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PUBLIC SERVICE
COMMISSION

December 22, 2015

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

Case No. 2015-00425

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.

Frontier's line loss for the twelve month period ending October 2015 has improved from 12% to 11%. Although it is a small improvement it indicates KFG's PRP efforts are changing the trend in L&U. Frontier has exceeded its capital budget for PRP for the past two construction season in an effort to reduce L&U as quickly as possible. Our previous estimate of late 2017 for a 5% L&U seems reasonable based on results of the 2015 construction season.

Due to financial loss from previous years of high L&U and allocating capital expenditures in excess PRP budget requirements, KFG is requesting an extension of the deviation from its PGA tariff in passing through line losses greater than 5 percent granted in Case No. 2014-00477. The attached EGC and AA calculations did not use a limiter and the BA is calculated to recover amounts formerly returned to customers due to using the limiter. The Commission's consideration of this request is very much appreciated.

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

Sincerely,
KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner
Enclosures

FOR ENTIRE AREA SERVED
KENTUCKY FRONTIER GAS, LLC

P.S.C. KY. NO. 1

Original SHEET NO. 1

Kentucky Frontier Gas, LLC
(Name of Utility)

CANCELING P.S. KY.NO.

SHEET NO. _____

RATES AND CHARGES

APPLICABLE: Entire area served

Residential and Small Commercial

Gas Cost

	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 10.0000		\$ 10.0000
ALL CCF	\$ 0.42023	\$ 0.41738	\$ 0.83761

Large Commercial

Gas Cost

	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 50.0000		\$ 50.0000
ALL CCF	\$ 0.34454	\$ 0.41738	\$ 0.76192

DATE OF ISSUE December 23, 2015

Month/Date/Year

DATE EFFECTIVE February 1, 2016

ISSUED BY 

(Signature of Officer)

TITLE Member

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

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	\$ 4.4633
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ (1.5080)
+ Balance Adjustment (BA)	\$/Mcf	\$ 1.2232
= Gas Cost Recovery Rate (GCR)		4.1785

GCR to be effective for service rendered from: February 1, 2016

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 1,369,386
/	Sales for the 12 months ended <u>July 31, 2015</u>	Mcf	306,807
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 4.4633

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 Current Reporting Period (Sch. IV)	\$/Mcf	\$ 0.0103
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	(0.0340) expires 10/31/2016
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.8907) expires 7/31/2016
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.5936) expires 4/30/2016
=	Actual Adjustment (AA)	\$/Mcf	\$ (1.5080)

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ 0.0036
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.2924 expires 10/31/2016
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.7730 expires 7/31/2016
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.1542 expires 4/30/2016
=	Balance Adjustment (BA)	\$/Mcf	\$ 1.2232

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

October 31, 2015

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	1,879	\$ 3.1000	\$ 5,825
** Chattaco		1.0916	0	\$ 4.3664	\$ -
Chesapeake		N/A	0	\$ -	\$ -
Columbia (Goble Roberts, Peoples)		N/A	12,717	\$ 3.6479	\$ 46,390
Cumberland Valley (Auxier)		1.2378	97,869	\$ 3.6649	\$ 358,678
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2378	11,943	\$ 4.9149	\$ 58,698
EQT (EKU,MLG,Price)		1.2668	72,295	\$ 5.4019	\$ 390,530
* Gray		1.0595	9,143	\$ 4.7678	\$ 43,592
** HI-Energy		0.9953	6,281	\$ 3.9812	\$ 25,006
** HTC		1.1079	1,806	\$ 4.4316	\$ 8,003
** Interstate NG (Sigma) rate includes \$1.25/Mcf DLR trans			0	\$ -	\$ -
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1404	18,158	\$ 5.5816	\$ 101,350
Magnum Drilling, Inc.		N/A	3,574	\$ 10.5000	\$ 37,527
Nytis (Auxier)		1.0962	8,127	\$ 1.5770	\$ 12,816
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	18,690	\$ 2.8270	\$ 52,837
** Plateau		1.1200	270	\$ 4.4800	\$ 1,210
Quality (Belfry)		1.2000	63,045	\$ 2.2780	\$ 143,614
Slone Energy		1.1000	12,576	\$ 4.4000	\$ 55,334
** Spirit		1.1178	3,361	\$ 4.4712	\$ 15,028
** Tackett & Sons Drilling		1.0790	3,000	\$ 4.3160	\$ 12,948
Totals			344,734	\$ 3.9723	\$ 1,369,386

Line loss 12 months ended: Oct-15 based on purchases of 344,734 Mcf
and sales of 306,807 Mcf. 11% L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,369,386
/ Mcf Purchases (4)	Mcf	344,734
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 3.9723
x Allowable Mcf Purchases (w/o 5% Limiter)	Mcf	344,734
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,369,386

Estimated Avg TCo for Feb, Mar, Apr = \$1.9483/Dth (NYMEX Avg + \$-0.15/Dth (TCo Appal Basis) = \$1.7983/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = \$1.7983/Dth (TCo) + \$0.2518 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$3.3001/Dth

Jefferson contract = \$1.7983/Dth (TCo) + \$2.00/Dth cost factor = \$3.7983/Dth

CVR = \$1.7983 (TCo) + \$0.0190/Dth Commodity + \$0.1923/Dth TCo Demand + \$0.0555/Dth Fuel + \$0.05/Dth CVR Fee = \$2.1151/D

Chattaco, HI-Energy, HTC, ING, Plateau, Spirit, Tackett contract = \$4.00/Dth or 80% of TCo, whichever is greater

Gray, contract = \$4.50/Dth or 80% of TCo, whichever is greater

Magnum Drilling contract = \$10.50/Mcf

Nytis contract = .8 x \$1.7983/Dth (TCo) = \$1.4386/Dth

Slone contract = \$4.00/Dth

Quality (Belfry) = \$1.7983/Dth (TCo) + \$0.10 = \$1.8983/Dth

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

* Estimated 3 mo. TCo = \$1.7983/Dth x .8 = \$1.4386/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$1.7983/Dth x .8 = \$1.4386/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$1.7983/Dth x .8 = \$1.4386/Dth < \$3.00/Dth; \$3.00/Dth

KFG UnifiedSchedule IV
Actual AdjustmentFor the 3 month period ending: October 31, 2015

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>
Total Supply Volumes Purchased	Mcf	9,073	9,184	17,223
Total Cost of Volumes Purchased	\$	\$ 36,688	\$ 35,736	\$ 57,723
(divide by) Total Sales	Mcf	5,448	7,408	12,073
(equals) Unit Cost of Gas	\$/Mcf	\$ 6.7342	\$ 4.8240	\$ 4.7811
(minus) EGC in effect for month	\$/Mcf	\$ 5.0942	\$ 5.0942	\$ 5.0942
(equals) Difference	\$/Mcf	\$ 1.6400	\$ (0.2702)	\$ (0.3131)
(times) Actual sales during month	Mcf	5,448	7,408	12,073
(equals) Monthly cost difference	\$	\$ 8,935	\$ (2,001.37)	\$ (3,779.50)

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 3,154.04
(divide by) Sales for 12 Months ended: <u>October 31, 2015</u>	Mcf	306,807
(equals) Actual Adjustment for the Reporting Period		\$ 0.0103
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.0103

SCHEDULE V

BALANCE ADJUSTMENT

For the 12 month period ended: October 31, 2014

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	** \$ 29,259
		Underrecovery for May - Jul 2014 with no five percent limiter
Less: Dollar amount resulting from the AA of 0.0918 \$/Mcf as used to compute the GCR in effect Case No. 2014-00304 four quarters prior to the effective date of the currently effective GCR times the sales of 306,807 Mcf during the 12 month period the AA was in effect	\$	<u>\$28,165</u>
Equals: Balance Adjustment of the AA	\$	<u><u>\$1,095</u></u>
Total supplier refund adjustment including interest used to compute RA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12 month period the RA was in effect	\$	<u>\$0</u>
Equals: Balance Adjustment of the RA	\$	<u><u>\$0</u></u>
Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	

Less: Dollar amount resulting from the BA of \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of Mcf during the 12 month period the BA was in effect	\$	<u>\$0</u>
Equals: Balance Adjustment of the BA	\$	<u><u>\$0</u></u>
Total Balance Adjustment Amount (1) + (2) + (3)	\$	\$1,095
Divide: Sales for 12 months ended October 31, 2015	Mcf	<u>306,807</u>
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>\$0.0036</u></u>

KFG Unified

Case No. 2014-00116

Schedule IV
Actual Adjustment

For the 3 month period ending: July 31, 2014

<u>Particulars</u>	<u>Unit</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>
Total Supply Volumes Purchased	Mcf	12,948	9,346	8,616
Total Cost of Volumes Purchased	\$	\$ 75,569	\$ 57,569	\$ 52,185
(divide by) Total Sales (not less than 95% of supply)	Mcf	12,301	8,879	8,185
(equals) Unit Cost of Gas	\$/Mcf	\$ 6.1435	\$ 6.4839	\$ 6.3755
(minus) EGC in effect for month	\$/Mcf	\$ 6.6368	\$ 6.9978	\$ 6.9978
(equals) Difference	\$/Mcf	\$ (0.4933)	\$ (0.5139)	\$ (0.6223)
(times) Actual sales during month	Mcf	10,045	6,448	6,327
(equals) Monthly cost difference	\$	\$ (4,954.98)	\$ (3,313.34)	\$ (3,937.09)

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ (12,205.41)
(divide by) Sales for 12 Months ended: <u>July 31, 2014</u>	Mcf	335,180
(equals) Actual Adjustment for the Reporting Period		\$ (0.03641)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ (0.0364)

WITH NO LIMITER

<u>Particulars</u>	<u>Unit</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>
Total Supply Volumes Purchased	Mcf	12,948	9,346	8,616
Total Cost of Volumes Purchased	\$	\$ 75,569	\$ 57,569	\$ 52,185
(divide by) Total Sales (No 5% Limiter)	Mcf	10,045	6,448	6,327
(equals) Unit Cost of Gas	\$/Mcf	\$ 7.5230	\$ 8.9282	\$ 8.2480
(minus) EGC in effect for month	\$/Mcf	\$ 6.6368	\$ 6.9978	\$ 6.9978
(equals) Difference	\$/Mcf	\$ 0.8862	\$ 1.9304	\$ 1.2502
(times) Actual sales during month	Mcf	10,045	6,448	6,327
(equals) Monthly cost difference	\$	\$ 8,902.34	\$ 12,447.19	\$ 7,909.92

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 29,259.45