COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING OF KENTUCKY FRONTIER GAS, LLC	)))	CASE NO. 2015-00425

<u>ORDER</u>

On April 30, 2013, in Case No. 2011-00443, the Commission approved rates for Kentucky Frontier Gas, LLC ("Frontier") and provided for their further adjustment in accordance with Frontier's Purchased Gas Adjustment ("PGA") clause.[1]

On December 28, 2015, Frontier filed its PGA application for rates effective February 1, 2016. In its cover letter, Frontier requested an extension of the deviation from the 5 percent limit for costs relating to Lost & Unaccounted for gas ("L&U"). On January 14, 2016, Frontier supplemented the record in this proceeding to correct purchase volume and price information on Schedule II of its application.

As a result of the relatively high level of L&U gas that it has consistently experienced since May 2013, Frontier proposes to continue calculating its Expected Gas Cost ("EGC") and Actual Adjustment ("AA") without limiting its gas cost recovery for L&U. This methodology has been approved by the Commission in each of Frontier's PGA cases beginning with Case No. 2014-00477.[2] In the final Orders in each of those

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[1] 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).

[2] Case No. 2014-00477, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 30, 2015).

proceedings, the Commission found that passing through line loss greater than 5 percent in the calculation of Frontier's EGC, AA, and in the final reconciliation of gas cost through the Balance Adjustment was reasonable, but concluded that any future request for deviation from its PGA tariff in passing through line loss greater than 5 percent should include a detailed discussion of Frontier's efforts to decrease the incidence of gas loss on its system, and projections for when such losses are expected to decrease to 5 percent or below.

In support of its request in the instant proceeding, Frontier stated that its system-wide L&U has improved to 11 percent for the 12 months ended October 2015, down from 12 percent for the 12 months ended July 2015.[3] According to Frontier this improvement, although small, indicates that the efforts it is undertaking in its Pipeline Replacement Program to reduce its losses as quickly as possible are changing its L&U trend. Based on the results of its 2015 construction season, Frontier believes it is reasonable to continue to estimate that L&U could be 5 percent or less by late 2017.[4]

As noted above, Frontier's proposed EGC calculation does not include the standard 5 percent line loss limit, but instead includes its actual 12-month line loss in the amount of 12 percent, which produces an EGC of $3.8675 per Mcf. Similarly, Frontier proposes to calculate its AA based on its actual cost of gas for the quarter, with no limit on L&U volumes. Based on purchase and sales volumes provided in Frontier's AA calculation, line losses for the three months ended October 31, 2015, were 30 percent.

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[3] Frontier's January 12, 2016 supplemental filing resulted in a correction to the line loss calculation. Frontier's line loss remains at 12 percent for the 12 months ended October 31, 2015.

[4] *See* Cover letter to Application.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Frontier's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs and to recover its actual past cost of gas with no limit on L&U cost recovery.

2. Frontier's request for continuation of the deviation from its PGA tariff in passing through line loss greater than 5 percent in the calculation of its EGC and AA is reasonable and should be approved. In spite of the continuing line loss of 12 percent, rather than the 11 percent decrease originally reported in Frontier's application, Frontier's efforts to repair leaks and replace corroded sections of pipeline are documented as required in Case No. 2011-00443, as is Frontier's goal to reduce line losses by the end of 2017. Frontier should continue to include with any future requests for similar deviation from its PGA tariff detailed discussions of its efforts to decrease the incidence of gas loss on its system, as well as any further updates to projections for when such losses are expected to decrease to 5 percent or below.

3. Frontier's notice sets out an EGC of $3.8675 per Mcf, which is a decrease of $.9710 per Mcf from the previous EGC of $4.8385 per Mcf.

4. Frontier's notice sets out no Refund Adjustment ("RA").

5. Frontier's notice sets out a current quarter AA of $.0103 per Mcf. Frontier's total AA is ($1.5080) per Mcf, which is a decrease of $.0038 per Mcf from its previous total AA of ($1.5042) per Mcf.

6. Frontier's notice sets out a current quarter BA of $.0036 per Mcf. Frontier's total BA of $1.2232 per Mcf is a decrease of $.0133 per Mcf from its previous total BA of $1.2365 per Mcf.

7. Frontier's Gas Cost Recovery ("GCR") rate is $.35827 per Ccf or $3.5827 per Mcf, which is a decrease of $.9881 per Mcf from its previous rate of $4.5708 per Mcf. Due to a spread sheet error, Frontier incorrectly proposed a GCR rate of $3.5826 per Mcf.

8. The corrected rates as set forth in the Appendix to this Order are fair, just and reasonable, and should be approved for final meter readings by Frontier on and after February 1, 2016.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Frontier are denied.

2. The rates set forth in the Appendix to this Order are approved for final meter readings by Frontier on and after February 1, 2016.

3. Within 20 days of the date of this Order, 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.

4. Frontier shall provide detailed discussions of its efforts to decrease the incidence of gas loss on its system, as well as any updates to projections for when such losses are expected to decrease to 5 percent or below, with every future application in which gas cost recovery is proposed with no L&U limit.

By the Commission

ENTERED

JAN 2 7 2016

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Aaron D. Greenwell

Executive Director for

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00425 DATED JAN 2 7 2016

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 authority of the Commission prior to the effective date of this Order.

Residential and Small Commercial

	Base Rate	Gas Cost Rate	Total
Customer Charge	$10.00		
All Ccf	$ .42023	$.35827	$.77850

Large Commercial

	Base Rate	Gas Cost Rate	Total
Customer Charge	$50.00		
All Ccf	$ .34454	$.35827	$.70281

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