

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF KENTUCKY FRONTIER GAS,)	2018-00119
LLC)	

ORDER

On December 22, 2017, in Case No. 2017-00263, 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 April 2, 2018, Frontier filed its PGA application for rates effective May 1, 2018. In its cover letter, Frontier provided an update concerning its actions to reduce Lost & Unaccounted for gas (“L&U”) on its system through its Pipeline Replacement Program (“PRP”). It stated that since March 10, 2018, it has replaced 2,000 feet of pipe in the Belfry portion of its system and it described other actions taken to prepare for additional pipe replacements in the Belfry system, in which the majority of 2018 replacements will occur. According to Frontier, it is increasing its company workforce and negotiating with local contractors to assist with the PRP.²

¹ Case No. 2017-00263, *Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017).

² In recognition of the magnitude of the safety and financial problems inherent in the L&U levels of Frontier’s combined system, in the final Order in Case No. 2017-00263 the Commission ordered an increase in Frontier’s PRP surcharge to \$5.00.

Frontier's proposed Expected Gas Cost ("EGC") calculation does not include the standard 5 percent L&U limit. Its application reflects L&U for the 12 months ended January 31, 2018, of 9.1 percent. In light of Frontier's past progress in systematically finding and fixing leaks, the Commission has approved a waiver of the 5 percent L&U and has stated that it could recover L&U of up to 10 percent, but only until November 1, 2018.³

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.
2. Frontier's notice sets out an EGC of \$5.3831 per Mcf, which is a decrease of \$.1068 per Mcf from the previous EGC of \$5.4899 per Mcf.
3. Frontier's notice sets out no current Refund Adjustment.
4. Frontier's notice sets out no current quarter or total Actual Adjustments ("AA") or Balance Adjustments ("BA"). The AA component will not be available to Frontier for purposes of reconciling gas cost under/over-recoveries of its combined system until it files its next PGA application for rates effective August 1, 2018, which will reconcile the expected gas cost with the actual gas cost for the four-month period of January through April 2018.⁴

³ Case No. 2018-00013, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 30, 2018).

⁴ Case No. 2017-00263, December 22, 2017 Order at 16.

5. Frontier's Gas Cost Recovery ("GCR") rate is \$.53831 per Ccf or \$5.3831 per Mcf, which is a decrease of \$.1068 per Mcf from its previous rate of \$5.4899 per Mcf.

6. As required by the Commission's Order in Case No. 2017-00263, Frontier's notice included a spreadsheet showing the calculation of individual tracking adjustments to reconcile Frontier's and Public Gas Company's ("Public") remaining unexpired AAs and BAs previously approved by the Commission before their gas cost was consolidated effective January 1, 2018.⁵ Those adjustments will be charged in the pre-existing Frontier and Public systems for one year, in the same manner as individual gas cost reconciliation rates were calculated and approved in Case No. 2013-00364⁶ for Frontier's various systems following the consolidation of its rates and tariffs in Case No. 2011-00443.⁷ Beginning May 1, 2018, through April 30, 2019, Frontier should add the following gas cost reconciliation rates to the PGA rates for customers in the indicated service areas:

Frontier: \$.0285 per Mcf

Public: (\$.2334) per Mcf

7. The 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

⁵ Id. at 17.

⁶ Case No. 2013-00364, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Oct. 30, 2013).

⁷ 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 Public Convenience and Necessity for Installation of AMR, Pipeline Replacement Program, Revision of Non-Recurring Fees, and Revision of Tariffs* (Ky. PSC Apr. 30, 2013).

1, 2018. Frontier should separately reflect on each customer's bill the gas cost reconciliation rate applicable to the customer's service area.

IT IS THEREFORE ORDERED that:

1. The rates set forth in the Appendix to this Order are approved for final meter readings by Frontier on and after May 1, 2018. Although Frontier's PGA rate filing did not provide 30 days' notice to the Commission as required by its tariff, KRS 278.180(2) authorizes the Commission to make a reduction in rates effective in less than 30 days.

2. Each customer's bill shall separately reflect the approved gas cost reconciliation rate applicable to the customer's service area.

3. Within 20 days of the date of entry 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. The individual gas cost reconciliation rates for Frontier and the former Public system shall be included in the compliance tariffs.

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Steve R. Penson". The signature is written in a cursive style.

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00119 DATED **APR 12 2018**

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

	<u>Base Rate</u>	<u>Gas Cost Rate</u>	<u>Total</u>
Customer Charge	\$13.00		
All Ccf	\$.422	\$.53831	\$.96031

Large Commercial

	<u>Base Rate</u>	<u>Gas Cost Rate</u>	<u>Total</u>
Customer Charge	\$50.00		
All Ccf	\$.34454	\$.53831	\$.88285

For customers in the indicated service areas the following volumetric charges shall be added through April 30, 2019:

Frontier: \$.00285 per Ccf
Public: (\$.02334) per Ccf

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