

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC)	2026-00074

ORDER

On March 31, 2026, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed a quarterly Gas Cost Recovery (GCR) rate report with a proposed effective date of May 1, 2026. Kentucky Frontier included in its application a motion for deviation that requests an extension of a previously authorized deviation of its line loss limiter from 5 percent to 7.5 percent through October 31, 2027.¹ Kentucky Frontier's previous GCR rate was placed into effect in Case No. 2025-00403.²

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates, or the

¹ Motion for Deviation (filed Mar. 31, 2026).

² Case No. 2025-00403, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 26, 2026).

rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.³

BACKGROUND

The line loss limiter is used by the Commission to control the extent to which a Local Distribution Company (LDC) may recover the cost of Lost and Unaccounted for gas (L&U) from its customers. A line loss limiter of 5 percent has been historically used by the Commission to incentivize an LDC to properly maintain its system and reduce excessive line loss by capping the amount of lost gas cost that can be recovered from ratepayers. If the LDC's line loss is at or below the approved line loss limiter, the gas costs are included into the calculation of the GCR rate and recovered by the utility's customers. If the line loss exceeds the approved line loss limiter, then the LDC cannot recover the costs associated with that difference from its rate payers.

Kentucky Frontier has historically acquired and rehabilitated troubled systems that had significant line loss and posed safety issues to the customers and inhabitants of the area. Kentucky Frontier's efforts have led to measurable improvements in system integrity and a significant decrease in the line loss percentages of the integrated systems. In its Motion for Deviation, Kentucky Frontier stated that it has decreased its L&U from 24 percent to 6 percent for the period 2010 to 2025.⁴ Kentucky Frontier initially acquired Belfry Gas, Inc., Floyd County Gas, and Mike Little Gas Company in Case 2008-00394.⁵

³ KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

⁴ Motion for Deviation at 2.

⁵ Case No. 2008-00394, *Application of Kentucky Frontier Gas, LLC For Approval of Financing and Transfer of Control* (Ky. PSC Nov. 25, 2008).

In Case Nos 2009-00442⁶ and 2009-00492,⁷ Kentucky Frontier acquired the stock of Auxier Road Gas Company and the assets of People's Gas Inc., respectively. In Case No. 2010-00076,⁸ Kentucky Frontier acquired Cow Creek Gas, Inc. and Dema Gas Company, Inc. The assets of B.T.U. Gas Company were acquired in Case No. 2012-00099.⁹ Pursuant to the final Order issued on April 30, 2013, in Case No. 2011-00443,¹⁰ Kentucky Frontier consolidated its previously acquired systems into a unified rate structure. Following the initial consolidation of Kentucky Frontier's acquired utilities, it further acquired Public Gas Company in Case No 2015-00299¹¹ and consolidated it into its unified rate structure in Case No 2017-00263.¹²

The Commission issued an Order in Case No. 2018-00013¹³ that allowed Kentucky Frontier to raise its allowable line loss limiter from 5 percent to 10 percent, through

⁶ Case No. 2009-00442, *Application of Kentucky Frontier Gas Company, LLC For Approval of Transfer of Auxier Road Corporation Stock* (Ky. PSC Feb. 22, 2010).

⁷ Case No. 2009-00492, *Application of Kentucky Frontier Gas Company, LLC For Approval of Transfer of People's Gas Company Assets* (Ky. PSC Jan. 29, 2010).

⁸ Case No. 2010-00076, *Application of Kentucky Frontier Gas Company, LLC For Approval of Transfer of Stock of Cow Creek Gas, Inc., Purchase of Farm Tap and Royalty Gas Customer of Interstate Natural Gas Company and Transfer of A Portion of DLR Enterprises, Inc. Pipeline to Cow Creek Gas, Inc.* (Ky. PSC May 7, 2010).

⁹ Case No.2012-00099, *Application of Kentucky Frontier Gas, LLC For Approval of Transfer of Assets of the Former B.T.U. Gas Company and Approval of Financing of Acquisition* (Ky. PSC Jun. 1 2012).

¹⁰ Case No. 2011-00443, *Application of Kentucky Frontier Gas, LLC For Approval of Consolidation of and Adjustment of Rates, Approval of AMR Equipment and A Certificate of Convenience and Necessity For Installation of AMR, Pipeline Replacement Program, revision of Non-Recurring Fees and Revision of Tariffs* (Ky. PSC Apr. 30, 2013).

¹¹ Case No. 2015-00299, *Joint Application of Kentucky Frontier Gas, LLC and Public Gas Company For Approval of Transfer and Acquisition of Assets and Financing* (Ky. PSC Nov. 24, 2015).

¹² Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC For Alternative Rate Adjustment* (Ky. PSC July 2, 2021).

¹³ Case No. 2018-00013, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan 10, 2018), final Order at 4.

November 1, 2018. The Commission stated that the waiver of the 5 percent line loss limiter would not be reasonable in the long term, and that such approval should not be indefinite. In Case No. 2018-00334¹⁴, Kentucky Frontier reverted to using the 5 percent line loss limiter in its Expected Gas Cost (EGC) and current quarter Actual Adjustment (AA) calculations. In Case No 2023-00067¹⁵, the Commission granted Kentucky Frontier another deviation to its line loss limiter from 5 percent to 7.5 percent, which is set to expire April 30, 2026. The Order further stated that Kentucky Frontier may request another deviation, if necessary and upon showing good cause, for an additional increase. In the current proceeding, Kentucky Frontier filed a motion for deviation that proposes to increase its line loss limiter to 7.5 percent until October 31, 2027.¹⁶

In Case No. 2017-00263, the Commission found Kentucky Frontier to be affiliated with DLR Enterprises Inc. (DLR), along with Pipeline Solutions Inc. (PSI), and Pinedale Natural Gas (Pinedale) pursuant to KRS 278.010(18).¹⁷ Steve Shute, the managing member of Kentucky Frontier, holds sole ownership of Kentucky Frontier, DLR, Pinedale, and Auxier Road Gas Company (Auxier Road).¹⁸ Kentucky Frontier stated that DLR is a gas gathering and transmission company that transports gas from the Auxier Road gas system to Magoffin County, Kentucky.¹⁹ In Case No. 2025-00277, Kentucky Frontier

¹⁴ Case No. 2018-00334, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Oct. 30, 2018).

¹⁵ Case No. 2023-00067, *Electronic Application for Revised Quarterly Gas Cost Recovery Schedules for Kentucky Frontier Gas, LLC* (Ky. PSC Mar. 28, 2026), final Order at 16.

¹⁶ Motion for Deviation.

¹⁷ Case No. 2017-00263, July 2, 2021 Order at 3-4.

¹⁸ Case No. 2017-00263, July 2, 2021 Order at 2-4.

¹⁹ Case No. 2017-00263, (filed Aug. 11, 2017) Kentucky Frontier's response to Commission Staff's First Request for Information, Item 12.

stated that transactions between Kentucky Frontier and DLR remain consistent with those in 2017, and that it operates DLR under contract as it transport gas for Kentucky Frontier.²⁰ The costs that are associated with the transportation services that DLR provides to Kentucky Frontier are reviewed in Kentucky Frontier's quarterly GCR rate filings.²¹

DISCUSSION

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that Kentucky Frontier's report includes revised rates designed to meet its expected change in wholesale gas costs. Kentucky Frontier's report sets out an EGC of \$6.9981 per Mcf, which is an increase of \$0.2000 per Mcf from its previous EGC of \$6.7981 per Mcf. Kentucky Frontier's report sets out no Refund Adjustment. Kentucky Frontier's report sets out a current quarter AA of \$0.8111 per Mcf. Kentucky Frontier's total AA is \$0.4483 per Mcf, which is an increase of \$0.7542 per Mcf from the previous total AA of (\$0.3059) per Mcf. Kentucky Frontier's report sets out a current quarter Balance Adjustment (BA) of \$0.0024 per Mcf. Kentucky Frontier's total BA is \$0.0055 per Mcf, which is a decrease of \$0.0011 per Mcf from the previous total BA of \$0.0066 per Mcf.

Based upon the calculations of the GCR rate discussed above, the Commission finds that Kentucky Frontier's GCR rate is \$0.74519 per 100 cubic feet, or \$7.4519 per Mcf, which is an increase of \$0.9531 per Mcf from the previous GCR of \$6.4988 per Mcf.

²⁰ Case No. 2025-00277, *Electronic Application of Kentucky Frontier Gas, LLC For an Alternative Rate Filing Pursuant to 807 KAR 5:076 and Other General Relief* (filed Feb. 16, 2026), Kentucky Frontier's Response to Commission Staff's Post Hearing Request, Item 23.

²¹ Case No. 2025-00277, Feb. 16, 2026 Kentucky Frontier's Response to Commission Staff's Post Hearing Request, Item 23.

The Commission finds that the inputs, resulting components and calculation of Kentucky Frontier's proposed GCR rate of \$7.4519 per Mcf to be reasonable. The Commission further finds that the rates set forth in Appendix A to this Order are fair, just and reasonable and are approved for service rendered by Kentucky Frontier on and after May 1, 2026.

Kentucky Frontier's current tariff states that it will use the standard 5 percent line loss limiter in the calculation of its EGC and AA components, unless a deviation is requested and granted by the Commission.²² In Case No. 2023-00067, the Commission found that Kentucky Frontier demonstrated good cause and granted a deviation increasing the line loss limiter to 7.5 percent, set to expire April 30, 2026.²³ In its motion for deviation, Kentucky Frontier stated it would be losing \$37,000 in gas cost recovery revenue if it were to adhere to the 5 percent line loss limiter.²⁴ This additional cash flow would allow Kentucky Frontier to further its efforts to maintain its system infrastructure and continue to improve its percentage of L&U gas, building upon the improvements Kentucky Frontier has achieved through its Pipeline Replacement Program (PRP). Kentucky Frontier stated that its remote service territory requires more feet of pipeline per customer than typical systems, creating more potential for gas loss. Specifically, Kentucky Frontier noted that it has 13 customer meters per mile of main, whereas the large LDCs have 25 to 70 customer meters per mile of main.²⁵ Kentucky Frontier further

²² P.S.C. Ky. No. 3, Sheet No. 31 (issued Apr. 17, 2024), effective May 17, 2024.

²³ Case No. 2023-00067, Mar. 28, 2024 final Order at 16.

²⁴ Motion for Deviation at 3.

²⁵ Motion for Deviation at 2.

explained that its rural nature is shown by its relatively low sales of 1,000 Mcf per mile of main, compared to 2,000 Mcf to 10,000 Mcf of a larger LDC. Because Kentucky Frontier has fewer sales per mile of main to spread out gas loss on its system, it argued that a leak would have a greater impact on its loss and unaccounted for gas when compared to larger, urban systems that have more sales volume per mile of main.²⁶

In terms of Kentucky Frontier's PRP program and in terms of its percentage of L&U gas, in Case No. 2011-00443,²⁷ the Commission approved Kentucky Frontier's PRP that authorized it to recover costs associated with the replacement of bare steel pipeline that presented a safety risk and contributed to its excessive line loss. The initial PRP surcharge approved by the Commission was \$1.25 per Mcf,²⁸ later increased to \$5.00 per Mcf in Case No. 2017-00263.²⁹ Kentucky Frontier periodically files financial and status updates of its PRP progress indicating the projects are improving L&U percentage.³⁰ The Commission finds that Kentucky Frontier has been diligent in the replacement of problematic pipe since the inception of its PRP program and needs additional time to achieve an L&U of 5 percent or lower.

Therefore, the Commission finds that Kentucky Frontier has established good cause for an interim increase to its line loss limiter from 5 percent to 7.5 percent. The

²⁶ Motion for Deviation at 2.

²⁷ Case No. 2011-00443, *Application of Kentucky Frontier Gas, LLC for Approval of Consolidation of and Adjustment of Rates, Approval of AMR Equipment and Certificate of Convenience and Necessity for Installation of AMR, Pipeline Replacement Program, Revision of Non-Recurring Fees and Revision of Tariffs*, (Ky. PSC July 16, 2013).

²⁸ Case No. 2011-00443, Apr. 30, 2013 Order at 17.

²⁹ Case No. 2017-00263, Dec. 22, 2017 Order at 13.

³⁰ Case No. 2017-00263, Post Case Correspondance.

deviation should be included in subsequent GCR rate filings up to and including the GCR rate report with the 12-month reporting period ended October 31, 2027. However, the Commission emphasizes that Kentucky Frontier must continue prioritizing the replacement of aging and unsafe pipeline infrastructure across its system. The interim approval of a line loss limiter increase is not meant to be permanent or repeatedly granted. The Commission considers line loss to be a key measure of how well the system is being maintained, which is essential to ensuring the safety of Kentucky Frontiers' customers.

The Commission finds that for the purpose of transparency and to maintain a record of information for future use, Kentucky Frontier should submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Kentucky Frontier purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

Additionally, Kentucky Frontier shall file with its next quarterly GCR rate report, its responses to Commission Staff's (Staff) request for information attached to this Order as an Appendix B, and shall respond to any future requests for information propounded by Staff by the date or dates set forth on any such requests.

The Commission directs Kentucky Frontier to the Commission's July 22, 2021 Order in Case No. 2020-00085³¹ in which the Commission mandated the use of electronic filing procedures listed in 807 KAR 5:001, Section 8. The Commission finds that

³¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

electronic filing procedures should be used, consistent with the filing procedures set forth in Case No. 2020-00085.

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier's motion for a deviation to the line loss limiter from 5 percent to 7.5 percent in its GCR rate reports for a period through October 31, 2027, is granted. The deviation to the line loss limiter will become effective in Kentucky Frontier's next quarterly GCR rate report filing with a proposed effective date of May 1, 2026.

2. The rates proposed by Kentucky Frontier and set forth in Appendix A to this Order are approved for service rendered on and after May 1, 2026.

3. Kentucky Frontier shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.

4. Should Kentucky Frontier purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports then the supplier, cost, and amount shall be documented in its cover letter to the Commission.

5. Within 20 days of the date of service of this Order, Kentucky Frontier shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

6. Kentucky Frontier shall file its responses to the request for information attached as Appendix B when it files its next quarterly GCR rate report.

7. This case is closed and removed from the Commission's docket.

Entered on this 30th day of April, 2026.

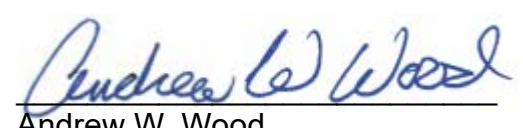
PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00074 DATED APR 30 2026

The following rates and charges are prescribed for the customers in the area served by Kentucky Frontier Gas, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Gas Cost Recovery rate

The Gas Cost Recovery rate shall be \$0.74519 per Ccf for service rendered on and after May 1, 2026.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00074 DATED APR 30 2026

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
KENTUCKY FRONTIER GAS, LLC.

Kentucky Frontier Gas, LLC (Kentucky Frontier), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due when Kentucky Frontier files its next quarterly Gas Cost Recovery (GCR) rate report. The Commission directs Kentucky Frontier to the Commission's July 22, 2021 Order in Case No. 2020-000851 regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Frontier shall make timely amendment to any prior response if Kentucky Frontier obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Kentucky Frontier fails or refuses to furnish all or part of the requested information, Kentucky Frontier shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Kentucky Frontier shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Case No. 2025-00277, Kentucky Frontier's responses to Commission Staff's Post Hearing Request for Information, Item 23(a).¹

a. Describe the terms of the contract between Kentucky Frontier and DLR Enterprises Inc. (DLR).

b. State whether written contract exists for the transportation services provided by DLR to Kentucky Frontier.

c. If so, provide a complete copy of the contract, including all exhibits and amendments.

d. If no written contract exists, explain the basis for the arrangement and how terms are established.

¹ Case No. 2025-00277, *Electronic Application of Kentucky Frontier Gas, LLC For an Alternative Rate Filing Pursuant to 807 KAR 5:076 and Other General Relief* (filed Feb. 16, 2026), Kentucky Frontier's Response to Commission Staff's Post Hearing Request for Information, Item 23(a).

Service List for 2026-00074

* Dennis R Horner
Kentucky Frontier Gas, LLC
2963 Ky Rte 321 North
PO Box 408
Prestonsburg, KY 41653

* Kentucky Frontier Gas, LLC
2963 Ky Rte 321 North
PO Box 408
Prestonsburg, KY 41653