



Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

December 20, 2012

Hon. Robin Simpson Smith  
P. O. Box 746  
Prestonsburg, KY 41653

**PSC STAFF OPINION 2012-0031**

RE: Kentucky Frontier Gas, LLC  
Tariffs/Rates

Dear Ms. Smith:

Commission Staff acknowledges receipt of your letter of September 26, 2012 in which you request an opinion regarding Kentucky Frontier Gas, LLC's ("Frontier") billing statements to your client, the First Baptist Church of Salyersville ("Church"),<sup>1</sup> for natural gas service. It is my understanding that you previously had a telephone conversation with Virginia Gregg, a Staff Attorney at the Commission, regarding this issue. This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution.

Commission Staff understands the facts as follows: the Church previously received gas service from B.T.U. Gas Company, Inc. ("BTU"), whose assets have been acquired by Frontier, which now provides gas service to the Church, both at its church building and at its parsonage. Based upon Frontier's filed tariff rates for BTU, which are approved by the Commission, the Church questions whether the charges it is being billed are accurate. Enclosed with your letter are partial copies of invoices for the church building at 133 Dixie Avenue, Salyersville, Kentucky dated January 12, 2012, February 8, 2012, March 8, 2012, April 5, 2012, May 8, 2012, July 6, 2012 and August 7, 2012, and for the parsonage at Rt. 30, Salyersville, Kentucky dated July 6, 2012. Also enclosed are copies of the fronts of several payments to Frontier from Randy or Brenda Allen; Ben F. Gardner; and, Ben F. Gardner & Ruth E. Gardner.

Your letter presents the following question: Are the charges for natural gas service that Frontier has billed the Church, for both the church building and the parsonage, in conformity with the gas company tariffs; and, if so, are there other factors that could affect

<sup>1</sup> First Baptist Church, Salyersville, Kentucky, Inc., Kentucky Secretary of State Business Services, [http://app.sos.ky.gov/ftshow/\(S\(lmhb12isOtt4vuuf3ixuyb2t\)\)/default.aspx?path=ftsearch&id=0172960&ct=09&cs=99999](http://app.sos.ky.gov/ftshow/(S(lmhb12isOtt4vuuf3ixuyb2t))/default.aspx?path=ftsearch&id=0172960&ct=09&cs=99999) (last visited Nov. 29, 2012).

the final charges for gas provided? The Church specifically questions the line item "Non-std Pressure Fact" on its invoices for the church building "because the rate appears to be greatly in excess of the rates and charges approved" by the Commission for customers of BTU.

Pursuant to 807 KAR 5:011, all utilities under the jurisdiction of the Commission are required to file a tariff containing schedules of all their rates . . . and all their rules and administrative regulations and shall keep copies of said tariffs open for public inspection. BTU's filed tariff rates under Frontier as BTU's bankruptcy operator and subsequently as the owner of BTU's assets, are subject to quarterly adjustment, pursuant to BTU's Gas Cost Recovery Adjustment Clause ("GCA").<sup>2</sup>

In reviewing the invoices received by the Church for the church building and the parsonage, the rates charged by Frontier appear to be accurate and in conformance with the rates approved by the Commission and filed as part of Frontier d/b/a BTU's tariff. Simply applying these approved rates to an unadjusted number of Mcfs used, however, is an incomplete calculation. The final calculation must also take into account any adjustment made due to the required delivery pressure of the gas.

Pursuant to 807 KAR 5:022(14):

- (a) All utilities supplying gas for light, heat, power or other purposes shall, subject to approval of the commission, adopt and maintain a standard pressure as measured at the

---

<sup>2</sup> Case No. 2011-00374, *Filing of B.T.U. Gas Company, Inc. for Approval of a Gas Cost Recovery Tariff*, Commission approved a Gas Cost Adjustment clause for B.T.U. Gas Company ("BTU") providing for the quarterly adjustment of BTU's rates to reflect its most current wholesale gas supply cost (Ky. PSC Oct. 31, 2011).

Case No. 2011-00512, *Application of Kentucky Frontier Gas Company, LLC as Bankruptcy Operator of B.T.U. Gas Company for Approval of an Interim Adjustment of the Gas Cost Adjustment Tariff*, BTU filed a Petition for an Interim Gas Cost Recovery (Ky. PSC Jan. 3, 2012); approved rates effective Jan. 9, 2012 - \$11.90 (first Mcf) and \$10.97 (subsequent Mcfs).

Case No. 2012-00076, *Purchased Gas Adjustment Filing of B.T.U. Gas Company, Inc.* (Ky. PSC Mar. 27, 2012); approved rates remain same.

Case No. 2012-00214, *Purchased Gas Adjustment Filing of B.T.U. Gas Company, Inc.* (Ky. PSC Jun. 29, 2012); approved rates effective July 1, 2012 - \$12.9301 (first Mcf) and \$12.0001 (subsequent Mcfs).

Case No. 2012-00408, *Purchased Gas Adjustment Filing of Kentucky Frontier Company, LLC D/B/A B.T.U. Gas Company, Inc.* (Oct. 2, 2012); approved rates effective Oct. 12, 2012 - \$13.0949 (first Mcf) and \$12.1649 (subsequent Mcfs).

customer's meter outlet. In adopting such standard pressure, the utility may divide its distribution system into districts and establish a separate standard pressure for each district, or the utility may establish a single standard pressure for its distribution system as a whole.

(b) The standard pressure to be adopted as provided in this section shall be a part of the utility's schedule of rates and general rules and administrative regulations.

Pursuant to 807 KAR 5:022(15):

(d) The gas pressures required above shall be maintained at the outlet of the meter to provide safe and efficient utilization of gas in properly adjusted appliances supplied through adequately sized customer's facilities.

Frontier's tariff specifies how its gas service is measured, including the standard delivery pressure and temperature of the natural gas it supplies:

Standard delivery pressure and temperature of natural gas supplied by the Company is four (4) ounces per square inch above average atmospheric pressure, which is assumed to be 14.40 psia in the Company service area and sixty (60) degrees Fahrenheit. Where necessary, the volume of gas as registered on the service meter shall be adjusted to the foregoing conditions for billing purposes.<sup>3</sup>

Frontier's tariff provides that its rates "shall be adjusted" based on gas being delivered at 4 ounces per square inch (0.25 pound per square inch) above an assumed atmospheric pressure of 14.40 psi absolute or 14.65 psia. Because gas is delivered to the Church at a higher pressure (10 pounds per square inch rather than at the standard 4 ounces per square inch), a compensation factor must be applied, which increases the bill.<sup>4</sup> Likewise, if gas is delivered at a lower pressure, the compensation factor would still be applied, but the bill would be lower.

<sup>3</sup> Application at Exhibit 6, Current Tariffs, Kentucky Frontier Gas, LLC, Kentucky PSC No. 1, Section H, Original Sheet No. U-5.

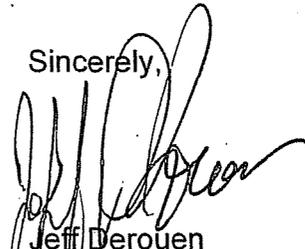
<sup>4</sup> To determine the compensation/non-standard pressure factor in the context of the Church, the delivery pressure of 10 psi (24.4 psi absolute) would be divided by the pressure that the tariffed rates are based upon (14.65 psi absolute) or  $24.4 \text{ psia} / 14.65 \text{ psia} = 1.6655$ . Applying this factor to the Church's usage from 03/30/12 - 04/30/12 the billing would be calculated as follows: the present reading of 6734 minus prior reading of 6717 equals usage of 17 Mcf. This usage is then multiplied by a factor of 1.6655, which equals 28.31 Mcf. Given that the rates charged during this billing period were \$11.90 for the first Mcf and \$10.97 for each additional Mcf used, the total bill would be equal to \$11.90 (first Mcf) plus \$299.59 (remaining 27.31 Mcfs at \$10.97), plus the school tax of \$9.34 (3%), or \$320.83.

Robin Simpson Smith  
December 20, 2012  
Page 4

In reviewing the invoices provided, the rates Frontier is charging the Church appear accurate. Because of the higher pressure required to deliver gas to the Church, however, these rates must be applied to the Mcfs used, as adjusted to compensate for the higher delivery pressure that is required.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Virginia Gregg, Staff Attorney, at (502) 564-3940, Extension 407.

Sincerely,



Jeff Derouen  
Executive Director

VG/kar