COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING OF KENTUCKY FRONTIER GAS, LLC	)))	CASE NO. 2017-00159

ORDER

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 March 31, 2017, Frontier filed its PGA application for rates effective May 1, 2017. 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"). Frontier responded to one Commission Staff Request for Information ("Staff's First Request").

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 Actual Adjustment ("AA") without limiting its gas cost recovery for L&U, and to limit its L&U to 10 percent instead of 5 percent in the calculation of its Expected Gas Cost ("EGC"). Similar treatment has been approved by the Commission in each of Frontier's PGA cases beginning with Case No. 2014-00304.[2] In the final Orders in each of those

[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. 2014-00304, *Kentucky Frontier Gas, LLC Purchased Gas Adjustment Filing and Petition for Waiver* (Ky. PSC Oct. 31, 2014).

proceedings, the Commission found that passing through line loss greater than 5 percent in the calculation of Frontier's EGC and AA, and in the final reconciliation of gas cost through the Balance Adjustment ("BA") 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.

Frontier reported in the cover letter to its PGA application in Case No. 2016-00135[3] that it had upgraded its construction equipment by adding a boring machine in an effort to improve the pace of its Pipe Replacement Program ("PRP"). Frontier further stated in Case No. 2016-00227[4] that the addition of the boring machine for the 2016 construction season enabled it to replace several thousand feet of pipe in the Belfry portion of its system, which Frontier expected would provide the best results for reducing L&U on its system. In Case No. 2016-00348, Frontier stated that in 2017 it expects to replace approximately 10,000 additional feet of pipe, with an anticipated 90 percent in the Belfry portion of its system.[5] In Case No. 2017-00027, Frontier stated that it is continuing its intensive effort to reduce L&U, and that the Belfry portion of its system continues to be an area of major concern and effort.[6]

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[3] Case No. 2016-00135, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Apr. 7, 2016).

[4] Case No. 2016-00227, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC July 21, 2016).

[5] Case No. 2016-00348, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Oct. 27, 2016). Response to Commission Staff's First Request for Information, Item 4.

[6] Cover letter to Application, Case No. 2017-00027, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 26, 2017).

In the cover letters to previous PGA applications, Frontier stated that it believed it was reasonable to estimate that L&U could be 5 percent by late 2017. In a response to Staff's First Request, however, it stated that it has revised its estimate for system wide L&U to 10 percent by the end of 2017. Its current application reflects L&U for the 12 months ended January 31, 2017, of 17 percent, partially due to a major butt fusion joint failure that was undetected during July and August 2016.[7] In its cover later, Frontier maintained that a focused approach to leak repair has improved L&U in the Belfry portion of its system, which it projects to decrease by 50 percent in 2017. It stated that pipe replacement in 2017 will primarily be in the Belfry portion of its system.[8]

As noted above, Frontier's proposed EGC calculation does not include the standard 5 percent line loss limit, but instead limits its 17 percent 12-month L&U to 10 percent. 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 January 31, 2017, were approximately 14 percent.

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

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[7] Case No. 2016-00348, Frontier's Response to Staff's First Request, Item 1.a.

[8] Response to Staff's First Request, Item 1.c.

passing through line loss greater than 5 percent in the calculation of its EGC and instead limiting its 17 percent line loss to 10 percent is reasonable and should be approved. Based on Frontier's intent to continue efforts in the Belfry portion of its system, an L&U limit of 10 percent appears reasonable for projecting Frontier's gas cost through the EGC. This is consistent with our finding in Case Nos. 2016-00227, 2016-00348, and Case No. 2017-00027. The Commission further finds that Frontier's request to include L&U greater than 5 percent in the calculation of its current quarter AA is reasonable. In recognition of Frontier's projected L&U reduction to 10 percent by late 2017, the Commission anticipates limiting L&U collected through the AA to no more than 10 percent beginning with Frontier's PGA application for rates effective May 1, 2018.

3. Frontier's next PGA application should include a detailed update of its efforts to decrease the incidence of gas loss on its system, and a discussion of its progress in reducing its L&U to 10 percent or below by the end of this year. Frontier should also provide an estimate of when it its L&U will be reduced to 5 percent or below.

4. Frontier's notice sets out an EGC of $5.5591 per Mcf based on its use of an incorrect rate from its supplier Nytis.[9] Correcting this produces an EGC of $5.5409 per Mcf, which is a decrease of $.7670 per Mcf from the previous EGC of $6.3079 per Mcf.

5. Frontier's notice sets out no current Refund Adjustment.

[9] Response to Staff's First Request, Item 2.

6. Frontier's notice sets out a current quarter AA of $.3877 per Mcf. Frontier's total AA is $.7250 per Mcf, which is an increase of $.4185 per Mcf from its previous total AA of $.3065 per Mcf.

7. Frontier's notice sets out a current quarter BA of $.3681 per Mcf, which included an incorrect expired total balance adjustment amount of $90,014 instead of $1,095. Correcting this produces a current quarter BA of $.0035 per Mcf. Frontier's corrected total BA is ($.0898) per Mcf, which is an increase of $.0012 per Mcf from its previous total BA of ($.0910) per Mcf.

8. Frontier's corrected Gas Cost Recovery ("GCR") rate is $.61761 per Ccf or $6.1761 per Mcf, which is a decrease of $.3473 per Mcf from its previous rate of $6.5234 per Mcf.

9. The revised rates as set forth in the Appendix to this Order are fair, just and reasonable, and should be approved for service rendered by Frontier on and after May 1, 2017.

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 May 1, 2017.

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 include in its next PGA application for rates to be effective August 1, 2017, a detailed update of its efforts to decrease the incidence of gas loss on its system, a discussion of the likelihood that its L&U will be reduced to 10 percent or below by the end of this year, and an estimate of when its L&U will be reduced to 5 percent or below.

By the Commission

ENTERED
APR 2 7 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Talina R. Mathews

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00159 DATED APR 2 7 2017

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	$.61761	$1.03784

Large Commercial

	Base Rate	Gas Cost Rate	Total
Customer Charge	$50.00		
All Ccf	$ .34454	$.61761	$.96215

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