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PUBLIC SERVICE
COMMISSION

September 22, 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 November 1, 2016
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.

By the end of the 2016 construction season, Frontier will have replaced approximately 10,000 feet of pipe. Current operations consist of doing tie-ins on approximately 2,000 feet of new pipe. Our estimate of late 2017 for a 5% L&U continues to be reasonable based on current progress.

A recent set back in lowering L&U occurred in the Auxier system where a major butt fusion failure went undetected for several days in July and August. This has been a major contributor to this reporting quarter L&U of 17% and will also affect the next quarter L&U.

In consideration of the additional cost to accelerate upgrades to all systems infrastructure, 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	\$ 0.59004	\$ 1.01027

Large Commercial

	Gas Cost		
	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 50.0000		\$ 50.0000
ALL CCF	\$ 0.34454	\$ 0.59004	\$ 0.93458

DATE OF ISSUE September 23, 2016
Month/Date/Year

DATE EFFECTIVE November 1, 2016

ISSUED BY *Dennis R. Horner*
(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	\$ 5.8909
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ 0.0036
+ Balance Adjustment (BA)	\$/Mcf	\$ 0.0059
= Gas Cost Recovery Rate (GCR)		5.9004

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

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 1,468,892
/	Sales for the 12 months ended July 31, 2016	Mcf	249,349
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.8909

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	\$ 0.0658
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0417) expires 7/31/1 ⁷ 6
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0308) expires 4/30/2017
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.0103 expires 1/31/2017
=	Actual Adjustment (AA)	\$/Mcf	\$ 0.0036

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ -
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ - expires 7/31/1 ⁷ 6
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0023 expires 4/30/2017
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0036 expires 1/31/2017
=	Balance Adjustment (BA)	\$/Mcf	\$ 0.0059

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

July 31, 2016

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	2,275	\$ 3.1000	\$ 7,053
Cheseapeake		N/A	0	\$ -	\$ -
Columbia (Goble Roberts, Peoples)		N/A	10,700	\$ 3.0056	\$ 32,160
Cumberland Valley (Auxier)		1.2562	89,051	\$ 4.4069	\$ 392,437
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.1769	1,419	\$ 5.3787	\$ 7,632
EQT (EKU, MLG, Price)		1.2500	58,496	\$ 5.8314	\$ 341,112
EQT (Sigma) rate includes \$1.25/Mcf DLR trans		1.2473	2,938	\$ 7.0688	\$ 20,768
* Gray		1.0595	4,352	\$ 4.7678	\$ 20,749
** HI-Energy		0.9953	3,889	\$ 3.9812	\$ 15,483
** HTC (Sigma) includes \$1.25/Mcf DLR trans		1.1079	3,163	\$ 5.6816	\$ 17,971
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1184	43,588	\$ 6.8372	\$ 298,019
Magnum Drilling, Inc.		N/A	2,335	\$10.5000	\$ 24,518
Nytis (Auxier)		1.0962	7,777	\$ 2.6272	\$ 20,431
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	9,885	\$ 3.8772	\$ 38,326
** Plateau (Sigma) includes \$1.25/Mcf DLR trans		1.1200	0	\$ 5.7300	\$ -
Quality (Belfry)		1.2000	52,655	\$ 3.7148	\$ 195,605
* Slone Energy		1.1623	5,803	\$ 5.2304	\$ 30,352
** Spirit		1.2997	1,058	\$ 5.1988	\$ 5,500
** Tackett & Sons Drilling		1.0790	180	\$ 4.3160	\$ 777
Totals			299,564	\$ 4.9034	\$ 1,468,892

Line loss 12 months ended: and sales of	Jul-16 249,349	based on purchases of Mcf.	299,564 17%	Mcf L&U	Unit	Amount
Total Expected Cost of Purchases (6)					\$	\$ 1,468,892
/ Mcf Purchases (4)					Mcf	299,564
= Average Expected Cost Per Mcf Purchased					\$/Mcf	\$ 4.9034
x Allowable Mcf Purchases (w/o 5% Limiter)					Mcf	299,564
= Total Expected Gas Cost (to Schedule 1A)					\$	\$ 1,468,892

Estimated Avg TCo for Nov, Dec, Jan = \$3.1587/Dth (NYMEX Avg + \$-0.163/Dth (TCo Appal Basis) = **\$2.9957/Dth**

AEI-KAARS contract = **\$3.10/Mcf**

EQT = \$2.9957/Dth (TCo) + \$0.4194 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = **\$4.6651/Dth**

Jefferson contract = \$2.9957/Dth (TCo) + \$2.00/Dth cost factor = **\$4.9957/Dth**

CVR = \$2.9957 (TCo) + \$0.0190/Dth Commodity + \$0.3836/Dth TCo Demand + \$0.0598/Dth Fuel + \$0.05/Dth CVR Fee = **\$3.5081/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 = \$2.9957/Dth (TCo) x .8 = **\$2.3966/Dth**

Slone contract = **\$4.50/Dth**

Quality (Belfry) = \$2.9957/Dth (TCo) + \$0.10 = **\$3.0957/Dth**

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

* Estimated 3 mo. TCo = \$2.9957/Dth x .8 = \$2.3966/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$2.9957/Dth x .8 = \$2.3966/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$2.9957/Dth x .8 = \$2.3966/Dth < \$3.00/Dth; \$3.00/Dth

KFG Unified

Schedule IV
Actual Adjustment

For the 3 month period ending:

July 31, 2016

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>May-16</u>	<u>Jun-16</u>	<u>Jul-16</u>
Total Supply Volumes Purchased	Mcf	13,953	9,473	11,443
Total Cost of Volumes Purchased	\$	\$ 44,296	\$ 34,102	\$ 34,817
(divide by) Total Sales	Mcf	11,274	6,703	5,387
(equals) Unit Cost of Gas	\$/Mcf	\$ 3.9290	\$ 5.0875	\$ 6.4631
(minus) EGC in effect for month	\$/Mcf	\$ 4.1435	\$ 4.1435	\$ 4.1435
(equals) Difference	\$/Mcf	\$ (0.2145)	\$ 0.9440	\$ 2.3196
(times) Actual sales during month	Mcf	11,274	6,703	5,387
(equals) Monthly cost difference	\$	\$ (2,418)	\$ 6,327.73	\$ 12,495.95

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 16,405.87
(divide by) Sales for 12 Months ended: <u>July 31, 2016</u>	Mcf	249,349
(equals) Actual Adjustment for the Reporting Period		\$ 0.0658
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.0658