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PUBLIC SERVICE
COMMISSION

June 24, 2015

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 make progress in reducing system wide L&U as noted in the attached GCRR application. Line loss for the quarter was 4.8% and annual loss has been reduced from 15% to 12%. Frontier is currently working in Magoffin County installing 6,000 feet of 3" main line (~80% complete). This will reduce L&U and improve pressure and volume to area customers during the next heating season. In July Frontier will concentrate PRP efforts in the Belfry system where the plan is to replace ~ 5,000 feet by the end of summer. Frontier estimates L&U could be between 10% and 5% by this time next year and in the following year could be 5% or less.

In consideration of the negative financial impacts of past L&U, Frontier request an extension of the deviation from its PGA tariff in passing through line losses greater than 5 percent granted in Case No. 2014-00477. 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

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 \$	5.0942
+ Refund Adjustment (RA)	\$/Mcf \$	-
+ Actual Adjustment (AA)	\$/Mcf \$	(1.3784)
+ Balance Adjustment (BA)	\$/Mcf \$	0.9441
= Gas Cost Recovery Rate (GCR)		4.6599

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

<u>A</u>	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$ \$	1,565,405
/	Sales for the 12 months ended <u>April 30, 2015</u>	Mcf	307,293
=	Expected Gas Cost (EGC)	\$/Mcf \$	5.0942

<u>B</u>	<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 \$	-

<u>C</u>	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Current Reporting Period (Sch. IV)	\$/Mcf \$	(0.8907) expires 7/31/2016
+	Previous Quarter Reported Actual Adjustment	\$/Mcf \$	(0.5936) expires 4/30/2016
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.0141 expires 1/31/2016
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.0918 expires 10/31/2015
=	Actual Adjustment (AA)	\$/Mcf \$	(1.3784)

<u>D</u>	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf \$	0.7730 expires 7/31/2016
+	Previous Quarter Reported Balance Adjustment	\$/Mcf \$	0.1542 expires 4/30/2016
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf \$	0.0169 expires 1/31/2016
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf \$	-
=	Balance Adjustment (BA)	\$/Mcf \$	0.9441

Kentucky Frontler Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

April 30, 2015

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	1,432	\$ 3.1000	\$ 4,439
** Chattaco		1.0916	0	\$ 4.3664	\$ -
Chesapeake		N/A	0	\$ 5.1500	\$ -
Columbia (Goble Roberts, Peoples)		N/A	11,182	\$ 8.0126	\$ 89,597
Cumberland Valley (Auxier)		1.1989	98,945	\$ 3.7111	\$ 367,192
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.1989	12,143	\$ 4.9611	\$ 60,242
EQT (EQU,MLG,Price)		1.2675	78,371	\$ 5.4949	\$ 430,638
* Gray		1.0595	10,616	\$ 4.7678	\$ 50,614
** HI-Energy		0.9953	6,908	\$ 3.9812	\$ 27,502
** HTC		1.1079	1,856	\$ 4.4316	\$ 8,225
** Interstate NG (Sigma) rate includes \$1.25/Mcf DLR trans		1.2499	0	\$ 6.2496	\$ -
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1404	18,028	\$ 6.0469	\$ 109,013
Magnum Drilling, Inc.		N/A	3,418	\$ 10.5000	\$ 35,889
Nytis (Auxier)		1.0962	6,472	\$ 2.3733	\$ 15,360
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	16,766	\$ 3.6233	\$ 60,748
** Plateau		1.1200	748	\$ 4.4800	\$ 3,351
Quality (Belfry)		1.2000	61,983	\$ 3.3676	\$ 208,731
* Slone Energy		1.1870	12,939	\$ 5.3415	\$ 69,114
** Spirit		1.1178	2,342	\$ 4.4712	\$ 10,472
** Tackett & Sons Drilling		1.0790	3,308	\$ 4.3160	\$ 14,277
Totals			347,457	\$ 4.5053	\$ 1,565,405

Line loss 12 months ended: Apr-15 based on purchases of 347,457 Mcf
and sales of 307,293 Mcf. 12% L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,565,405
/ Mcf Purchases (4)	Mcf	347,457
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.5053
x Allowable Mcf Purchases (w/o 5% Limiter)	Mcf	347,457
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,565,405

Estimated Avg TCo for Aug, Sep, Oct = \$2.7863/Dth (NYMEX Future - \$0.080/Dth (TCo Appal Basis) = \$2.7063/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = TCo + \$0.3789 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$4.3352/Dth

Jefferson contract = TCo + \$1.50/Dth cost factor = \$4.2063/Dth

CVR = TCo + \$0.0190/Dth Commodity + \$0.1923/Dth TCo Demand + \$0.0555/Dth Fuel + \$0.05/Dth CVR Fee = \$3.0954/Dth

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

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

Magnum Drilling contract = \$10.50/Mcf

Nytis contract = .8 x TCo = .8 x \$2.7063 = \$2.1650/Dth

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

Quality (Belfry) = TCo + \$0.10 = \$2.8063/Dth

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

* Estimated 3 mo. TCo = \$2.7063/Dth x .8 = \$2.1650/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$2.7063/Dth x .8 = \$2.1650/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$2.7063/Dth x .8 = \$2.1650/Dth < \$3.00/Dth; \$3.00/Dth

KFG Unified

Schedule IV
Actual AdjustmentFor the 3 month period ending: April 30, 2015

Particulars	Unit	NO LIMITER		
		Feb-15	Mar-15	Apr-15
Total Supply Volumes Purchased	Mcf	65,181	41,777	20,859
Total Cost of Volumes Purchased	\$	\$ 314,461	\$ 193,886	\$ 73,562
(divide by) Total Sales	Mcf	63,965	40,129	17,594
(equals) Unit Cost of Gas	\$/Mcf	\$ 4.9161	\$ 4.8316	\$ 4.1811
(minus) EGC in effect for month	\$/Mcf	\$ 7.0313	\$ 7.0313	\$ 7.0313
(equals) Difference	\$/Mcf	\$ (2.1152)	\$ (2.1997)	\$ (2.8502)
(times) Actual sales during month	Mcf	63,965	40,129	17,594
(equals) Monthly cost difference	\$	\$ (135,296)	\$ (88,273.04)	\$ (50,146.69)

	Unit	Amount
Total cost difference	\$	\$ (273,715.83)
(divide by) Sales for 12 Months ended: <u>April 30, 2015</u>	Mcf	307,293
(equals) Actual Adjustment for the Reporting Period		\$ (0.8907)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ (0.8907)

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended: January 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	\$	** \$ 367,671 Underrecovery for Nov-Jan 2014 with no five percent limiter
Less: Dollar amount resulting from the AA of 0.4235 \$/Mcf as used to compute the GCR in effect Case No. 2014-00116 four quarters prior to the effective date of the currently effective GCR times the sales of 307,293 Mcf during the 12 month period the AA was in effect	\$	<u>\$130,139</u>
Equals: Balance Adjustment of the AA	\$	<u><u>\$237,532</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

\$ \$0

Equals: Balance Adjustment of the BA

\$ \$0

Total Balance Adjustment Amount (1) + (2) + (3)

\$ \$237,532

Divide: Sales for 12 months ended April 30, 2015

Mcf 307,293

Equals: Balance Adjustment for the reporting period
(to Schedule I, part D)

\$/Mcf \$0.7730

**** \$137,093 Case No. 2014-00116
Underrecovery Calculated with 5 percent limiter**

KFG Unified

Case No. 2014-00116

Schedule IV
Actual Adjustment

For the 3 month period ending:

Particulars	January 31, 2014			
	Unit	13-Nov Nov-13	13-Dec Dec-13	14-Jan Jan-14
Total Supply Volumes Purchased	Mcf	46,038	67,317	86,756
Total Cost of Volumes Purchased	\$	\$ 242,444	\$ 381,131	\$ 502,574
(divide by) Total Sales (not less than 95% of supply)	Mcf	43,736	63,951	82,418
(equals) Unit Cost of Gas	\$/Mcf	\$ 5.5434	\$ 5.9597	\$ 6.0979
(minus) EGC in effect for month	\$/Mcf	\$ 5.0244	\$ 5.0244	\$ 5.0244
(equals) Difference	\$/Mcf	\$ 0.5190	\$ 0.9353	\$ 1.0735
(times) Actual sales during month	Mcf	32,382	50,711	67,866
(equals) Monthly cost difference	\$	\$ 16,804.67	\$ 47,431.76	\$ 72,851.91

	Unit	Amount
Total cost difference	\$	\$137,088.34
(divide by) Sales for 12 Months ended: January 31, 2014	Mcf	323,695
(equals) Actual Adjustment for the Reporting Period		\$ 0.42351
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.4235

WITH NO LIMITER

Particulars	Unit	Nov-13	Dec-13	Jan-14
Total Supply Volumes Purchased	Mcf	46,038	67,317	86,756
Total Cost of Volumes Purchased	\$	\$ 242,444	\$ 381,131	\$ 502,574
(divide by) Total Sales (not less than 95% of supply)	Mcf	32,382	50,711	67,866
(equals) Unit Cost of Gas	\$/Mcf	\$ 7.4870	\$ 7.5157	\$ 7.4054
(minus) EGC in effect for month	\$/Mcf	\$ 5.0244	\$ 5.0244	\$ 5.0244
(equals) Difference	\$/Mcf	\$ 2.4626	\$ 2.4913	\$ 2.3810
(times) Actual sales during month	Mcf	32,382	50,711	67,866
(equals) Monthly cost difference	\$	\$ 79,743.88	\$ 126,338.65	\$ 161,588.07

	Unit	Amount
Total cost difference	\$	\$367,670.60