cost of business that all other for-profit utilities include in their rates.

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REQUEST 4

RESPONSIBLE PARTY: Steven Shute

Request 4. Income Tax. Refer to the Rebuttal Schedule of Operations. Provide a breakdown of the Pro Forma Income Tax that is applicable to Auxier.

Response 4. Auxier paid \$30,673 income tax in the test year.

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REQUEST 5

RESPONSIBLE PARTY: Steven Shute

Request 5. Income Tax. Refer to the Rebuttal Schedule of Operations. Provide a detailed explanation and all calculations and supporting documentation for the Pro Forma adjustment to income taxes.

Response 5. The RR-OR form calculated \$88,713 provision for State and Federal income taxes, which was carried to the SAO-G form. The Auxier taxes and Penalty + Interest from a past tax return were deducted to arrive at a pro forma adjustment.

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REQUEST 6

RESPONSIBLE PARTY: Steven Shute

Request 6. Income Tax. Your rebuttal at page 10 states that Mr. Defever pointed out an error related to income taxes. Please indicate where Mr. Defever stated that your income tax amount was an error or where Mr. Defever stated that income tax should be reflected for a Sub S Corp.

Response 6. Mr. Defever pointed out “the Company did not adjust its test year income taxes for its pro forma adjustments.” Frontier took his statement to mean that Frontier should have adjusted its test year income taxes. Therefore, Frontier adjusted the pro forma income taxes in its Rebuttal.

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REQUEST 7

RESPONSIBLE PARTY: Steven Shute

Request 7. Gifts. Refer to pa 6 of your rebuttal which states that Christmas and 4th of July gift cards will be "recharacterized elsewhere as a taxable employee benefit." Please explain what the gift cards will be recharacterized as.

Response 7. Going forward, such gift cards will be a taxable employee bonus.

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REQUEST 8

RESPONSIBLE PARTY: Steven Shute

Request 8. Gifts. Please explain why ratepayers should be responsible for this cost as a result of the recharacterization.

Response 8. The ratepayers have benefitted greatly from Frontier's inadvertent long period without a general rate case, especially when Frontier employees are currently making 30-50% less than equivalent jobs for the larger gas utilities in Kentucky. These bonuses are modest expressions of appreciation for employees who provide direct benefits to ratepayers and are necessary employees to continue to provide safe and reliable service to Frontier's customers.

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REQUEST 9

RESPONSIBLE PARTY: Steven Shute

Request 9. Management Fees. Please identify the amount of proforma payroll expense that relates to the management of Auxier.

Response 9. Frontier does not track this figure. Auxier customers generate about 20% of gas volume sales and revenue of the combined Frontier utility.

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REQUEST 10

RESPONSIBLE PARTY: Steven Shute

Request 10. Management Fees. Refer the response to the Attorney General's Second Request No. 17. Please provide a workpaper that shows how the management fees are "a wash" in the revenue requirement.

Response 10. See table for management fees 2020-24 and an estimate for 2025, set by the tax CPA.

AG PH DR-10

Management Fees

	2021		2022		2023		2024		2025	
Frontier 405.1 Mgmt Fee Income	\$	438,103	\$	430,745	\$	388,716	\$	385,220	\$	389,268
Auxier 751 - Interco Mgmt Fee - KFG	\$	(438,103)	\$	(430,745)	\$	(388,716)	\$	(385,220)	\$	(389,268)

estimates