

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

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

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**KENTUCKY FRONTIER GAS, LLC’S MOTION FOR REHEARING**

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Comes now Kentucky Frontier Gas, LLC. (“Kentucky Frontier”), by counsel, pursuant to KRS 278.400 and respectfully requests the Kentucky Public Service Commission (“Commission”) grant rehearing on its April 29, 2026 (“Final Order” or “the Order”) in the above-styled case. In support of this motion, Kentucky Frontier respectfully states as follows:

**BACKGROUND**

On August 29, 2025, Kentucky Frontier filed an application for an alternative rate filing pursuant to 807 KAR 5:076.<sup>1</sup> On September 26, 2025, the Commission issued a procedural schedule for the processing of the case.<sup>2</sup> Kentucky Frontier responded to multiple rounds of discovery issued by Commission Staff and the office of the Attorney General.<sup>3</sup> The Attorney General filed direct testimony on December 19, 2024.<sup>4</sup> Kentucky Frontier filed rebuttal testimony

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<sup>1</sup> Application (filed August 29, 2025).

<sup>2</sup> September 26, 2025 Order (Ky. PSC Sept. 26, 2025).

<sup>3</sup> Kentucky Frontier’s Responses to Staff’s DR 1 (filed October 17, 2025); Kentucky Frontier’s Responses to Staff’s DR 2 (filed November 19, 2025); Kentucky Frontier’s Responses to Attorney General’s DR 1 (filed November 19, 2025); Kentucky Frontier’s Responses to Staff’s DR 3 (filed December 12, 2025); Kentucky Frontier’s Responses to Attorney General’s DR 2 (filed December 12, 2025); Kentucky Frontier’s Responses to Staff’s post hearing DR (filed February 16, 2026); and Kentucky Frontier’s Responses to Attorney General’s post hearing DR (filed February 16, 2026).

<sup>4</sup> OAG Direct Testimony (filed December 19, 2025).

on January 23, 2026.<sup>5</sup> A hearing was held on February 3, 2026. Kentucky Frontier filed its post hearing brief on February 20, 2026<sup>6</sup> and its post hearing reply brief on February 27, 2026.<sup>7</sup> On April 29, 2026, the Commission issued its Final Order assigning a simple percentage increase to all rate components.<sup>8</sup> Kentucky Frontier now makes this motion for the Commission to reconsider its Final Order and requests rehearing.

### **APPLICABLE LAW AND STANDARD OF REVIEW**

KRS 278.400 governs motions for rehearing which provides the Commission with the ability to correct findings based on material errors or omissions or to correct findings that are unreasonable or unlawful.<sup>9</sup> The statute states in its entirety:

After a determination has been made by the commission in any hearing, any party to the proceedings may, within twenty (20) days after the service of the order, apply for a hearing with respect to any of the matters determined. Service of a commission order is complete three (3) days after the date the order is mailed. The application shall specify the matters on which a rehearing is sought. The commission shall either grant or deny the application for rehearing within twenty (20) days after it is filed, and failure of the commission to act upon the application within that period shall be deemed a denial of the application. Notice of the hearing shall be given in the same manner as notice of an original hearing. Upon the rehearing any party may offer additional evidence that could not with reasonable diligence have been offered on the former hearing. Upon the rehearing, the commission may change, modify, vacate or

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<sup>5</sup> Kentucky Frontier’s rebuttal testimony (filed January 23, 2026).

<sup>6</sup> Kentucky Frontier’s post hearing brief (filed February 20, 2026).

<sup>7</sup> Kentucky Frontier’s post hearing reply brief (filed February 27, 2026).

<sup>8</sup> Final Order (dated April 29, 2026).

<sup>9</sup> *Electronic Application of Kenergy Corp. for a Certificate of Public Convenience and Necessity for the Construction of a High-Speed Fiber Network and for Approval of the Leasing of the Network’s Excess Capacity to an Affiliate to be Engaged in the Provision of Broadband Service to unserved and Underserved Households and Businesses of the Commonwealth*, Case No. 2021-00365, Order (Ky. PSC May 19, 2022) at 1–2.

affirm its former orders, and make and enter such order as it deems necessary.

A Commission Order is unreasonable when “the evidence presented leaves no room for difference of opinion among reasonable minds.”<sup>10</sup> An Order of the Commission is unlawful when it is deemed to be in violation of a state or federal statute, or a constitutional provision.<sup>11</sup>

### **ARGUMENT**

Kentucky Frontier proposed a simple cost of service allocation much like its last two rate cases, with 46% of service costs allocated to monthly customer charges, and the rest allocated 60% by demand and 40% by commodity. In reality, the cost to serve customers does not vary seasonally. The major expenses of labor, benefits, insurance, vehicles, facilities, and interest are nearly unchanged from winter to summer months. Like telephone service, the entire cost of gas service could be attributed to fixed costs reimbursed in monthly service fees. There is very little variable expense directly attributed to sales volumes that vary 12:1 from January to July. Kentucky Frontier proposed a reasonable compromise of customer charges covering 46% of fixed costs.

The actual cost of serving customers is illustrated by the monthly charges of \$21 to \$30 for the larger utilities in Kentucky. Frontier requested \$25, near the \$25.40 weighted average for the last 3 big rate cases (Atmos, Columbia, Delta). Instead, without consideration of actual cash flow, the Order assigns a simple percentage increase to all rate components. The new Customer Charge of \$17.63 per month covers only 33% of total rate revenue and expenses in the summer months, when volume is near zero.

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<sup>10</sup> *Energy Regulatory Comm'n v. Kentucky Power Co.*, 605 S.W.2d 46, 50 (Ky. App. 1980).

<sup>11</sup> *Public Service Comm'n v. Conway*, 324 S.W.3d 373, 377 (Ky. 2010); *Public Service Comm'n v. Jackson County Rural Elec. Coop. Corp.*, 50 S.W.3d 764, 766 (Ky. App. 2000); *National Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 509 (Ky. App. 1990).

The rates contained in the Commission's Order are slanted two-thirds to volume. When comparing this to actual expenses that were provided in the case the rate design seems to be at odds with actual expenses. For example, Frontier provided evidence to show the increase to expenses just for labor (including benefits) and liability insurance since Frontier's last rate case in 2017 was \$540,000. Very simplistically, without a lengthy and expensive cost of service study, the Customer Charge should have increased at very least to \$22.50 per month, just to include the increase in these two categories of fixed costs that have increased dramatically, for Residential / Commercial customers.

The alternative rate filing regulation ("ARF") does not require the small utilities to perform a costly cost-of-service study and instead provides forms for the small utilities to use when filing an ARF case. Full cost-of-service studies are expensive and the small utilities that qualify to use the ARF procedures have fewer customers to spread that cost over. The cost of performing a cost-of-service study could substantially increase the overall rate increase requested in an ARF proceeding. With Frontier's system being primarily residential and small commercial who have very similar usage, Frontier did not do a cost-of-service study but instead reviewed customer charges recently awarded by the Commission in recent natural gas rate cases and requested a similar amount of fixed charges. The \$25.00 requested in this proceeding was similar to the weighted average (\$25.40) awarded in recent rate cases to Atmos Energy, Columbia Gas of Kentucky, and Delta Natural Gas. Frontier believes that, at the very least, a customer charge of \$22.50 should be awarded which is close to the \$21.41 weighted average awarded in the large five LDC cases.

The Commission made numerous adjustments to the revenue requirement proposed by Frontier and awarded \$2,937,613 of total revenue required from rates for service, or \$245,000 per

month. Over the next six months, from May to October, before winter heating starts, Kentucky Frontier will incur approximately \$1,300,000 in cash costs (adjusted for non-cash items). Kentucky Frontier's customers have low usage in the summer months and with two-thirds of the costs contained in the volumetric charge, Kentucky Frontier will only bill approximately \$820,000 over the six summer months. Kentucky Frontier only sells approximately 16% of its total annual load in the summer months. On this slanted rate and cash flow scheme, Kentucky Frontier will have to borrow approximately \$300,000 or more to get through the summer. This will not be possible with Kentucky Frontier's regular lender, with no additional collateral or income.

In addition, Kentucky Frontier always expects to build cash reserves over the winter. However, both January and February 2026 had slightly increased volume (13% more than average) but many critical flow days on the supply pipelines due to widespread bitter cold. Gas was priced daily at \$15-20-40 per Dth, versus the index at \$4-7 for non-critical days. The GCR rates in effect cannot anticipate these events. The cost of gas in January and February was nearly the total gross revenue, leaving almost zero margin on volume and not allowing Kentucky Frontier to build a cash reserve to get through the low volume summer months.

Kentucky Frontier did not know the total impact of January and February 2026 gas costs at the time this case was heard by the Commission. Frontier will eventually recover most of the cost of gas, but with the GCA turnaround time being spread out over a year starting in August, it will likely be the end of 2027 before that occurs. The new rates set by the Commission are not reflective of the reality of cashflow. Kentucky Frontier requests an adjustment of the customer charge to at least \$22.50 or higher for residential and commercial customers, and the offsetting reduction of volumetric rates, to provide cash flow to survive the summer.

If the Commission is not inclined to increase the customer charge to \$22.50, Frontier would propose at the very least the following rates, to reach the prescribed Total Revenue Required from Rates:

<u>Customer Charge / mo</u>	<u>Base Rate per CCF</u>	
\$21.00	\$0.49090	Residential and Commercial
\$21.00	\$0.40000	Residential and Commercial Farm Taps
\$75.00	\$0.41390	Large Commercial

PRP remains the same at \$2.50 per month and \$0.037 /CCF

This \$21.00 figure is close to the \$21.41 weighted average for all five large gas utilities in Kentucky. The current difference between the rate classes of \$0.77 /CCF is maintained, to account for the difference in Demand curve from the last rate case in 2017. The Order pushed this difference to \$0.105 per CCF with more impact on smaller customers.

A typical Residential customer has no water heater and zero gas use from June to September. Kentucky Frontier calculated the average cost to an average customer for just the non-gas costs (including volumetric charges but no Gas Cost Recovery) and below is the comparison. As can be seen from the table below, the average customer will see an increase of only \$88 per year from Kentucky Frontier’s current rates to those approved in the Commission’s Order and only an additional \$14 per year if the customer charge was increased to \$21.00. The following is a comparison of bills (without GCR gas costs) for an average customer using 455 CCF per year:

Current rates	\$420 /yr	\$170 from May to end of year
Order rates	\$508 / yr	\$191 from May to end of year
Frontier \$21/mo	\$522 / yr	\$210 from May to end of year

This allocation improves monthly cash flow through base rates. The GCA shortfall will need to be alleviated through the GCA process, but the minimal summer volume will make cash flow critical for the rest of the year. Kentucky Frontier believes that this small adjustment in the rate design

from what was contained in the Commission's Order would give Kentucky Frontier the opportunity to not have to borrow as much money to survive the summer months.

**CONCLUSION**

WHEREFORE, on the basis of the foregoing, Kentucky Frontier respectfully requests that the Commission grant rehearing and reconsider the rate design approved in its Order to allow Kentucky Frontier to have sufficient cashflow to survive the low usage summer months.

This the 17<sup>th</sup> day of May, 2026.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

This is to certify that the electronic filing was transmitted to the Commission on May 17, 2026, and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding. Pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085 no paper copies of this filing will be made.



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*Counsel for Kentucky Frontier Gas, LLC*