

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC)	2022-00434

ORDER

On December 30, 2022, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed its Gas Cost Recovery (GCR) rate report for rates effective February 1, 2023. Furthermore, on December 30, 2022, Kentucky Frontier tendered a revision to its tariff in the Commission's tariff filing system with the proposed GCR rates consistent with those proposed in this matter, a proposed gas cost reconciliation charge of \$0.10 per Ccf, and a proposed effective date of February 1, 2023.¹

BACKGROUND

Kentucky Frontier's previous GCR rate was placed into effect on November 10, 2022, subject to refund, in Case No. 2022-00327, pending the Commission's investigation in that matter.² On November 30, 2022, in a separate tariff filing from this case proceeding, Kentucky Frontier filed a revision to its tariff to establish a gas cost reconciliation charge of \$0.10 per Ccf with a proposed effective date of December 30, 2022. The Commission established Case No. 2022-00428, and suspended the proposed

¹ TFS2022-00624 (filed Dec. 30, 2022). Proposed revisions were made to Kentucky Frontier's Tariff Sheet No. 4. The sheet contains the monthly charges and commodity rates for Kentucky Frontier's customer classes.

² Case No. 2022-00327, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Oct. 31, 2022).

tariff for five months, up to and including May 29, 2023, in order to investigate the reasonableness of the proposed tariff.³ Because Kentucky Frontier had a pending proceeding, Case No. 2022-00327,⁴ regarding its quarterly purchased gas cost adjustment that it related to the gas cost reconciliation charge on the proposed tariff sheet, the Commission dictated that the record of Case No. 2022-00428 be combined into Case No. 2022-00327 for processing. Both cases are open and on the Commission's Docket at the time of issuance of this Order.

In its GCR report filed in this matter and when calculating the GCR rates in the tariff tendered in this matter and in the tariff tendered in the tariff filing system on December 30, 2022, Kentucky Frontier modified the GCR rate calculation to remove the quarterly Actual Cost Adjustments (ACA), quarterly Balancing Adjustments (BA), and Refund Adjustment (RA) in favor of a single residual balancing adjustment rate. Kentucky Frontier also removed a 5 percent limiter in the mechanism, which is intended to limit Kentucky Frontier from recovering the cost of gas losses in excess of 5 percent. Kentucky Frontier's proposed GCR includes an Expected Gas Cost (EGC) rate of \$9.09 per Mcf and a Balancing Adjustment rate of \$1.81 per Mcf, which produces a total proposed GCR rate of \$1.090 per Ccf, or \$10.90 per Mcf. The tariff tendered with the GCR also includes a \$0.10 per Ccf gas cost reconciliation charge originally proposed in the November 30, 2022 tariff filing. The tariff submitted through the tariff filing system on December 30,

³ Case No. 2022-00428, *Electronic Tariff Filing of Kentucky Frontier Gas Cost Reconciliation Charge* (Ky. PSC Dec. 28, 2022).

⁴ Case No. 2022-00327, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (filed Nov. 30, 2022).

2022, similarly includes the \$1.090 per Ccf GCR rate and the \$0.10 per Ccf gas cost reconciliation charge.

LEGAL STANDARD

KRS 278.160(1) requires each utility to “file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it.” KRS 278.160(2) prohibits a utility from charging “greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules.” KRS 278.180 prohibits a utility from amending a rate in its filed schedules without 30 days’ notice to the Commission (or 20 days-notice upon a showing of good cause).

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.⁵

Pursuant to 807 KAR 5:011, Section 8, a utility is required to provide public and customer notice if a charge, fee, or rule regarding the provision of service is changed, revised, or initiated and the change will affect the amount that a customer pays for service

⁵ KRS 278.274(2); KRS 278.274(3)(c), and KRS 278.274(3)(d).

or the quality, delivery, or rendering of a customer's service.⁶ However, periodic recalculation of a formulaic rate that does not involve a revision of the rate and that is performed in accordance with provisions of an effective rate schedule or administrative regulation does not require notice pursuant to that section.⁷

DISCUSSION

Kentucky Frontier's GCR rate report represents a proposed change to its Purchased Gas Cost Adjustment mechanism as opposed to a change in the quarterly inputs to the mechanism and would be outside of the Purchased Gas Cost Adjustment calculation as set forth in Kentucky Frontier's tariff. Thus, absent a deviation, which has not been requested, the implementation of the GCR rate as proposed in this case would require an amendment to the schedule describing Kentucky Frontier's GCR mechanism, not just an amendment to the tariff showing the end result of the GCR rate calculation, and would require customer notice pursuant to 807 KAR 5:011, Section 8. While Kentucky Frontier included a memorandum with its quarterly filing, Kentucky Frontier did not file proposed amendments to the schedules describing the manner in which the GCR mechanism would function, including those specifically indicating that the mechanism would include the EGC, ACA, BA, and RA components established quarterly,⁸ and there is no evidence Kentucky Frontier provided customer notice of either the tariff tendered in this case or the tariff tendered on December 30, 2022, through the tariff filing system.

⁶ 807 KAR 5:011, Section 8.

⁷ 807 KAR 5:011, Section 8.

⁸ See Kentucky Frontier's PSC No. 3 Sheet Original No. 29-31.

The Commission on its own motion has accepted GCR rate reports that contained calculation errors or omissions of inconsequential data as long the information provided was sufficient for the Commission to determine the GCR rate based on the utility's current GCR mechanism. Kentucky Frontier's GCR rate report does not provide sufficient information, nor follows the calculation methodology, as set forth in its Purchased Gas Cost Adjustment tariff. As such, the Commission finds that the GCR rate report filed by Kentucky Frontier to be deficient. Thus, having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kentucky Frontier's proposed GCR rate report for rates effective February 1, 2023 should be rejected. Kentucky Frontier should file a new GCR rate report that follows the established GCR rate calculation as set forth in its Purchased Gas Cost Adjustment tariff.

The Commission also requires additional time to review the alleged gas cost reconciliation charge proposed by Kentucky Frontier. There is insufficient time to conduct that review as part of the quarterly review of Kentucky Frontier's GCR rates without affecting the quarters of Kentucky Frontier's GCR mechanism. The Commission opened Case No. 2022-00428 for the purpose of investigating the reasonableness of Kentucky Frontier's proposed tariff filing which included the \$0.10 per Ccf gas cost reconciliation charge. Assuming it was appropriately filed and noticed, suspending the current proposed tariff filings to investigate the \$0.10 per Ccf gas cost reconciliation charge would cause additional administrative burden as there are already active cases open before the Commission that address the investigation of that proposed gas cost reconciliation charge. Because the proposed tariff filing includes the gas cost reconciliation information

filed in Case No. 2022-00428 and the proposed GCR rate proposed in this case proceeding, the Commission finds that the proposed tariff filing should also be denied.

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier's GCR rate report is denied.
2. Kentucky Frontier's revised rates in the proposed tariffs tendered in this case and on December 30, 2022, through the tariff filing system are denied and the tariffs are rejected.
3. The GCR rates that were filed in Case No. 2022-00327 shall remain in effect until Kentucky Frontier files its next GCR rate report for the next quarter.
4. A copy of this Order shall be filed in Case Nos. 2022-00327, and 2022-00428.
5. This case is closed and removed from the Commission's docket.

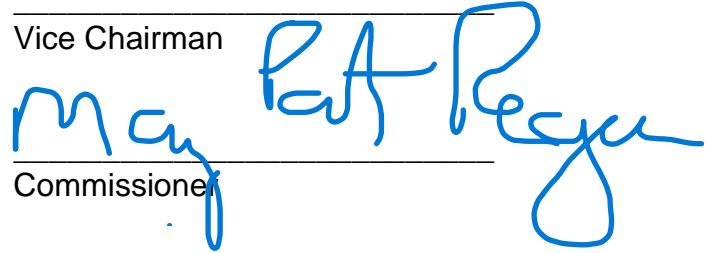
PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman

Commissioner



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JAN 31 2023
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SERVICE COMMISSION

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