



March 30, 2016

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

RECEIVED

MAR 31 2016

PUBLIC SERVICE
COMMISSION

Re: Gas Cost Adjustment
Effective Date of May 1, 2016
Kentucky Frontier Gas, LLC

Case No. 2016-00135

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 made significant progress in its PRP during the construction season of 2015 and line loss has declined as a result. However, we have not achieved our goal of reducing L&U to below 5%. Frontier has upgraded construction equipment, including a boring machine, to improve the pace of the PRP. Our estimate of late 2017 for a 5% L&U continues to be reasonable based on results of the 2015 construction season.

In consideration of the additional cost to upgrade construction equipment and to advance the pipe replacement capability, 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

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	\$ 4.1435
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ (0.9658)
+ Balance Adjustment (BA)	\$/Mcf	\$ 1.3626
= Gas Cost Recovery Rate (GCR)		4.5403

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

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 1,127,686
/	Sales for the 12 months ended Jan 31, 2016	Mcf	272,155
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 4.1435

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	\$ (0.0308)
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0103) expires 1/31/2017
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0340) expires 10/31/2016
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.8907) expires 7/31/2016
=	Actual Adjustment (AA)	\$/Mcf	\$ (0.9658)

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ 0.2936
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0036 expires 1/31/2017
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.2924 expires 10/31/2016
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.7730 expires 7/31/2016
=	Balance Adjustment (BA)	\$/Mcf	\$ 1.3626

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

January 31, 2016

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	2,406	\$ 3.1000	\$ 7,459
Cheseapeake		N/A	0	\$ -	\$ -
Columbia (Goble Roberts, Peoples)		N/A	11,663	\$ 3.6479	\$ 42,545
Cumberland Valley (Auxier)		1.2378	89,686	\$ 2.6181	\$ 234,804
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2378	1,660	\$ 3.8681	\$ 6,421
EQT (EQU,MLG,Price)		1.2668	65,901	\$ 4.1806	\$ 275,504
EQT (Sigma) rate includes \$1.25/Mcf DLR trans		1.2668	1,562	\$ 5.4306	\$ 8,483
* Gray		1.0595	5,981	\$ 4.7678	\$ 28,516
** HI-Energy		0.9953	3,117	\$ 3.9812	\$ 12,409
** HTC (Sigma) includes \$1.25/Mcf DLR trans		1.1079	1,561	\$ 5.6816	\$ 8,869
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1404	38,023	\$ 5.5816	\$ 212,228
Magnum Drilling, Inc.		N/A	3,646	\$ 10.5000	\$ 38,283
Nytis (Auxier)		1.0962	7,828	\$ 1.9381	\$ 15,171
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	14,433	\$ 3.1881	\$ 46,014
** Plateau (Sigma) includes \$1.25/Mcf DLR trans		1.1200	208	\$ 5.7300	\$ 1,192
Quality (Belfry)		1.2000	58,585	\$ 2.2780	\$ 133,454
Slope Energy		1.1000	8,428	\$ 4.4000	\$ 37,083
** Spirit		1.1178	2,847	\$ 4.4712	\$ 12,730
** Tackett & Sons Drilling		1.0790	1,511	\$ 4.3160	\$ 6,521
Totals			319,046	\$ 3.5346	\$ 1,127,686

Line loss 12 months ended: Jan-16 based on purchases of 319,046 Mcf
and sales of 272,155 Mcf. 15% L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,127,686
/ Mcf Purchases (4)	Mcf	319,046
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 3.5346
x Allowable Mcf Purchases (w/o 5% Limiter)	Mcf	319,046
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,127,686

Estimated Avg TCo for May, Jun, Jul = \$2.0500/Dth (NYMEX Avg + \$-0.144/Dth (TCo Appal Basis) = \$1.9060/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = \$1.9060/Dth (TCo) + \$0.2668 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$3.4228/Dth

Jefferson contract = \$1.9060/Dth (TCo) + \$2.00/Dth cost factor = \$3.9060/Dth

CVR = \$1.9060 (TCo) + \$0.0190/Dth Commodity + \$0.1923/Dth TCo Demand + \$0.0555/Dth Fuel + \$0.05/Dth CVR Fee = \$2.2228/Dth

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 \$1.9060/Dth (TCo) = \$1.5248/Dth

Slope contract = \$4.00/Dth

Quality (Belfry) = \$1.9060/Dth (TCo) + \$0.10 = \$2.0060/Dth

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

* Estimated 3 mo. TCo = \$1.9060/Dth x .8 = \$1.5248/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$1.7983/Dth x .8 = \$1.5248/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$1.7983/Dth x .8 = \$1.5248/Dth < \$3.00/Dth; \$3.00/Dth

KFG UnifiedSchedule IV
Actual Adjustment

For the 3 month period ending:

January 31, 2016

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>
Total Supply Volumes Purchased	Mcf	28,215	34,323	64,519
Total Cost of Volumes Purchased	\$	\$ 104,782	\$ 129,725	\$ 251,342
(divide by) Total Sales	Mcf	23,586	30,278	48,282
(equals) Unit Cost of Gas	\$/Mcf	\$ 4.4426	\$ 4.2845	\$ 5.2057
(minus) EGC in effect for month	\$/Mcf	\$ 4.8385	\$ 4.8385	\$ 4.8385
(equals) Difference	\$/Mcf	\$ (0.3959)	\$ (0.5540)	\$ 0.3672
(times) Actual sales during month	Mcf	23,586	30,278	48,282
(equals) Monthly cost difference	\$	\$ (9,339)	\$ (16,775.10)	\$ 17,729.38

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ (8,384.58)
(divide by) Sales for 12 Months ended: <u>January 31, 2016</u>	Mcf	272,155
(equals) Actual Adjustment for the Reporting Period		\$ (0.0308)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ (0.0308)

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	\$	** \$ 83,747	Underrecovery for Aug to Oct 2014 with no 5% limiter
Less: Dollar amount resulting from the AA of 0.0141 \$/Mcf as used to compute the GCR in effect Case No. 2014-00477 four quarters prior to the effective date of the currently effective GCR times the sales of 272,155 Mcf during the 12 month period the AA was in effect	\$	<u>\$3,837</u>	
Equals: Balance Adjustment of the AA	\$	<u><u>\$79,910</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)	\$	\$79,910	
Divide: Sales for 12 months ended October 31, 2015	Mcf	<u>272,155</u>	
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>\$0.2936</u></u>	