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PUBLIC SERVICE
COMMISSION

March 31, 2014

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Re: Gas Cost Adjustment
Kentucky Frontier Gas, LLC

Dear Mr. Derouen:

On behalf of Kentucky Frontier Gas, LLC, we are filing a unified GCA application pursuant to the Commission's order of April 30, 2013 in Case No. 2011-00443. Please see attached Expected Gas Cost for the combined systems. The unified GCA will be added to the tracker adjustments calculated in this filing for each of KFG's individual utilities for four quarters.

If you have any questions, please call me at 303-422-3400.

Sincerely,

KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

KFG UNIFIED GAS COST RECOVERY RATE

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>		<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$	6.6368
+ Refund Adjustment (RA)	\$/Mcf	\$	-
+ Actual Adjustment (AA)	\$/Mcf	\$	0.3679
+ Balance Adjustment (BA)	\$/Mcf	\$	-
= Gas Cost Recovery Rate (GCR)			7.0047

GCR to be effective for service rendered from: 05/1/14 to 7/31/14

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$	2,148,309
/	Sales for the 12 months ended Jan 31, 2014	Mcf		323,695
=	Expected Gas Cost (EGC)	\$/Mcf	\$	6.6368

B	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)		\$	-
+	Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$	-
+	Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$	-
+	Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$	-
=	Refund Adjustment (RA)	\$/Mcf	\$	-

C	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Actual Adjustment for the Reporting Period (Sch. IV)	\$/Mcf	\$	0.4235
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$	0.0054
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$	(0.0610)
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$	-
=	Actual Adjustment (AA)	\$/Mcf	\$	0.3679

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$	-
+		\$/Mcf	\$	-
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$	-
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$	-
=	Balance Adjustment (BA)	\$/Mcf	\$	-

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:		January 31, 2014			
(1)	(2)	(3)	(4)	(5)*	(6)
Supplier	Dth	Btu Conversion Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	2,609	\$ 3.1000	\$ 8,088
** Chattaco		1.0916	1,526	\$ 3.9911	\$ 6,090
Cheseapeake		1.2368	6,300	\$ 6.7258	\$ 42,373
Columbia (Goble Roberts, Peoples)		N/A	15,366	\$ 6.4961	\$ 99,819
Cumberland Valley (Auxier)		1.2350	100,599	\$ 6.0986	\$ 613,508
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2350	15,886	\$ 7.3486	\$ 116,739
EQT (EKU,MLG,Price) 9/1/13 to 1/31/14		1.2820	73,682	\$ 8.2818	\$ 610,223
* Gray		1.0520	13,446	\$ 4.2080	\$ 56,581
* HI-Energy		1.0090	4,428	\$ 4.0360	\$ 17,871
*** HTC		1.1079	1,754	\$ 4.0507	\$ 7,105
*** Interstate NG (Sigma) rate includes \$1.25/Mcf DLR trans		1.2499	1,798	\$ 5.8199	\$ 10,464
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		N/A	23,208	\$ 6.7203	\$ 155,965
Magnum Drilling, Inc.		N/A	3,777	\$ 10.5000	\$ 39,659
Nytis (Auxier)		1.0962	7,220	\$ 4.0079	\$ 28,937
*** Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	23,857	\$ 5.2579	\$ 125,438
** Plateau		1.1200	642	\$ 4.0949	\$ 2,629
Quality (Belfry)		1.2499	58,645	\$ 5.8374	\$ 342,335
Quality (EKU,MLG,Price)		1.2560	32,390	\$ 6.0699	\$ 196,603
** Slone Energy		1.1753	13,846	\$ 4.2971	\$ 59,498
** Spirit		1.0458	143	\$ 3.8237	\$ 547
* Tackett & Sons Drilling		1.1305	3,726	\$ 4.5220	\$ 16,849
*** Walker Resources		1.1344	2,206	\$ 4.1476	\$ 9,150
Totals			407,054	\$ 6.3050	\$ 2,566,471

Line loss 12 months ended: January 31, 2014 based on purchases of 407,054 Mcf
and sales of 323,695 Mcf. 20%

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 2,566,471
/ Mcf Purchases (4)	Mcf	407,054
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 6.3050
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	340,732
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 2,148,309

TCo 3 Mo Avg = \$4.5053/Dth (NYMEX Futures 3 Mo. Avg) + \$0.065/Dth (TCo Appal Basis) = \$4.5703/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = TCo + \$0.6398 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$6.4601/Dth

Jefferson contract = TCo + \$0.90 cost factor = \$4.5703/Dth + \$0.90 = \$5.4703/Mcf

CVR = TCo + \$0.0190/Dth Commodity + \$0.2427/Dth TCo Demand +

\$0.0638/Dth Fuel + \$0.05/Dth CVR Fee = \$4.9381/Dth

HTC, ING, Nytis, Tackett & Walker contract = \$3.00/Dth or 80% of TCo, whichever is greater

Nytis Sigma contract = 80% of Tco

Slone, Spirit, Plateau, Chattaco contract = \$3.50/Dth or 80% TCo, whichever is greater

Gray, HI-Energy, Tackett contract = \$4.00/Dth or 80% TCo, whichever is greater

Quality (Belfry) = Tco + \$0.10 = \$4.6703

Quality (EKU,MLG) = TCo x 80% + \$0.725/Dth (Gathering) + \$0.4515/Dth (12.35% Fuel) = \$4.8327/Dth

DLR Transportation for Cow Creek (Sigma) = \$1.25/Mcf on volumes from Auxier, ING, Jefferson, Nytis

* Estimated 3 mo. avg TCo = \$4.5703/Dth x .8 = \$3.6562/Dth < \$4.00/Dth; \$4.00/Dth

** Estimated 3 mo. avg TCo = \$4.5703/Dth x .8 = \$3.6562/Dth > \$3.50/Dth; \$3.6562/Dth

*** Estimated 3 mo. avg TCo = \$4.5703/Dth x .8 = \$3.6562/Dth > \$3.00/Dth; \$3.6562/Dth

KFG Unified

Schedule IV
Actual Adjustment

For the 3 month period ending: January 31, 2014

<u>Particulars</u>	<u>Unit</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>
Total Supply Volumes Purchased	Mcf	46,038	67,317	86,756
Total Cost of Volumes Purchased (divide by) Total Sales (not less than 95% of supply)	\$	\$ 242,444	\$ 381,131	\$ 502,574
	Mcf	43,736	63,951	82,418
(equals) Unit Cost of Gas	\$/Mcf	\$ 5.5433	\$ 5.9597	\$ 6.0979
(minus) EGC in effect for month	\$/Mcf	\$ 5.0244	\$ 5.0244	\$ 5.0244
(equals) Difference	\$/Mcf	\$ 0.5189	\$ 0.9353	\$ 1.0735
(times) Actual sales during month	Mcf	32,382	50,711	67,866
(equals) Monthly cost difference	\$	\$ 16,804.26	\$ 47,431.05	\$ 72,850.91

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 137,086.22
(divide by) Sales for 12 Months ended: <u>January 31, 2014</u>	Mcf	323,695
(equals) Actual Adjustment for the Reporting Period		\$ 0.42350
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.4235

KY Frontier/Individual utilities' trailing tracking adjustments

		12 months sales	Tracker
Auxier	\$ (27,409.52)	102797	\$ (0.2666)
Belfry	\$ 12,906.69	41437	\$ 0.3115
BTU	\$ (30,274.67)	28320	\$ (1.0690)
Cow Creek	\$ (6,506.50)	47244	\$ (0.1377)
East KY	\$ 12,309.20	52435	\$ 0.2348
Mike Little	\$ 1,334.68	20181	\$ 0.0661
Peoples Gas	\$ 590.85	7753	\$ 0.0762