



June 30, 2016

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

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

RECEIVED
JUL 01 2016
PUBLIC SERVICE
COMMISSION

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 addition of a boring machine for the 2016 construction season has enabled Frontier to replace several thousand feet of pipe in the Belfry system. Pipe replacement in this area is expected to return the best results for reducing Frontier's L&U. Our estimate of late 2017 for a 5% L&U continues to be reasonable based on current progress.

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

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	\$ 0.55992	\$ 0.98015

Large Commercial

	Gas Cost		
	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 50.0000		\$ 50.0000
ALL CCF	\$ 0.34454	\$ 0.55992	\$ 0.90446

DATE OF ISSUE June 30, 2016
Month/Date/Year

DATE EFFECTIVE August 1, 2016

ISSUED BY *Dennis R. Jones*
(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	\$ 5.4177
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ (0.1168)
+ Balance Adjustment (BA)	\$/Mcf	\$ 0.2983
= Gas Cost Recovery Rate (GCR)		5.5992

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

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 1,351,038
/	Sales for the 12 months ended April 30, 2016	Mcf	249,376
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.4177

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	\$ (0.0417)
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0308) expires 4/30/2017
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0103) expires 1/31/2017
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0340) expires 10/31/2016
=	Actual Adjustment (AA)	\$/Mcf	\$ (0.1168)

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ (0.0000)
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0023
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0036 expires 1/31/2017
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.2924 expires 10/31/2016
=	Balance Adjustment (BA)	\$/Mcf	\$ 0.2983

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

April 30, 2016

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	3,001	\$ 3.1000	\$ 9,303
Cheseapeake		N/A	0	\$ -	\$ -
Columbia (Goble Roberts, Peoples)		N/A	10,545	\$ 3.0056	\$ 31,694
Cumberland Valley (Auxier)		1.2088	80,389	\$ 3.7828	\$ 304,097
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		N/A	0	\$ -	\$ -
EQT (EQU,MLG,Price)		1.2473	58,496	\$ 5.4904	\$ 321,164
EQT (Sigma) rate includes \$1.25/Mcf DLR trans		1.2473	2,938	\$ 6.7404	\$ 19,803
* Gray		1.0595	4,404	\$ 4.7678	\$ 20,997
** HI-Energy		0.9953	3,841	\$ 3.9812	\$ 15,292
** HTC (Sigma) includes \$1.25/Mcf DLR trans		1.1079	2,322	\$ 5.6816	\$ 13,193
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1184	43,268	\$ 6.5788	\$ 284,653
Magnum Drilling, Inc.		N/A	3,555	\$10.5000	\$ 37,328
Nytis (Auxier)		1.0962	7,863	\$ 2.4246	\$ 19,064
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	9,563	\$ 3.6746	\$ 35,140
** Plateau (Sigma) includes \$1.25/Mcf DLR trans		1.1200	63	\$ 5.7300	\$ 361
Quality (Belfry)		1.2000	54,466	\$ 3.4376	\$ 187,235
* Slone Energy		1.1324	6,534	\$ 5.0958	\$ 33,296
** Spirit		1.1178	1,704	\$ 4.4712	\$ 7,619
** Tackett & Sons Drilling		1.0790	2,502	\$ 4.3160	\$ 10,799
Totals			295,454	\$ 4.5728	\$ 1,351,038

Line loss 12 months ended: Apr-16 based on purchases of 295,454 Mcf
and sales of 249,376 Mcf. 16% L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,351,038
/ Mcf Purchases (4)	Mcf	295,454
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.5728
x Allowable Mcf Purchases (w/o 5% Limiter)	Mcf	295,454
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,351,038

Estimated Avg TCo for Aug, Sep, Oct = \$2.8797/Dth (NYMEX Avg + \$-0.115/Dth (TCo Appal Basis) = \$2.7647/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = \$2.7647/Dth (TCo) + \$0.3871 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$4.4018/Dth

Jefferson contract = \$2.7647/Dth (TCo) + \$2.00/Dth cost factor = \$4.7647/Dth

CVR = \$2.7647 (TCo) + \$0.0190/Dth Commodity + \$0.2626/Dth TCo Demand + \$0.0331/Dth Fuel + \$0.05/Dth CVR Fee = \$3.1294/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 \$2.7647/Dth (TCo) = \$2.2118/Dth

Slone contract = \$4.50/Dth

Quality (Belfry) = \$2.7647/Dth (TCo) + \$0.10 = \$2.8647/Dth

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

* Estimated 3 mo. TCo = \$2.7647/Dth x .8 = \$2.2118/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$2.7647/Dth x .8 = \$2.2118/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$2.7647/Dth x .8 = \$2.2118/Dth < \$3.00/Dth; \$3.00/Dth

KFG Unified

Schedule IV
Actual Adjustment

For the 3 month period ending:

April 30, 2016

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>Feb-16</u>	<u>Mar-16</u>	<u>Apr-16</u>
Total Supply Volumes Purchased	Mcf	53,986	24,458	24,915
Total Cost of Volumes Purchased	\$	\$ 205,267	\$ 88,090	\$ 79,703
(divide by) Total Sales	Mcf	52,821	28,213	18,114
(equals) Unit Cost of Gas	\$/Mcf	\$ 3.8861	\$ 3.1223	\$ 4.4001
(minus) EGC in effect for month	\$/Mcf	\$ 3.8675	\$ 3.8675	\$ 3.8675
(equals) Difference	\$/Mcf	\$ 0.0186	\$ (0.7452)	\$ 0.5326
(times) Actual sales during month	Mcf	52,821	28,213	18,114
(equals) Monthly cost difference	\$	\$ 982	\$ (21,023.78)	\$ 9,647.11

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ (10,394.89)
(divide by) Sales for 12 Months ended: <u>April 30, 2016</u>	Mcf	249,376
(equals) Actual Adjustment for the Reporting Period		\$ (0.0417)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ (0.0417)

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	\$	** \$ (179,527)	Nov 2014 to Jan 2015 with no 5% limiter
Less: Dollar amount resulting from the AA of (0.5936) \$/Mcf as used to compute the GCR in effect Case No. 2015-00104 four quarters prior to the effective date of the currently effective GCR times the sales of 302,422 Mcf during the 12 month period the AA was in effect	\$	<u>(\$179,518)</u>	
Equals: Balance Adjustment of the AA	\$	<u><u>(\$9)</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)	\$	(\$9)	
Divide: Sales for 12 months ended January 31, 2015	Mcf	<u>302,422</u>	
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>(\$0.0000)</u></u>	