

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 |) | |

KENTUCKY FRONTIER GAS, LLC’S REPLY BRIEF

Comes now Kentucky Frontier Gas, LLC, (“Kentucky Frontier” or the “Company”) by and through the undersigned counsel, pursuant to the Kentucky Public Service Commission’s (“Commission”) February 6, 2026 Order setting forth a post-hearing procedural schedule and for its reply brief respectfully states as follows:

1. Kentucky Frontier’s Customer Notice was Sufficient.

807 KAR 5:076 specifically requires that the customer notice include “[a] statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the rates contained in this notice[.]”¹ The Attorney General takes issue with Kentucky Frontier’s alleged failure to provide public notice of additional requested increase to volumetric rates. However, the regulation specifically provides for these types of changes. Moreover, there have been other rate cases that have requested certain increases following the customer notice being sent and the commission has allowed the adjustment.² Kentucky Frontier would request the same treatment in this situation. Alternatively,

¹ 807 KAR 5:076 Section 5(h).

² See *In the Matter of: Application of Kentucky-American Water Company to Increase its Rates*, Case No. 2000-120 (Ky. P.S.C. Order November 27, 2000) (Allowing Kentucky-American Water to increase its Kentucky River

if applicable, Kentucky Frontier, respectfully requests a deviation from the notice requirement and requests that it be permitted to post notice to customers reflecting revisions to the original notice on its website following the entry of the final order in this case in accordance with Commission precedent.³

2. Kentucky Frontier's Request Does Not Violate the Principles of Gradualism.

Kentucky Frontier's request does not violate the principles of gradualism. Kentucky Frontier has not requested a general adjustment of its rates since 2017.⁴ Since that time, inflation has increased by 34% and operating costs have closely tracked inflation. Kentucky Frontier is not requesting as great of an increase than it otherwise could. For example, Kentucky Frontier is merely requesting that its payroll increase make it competitive, not equal to or greater than, its competitors.⁵ Similarly, Kentucky Frontier's increased insurance costs are an unfortunate necessity to staying in business. Kentucky Frontier kept rates low for as long as it possibly could, and ratepayers benefited from the prolonged low rates. For these reasons, Kentucky Frontier's requested increase is fair, just and reasonable.

3. Kentucky Frontier provided sufficient documentation to support its proposed wage increases.

Kentucky Frontier supported its requested wage increase with evidence from three other gas companies, one confidential and two public.⁶ The Attorney General's desire for workpapers is

Authority Withdrawal Fee and requiring it to post such revisions on its website with an explanation of how it was calculated following the entry of the final order.)

³ *Id.*

⁴ Kentucky Frontier's Responses to Attorney General's First Request for Information, Item 21 (filed November 19, 2025).

⁵ See Kentucky Frontier's Post Hearing Brief p. 3-4 (filed February 20, 2026).

⁶ Kentucky Frontier's Post Hearing Brief p. p. 3-6 (filed February 20, 2026).

untenable; not all small utilities are going to have extensive workpapers. Kentucky Frontier supplied a spreadsheet which was its only workpaper and it proposed wages for 17 workers with eight different job titles. The spreadsheet showed gas technicians at \$20 per hour average wages with a target of \$30 to \$40 at surrounding utilities. The spreadsheet included a modest increase to average \$26. Just because Kentucky Frontier does not have more extensive work papers does not mean that it did not provide ample support for its requested wage increase. In addition to the internal spreadsheet, Kentucky Frontier provided information from Columbia Gas and Duke Energy showing that the rates they pay their workers of similar skill is much higher than what Kentucky Frontier is able to pay.⁷ The Attorney General's expert admitted that he did not disagree with the level of wages requested in the pro-forma test year for Kentucky Frontier's employees.⁸ He instead based his opinion on a lack of sufficient support.⁹ When Kentucky Frontier pointed the AG's expert to the wages provided in Columbia and Duke's most recent rate cases, the AG's expert admitted that he did not give that support weight and wanted to ask further questions.¹⁰ He agreed that, assuming the job descriptions were comparable, Duke and Columbia were paying similar caliber employees a higher hourly rate than what Kentucky Frontier is requesting in this case.¹¹ The Attorney General's position that Kentucky Frontier has not supported its requested wage increase ignores the record of this case.

⁷ *Id.*

⁸ HVT 5:47:30 - 5:50:23.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

4. EKM legal expenses should be included in the revenue requirement.

Kentucky Frontier spent five years fighting the unfair charges propounded by EKM which adversely impact Kentucky Frontier's customers.¹² Although this gas cost has no impact on Kentucky Frontier's financial performance, any regulation of EKM charges will create a benefit to Kentucky Frontier's customers because EKM will no longer have an unregulated monopoly over the gas it supplies to Kentucky Frontier; will no longer have free rein over the price it charges to Kentucky Frontier; and Kentucky Frontier's customers will reap the benefits.¹³ For these reasons, the costs associated with challenging EKM's status as an unregulated utility should be included in Kentucky Frontier's revenue requirement as providing a much needed benefit to Kentucky Frontier customers.

5. Income Taxes Should Not be Precluded from the Revenue Requirement.

In Kentucky Frontier's rebuttal testimony, \$54,715 was added to the revenue requirement for additional income taxes.¹⁴ Kentucky Frontier is an anomaly when it comes to natural gas utility companies in Kentucky and for the small utilities that can file using the ARF procedures. It is not as big as companies like Columbia, Atmos, Delta, or LG&E but is about ten times the size of the other gas small companies and it is not the same as the water districts that file using the ARF procedures that are not normally subject to the same taxes as Kentucky Frontier. Kentucky Frontier may be the only utility in Kentucky that sits somewhere in the middle and therefore one of the few, if not the only, utilities in Kentucky that has a passthrough income tax structure with significant income tax. Ultimately, the ARF form is designed to best accommodate the majority of small

¹² Kentucky Frontier's Corrected Rebuttal Testimony p.7 (filed January 23, 2026).

¹³ *Id.*

¹⁴ The original SAO-G form included \$30,673 in taxes paid by the Auxier Road subsidiary as a C Corporation.

utilities and Kentucky Frontier is unable to include its passthrough taxes on the ARF form because it is a Sub S Corp and does not directly pay income tax. The income taxes amount to a significant cost of business that all larger for-profit utilities include in their rates. Even the Attorney General's witness questioned why Kentucky Frontier's income taxes were not included on its pro-forma adjustments.¹⁵ Income taxes is the third largest non-gas operating expense after labor and insurance.¹⁶ Kentucky Frontier files state and local income tax returns and passes through its tax liability to the owner's personal income taxes.¹⁷ Kentucky Frontier needs to be able to recover these tax expenses as part of its revenue requirement.

CONCLUSION

Kentucky Frontiers' revenue requirement and rate design are fair, just and reasonable. For the foregoing reasons, Kentucky Frontier respectfully requests that the Commission approve the full relief requested in Kentucky Frontier's Application and rebuttal testimony.

Respectfully submitted,



L. Allyson Honaker
Heather S. Temple
Meredith L. Cave
HONAKER LAW OFFICE, PLLC
1795 Alysheba Way, Suite 1203
Lexington, KY 40509
(859) 368-8803
allyson@hloky.com
heather@hloky.com
meredith@hloky.com
Counsel for Kentucky Frontier Gas, LLC

¹⁵ Kentucky Frontier's Responses to AG's Post Earing Data Requests, Item 3 (filed Feb. 16, 2026).

¹⁶ *Id.*

¹⁷ *Id.*

CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing was transmitted to the Commission on February 27, 2026, and that there are no parties that the Commission has excused from participation by electronic means in this proceeding. Pursuant to prior Commission Orders, no paper copies of this filing will be made.



Counsel for Kentucky Frontier Gas, LLC