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NEWS RELEASE

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PSC Approves Frontier Gas Acquisition of Public Gas Co. *Purchase adds more than 1,700 customers to 4,000 now served by Frontier Gas*

FRANKFORT, Ky. (Nov. 24, 2015) – The Kentucky Public Service Commission (PSC) today approved the purchase of Public Gas Co. by Kentucky Frontier Gas, LLC, creating a company that will serve more than 5,700 customers in eastern Kentucky.

Public Gas has 1,728 customers in Breathitt, Jackson, Lawrence, Lee, Magoffin, Morgan and Wolfe counties.

Kentucky Frontier Gas has owned and operated gas systems in the state since 2008, when it acquired four small companies. Since then, Kentucky Frontier Gas has expanded through additional acquisitions.

The company now owns and operates 11 small natural gas systems serving customers in Knott, Lawrence, Letcher, Martin, Morgan, Perry, Floyd, Magoffin and Pike counties. Most of its customers are in the last three of those counties.

Of Kentucky Frontier's more than 4,000 customers, about 3,400 are served by local distribution systems, with the others served by "farm tap" systems. Public Gas also has a number of farm tap customers.

Farm tap systems provide gas from lines that collect gas from production wells. They are regulated differently than distribution systems.

Kentucky Frontier is paying \$1.9 million to acquire Public Gas. Today's order also includes PSC approval of \$1.5 million in financing connected to the purchase.

Public Gas customers will see no immediate changes in their rates or terms of service. The natural gas commodity costs for Public Gas also will be calculated separately from those of Kentucky Frontier.

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The commodity cost of the gas itself is separate and fluctuates with conditions in the natural gas market. Distribution companies such as Kentucky Frontier are required to pass through the gas commodity cost on a dollar-for-dollar basis and cannot add a profit margin to the cost of gas.

Kentucky Frontier said in its application that the rates and commodity costs for Public Gas will be consolidated the next time that the company requests an adjustment to its rates. It did not say when that would be.

The PSC last approved a rate adjustment for Kentucky Frontier Gas in April 2013. That proceeding equalized the widely varying rates of the small gas companies that Kentucky Frontier had acquired up to that time.

Today's order and other documents in the case are available on the PSC website, psc.ky.gov. The case number is 2015-00299.

This is the link to the case file:

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?case=2015-00299

The 2013 rate case was case number 2011-00443. The case file is here:

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?case=2011-00443

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.

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