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JUN 30 2014

PUBLIC SERVICE  
COMMISSION

June 27, 2014

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. The unified GCA will be added to the tracker adjustments calculated in this filing for each of KFG's individual utilities for four quarters.

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

Sincerely,

KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner  
Kentucky Frontier Gas, LLC

Enclosures



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 \$	6.7845
+ Refund Adjustment (RA)	\$/Mcf \$	-
+ Actual Adjustment (AA)	\$/Mcf \$	1.0421
+ Balance Adjustment (BA)	\$/Mcf \$	-
= Gas Cost Recovery Rate (GCR)		7.8265

GCR to be effective for service rendered from: August 1, 2014

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 2,274,016
/	Sales for the 12 months ended April 30, 2014	Mcf	335,180
=	Expected Gas Cost (EGC)	\$/Mcf \$	6.7845

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 <b>Current</b> Reporting Period (Sch. IV)	\$/Mcf \$	0.2354 expires 7/31/2015
	Actual Adjustment for the <b>Interim</b> Reporting Period	\$/Mcf \$	0.4388 expires 5/31/2015
+	Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.4235 expires 4/30/2015
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.0054 expires 1/31/2015
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf \$	(0.0610) expires 10/31/2014
=	Actual Adjustment (AA)	\$/Mcf \$	1.0421

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

**Kentucky Frontier Gas, LLC - Unified**

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

April 30, 2014

Supplier	Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	2,070	\$ 3.1000	\$ 6,417
** Chattaco		1.0916	5,942	\$ 3.9289	\$ 23,345
Cheseapeake		N/A	4,949	\$ 5.1500	\$ 25,487
Columbia (Goble Roberts,Peoples)		N/A	15,014	\$ 6.4961	\$ 97,532
Cumberland Valley (Auxier)		1.2350	101,726	\$ 6.0200	\$ 612,391
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2350	20,563	\$ 7.2700	\$ 149,493
EQT (EKU,MLG,Price) 9/1/13 to 4/30/14		1.2820	105,451	\$ 8.1777	\$ 862,352
* Gray		1.0520	13,474	\$ 4.2080	\$ 56,699
* HI-Energy		1.0090	6,175	\$ 4.0360	\$ 24,922
*** HTC		1.1079	1,394	\$ 3.9876	\$ 5,559
*** Interstate NG (Sigma) rate includes \$1.25/Mcf DLR trans		1.2499	1,766	\$ 5.7486	\$ 10,152
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		N/A	14,715	\$ 6.6490	\$ 97,840
Magnum Drilling, Inc.		N/A	3,776	\$ 10.5000	\$ 39,648
Nytis (Auxier)		1.0962	5,211	\$ 3.9454	\$ 20,560
*** Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	15,980	\$ 5.1954	\$ 83,023
** Plateau		1.1200	1,722	\$ 4.0311	\$ 6,942
Quality (Belfry)		1.2499	31,019	\$ 5.7483	\$ 178,306
Quality (EKU,MLG,Price)		1.2560	5,591	\$ 5.9895	\$ 33,487
** Slone Energy		1.1753	10,703	\$ 4.2301	\$ 45,275
** Spirit		1.0458	1,302	\$ 3.7640	\$ 4,901
* Tackett & Sons Drilling		1.1305	2,889	\$ 4.5220	\$ 13,064
*** Walker Resources		1.1344	1,451	\$ 4.0829	\$ 5,924
<b>Totals</b>			<b>372,883</b>	<b>\$ 6.4452</b>	<b>\$ 2,403,320</b>

Line loss 12 months ended: and sales of	<u>Apr-14</u> 335,180	based on purchases of Mcf.	<u>372,883</u> 10%	Mcf	
			<u>Unit</u>	<u>Amount</u>	
Total Expected Cost of Purchases (6)			\$	\$ 2,403,320	
/ Mcf Purchases (4)			Mcf	372,883	
= Average Expected Cost Per Mcf Purchased			\$/Mcf	\$ 6.4452	
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)			Mcf	352,821	
= Total Expected Gas Cost (to Schedule 1A)			\$	\$ 2,274,016	

Estimated Avg Tco for Aug, Sep, Oct = \$4.5490/Dth (NYMEX Future - \$0.05/Dth (TCo Appal Basis) = \$4.499/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = TCo + \$0.6299 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$6.3789/Dth

Jefferson contract = TCo + \$0.90 cost factor = \$4.499/Dth + \$0.90 = \$5.399/Mcf

CVR = TCo + \$0.0190/Dth Commodity + \$0.2427/Dth TCo Demand + \$0.0638/Dth Fuel + \$0.05/Dth CVR Fee = \$4.8745/Dth

HTC, ING, Nytis, Tackett & Walker contract = \$3.00/Dth or 80% of TCo, whichever is greater

Nytis Sigma contract = 80% of Tco = \$4.499/Dth x .8 = \$3.5992/Dth

Slone, Spirit, Plateau, Chattaco contract = \$3.50/Dth or 80% TCo, whichever is greater

Gray, HI-Energy, Tackett contract = \$4.00/Dth or 80% TCo, whichever is greater

Quality (Belfry) = Tco + \$0.10 = \$4.499/Dth + \$0.10/Dth = \$4.599/Dth

Quality (EKU,MLG) = TCo x 80% + \$0.725/Dth (Gathering) + \$0.4445/Dth (12.35% Fuel) = \$4.7687/Dth

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

\* Estimated June TCo = \$4.4999/Dth x .8 = \$3.5992/Dth < \$4.00/Dth; \$4.00/Dth

\*\* Estimated June TCo = \$4.499/Dth x .8 = \$3.5992/Dth > \$3.50/Dth; \$3.5992/Dth

\*\*\* Estimated June TCo = \$4.499/Dth x .8 = \$3.5992/Dth > \$3.00/Dth; \$3.5992/Dth

**KFG Unified**Schedule IV  
Actual AdjustmentFor the 2 month period ending: April 30, 2014

<u>Particulars</u>	<u>Unit</u>	<u>Mar-14</u>	<u>Apr-14</u>
Total Supply Volumes Purchased	Mcf	51,668	24,476
Total Cost of Volumes Purchased	\$	\$ 320,397	\$ 154,273
(divide by) Total Sales (not less than 95% of supply)	Mcf	49,085	23,252
(equals) Unit Cost of Gas	\$/Mcf	\$ 6.5274	\$ 6.6348
(minus) EGC in effect for month	\$/Mcf	\$ 5.3162	\$ 5.3162
(equals) Difference	\$/Mcf	\$ 1.2112	\$ 1.3186
(times) Actual sales during month	Mcf	40,526	22,606
(equals) Monthly cost difference	\$	\$ 49,086.89	\$ 29,807.59

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 78,894.49
(divide by) Sales for 12 Months ended: April 30, 2014	Mcf	335,180
(equals) Actual Adjustment for the Reporting Period	\$	\$ 0.23538
(plus) Over-recovery component from collections through expired AAs	\$	\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)	\$	\$ 0.2354

KY Frontier/Individual utilities' trailing tracking adjustments

		12 months sales	Tracker
Auxier	\$(27,409.52)	102797	\$(0.2666)
Belfry	\$ 12,906.69	41437	\$ 0.3115
BTU	\$(30,274.67)	28320	\$(1.0690)
Cow Creek	\$ (6,506.50)	47244	\$(0.1377)
East KY	\$ 12,309.20	52435	\$ 0.2348
Mike Little	\$ 1,334.68	20181	\$ 0.0661
Peoples Gas	\$ 590.85	7753	\$ 0.0762