COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING OF KENTUCKY FRONTIER GAS, LLC	)))	CASE NO. 2015-00104

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, 2015, Frontier filed its PGA application for rates effective May 1, 2015. 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").

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"), Actual Adjustment ("AA"), and Balancing Adjustment ("BA") without limiting its gas cost recovery for L&U. This methodology was approved by the Commission in Case No. 2014-00477.[2] In the final Order in that proceeding, 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

[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).

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 its 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 it is making progress in reducing its systemwide L&U, which has improved from the former level of 20 percent to 15 percent for the 12 months ended January 2015. It indicated that the parts of its system in Belfry and Phelps continue to be major sources of L&U, and they will be given high priority for pipe replacement in the upcoming construction season. Frontier is identifying and prioritizing areas to be addressed in the warm-weather months for pipe replacement, removal of illicit connections, and meter upgrades. Frontier estimates that L&U could be between 5 and 10 percent by this time next year, and in 2017 could be 5 percent or less.[3]

As noted above, Frontier's proposed EGC calculation does not include the standard 5 percent line loss limiter, but instead includes its actual 12-month, 15 percent line loss, which produces an EGC of $5.4594 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 November and December 2014 and January 2015 were 18 percent, 10 percent, and 13 percent respectively. Frontier further requests, in consideration of the ongoing negative financial impacts of line losses, that it be allowed to continue to

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[3] *See* Cover letter to Application.

recover through the BA amounts formerly returned to its customers through past AAs in which recovery of L&U gas was limited.

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, AA, and BA is reasonable and should be approved. Frontier's efforts to repair leaks and replace corroded sections of pipeline are documented, as is its goal to reduce line losses within the next three years. 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 $5.4594 per Mcf, a decrease of $1.5719 per Mcf from the previous EGC of $7.0313 per Mcf.

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

5. Frontier's revised notice sets out a current quarter AA of ($.5936) per Mcf. Frontier's total AA is $.1865 per Mcf, which is a decrease of $1.0171 per Mcf from its previous total AA of $1.2036 per Mcf.

6. Frontier's notice sets out a current quarter BA of $.1542 per Mcf[4] to reconcile its actual August through October 2013 gas cost with recoveries of gas cost through the $.0054 per Mcf AA over the 12 months ended January 31, 2015. Frontier's total BA is $.1711 per Mcf, which is an increase of $.1542 per Mcf from its previous total AA of $.0169 per Mcf

7. Frontier's GCR is $5.8170 per Mcf, which is a decrease of $2.4348 per Mcf from its previous rate of $8.2518 per Mcf

8. The rates 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, 2015.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are approved for service rendered by Frontier on and after May 1, 2015.

2. 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.

3. 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.

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[4] In Case No. 2014-00005, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 14, 2014), the $48,279 total cost difference used by Frontier to calculate the $.1542 BA is the actual under-recovered gas cost from August, September, and October 2013, as opposed to the $1,697 under-recovered gas cost used to calculate the $.0054 AA.

By the Commission

ENTERED

APR 15 2015

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2015-00104

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00104 DATED APR 15 2015

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 Mcf	$ 4.2023	$5.8170	$10.0193

Large Commercial

	Base Rate	Gas Cost Rate	Total
Customer Charge	$50.00		
All Mcf	$ 3.4454	$5.8170	$ 9.2624

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