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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT
FILING OF KENTUCKY FRONTIER GAS, LLC

Case No.
2016-00348

KENTUCKY FRONTIER GAS, LLC'S RESPONSES
TO THE COMMISSION'S FIRST REQUEST FOR INFORMATION

OCTOBER 20, 2016

Kentucky Frontier Gas, LLC ("Frontier") provides the following responses to the Commission's data request.

Submitted by:
Dennis R. Horner
4891 Independence St.
Suite 200
Wheat Ridge, CO 80033
Kentucky Frontier Gas, LLC

KENTUCKY FRONTIER GAS, LLC'S RESPONSES
TO THE COMMISSION'S FIRST REQUEST FOR INFORMATION

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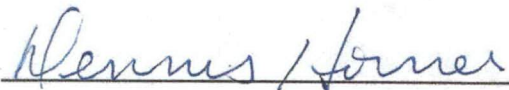
CERTIFICATION

DECLARATION OF DENNIS HORNER

I, Dennis Horner, am a representative of Kentucky Frontier Gas, LLC and the preparer of the responses in the referenced matter. The facts set forth therein are true and correct to the best of my knowledge, information and belief.

Pursuant to KRS 523.020-040, I certify under penalty of false swearing that the foregoing is true and correct.

Dated this 20th day of October, 2016



Dennis Horner

Kentucky Frontier Gas, LLC

DATA REQUEST 1

Refer to the cover letter of the Application and to Schedule IV.

- a. Provide details concerning the butt fusion failure in the Auxier portion of the Frontier system which is referenced in the third paragraph of the cover letter. The information provided should include, but not limited to, the cause of the failure, the estimated length of time the failure caused and increase in Lost and Unaccounted for gas ("L&U"), whether the fusion failure occurred on a pipe that has been replaced as a result of Frontier's Pipe Replacement Program, and if not, the age and composition of the pipe.
- b. Confirm that the 17 percent L&U referenced in the third paragraph is the annual L&U as shown on Schedule II of the Application, and that the reporting quarter L&U, as derived by the purchase and sales volumes in Schedule IV, is 33 percent.
- c. Confirm that monthly loss for the reporting quarter as derived by the purchase and sales volumes information in Schedule IV is 19 percent for May, 29.2 percent for June, and 52.9 percent for July 2016, and explain whether the failed butt fusion contributed to the L&U in May and June. If not, state the cause(s) of the L&U levels for those months.

Witness: Horner

RESPONSE:

- (a) On August 28, 2016, a gas leak was reported in the Auxier portion of the Frontier system. Frontier immediately dispatched a service crew to the site, isolated the leak and terminated the loss of gas from a failed butt fusion joint. The leak was repaired the next day on August 29, 2016. In the repair process it was determined that the butt fusion joint was joining a section of 2 inch DuPont Aldyl-A

(vintage early 1980's) and a section of 2 inch Orange PE (vintage mid 1980's). This butt fusion joint was about 30 years old. This transition of dissimilar PE material is very technical, and is now done with electrofusion.

After reviewing Columbia delivery meter readings compared with past use, we determined that the leak may have started in May or June at ~10 to 30 MCFD above normal, gradually increasing to a loss of ~100 MCFD in July. Then on July 27th the butt fusion joint completely failed, increasing the loss to ~200 MCFD.

We estimate the gas losses to be 3100 MCF in July and 5100 MCF in August. Any leakage losses in May and June are not definitive, but could be as much as 500-1000 MCF compared with past history.

This section of pipe was not replaced by Frontier, and none of Auxier is planned for replacement as part of the PRP. The presence of Aldyl A pipe and poor fusion practices are known risks identified in our DIMP plan. The original construction records are lost or weren't definitive enough to locate the Aldyl A or the transitions to newer pipe. Frontier's event-based leakage history for these 2 risks is far less than every day losses from corroding steel pipe.

- (b) The 17 percent L&U referenced in the third paragraph is the correct annual L&U as shown on Schedule II of the Application. However, total EQT (EQU, MLG, Price) volumes have been revised from 58,496 MCF to 58,691 MCF (see attached revised Schedule II). This revision does not change the annual L&U reported on Schedule II. The 33 percent L&U for the reporting quarter, as derived by the purchase and sales volumes in Schedule IV, is correct.
- (c) From meter readings it is not conclusive as to the exact time the butt fusion failure started. It is apparent, from meter readings, the butt fusion failure was in

progress in June and completely failed in late July. It continued undetected until August 28th. Therefore, a large component of the reporting quarter L&U was a result of the butt fusion failure.

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 |
| Chesapeake | | 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 | 58,691 | \$ 5.8314 | \$ 342,249 |
| 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 | | | 299,759 | \$ 4.9040 | \$ 1,470,030 |

| Line loss 12 months ended: and sales of | Jul-16 249,349 | based on purchases of Mcf. | 299,759 17% | Mcf L&U | Unit | Amount |
|--|-------------------|-------------------------------|----------------|------------|--------|--------------|
| Total Expected Cost of Purchases (6) | | | | | \$ | \$ 1,470,030 |
| / Mcf Purchases (4) | | | | | Mcf | 299,759 |
| = Average Expected Cost Per Mcf Purchased | | | | | \$/Mcf | \$ 4.9040 |
| x Allowable Mcf Purchases (w/o 5% Limiter) | | | | | Mcf | 299,759 |
| = Total Expected Gas Cost (to Schedule 1A) | | | | | \$ | \$ 1,470,030 |

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 = \$2.99577/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

DATA REQUEST 2

Refer to Schedule I. State why Frontier did not include the previous quarter (\$1263) Balance Adjustment ("BA") in its total BA calculation.

Witness: Horner

RESPONSE:

The previous quarter (\$1263) Balance Adjustment ("BA") was mistakenly omitted. See attached revised Schedule I with (\$1263) BA.

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 | \$ 5.8955 |
| + Refund Adjustment (RA) | \$/Mcf | \$ - |
| + Actual Adjustment (AA) | \$/Mcf | \$ 0.0036 |
| + Balance Adjustment (BA) | \$/Mcf | \$ (0.3274) |
| = Gas Cost Recovery Rate (GCR) | | 5.5717 |

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) | \$ | \$ 1,470,030 |
| / Sales for the 12 months ended July 31, 2016 | Mcf | 249,349 |
| = Expected Gas Cost (EGC) | \$/Mcf | \$ 5.8955 |

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 expires 10/31/17 |
| + Previous Quarter Reported Actual Adjustment | \$/Mcf | \$ (0.0417) expires 7/31/17 |
| + 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 | \$ (0.2070) expires 10/31/17 |
| + Previous Quarter Reported Balance Adjustment | \$/Mcf | \$ (0.1263) expires 7/31/17 |
| + 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 | \$ (0.3274) |

DATA REQUEST 3

State why Frontier did not calculate a BA to reconcile the (\$.8907) previous quarter AA which was charged during the 12 months ended July 31, 2016.

Witness: Horner

RESPONSE:

The BA to reconcile the (\$.8907) previous quarter AA which was charged during the 12 months ended July 31, 2016, was mistakenly omitted. See attached revised Schedule V.

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 | \$ | ** \$ (273,716) | Feb 15 - Apr 15 with no 5% limiter |
| Less: Dollar amount resulting from the AA of (0.8907) \$/Mcf as used to compute the GCR in effect Case No. 2015-00215 four quarters prior to the effective date of the currently effective GCR times the sales of 249,349 Mcf during the 12 month period the AA was in effect | \$ | <u>(\$222,095)</u> | |
| Equals: Balance Adjustment of the AA | \$ | <u><u>(\$51,621)</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) | \$ | (\$51,621) | |
| Divide: Sales for 12 months ended January 31, 2015 | Mcf | <u>249,349</u> | |
| Equals: Balance Adjustment for the reporting period (to Schedule I, part D) | \$/Mcf | <u><u>(\$0.2070)</u></u> | |

DATA REQUEST 4

Provide an estimate of pipe replacement for 2017, where Frontier expects the replacements to occur, and how much pipe it expects to replace.

Witness: Horner

RESPONSE:

Frontier estimates the 2017 pipe replacement plan will replace approximately 10,000 feet of pipe. The priority for 90 percent of pipe replacement is anticipated to be in the Belfry area. The balance of pipe replacement is planned for replacement of random steel sections throughout the Frontier system.