



December 30, 2014

RECEIVED

DEC 31 2014

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Re: Gas Cost Adjustment
Kentucky Frontier Gas, LLC

Dear Mr. Derouen:

On behalf of Kentucky Frontier Gas, LLC, we are filing a unified GCA application pursuant to the Commission's order of April 30, 2013 in Case No. 2011-00443. Please see attached Expected Gas Cost for the combined systems.

Frontier continues to experience high gas loss in portions of its system. Approximately 8,000 feet of pipe replacement in the Belfry area in 2014 resulted in no noticeable improvement in Belfry's Lost and Unaccounted (L&U) gas which accounts for more than 30% of Frontier's total L&U. The replacement of steel pipe in Belfry will be an ongoing effort for many years. Other activities to reduce L&U include 1,500 feet of pipe replacement in the Garrett area along KY Route 777. Additional losses have occurred due to numerous State and County road projects with numerous incidents of damaged lines, lost gas and subsequent repairs.

In consideration of the on-going negative financial impacts of the above, Frontier request an extension of the deviation from its PGA tariff in passing through line losses greater than 5 percent granted in Case No. 2014-00304. The attached EGC and AA calculations did not use a limiter and the BA is calculated to recover amounts formerly returned to customers due to using the limiter. The Commission's consideration of this request is very much appreciated.

If you have any questions, please call me at 303-422-3400.

Sincerely,
KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner

Enclosures

FOR ENTIRE AREA SERVED
KENTUCKY FRONTIER GAS, LLC

APPENDIX B

Page 1

P.S.C. KY. NO. 1

Original SHEET NO. 1

Kentucky Frontier Gas, LLC
(Name of Utility)

CANCELING P.S. KY. NO.
SHEET NO. _____

RATES AND CHARGES

APPLICABLE: Entire area served

Residential and Small Commercial

Gas Cost

	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 10.0000		\$ 10.0000
ALL MCF	\$ 4.2023	\$ 8.2518	\$ 12.4541

Large Commercial

Gas Cost

	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 50.0000		\$ 50.0000
ALL MCF	\$ 3.4454	\$ 8.2518	\$ 11.6972

DATE OF ISSUE December 30, 2014
Month/Date/Year

DATE EFFECTIVE February 1, 2015

ISSUED BY 
(Signature of Officer)

TITLE Member

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

KFG UNIFIED GAS COST RECOVERY RATE

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf \$	7.0313
+ Refund Adjustment (RA)	\$/Mcf \$	-
+ Actual Adjustment (AA)	\$/Mcf \$	1.2036
+ Balance Adjustment (BA)	\$/Mcf \$	0.0169
= Gas Cost Recovery Rate (GCR)		8.2518

GCR to be effective for service rendered from: February 1, 2015

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$ \$	2,225,999
/	Sales for the 12 months ended October 31, 2014	Mcf	316,583
=	Expected Gas Cost (EGC)	\$/Mcf \$	7.0313

B	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)	\$	-
+	Previous Quarter Supplier Refund Adjustment	\$/Mcf \$	-
+	Second Previous Quarter Supplier Refund Adjustment	\$/Mcf \$	-
+	Third Previous Quarter Supplier Refund Adjustment	\$/Mcf \$	-
=	Refund Adjustment (RA)	\$/Mcf \$	-

C	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Current Reporting Period (Sch. IV)	\$/Mcf \$	0.0141
	Actual Adjustment for the Previous Reporting Period	\$/Mcf \$	0.0918 expires 10/31/2015
+	Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.2354 expires 7/31/2015
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.4388 expires 5/31/2015
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.4235 expires 4/30/2015
=	Actual Adjustment (AA)	\$/Mcf \$	1.2036

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf \$	0.0169
+		\$/Mcf \$	-
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf \$	-
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf \$	-
=	Balance Adjustment (BA)	\$/Mcf \$	0.0169

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

October 31, 2014

Supplier	Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	1,799	\$ 3.1000	\$ 5,577
** Chattaco		1.0916	5,942	\$ 3.1464	\$ 18,696
Cheseapeake		N/A	4,949	\$ 5.1500	\$ 25,487
Columbia (Goble Roberts, Peoples)		N/A	15,353	\$ 8.0126	\$ 123,017
Cumberland Valley (Auxier)		1.2350	99,864	\$ 4.9134	\$ 552,297
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2350	20,661	\$ 6.1634	\$ 127,343
EQT (EQU,MLG,Price)		1.2820	108,587	\$ 6.8682	\$ 745,796
** Gray		1.0520	13,176	\$ 3.0323	\$ 39,953
** HI-Energy		1.0090	5,774	\$ 2.9083	\$ 16,793
** HTC		1.1079	974	\$ 3.1934	\$ 3,110
*** Interstate NG (Sigma) rate includes \$1.25/Mcf DLR trans		1.2499	764	\$ 4.8527	\$ 3,707
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		N/A	15,245	\$ 6.3530	\$ 96,851
Magnum Drilling, Inc.		N/A	3,581	\$ 10.5000	\$ 37,601
** Nytis (Auxier)		1.0962	3,191	\$ 3.1597	\$ 10,083
*** Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	13,051	\$ 4.4097	\$ 57,551
** Plateau		1.1200	2,263	\$ 3.2283	\$ 8,808
Quality (Belfry)		1.2499	65,747	\$ 4.6284	\$ 304,302
Quality (EQU,MLG,Price)		1.2560	28	\$ 4.9780	\$ 139
* Slone Energy		1.1753	10,553	\$ 3.3877	\$ 35,750
** Spirit		1.0458	1,302	\$ 3.0144	\$ 3,925
** Tackett & Sons Drilling		1.1305	2,827	\$ 3.2586	\$ 9,212
Totals			395,631	\$ 5.6265	\$ 2,225,999

Line loss 12 months ended: and sales of	<u>Oct-14</u> 316,583	based on purchases of Mcf.	<u>395,631</u> 20%	Mcf	
				<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)				\$	\$ 2,225,999
/ Mcf Purchases (4)				Mcf	395,631
= Average Expected Cost Per Mcf Purchased				\$/Mcf	\$ 5.6265
x Allowable Mcf Purchases (w/o 5% Limiter)				Mcf	395,631
= Total Expected Gas Cost (to Schedule 1A)				\$	\$ 2,225,999

Estimated Avg Tco for Feb, Mar, Apr = \$3.5693/Dth (NYMEX Future + \$0.0337/Dth (TCo Appal Basis) = \$3.6030/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = TCo + \$0.5044 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$5.3574/Dth

Jefferson contract = TCo + \$1.50/Dth cost factor = \$5.1030/Dth

CVR = TCo + \$0.0190/Dth Commodity + \$0.2427/Dth TCo Demand + \$0.0638/Dth Fuel + \$0.05/Dth CVR Fee = \$3.9785/Dth

Chattaco, Gray, HI-Energy, HTC, ING, Nytis, Plateau, Spirit, Tackett contract = \$4.00/Dth or 80% of TCo, whichever is greater

Nytis Sigma contract = 80% of Tco = \$3.6030/Dth x .8 = \$2.8824/Dth

Slone contract = \$4.50/Dth or 80% of TCo, whichever is greater

Quality (Belfry) = Tco + \$0.10 = \$3.7030/Dth

Quality (EQU,MLG) = TCo x 80% + \$0.725/Dth (Gathering) + \$0.4033/Dth (12.35% Fuel) = \$3.9634/Dth

DLR Transportation for Cow Creek (Sigma) = \$1.25/Mcf on volumes from Auxier, ING, Jefferson, Nytis

* Estimated 3 mo. TCo = \$3.6030/Dth x .8 = \$2.8824/Dth < \$4.50/Dth; \$2.8824/Dth

** Estimated 3 mo. TCo = \$3.6030/Dth x .8 = \$2.8824/Dth < \$4.00/Dth; \$2.8824/Dth

*** Estimated 3 mo. TCo = \$3.6030/Dth x .8 = \$2.8824/Dth < \$3.00/Dth; \$2.8824/Dth

KFG Unified

Schedule IV
Actual AdjustmentFor the 3 month period ending: October 31, 2014

<u>Particulars</u>	<u>Unit</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>
Total Supply Volumes Purchased	Mcf	8,526	8,698	17,777
Total Cost of Volumes Purchased	\$	\$ 46,390	\$ 50,008	\$ 84,372
(divide by) Total Sales	Mcf	5,512	6,889	13,586
(equals) Unit Cost of Gas	\$/Mcf	\$ 8.4162	\$ 7.2591	\$ 6.2102
(minus) EGC in effect for month	\$/Mcf	\$ 6.7845	\$ 6.7845	\$ 6.7845
(equals) Difference	\$/Mcf	\$ 1.6317	\$ 0.4746	\$ (0.5743)
(times) Actual sales during month	Mcf	5,512	6,889	13,586
(equals) Monthly cost difference	\$	\$ 8,993.84	\$ 3,269.58	\$ (7,802.22)
Total cost difference	\$			\$ 4,461.20
(divide by) Sales for 12 Months ended: <u>October 31, 2014</u>	Mcf			316,583
(equals) Actual Adjustment for the Reporting Period				\$ 0.0141
(plus) Over-recovery component from collections through expired AAs				\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)				\$ 0.0141

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended: October 31, 2014

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	(\$13,967)
Less: Dollar amount resulting from the AA of (0.0610) \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 316,583 Mcf during the 12 month period the AA was in effect	\$	<u>(\$19,312)</u>
Equals: Balance Adjustment of the AA	\$	<u><u>\$5,345</u></u>
Total supplier refund adjustment including interest used to compute RA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12 month period the RA was in effect	\$	<u>\$0</u>
Equals: Balance Adjustment of the RA	\$	<u><u>\$0</u></u>
Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	

Less: Dollar amount resulting from the BA of \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of Mcf during the 12 month period the BA was in effect	\$	<u>\$0</u>
Equals: Balance Adjustment of the BA	\$	<u><u>\$0</u></u>
Total Balance Adjustment Amount (1) + (2) + (3)	\$	\$5,345
Divide: Sales for 12 months ended October 31, 2014	Mcf	<u>316,583</u>
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>\$0.0169</u></u>