

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY)  
FRONTIER GAS, LLC FOR AN ) CASE NO. 2025-00277  
ADJUSTMENT OF RATES )

DIRECT TESTIMONY

AND EXHIBITS OF  
JOHN DEFEVER, CPA

ON BEHALF OF THE  
OFFICE OF THE ATTORNEY GENERAL OF  
THE COMMONWEALTH OF KENTUCKY  
DECEMBER 19, 2025

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## APPENDIX:

Appendix I, Experience and Qualifications

## EXHIBIT:

JD-1, Revenue Requirement Schedules

## **I. INTRODUCTION**

**Q. What is your name, occupation, and business address?**

A. My name is John Defever. I am a Certified Public Accountant, licensed in the State of Michigan. I am a senior regulatory consultant in the firm of Larkin & Associates, PLLC, with offices at 15728 Farmington Road, Livonia, Michigan.

**Q. Please describe the firm Larkin & Associates, PLLC.**

A. Larkin & Associates, PLLC is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/commission staffs, and consumer interest groups (attorneys general, public counsels, public advocates, consumer counsels, etc.). Larkin & Associates, PLLC, has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings including numerous electric, gas, telephone, and water and sewer utilities.

**Q. Have you prepared an exhibit describing your qualifications and experience?**

A. Yes. I have attached Appendix I, which summarizes my experience and qualifications.

**Q. On whose behalf are you appearing?**

A. Larkin & Associates, PLLC was retained by the Office of the Attorney General of the Commonwealth of Kentucky (“Attorney General” or “OAG”). Accordingly, I am appearing on behalf of the Attorney General.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to review and make recommendations regarding specific issues that affect Kentucky Frontier Gas LLC’s (“Frontier” or “Company”) requested increase in rates.

**Q. How will your testimony be organized?**

A. The testimony is organized as follows: Introduction, Overall Financial Summary, and Operating Adjustments.

## **II. OVERALL FINANCIAL SUMMARY**

**Q. Have you prepared any exhibits in support of your testimony?**

A. Yes. I have prepared Exhibit JD-1, which summarizes my adjustments and the impact on the Company’s requested increase.

**Q. Based on your review of Frontier’s filing, what change in revenue requirement are you recommending at this time?**

A. Based on the adjustments that have been quantified to date, the result is a revenue increase of no more than \$822,486.

### **III. OPERATING ADJUSTMENTS**

#### **A. Payroll**

**Q. What increase is the Company requesting for payroll expense in the Pro Forma period?**

**A.** The Company requests an increase of \$233,000 over the test year amount.<sup>1</sup>

**Q. Has the Company supported this increase?**

**A.** No. The Company was asked in the Attorney General's First Request for Information No. 31 to provide all calculations and workpapers supporting the adjustments on the Schedule of Operations-Gas Utility which included the increase to payroll expense. However, the Company failed to provide the requested documentation for the payroll expense increase. The Company's response referenced the response to the Commission Staff's First Request for Information, Item No. 9 which also did not provide sufficient supporting documentation. The Company was then asked in the Attorney General's Second Request for Information Item No. 27 to provide supporting documentation for the new rates used in the Pro Forma increase. The request stated the following:

Refer to the Company's response to the Attorney General's first Request for Information No. 9. Provide documentation supporting the new rates used for the Pro forma increase. (i.e., what information did the Company utilize to determine the employee hourly rate increases it is requesting?)

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<sup>1</sup> Application for Rate Adjustment, page titled References.

The Company's response stated the following:

See Response 26. Frontier has compared wages to a regional gas utility willing to share general wage and benefit data. Frontier would have to increase its starting wage for gas technicians by 33% to match the larger company and its 5-year average by 35%. With the proposed rate increase, the proposed average wages for gas techs would increase 24%, but would still be 9% lower than the larger utility.

While the response gives a narrative explanation for the increase, it does not provide the requested documentation to support its claims. As stated above, the response also referenced the response to the Attorney General's Second Request for Information Item No. 26 which also discussed the Company's claims without providing supporting documentation. It should be noted that the Company has the burden to support the costs for which it requests recovery. Without providing the requested documentation, the requested increase in payroll expense has not been sufficiently supported.

**Q. What do you recommend?**

A. I recommend disallowance of payroll costs above the test year amount, a reduction of \$233,000. This adjustment results in a corresponding adjustment of \$21,100 to payroll taxes.<sup>2</sup>

**B. Donations**

**Q. Has the Company included donations in the Pro Forma period?**

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<sup>2</sup> Id.

A. Yes, the Company included \$1,279 in the Pro Forma period.<sup>3</sup> The Company stated that the donations "...are generally to local organizations and provide assistance to veterans."<sup>4</sup>

**Q. Should donations be recovered from ratepayers?**

A. No. While making donations can be considered laudable, if the Company wants to be charitable it should be at its own expense. Otherwise, it is the ratepayers, not the Company, that is actually making the donation. Donations are typically a below-the-line expense, not recovered from ratepayers. Ratepayers should be able to make their own decisions regarding which organizations, if any, they want to donate to and at what level.

**Q. What do you recommend?**

A. I recommend disallowance of the recovery of all donations, a reduction of \$1,279.

**C. Company Parties and Gifts**

**Q. Does the Company request recovery of costs for Company events and gifts in the Pro Forma period?**

A. Yes. However, the Company did not provide the amount, but instead stated the amount was "minimal."<sup>5</sup> Also, the Company stated in its response to the Attorney

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<sup>3</sup> Response to the Attorney General's Second Request for Information No. 2.

<sup>4</sup> Id.

<sup>5</sup> Response to the Attorney General's First Request for Information No. 46.

General's First Request Item No. 58 that Frontier does not provide employee gifts, However, there are several entries in the general ledger labeled as "gifts."

**Q. How were you able to determine the amount of these costs?**

A. As the Company did not provide the amount in its response, the amount of \$5,415 was calculated by adding specific costs from Office Supplies Expense, Account 921.2 from the general ledger.<sup>6</sup>

**Q. What types of costs are included in this expense?**

A. This expense includes costs for holiday parties and employee gifts.<sup>7</sup>

**Q. Why should these costs not be recovered from ratepayers?**

A. Such expenses are not necessary for the provision of utility service and provide little to no benefit to ratepayers.

**Q. Have you made an adjustment?**

A. Yes, I recommend the disallowance of the entire amount, a reduction of \$5,415 which is shown on Exhibit JD-1, Schedule 2

<sup>6</sup> Response to the Staff's Second Request for Information No. 2.

<sup>7</sup> Id.

## **D. Legal Expense**

**Q. Do you have any concerns with the amount of Legal Expense included in the Pro Forma period?**

A. Yes. The Company included \$9,300 of legal fees related to the dispute with gas supplier EKM in the Pro Forma period.<sup>8</sup>

**Q. What is the nature of the proceeding?**

A. The response to Attorney General's First Request for Information No. 48 described the dispute and proceeding as follows:

The former Public Gas utility evolved along with its sister pipeline Jefferson Gas, with the same ownership. Frontier purchased Public Gas assets in December 2015. The Jefferson network is the only feasible supplier to the Frontier Public customers, last count at 1504.

In a market where pipeline transport charges are nearly always less than \$1.00 per MCF, Jefferson Gas raised its fee in October 2020 from \$3.63 to \$6.43 per MCF. Jefferson sold its pipelines to EKM in March 2021, and EKM added an automatic 12% LAUF on Frontier purchases, putting its margin at about \$7.11 per MCF.

Frontier complained to the Commission and to the Attorney General's office about these onerous charges, and the fact that Jefferson / EKM was no longer a "gathering" system, but was functioning almost completely as a gas distribution utility. EKM purchases about ¾ of its gas from a FERC-regulated pipeline at Means and distributes gas to Frontier

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<sup>8</sup> Response to the Attorney General's First Request for Information No. 48.

and others at distribution pressures. The Commission opened the investigative case and held a hearing in May 2025.

**Q. Should these costs be included in base rates?**

A. No. The litigation expense for this proceeding is not related to base rates but rather the gas costs that are recovered through the GCR. The Company's response states that "although any benefit will reduce consumer costs in the GCR."<sup>9</sup> As such, they should be recovered through the GCR proceeding, not this rate case.

**Q. What do you recommend?**

A. I recommend removing the \$9,300 from the Pro Forma period.

**E. Gain on Asset Sale**

**Q. Did the Company reflect any gains on sales of assets in the Pro Forma period?**

A. No. In its response to the Attorney General's Second Request for Information No. 30, the Company stated "Gains are not included in the Pro Forma since no sales are anticipated."

**Q. Did the Company have gains on sale of assets in the test year?**

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<sup>9</sup> Id.

A. Yes. The response to the Attorney General's Second Request for Information No. 30 states that "Gains averaged \$18,000 per year mostly for sales of old vehicles and recapture of depreciation." The following chart shows the gains on asset sale over the years 2020-2024.<sup>10</sup>

Gain on Asset Sale/Disposition					
2020	2021	2022	2023	2024	Average
\$318	\$32,700	\$14,154	\$16,445	\$23,907	\$17,505

As shown, the Company had gains on asset sales/dispositions in each of the prior five years.

**Q. Should gains on asset sales be reflected in the Pro Forma period?**

A. Yes. As the historical record shows that this is a recurring event, an average should be reflected in the Pro Forma period.

**Q. What do you recommend?**

A. I recommend reflecting a five-year average of the gains in the years 2020-2024, which increases income by \$17,505.

**F. Insurance Expense**

**Q. Please discuss your adjustment to insurance expense.**

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<sup>10</sup> Attorney General's First Request for Information No. 91 Attachment.

A. The Attorney General's First Request for Information No. 97 asked the Company to provide supporting documentation for the requested increase for the Pro Forma period. The response stated the following:

Insurance cost was continued at the 2024 level, with a \$10,000 increase as a known and measurable adjustment after consulting with the agent.

**Q. Did the Company provide the requested supporting documentation?**

A. No. While the Company claimed the \$10,000 increase was "known and measurable," no supporting documentation was provided.

**Q. Was there a follow-up request for supporting documentation for the increase?**

A. Yes. The Attorney General's Second Request for Information No. 4 asked the following:

Refer to the Company's response to the Attorney General's First Request for Information No. 97(b). Provide documentation supporting the \$10,000 increase.

**Q. Did the response provide the requested documentation?**

A. No. The response stated the following:

As stated in the earlier response, the increase was estimated since no quotes were available. As of the date of this response, Frontier has quotes

for 4 of 5 components at about 80% of the total expected cost. These quotes show a cost increase of 14% or about \$37,000, with the umbrella liability quote still to come.

No supporting documentation was provided to support the \$10,000 increase.

**Q. What do you recommend?**

A. As the increase is unsupported, I recommend disallowance of the entire increase, a reduction of \$10,000 to property insurance expense.

**G. Penalties**

**Q. Please discuss your adjustment to penalties expense.**

A. The Company stated that the Pro Forma period includes penalty and interest of \$1,652 and \$1,643.<sup>11</sup> However, the response states that this expense is not expected to continue. As the expense is not expected to continue, it should not be recovered from ratepayers each year until the next rate case. Furthermore, penalties and fines are typically recorded below the line and should not be recovered from ratepayers.

**Q. What do you recommend?**

A. I recommend disallowance of the entire amount, a reduction of \$3,295 (\$1,652 + \$1,643) in the Pro Forma period.

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<sup>11</sup> Company Response to Attorney General's Second Request for Information No. 20

## **H. Income Taxes**

**Q. Did you make an adjustment to income taxes?**

A. No. Typically, reducing expenses has an impact on income taxes and I would make a corresponding adjustment. However, as the Company did not adjust its test year income taxes for its pro forma adjustments, I did not make a corresponding adjustment to income tax expense.<sup>12</sup> I reserve the right to supplement my testimony based on further information received during the proceeding.

## **IV. Conclusion**

**Q. Does this conclude your testimony?**

A. Yes. However, I reserve the right to supplement my testimony upon receipt of additional relevant information. It should be noted that silence on any issues should not be interpreted as acceptance of any Company proposal.

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<sup>12</sup> Schedule of Operations - Gas Utility.

## QUALIFICATIONS OF JOHN DEFEVER

John Defever, CPA is a senior regulatory consultant with Larkin & Associates. As such, Mr. Defever is responsible for the review and analysis of regulatory filings and the preparation of testimony, discovery requests, briefs, schedules, exhibits and reports. Mr. Defever also assists with the annual audit of a Michigan Railroad Company. Mr. Defever has been employed with the firm of Larkin and Associates since 2010.

Mr. Defever has performed work in the field of utility regulation on behalf of public service commission staffs, state attorney generals and consumer groups concerning regulatory matters before regulatory agencies in Alaska, California, Connecticut, District of Columbia, Florida, Hawaii, Iowa, Maine, Maryland, Massachusetts, Mississippi, Oregon, New Hampshire, and Vermont.

Mr. Defever received a Bachelor of Business Administration, Major: Accounting from Eastern Michigan University and an Associate in Applied Science at Schoolcraft College. Mr. Defever is a member of the Michigan Association of Certified Public Accountants and maintains continuing professional education in accounting, auditing, and taxation.

Partial list of utility cases participated in:

Docket No. 10-02-13	Aquarion Water Company of Connecticut Connecticut Department of Utility Control
Docket No. 10-70	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 10-12-02	Yankee Gas Services Company Connecticut Department of Utility Control
Docket No. 11-01	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Case No. 9267	Washington Gas Light Company Maryland Public Service Commission

## QUALIFICATIONS OF JOHN DEFEVER

Case No. 9286	Potomac Electric Power Company Maryland Public Service Commission
Docket No. 13-06-08	Connecticut Natural Gas Corporation Connecticut Public Utility Regulatory Authority
Docket No. 13-90	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Docket No. 8190	Green Mountain Power Company Before the Vermont Public Service Board
Docket No. 8191	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board
Case No. 9354	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 13-135	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 14-05-06	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 13-85	Massachusetts Electric Company and Nantucket Electric Company D/B/A/ as National Grid Massachusetts Department of Public Utilities
Case No. 9390	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 15-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-149	Western Massachusetts Electric Company Massachusetts Department of Public Utilities

## QUALIFICATIONS OF JOHN DEFEVER

Docket No. 8710	Vermont Gas Systems Inc. Before the Vermont Public Service Board
Docket No. 8698	Vermont Gas Systems Inc. Alternative Regulation Before the Vermont Public Service Board
U-15-091 / U-15-092	College Utilities Corporation Golden Heart Utilities, Inc. Regulatory Commission of Alaska
Docket No. 16-06-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-05-42	Southern Connecticut Gas Company Connecticut Public Utilities Regulatory Authority
Docket No. 20160251-EI	Florida Power & Light Company Florida Public Service Commission
Docket No. 20170141-SU	KW Resort Utilities Florida Public Service Commission
Application No. A.16-09-001	Southern California Edison California Public Utilities Commission
Case No. 18-0409-TF	Vermont Gas Systems, Inc. Vermont Public Utility Commission
Docket No. 17-10-46	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 2017-0105	Hawaii Gas Company Hawaii Public Utilities Commission
Docket No. 18-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 18-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority

## QUALIFICATIONS OF JOHN DEFEVER

Docket No. A.17-11-009	Pacific Gas & Electric California Public Utilities Commission
Docket No. 18-05-16	Connecticut Natural Gas Connecticut Public Utilities Regulatory Authority
Docket No. 18-05-10	Yankee Gas Connecticut Public Utilities Regulatory Authority
Docket No. 18-11-12	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 18-07-10	SJW Group and Connecticut Water Service Connecticut Public Utilities Regulatory Authority
Docket No. RPU-2019-0001	Interstate Power and Light Iowa Utilities Board
Docket No. 2018-0388	Kona Water Service Company Hawaii Public Utilities Commission
Docket No. DE 19-057	Public Service Company of New Hampshire New Hampshire Public Utilities Commission
Application No. A.19-08-013	Southern California Edison Public Utilities Commission
Docket No. D.P.U. 19-120	NSTAR Gas Company d/b/a Eversource Energy Massachusetts Department of Public Utilities
Docket No. 2019-00333	Maine Water Company – Skowhegan Division Public Utilities Commission
Docket No. D.P.U. 19-113	Massachusetts Electric Company & Nantucket Electric Company Each d/b/a National Grid Massachusetts Department of Public Utilities

## QUALIFICATIONS OF JOHN DEFEVER

Docket No. 20-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-12-30	Connecticut Water Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-08-03	The Connecticut Light and Power Company & The United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-120	National Grid Massachusetts Department of Public Utilities
Docket No. 21-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 21-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Case No. 21-887-EL-AIR	Duke Energy Ohio Public Utilities Commission of Ohio
Application No. 21-06-021	Pacific Gas & Electric 2023 GRC California Public Utilities Commission
Docket No. 22-07-01	Aquarion Water Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-057-03	Dominion Energy Resources Utah Public Service Commission

## QUALIFICATIONS OF JOHN DEFEVER

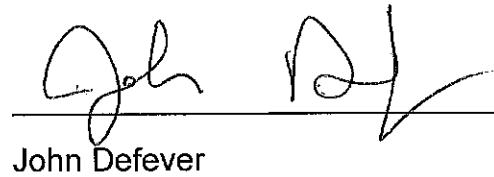
Docket No. 22-22	NSTAR Electric Massachusetts Department of Public Utilities
Docket No. 22-08-08	United Illuminating Company, Connecticut Public Utilities Regulatory Authority
Formal Case No. 1169	Washington Gas Light District of Columbia Public Service Commission
Case No. 22-900-EL-SSO	Dayton Power & Light, d/b/a AES Ohio Public Utilities Commission of Ohio
Docket No. 23-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 24-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority

AFFIDAVIT

STATE OF MICHIGAN )

COUNTY OF WAYNE )

John Defever, being duly sworn, deposes, and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.



A handwritten signature in black ink, appearing to read "John Defever".

John Defever

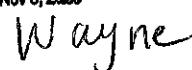
Sworn to and subscribed before me on this 18<sup>th</sup> day of December 2025.



A handwritten signature in black ink, appearing to read "Christine Miller".

Notary Public

CHRISTINE MILLER  
NOTARY PUBLIC, STATE OF MI  
COUNTY OF WAYNE  
MY COMMISSION EXPIRES Nov 8, 2028  
ACTING IN COUNTY OF



A handwritten signature in black ink, appearing to read "Wayne".