

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC)	2022-00327

ORDER

On October 2, 2022, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed a motion for deviation from the 30-day notice requirement set forth in KRS 278.180. At the time, Kentucky Frontier had not yet filed its Gas Cost Recovery (GCR) rate report nor provided the Commission its proposed effective date for the proposed GCR rate. On October 6, 2022, Kentucky Frontier filed a motion to schedule an Informal Conference (IC) with Commission Staff. The IC was held on October 7, 2022, and Kentucky Frontier informed Commission Staff that it has been running a deficit in recovering its gas costs through its GCR rate mechanism and that the cumulative deficit since November 2020 is over \$600,000. Commission Staff noted that they could not speak for the Commission but urged Kentucky Frontier to file its GCR rate report and provide any supplemental documentation to the Commission to support its claim.¹ On October 10, 2022, Kentucky Frontier filed its GCR rate report for rates effective November 1, 2022. Kentucky Frontier's previous GCR rate was approved in Case No. 2022-00196.²

¹ IC Memo (filed on Oct. 20, 2022).

² Case No. 2022-00196, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC July 28, 2022).

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.³

KRS 278.180 provides that no change shall be made by any utility in any rate except upon 30 days' notice to the commission, stating plainly the changes proposed to be made and the time when the changed rates will go into effect. The Commission may, in its discretion, based upon a showing of good cause in any case, shorten the notice period from 30 days to a period of not less than 20 days. In addition, the Commission, upon application of any utility, may prescribe a less time within which a reduction of rates may be made.

DISCUSSION

Pursuant to 278.180(1), a shortening of the 30 days' notice period to 20 days' notice requires a showing of good cause from the utility. In support of its motion, Kentucky Frontier states that (1) its notice of intent was filed on September 26, 2022; (2) Kentucky Frontier has been working on figuring out why it estimates an under recovery of \$600,000

³ KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

has occurred through its GCR mechanism; and (3) shortening the notice period from 30 days' to 20 days' for the current GCR filing would give Kentucky Frontier and Commission Staff more time to determine what amendments need to be made to Kentucky Frontier's GCR filings for the current filing as well as future filings to ensure that this type of loss does not go unaccounted for in the future. The Commission finds that the reasons given by Kentucky Frontier do not provide a showing of good cause for the 30 days' notice period to be shortened. The Commission finds that Kentucky Frontier's motion for a deviation from the 30 days' notice requirement set forth in KRS 278.180 should be denied. Since Kentucky Frontier did not provide the 30 days' notice required for its rates to be effective November 1, 2022, the Commission finds that the earliest the proposed GCR rate could be placed into effect would be November 9, 2022.

Kentucky Frontier's GCR rate report sets out a proposed Expected Gas Cost (EGC) of \$11.5043 per Mcf, which is an increase of \$1.9084 per Mcf from its previous EGC of \$9.5959 per Mcf. Kentucky Frontier's report sets out no Refund Adjustment. Kentucky Frontier's report sets out a proposed current quarter Actual Adjustment (AA) of \$0.1578 per Mcf and a proposed total AA of \$0.6643 per Mcf, which is an increase of \$0.1184 per Mcf from the previous total AA of \$0.5459 per Mcf. Kentucky Frontier's report sets out a proposed current quarter Balance Adjustment (BA) of \$0.0193 per Mcf and a proposed total BA of (\$0.0008) per Mcf, which is an increase of \$0.0015 per Mcf from the previous total BA of (\$0.0023) per Mcf. Based upon the calculations above, Kentucky Frontier's proposed GCR rate is \$0.121678 per Ccf or \$12.1678 per Mcf, which is an increase of \$2.0283 per Mcf from its previous rate of \$10.1395 per Mcf.

In the cover letter to its GCR rate report filed on October 10, 2022, Kentucky Frontier stated that it has been unable to recover the dollar-for-dollar cost of purchased gas for the past 18 months. Specifically, from November 2020 to July 2022, Kentucky Frontier estimates that it had more than \$600,000 of unrecovered purchased gas costs.

Kentucky Frontier is required to continue to file its GCR rates quarterly even if this case is not closed before the next quarter period. For the purpose of transparency and to maintain a record of information for future use, the Commission finds that Kentucky Frontier shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Kentucky Frontier purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

KRS 278.030 provides that a utility may collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. Having reviewed the GCR rate report and proposed tariff and being otherwise sufficiently advised, the Commission finds that an investigation is necessary to determine the reasonableness of the proposed GCR rates, including their calculation methodology and the report structure, and that such investigation cannot be completed by November 9, 2022. However, given Kentucky Frontier's size, its previous claimed under recoveries, and the potential effects of under recovery in this quarter, the Commission finds that Kentucky Frontier should be allowed to place its proposed GCR rate into effect, subject to refund, while this case is investigated. Thus, pursuant to KRS 278.190(2), the Commission will suspend the effective date of the proposed GCR rates for one day until November 10, 2022, to give

the Commission time to investigate the GCR rates but to allow Kentucky Frontier to begin charging the GCR rate, pending a final Order and subject to refund, provided it provides written notice to Commission of its intention to do so as required by KRS 278.190(2).

To ensure that customers are properly refunded any potential over charges, if Kentucky Frontier places its proposed GCR rates into effect, pending a final Order and subject to refund, the Commission finds, pursuant to KRS 278.190(2), that Kentucky Frontier should maintain its records in a manner that will enable it, or the Commission, or any of Kentucky Frontier's customers, to determine the amounts to be refunded and to whom the refunds are due in the event a refund is ordered.

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier's motion for deviation from the 30-day notice requirement set forth in KRS 278.180 is denied.
2. Kentucky Frontier's proposed GCR rates are suspended for one day, November 9, 2022.
3. Kentucky Frontier's proposed GCR rates may be placed in effect by Kentucky Frontier on or after November 10, 2022, pending the final Order in this matter and subject to refund, provided Kentucky Frontier provides written notice to the Commission of its intention to do so as required by KRS 278.190(2).
4. Within 20 days of Kentucky Frontier providing written notice to the Commission of its intention to place the proposed GCR rates in effect on or after November 10, 2022, as required by KRS 278.190(2), Kentucky Frontier shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets

reflecting its rates and indicating that the rates are subject to refund pending the final resolution of Case No. 2022-00327.

5. If Kentucky Frontier places the proposed GCR rates into effect, pending a final Order and subject to refund, Kentucky Frontier shall maintain its records in a manner that will enable it, or the commission, or any of Kentucky Frontier's customers, to determine the amounts to be refunded and to whom the refunds are due in the event a refund is ordered.

6. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

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PUBLIC SERVICE COMMISSION

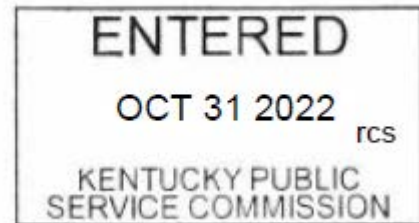


Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

*Dennis R Horner
Kentucky Frontier Gas, LLC
2963 Ky Rte 321 North
PO Box 408
Prestonsburg, KY 41653

*Kentucky Frontier Gas, LLC
2963 Ky Rte 321 North
PO Box 408
Prestonsburg, KY 41653