COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING OF KENTUCKY FRONTIER GAS, LLC	)))	CASE NO. 2016-00135

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, 2016, Frontier filed its PGA application for rates effective May 1, 2016. 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") and Actual Adjustment ("AA") without limiting its gas cost recovery for L&U. This methodology has been approved by the Commission in each of Frontier's PGA cases beginning with Case No. 2014-00477.[2] In the final Orders in each of those proceedings, the Commission found that passing through line loss greater than 5

[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).

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.

In support of its request in the instant proceeding, Frontier stated that it has made significant progress in its Pipe Replacement Program ("PRP") during 2015, but that, although line loss has declined as a result, it has not achieved its goal of reducing L&U gas to below 5 percent. Based on the results of its 2015 construction season, Frontier believes it is reasonable to continue to estimate that L&U could be 5 percent by late 2017.[3] Frontier reports in the cover letter to its application that it has upgraded its construction equipment by adding a boring machine, in an effort to improve the pace of its PRP.

As noted above, Frontier's proposed EGC calculation does not include the standard 5 percent line loss limit, but instead includes its actual 12-month line loss in the amount of 15 percent, which produces a revised EGC of $4.2240 per Mcf after reflecting correction of calculation errors as discussed below. 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

[3] Cover letter to Application.

AA calculation, line losses for the three months ended January 31, 2016, were 19.6 percent.

Purchase and sales volume information from this and previous Frontier PGA applications show that line losses for calendar year 2015 were 12.56 percent, which is little different from calendar year 2014, and down from 16 percent in 2013.

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 and AA is reasonable and should be approved. In spite of the continuing line loss of 12.5 percent for calendar year 2015, Frontier's efforts to repair leaks and replace corroded sections of pipeline are documented as required in Case No. 2011-00443, as is Frontier's goal to reduce line losses by the end of 2017. 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 $4.1435 per Mcf. Frontier provided in its Schedule II EGC calculation the contract formula rates upon which its EGC is based, but did not include all the updated contract rates in its calculation. Correcting this

produces an EGC of $4.2240 per Mcf, which is an increase of $.3565 per Mcf from the previous EGC of $3.8675 per Mcf.

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

5. Frontier's notice sets out a current quarter AA of $.0308 per Mcf. Frontier included a Previous Quarter Actual Adjustment of ($.0103) per Mcf instead of $.0103 per Mcf in the calculation of its total AA. Correcting this produces a total AA of ($.9452) per Mcf, which is an increase of $.5628 per Mcf from its previous total AA of ($1.5080) per Mcf.

6. Frontier's notice sets out a current quarter BA of $.2936 per Mcf. Frontier used in its calculation an under-recovery amount of $83,747 instead of the correct amount of $3,747 for the quarter August through October 2014. Correcting this produces a current quarter BA of $.0023 per Mcf. Frontier's revised total BA of $1.0713 per Mcf is a decrease of $.1519 per Mcf from its previous total BA of $1.2232 per Mcf.

7. Frontier's corrected Gas Cost Recovery ("GCR") rate is $.43501 per Ccf, or $4.3501 per Mcf, which is an increase of $.7674 per Mcf from its previous GCR rate of $3.5827 per Mcf.

8. The corrected rates as set forth in the Appendix to this Order are fair, just, and reasonable and should be approved for final meter readings by Frontier on and after May 1, 2016.

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, 2016.

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 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.

By the Commission

ENTERED

APR 0 7 2016

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Aaron D. Greenwell

Acting Executive Director for

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2016-00135 DATED APR 0 7 2016

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	$.43501	$.85524

Large Commercial

	Base Rate	Gas Cost Rate	Total
Customer Charge	$50.00		
All Ccf	$ .34454	$.43501	$.77955

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