



RECEIVED

MAR 31 2017

PUBLIC SERVICE  
COMMISSION

March 29, 2017

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 May 1, 2017  
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.

Frontier recently completed extensive leak surveys in the Belfry system. As a result, a focused approach to leak repair has improved the Belfry L&U. Early projections are for L&U in the Belfry system to decrease by 50% in 2017. Reducing L&U throughout KFG systems continues to be a financial burden and has resulted in PRP budget overruns. 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 was calculated by using a 10% L&U. 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.       

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RATES AND CHARGES

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APPLICABLE: Entire area served

Residential and Small Commercial

	<u>Gas Cost</u>		
	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 10.0000		\$ 10.0000
ALL CCF	\$ 0.42023	\$ 0.65589	\$ 1.07612

Large Commercial

	<u>Gas Cost</u>		
	<u>Base Rate</u>	<u>Rate</u>	<u>Total</u>
CUSTOMER CHARGE	\$ 50.0000		\$ 50.0000
ALL CCF	\$ 0.34454	\$ 0.65589	\$ 1.00043

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DATE OF ISSUE March 29, 2017  
Month/Date/Year

DATE EFFECTIVE May 1, 2017

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	\$ 5.5591
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ 0.7250
+ Balance Adjustment (BA)	\$/Mcf	\$ 0.2748
= Gas Cost Recovery Rate (GCR)		\$ 6.5589

GCR to be effective for service rendered from: May 1, 2017

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 1,355,776
/	Sales for the 12 months ended <u>January 31, 2017</u>	Mcf	243,882
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.5591

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 <b>Current</b> Reporting Period (Sch. IV)	\$/Mcf	\$ 0.3877 expires 4/30/2018
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.3207 expires 1/31/2018
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.0583 expires 10/31/17
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0417) expires 7/31/17
=	Actual Adjustment (AA)	\$/Mcf	\$ 0.7250

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ 0.3681 expires 4/30/2018
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0604 expires 1/31/2018
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ (0.0274) expires 10/31/17
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ (0.1263) expires 7/31/17
=	Balance Adjustment (BA)	\$/Mcf	\$ 0.2748

**Kentucky Frontier Gas, LLC - Unified**

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

January 31, 2017

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	904	\$ 3.1000	\$2,802
Chesapeake		N/A	0	\$ -	\$0
Columbia (Goble Roberts, Peoples)		N/A	10,456	\$ 7.1771	\$75,044
Cumberland Valley (Auxier)		1.2100	87,875	\$ 4.2346	\$372,119
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2300	2,857	\$ 5.5546	\$15,870
EQT (EKU, MLG, Price)		1.2800	26,167	\$ 6.1020	\$159,671
EQT (Sigma) rate includes \$1.25/Mcf DLR trans		1.2800	1,376	\$ 7.3520	\$10,116
* Gray		1.0595	2,739	\$ 4.7678	\$13,059
** HI-Energy		0.9953	5,928	\$ 3.9812	\$23,601
** HTC (Sigma) includes \$1.25/Mcf DLR trans		1.1079	2,952	\$ 5.6816	\$16,772
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.2310	17,352	\$ 7.5100	\$130,314
Magnum Drilling, Inc.		N/A	3,297	\$10.5000	\$34,619
Nytis (Auxier)		1.0000	7,813	\$ 3.0853	\$24,105
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0000	11,884	\$ 3.7182	\$44,187
** Plateau (Sigma) includes \$1.25/Mcf DLR trans		1.1200	0	\$ 5.7300	\$0
Quality (Belfry)		1.2000	47,390	\$ 3.8224	\$181,142
* Slone Energy		1.1670	4,984	\$ 5.2515	\$26,173
Southern Energy (EKU, MLG, Price)		1.2744	38,553	\$ 5.4354	\$209,553
Southern Energy (Sigma) includes \$1.25/Mcf DLR trans		1.2744	13,755	\$ 6.6854	\$91,958
** Spirit		1.2997	6,935	\$ 5.1988	\$36,054
** Tackett & Sons Drilling		1.0790	180	\$ 4.3160	\$777
<b>Totals</b>			<b>293,397</b>	<b>\$ 5.0032</b>	<b>\$1,467,935</b>

Line loss 12 months ended: Jan-17 based on purchases of 293,397 Mcf  
and sales of 243,882 Mcf. 17% L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,467,935
/ Mcf Purchases (4)	Mcf	293,397
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 5.0032
x Allowable Mcf Purchases (10% L&U)	Mcf	270,980
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,355,776

Estimated Avg TCo for May, June, July = \$3.3163/Dth (NYMEX Avg + \$-0.2310/Dth (TCo Appal Basis) = **\$3.0853/Dth**

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

EQT = \$3.0853/Dth (TCo) + \$0.4319 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = **\$4.7672/Dth**

Jefferson contract = \$3.0853/Dth (TCo) + \$2.00/Dth cost factor = **\$5.0853/Dth**

CVR = \$3.0853 (TCo) + \$0.0190/Dth Commodity + \$0.2838/Dth TCo Demand + \$0.0616/Dth Fuel + \$0.05/Dth CVR Fee = **\$3.4997/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 = \$3.0853/Dth (TCo) x .8 = **\$2.4682/Dth**

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

Southern Energy = \$3.0853/Dth (TCo) + \$1.1798/Dth = **\$4.2651/Dth**

Quality (Belfry) = \$3.0853/Dth (TCo) + \$0.10 = **\$3.1853/Dth**

DLR Trans for Cow Creek (Sigma) = \$1.25/Mcf on volumes from CVR, EQT, HTC, ING, Jefferson, Nytis, Plateau, Southern Energy

\* Estimated 3 mo. TCo = \$3.0853/Dth x .8 = \$2.4682/Dth < \$4.50/Dth; \$4.50/Dth

\*\* Estimated 3 mo. TCo = \$/Dth x .8 = \$2.4682/Dth < \$4.00/Dth; \$4.00/Dth

\*\*\* Estimated 3 mo. TCo = \$3.0853/Dth x .8 = \$2.4682/Dth < \$3.00/Dth; \$3.00/Dth

## KFG Unified

Schedule IV  
Actual Adjustment

For the 3 month period ending:

January 31, 2017

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>
Total Supply Volumes Purchased	Mcf	27,796	46,465	43,271
Total Cost of Volumes Purchased	\$	\$ 134,147	\$ 245,062	\$ 273,343
(divide by) Total Sales	Mcf	21,796	39,416	39,496
(equals) Unit Cost of Gas	\$/Mcf	\$ 6.1546	\$ 6.2173	\$ 6.9208
(minus) EGC In effect for month	\$/Mcf	\$ 5.5407	\$ 5.5407	\$ 5.5407
(equals) Difference	\$/Mcf	\$ 0.6139	\$ 0.6766	\$ 1.3801
(times) Actual sales during month	Mcf	21,796	39,416	39,496
(equals) Monthly cost difference	\$	\$ 13,381	\$ 26,669.58	\$ 54,507.51

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 94,558.50
(divide by) Sales for 12 Months ended: <u>January 31, 2017</u>	Mcf	243,882
(equals) Actual Adjustment for the Reporting Period	\$	0.3877
(plus) Over-recovery component from collections through expired AAs	\$	-
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)	\$	0.3877

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	\$	\$ 3,154	<b>Aug 15 - Oct 15 with no 5% limiter</b>
<b>Less:</b> Dollar amount resulting from the AA of <span style="border: 1px solid black; padding: 2px;">0.0103</span> \$/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 243,882 Mcf during the 12 month period the AA was in effect	\$	<u>\$2,512</u>	<b>Case No. 2015-00425</b>
<b>Equals:</b> Balance Adjustment of the AA	\$	<u><u>\$642</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	
<b>Less:</b> 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>	
<b>Equals:</b> 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	\$	\$90,014	
<b>Less:</b> Dollar amount resulting from the BA of <span style="border: 1px solid black; padding: 2px;">0.0036</span> \$/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 243,882 Mcf during the 12 month period the BA was in effect	\$	<u>\$878</u>	<b>2015-00425</b>
<b>Equals:</b> Balance Adjustment of the BA	\$	<u><u>\$89,136</u></u>	
Total Balance Adjustment Amount (1) + (2) + (3)	\$	\$89,778	
<b>Divide:</b> Sales for 12 months ended July 31, 2016	Mcf	<u>243,882</u>	
<b>Equals:</b> Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>\$0.3681</u></u>	