

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF KENTUCKY FRONTIER GAS,)
LLC D/B/A PEOPLE'S GAS, INC.) CASE NO. 2010-00311

ORDER

On January 29, 2010, in Case No. 2009-00492, the Commission approved the transfer of People's Gas, Inc. ("People's") to Kentucky Frontier Gas LLC ("Kentucky Frontier") and provided for the adjustment of rates on a quarterly basis in accordance with People's Gas Cost Adjustment ("GCA") clause, which Kentucky Frontier adopted and ratified as ordered in paragraph 5 of the Commission's Order approving the transfer.¹

On July 29, 2010, People's filed its GCA to be effective September 1, 2010.

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

1. People's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

2. People's notice sets out an Expected Gas Cost ("EGC") of \$8.2718 per Mcf. Commission Staff corrected the Intrastate Utility Service ("IUS") rate effective August 27, 2010 from Columbia Gas of Kentucky, Inc. adjusted for five percent line loss

¹ Case No. 2009-00492, Application of Kentucky Frontier Gas Company, LLC for Approval of Transfer of People's Gas Company Assets (Ky. PSC Jan. 29, 2010).

as permitted by People's GCA mechanism, and divided the "Total Expected Gas cost" on Schedule 1 by sales of 10,689 Mcf instead of purchases of 12,123 Mcf. People's resulting EGC is \$8.1373 per Mcf, which is an increase of \$2.7228 per Mcf from its previous EGC of \$5.4145 per Mcf. Staff's calculations are provided in Appendix B attached to this Order.

3. People's notice sets out no current quarter Refund Adjustment.

4. People's notice sets out a current quarter Actual Adjustment ("AA") in the amount of (\$.7920) per Mcf to return net over-recoveries of gas cost which occurred in November 2009 through April 2010. People's did not use the "EGC in effect for month" of \$8.9444 approved for rates effective November 1, 2009 in Case No. 2009-00390² in calculating the cost differences for November and December 2009 and January 2010; nor did it use the approved EGC of \$5.4145 per Mcf effective February 1, 2010 from Case No. 2009-00498³ in calculating the cost differences for February, March, and April 2010. People's also divided the "Total cost difference" by 12 months' purchase volumes instead of 12 months' sales. Correcting these errors produces a current quarter AA of (\$1.3684) per Mcf. People's total AA of (\$1.6749) per Mcf, which is comprised of the current quarter AA plus the previous quarter AAs of (\$.2532) and (\$.0533) per Mcf, is a decrease of \$1.5965 per Mcf from its previous total AA of (\$.0784) per Mcf. Staff's calculations are provided in Appendix B to this Order.

² Case No. 2009-00390, Purchased Gas Adjustment Filing of Peoples Gas, Inc. (Ky. PSC Oct. 14, 2009).

³ Case No. 2009-00498, Purchased Gas Adjustment Filing of Peoples Gas, Inc. (Ky. PSC Jan. 13, 2010).

5. People's notice proposes no current quarter or total Balance Adjustment ("BA"). A BA is required to reconcile collections from a previous quarter AA of \$.7337 per Mcf and a previous quarter BA of (\$.1347) per Mcf which should have expired from People's rates on April 30, 2010. People's current quarter BA should be (\$.0564) per Mcf, which reflects net over-recoveries from the \$.7337 AA and (\$.1347) BA from April 2009 through April 2010. People's next GCA filing should include information sufficient to calculate the total AA net over-recovery resulting from People's failure to file GCA applications for rates effective May 1 and August 1, 2010. People's neglected to include the third previous quarter BA of (\$.0748) per Mcf in the calculation of its total BA. People's total BA of (\$.1312) per Mcf represents an increase of \$.0783 per Mcf from its previous total BA of (\$.2095) per Mcf. Staff's calculations are provided in Appendix B attached to this Order.

6. People's GCA is \$6.3312 per Mcf, which is an increase of \$1.2046 per Mcf from its previous GCA of \$5.1266 per Mcf.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by People's on and after September 1, 2010.

8. In compliance with its GCA tariff on file with the Commission, People's next GCA application should be filed no later than October 2, 2010 for rates to be effective November 1, 2010.

IT IS THEREFORE ORDERED that:

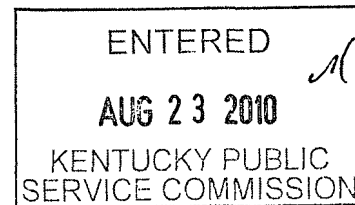
1. The rates proposed by People's are denied.

2. The rates in Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after September 1, 2010.

3. Within 20 days of the date of this Order, People's shall file its revised tariffs with this Commission setting out the rates authorized herein and reflecting that they were approved pursuant to this Order.

4. No later than October 2, 2010, People's shall file its GCA application for rates effective November 1, 2010.

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NOS. 2010-00311 DATED **AUG 23 2010**

The following rates and charges are prescribed for the customers in the area served by People's Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

Monthly:

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
First 1 Mcf – Minimum Bill	\$4.3971	\$ 6.3312	\$10.7283
Over 1 Mcf	\$2.7670	\$ 6.3312	\$9.0982

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NOS. 2010-00311 DATED AUG 23 2010

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$8.1373
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$1.6749)
Balance Adjustment (BA)	\$/Mcf	(\$0.1312)
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$6.3312

To be effective for service rendered from September 1, 2010

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
A. EXPECTED GAS COST CALCULATION		
Total Expected Gas Cost (Sch II)	\$/Mcf	\$86,979.21
/Sales for the 12 months ended April 2010	\$/Mcf	10,689
Expected Gas Cost	\$/Mcf	\$8.1373
B. REFUND ADJUSTMENT CALCULATION		
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
C. ACTUAL ADJUSTMENT CALCULATION		
Actual Adjustment for the Reporting Period (Sch IV)		(\$1.3684)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.2532)
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0533)
	\$/Mcf	
=Actual Adjustment (AA)	\$ Mcf	(\$1.6749)
D. BALANCE ADJUSTMENT CALCULATION		
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	(\$0.0564)
+Previous Quarter Reported Balance Adjustment	\$/Mcf	(\$0.0748)
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
=Balance Adjustment (BA)	\$ Mcf	(\$0.1312)

SCHEDULE II
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended April 30, 2010

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Columbia Gas			12,123	\$7.7304	\$93,715.64
Totals			12,123		\$93,715.64

Line loss for 12 months ended April, 2010 is based on purchases of 12,123
and sales of 10,689 Mcf. 11.83%

	Unit	Amount
Total Expected Cost of Purchases (6)		\$93,715.64
/ Mcf Purchases (4)		12,123
= Average Expected Cost Per Mcf Purchased		\$7.7304
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		11,252
= Total Expected Gas Cost (to Schedule IA)		\$86,979.21

ACTUAL ADJUSTMENT

For the 12 month period ended April 30 2010

Particulars	Unit	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Total Supply Volumes Purchased	Mcf	1025	1669	2222	1927	1372	717
Total Cost of Volumes Purchased	\$	\$10,114	\$8,937	\$11,789	\$10,268	\$9,863	\$5,154
/ Total Sales *	Mcf	1,077.0	1,840.0	2,277.0	2,274.0	1,303.4	681.2
= Unit Cost of Gas	\$/Mcf	\$9.3909	\$4.8571	\$5.1774	\$4.5154	\$7.5671	\$7.5666
- EGC in Effect for Month	\$/Mcf	\$8.9444	\$8.9444	\$8.9444	\$5.4145	\$5.4145	\$5.4145
= Difference	\$/Mcf	\$0.4465	(\$4.0873)	(\$3.7670)	(\$0.8991)	\$2.1526	\$2.1521
x Actual Sales during Month	Mcf	1,077.0	1,840.0	2,277.0	2,274.0	784.0	626.0
= Monthly Cost Difference	\$	\$480.88	(\$7,520.70)	(\$8,577.40)	(\$2,044.57)	\$1,687.66	\$1,347.22

Total Cost Difference	\$	(\$14,626.90)
/ Sales for 12 months ended April 2010	Mcf	10,689
= Actual Adjustment for the Reporting Period (to Sch IC)		(\$1.3684)

* May not be less than 95% of supply volume

BALANCE ADJUSTMENT

For the 3 month period April 30, 2010

<u>Particulars</u>	<u>Amount</u>
(1) Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	<u>\$7,624</u>
Less: Dollar amount resulting from the AA of per Mcf as used to compute the GCR in effect 4 quarters prior to the effective date of the currently effective GCR times the sales of Mcf during the 13 month period the AA was in effect	<u>\$0.7337</u> <u>11,397</u>
	<u>\$8,362</u>
Equals: Balance Adjustment of the AA	<u>(\$738)</u>
(2) 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	<u>\$0</u>
Less: Dollar amount resulting from the RA of per Mcf as used to compute the GCR in effect 4 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>\$0.0000</u> <u>\$0</u>
Equals: Balance Adjustment of the RA	<u>\$0</u>
(3) Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	<u>(\$1,400)</u>
Less: Dollar amount resulting from the BA of per Mcf as used to compute the GCR in effect 4 quarters prior to the effective date of the currently effective GCR times the sales of Mcf during the 13 month period the BA was in effect	<u>(\$0.1347)</u> <u>11397</u>
	<u>(\$1,535)</u>
Equals: Balance Adjustment of the BA	<u>\$135</u>
Total Balance Adjustment Amount (1) + (2) + (3)	<u>(\$603)</u>
Divide: Mcf Sales for 12 months ended	<u>10,689</u> <u>0</u>
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	<u>(\$0.0564)</u>

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