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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.
2017-00256

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

July 12, 2017

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 11th day of July, 2017



Dennis Horner

Kentucky Frontier Gas, LLC

DATA REQUEST 1

1. Refer to the cover letter of the Application.
 - a. Provide details supporting the reference to the year-to-date Lost and Unaccounted for gas "(L&U)" as slowly trending down, which is not supported by the monthly January through April 2017 Mcf purchase and sales volume information filed in Frontier's Actual Adjustment schedules.
 - b. Provide a discussion of the relatively low line loss for the current quarter, and why it was similarly low for the first quarters of 2015 and 2016, which were each followed by periods of higher line loss.
 - c. Provide details required by the Commission's final Order in Case No. 2017-00159 concerning an update of Frontier's efforts to decrease the incidence of gas loss on its system, and a discussion of its progress in reducing its L&U to 10 percent or below by the end of this year. Frontier should also provide the required estimate of when its L&U will be reduced to 5 percent or below.

Witness: Horner

RESPONSE:

- (1.a) The statement made of Frontier's "year to date L&U is slowly trending down" was based on 1st quarter 2016 (L&U 4,211 Mcf) compared to 1st quarter 2017 (L&U 2,942 Mcf). Frontier did not clearly define the "trending down" as a year over year comparison.
- (1.b) Some fluctuation in line loss from period to period could be due to timing of meter readings. The increased line loss for the 2nd quarter of 2016 is possibly due to the leak described in a Data Request dated October 20, 2016, Case No. 2016-00348. Frontier's response in that Data Request (see tab 1), it was explained that a 2 inch butt fusion

break had occurred and could be a contributing factor to high L&U in May and June of that year.

(1.c) Year to date PRP includes 2,388 feet of 2 inch, 320 feet of 1¼ inch and 817 feet of 1 inch for a total 3,525 feet of plastic pipe. Frontier's goal for 2017 is to replace a total of 7,000 feet. Additionally, as part of the strategy for lowering L&U, in 2016 Frontier installed odorizers and piping for three of the largest delivery systems at Auxier Honey Branch, ECU Dwale and Belfry FSM. These points serve ~1,400 customers including the Prison & Hospital. In 2017 three more odorizers were installed on the next three largest delivery points, Auxier TD4 at US 23, ECU Wayland and MLG Abner Mountain. These three points feed another ~1,600 customers. Electronics for these three systems should be running by August.

Odorization is part of Frontier's over-all strategy on L&U. Before these odorizers, all of Frontier's deliveries met the DOT/PSC odor requirements in monthly testing, but with vague petroleum-oily-mild sulfur smell. Some of these points were odorized but likely abandoned 20-30 years ago. The odorizers use the commercial mercaptan that all large LDCs use, which is universally recognized as "oh, that's gas!"

There is a reasonable chance of 10 percent L&U on the combined Frontier + Public systems in 2017 or 2018, but 5 percent seems out of reach.

DATA REQUEST 2

2. Refer to Schedule I. Confirm that the previous quarter BA should be \$.0035 per Mcf, as approved by the Commission in Case No. 2017-00159, instead of \$.3681

Witness: Horner

RESPONSE:

See revised BA on following page.

SCHEDULE V

BALANCE ADJUSTMENT

For the 12 month period ended: October 31, 2015

<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	Aug 15 - Oct 15 with no 5% limiter
Less: Dollar amount resulting from the AA of 0.0103 \$/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>	
Equals: 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	
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	\$	\$1,095	
Less: Dollar amount resulting from the BA of 0.0036 \$/Mcf as used to compute the GCR in effect 2015-00425 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>	
Equals: Balance Adjustment of the BA	\$	<u><u>\$217</u></u>	
Total Balance Adjustment Amount (1) + (2) + (3)	\$	\$859	
Divide: Sales for 12 months ended July 31, 2016	Mcf	<u>243,882</u>	
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>\$0.0035</u></u>	

DATA REQUEST 3

3. Refer to Schedule II. Confirm that the Southern Energy rates should be \$5.0214 and \$6.2714 instead of \$5.4282 and \$6.6782, respectively.

Witness: Horner

RESPONSE:

See revised Schedule II on following page.

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

April 30, 2017

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	475	\$ 3.1000	\$1,473
Columbia (Goble Roberts, Peoples)		N/A	10,318	\$ 6.2035	\$64,008
Cumberland Valley (Auxier)		1.2723	80,789	\$ 4.0379	\$326,218
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2723	3,575	\$ 5.2879	\$18,904
EQT (EKU, MLG, Price)		1.2800	4,246	\$ 5.6357	\$23,929
EQT (Sigma) rate includes \$1.25/Mcf DLR trans		1.2800	1,376	\$ 6.8857	\$9,475
* Gray		1.0595	585	\$ 4.7678	\$2,789
** HI-Energy		0.9953	6,717	\$ 3.9812	\$26,742
** HTC (Sigma) includes \$1.25/Mcf DLR trans		1.1079	2,602	\$ 5.6816	\$14,784
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1837	3,015	\$ 6.8912	\$20,777
Magnum Drilling, Inc.		N/A	2,926	\$10.5000	\$30,723
Nytis (Auxier)		1.0000	8,025	\$ 2.7657	\$22,195
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0000	11,102	\$ 3.4626	\$38,442
Quality (Belfry)		1.2003	44,247	\$ 3.4397	\$152,196
* Slone Energy		0.9916	1,858	\$ 4.4622	\$8,291
Southern Energy (EKU, MLG, Price)		1.2727	51,224	\$ 5.0214	\$257,218
Southern Energy (Sigma) includes \$1.25/Mcf DLR trans		1.2727	28,569	\$ 6.2714	\$179,169
** Spirit		1.1166	13,181	\$ 4.4664	\$58,872
Totals			274,830	\$ 4.5708	\$1,256,203

Line loss 12 months ended: Apr-17 based on purchases of 274,830 Mcf
and sales of 231,904 Mcf. 15.6% L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,256,203
/ Mcf Purchases (4)	Mcf	274,830
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.5708
x Allowable Mcf Purchases (10% L&U)	Mcf	257,671
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,177,771

Estimated Avg TCo for Aug, Sep, Oct = \$2.9377/Dth (NYMEX Avg + \$-0.1720/Dth (TCo Appal Basis) = **\$2.7657/Dth**

AEI-KAARS contract = **\$3.1000/Mcf**

EQT = \$2.7657/Dth (TCo) + \$0.3872 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = **\$4.4029/Dth**

Jefferson contract = \$2.7657/Dth (TCo) + \$2.00/Dth cost factor = **\$4.7657/Dth**

CVR = \$2.7657 (TCo) + \$0.0190/Dth Commodity + \$0.2838/Dth TCo Demand + \$0.0552/Dth Fuel + \$0.05/Dth CVR Fee = **\$3.1737/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 (Auxier) = **\$2.7657/Dth (TCo)**

Nytis (Sigma) = \$2.7657/Dth (TCo) x .8 = **\$2.2126/Dth**

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

Southern Energy = \$2.7657/Dth (TCo) + \$1.1798/Dth = **\$3.9455/Dth**

Quality (Belfry) = \$2.7657/Dth (TCo) + \$0.10 = **\$2.8657/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 = \$2.7657/Dth x .8 = \$2.2126/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$/Dth x .8 = \$2.2126/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$2.7657/Dth x .8 = \$2.2126/Dth < \$3.00/Dth; \$3.00/Dth

DATA REQUEST 4

4. Refer to Schedule V.

a. Confirm that (\$8,384.58) was the total cost difference used to calculate the (\$.0308) per Mcf AA effective May 1, 2016, from Case No. 2016-00135, instead of (\$10,395) as shown in the Balance Adjustment ("BA") calculation.

Witness: Horner

RESPONSE:

See revised BA calculation for Case No. 2017-00256 on following page.

SCHEDULE V

BALANCE ADJUSTMENT

For the 12 month period ended: October 31, 2016

<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	\$	\$ (8,385)	Nov 15 - Jan 16 with no 5% limiter
		(\$0)	
Less: Dollar amount resulting from the AA of (0.0308) \$/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 231,904 Mcf during the 12 month period the AA was in effect	\$	(\$7,143)	
		<u>(\$7,143)</u>	
Equals: Balance Adjustment of the AA	\$	<u>(\$1,242)</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	\$	\$0	
		<u>\$0</u>	
Equals: Balance Adjustment of the RA	\$	<u>\$0</u>	
Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0	
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	\$	\$0	
		<u>\$0</u>	
Equals: Balance Adjustment of the BA	\$	<u>\$0</u>	
Total Balance Adjustment Amount (1) + (2) + (3)	\$	(\$1,242)	
Divide: Sales for 12 months ended April, 2017	Mcf	<u>231,904</u>	
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u>(\$0.0054)</u>	

DATA REQUEST 4

4. Refer to Schedule V.

b. Confirm that the BA calculation should also include a reconciliation of the \$.0023 BA from Case No. 2016-00135, which was calculated to collect \$624 from Frontier's customers.

Witness: Horner

RESPONSE:

\$.0023 BA from Case No. 2016-00135 expired on April 30, 2017.

DATA REQUEST 5

5. Provide any necessary corrections to Frontier's Gas Cost Recovery Rate based on the responses provided to items 2 through 4.

Witness: Horner

RESPONSE:

See Frontier's revised Gas Cost Recovery Rate calculation based on the responses provided to Items 2 through 4 on the following pages.

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	\$ 5.0787
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ 0.3368
+ Balance Adjustment (BA)	\$/Mcf	\$ 0.0311
= Gas Cost Recovery Rate (GCR)		\$ 5.4466

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

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 1,177,771
/	Sales for the 12 months ended April 30, 2017	Mcf	231,904
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.0787

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	\$ (0.4299) expires 7/31/2018
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.3877 expires 4/30/2018
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.3207 expires 1/31/2018
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.0583 expires 10/31/17
=	Actual Adjustment (AA)	\$/Mcf	\$ 0.3368

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ (0.0054) expires 7/31/2018
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0035 expires 4/30/2018
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0604 expires 1/31/2018
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ (0.0274) expires 10/31/17
=	Balance Adjustment (BA)	\$/Mcf	\$ 0.0311

Kentucky Frontier Gas, LLC - Unified

SCHEDULE II
EXPECTED GAS COST

APPENDIX B

Page 3

MCF Purchases for 12 months ended:

April 30, 2017

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	475	\$ 3.1000	\$1,473
Columbia (Goble Roberts, Peoples)		N/A	10,318	\$ 6.2035	\$64,008
Cumberland Valley (Auxier)		1.2723	80,789	\$ 4.0379	\$326,218
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2723	3,575	\$ 5.2879	\$18,904
EQT (EKU, MLG, Price)		1.2800	4,246	\$ 5.6357	\$23,929
EQT (Sigma) rate includes \$1.25/Mcf DLR trans		1.2800	1,376	\$ 6.8857	\$9,475
* Gray		1.0595	585	\$ 4.7678	\$2,789
** HI-Energy		0.9953	6,717	\$ 3.9812	\$26,742
** HTC (Sigma) includes \$1.25/Mcf DLR trans		1.1079	2,602	\$ 5.6816	\$14,784
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1837	3,015	\$ 6.8912	\$20,777
Magnum Drilling, Inc.		N/A	2,926	\$10.5000	\$30,723
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** Spirit		1.1166	13,181	\$ 4.4664	\$58,872
Totals			274,830	\$ 4.5708	\$1,256,203

Line loss 12 months ended: Apr-17 based on purchases of 274,830 Mcf
and sales of 231,904 Mcf. 15.6% L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,256,203
/ Mcf Purchases (4)	Mcf	274,830
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.5708
x Allowable Mcf Purchases (10% L&U)	Mcf	257,671
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,177,771

Estimated Avg TCo for Aug, Sep, Oct = \$2.9377/Dth (NYMEX Avg + \$-0.1720/Dth (TCo Appal Basis) = **\$2.7657/Dth**

AEI-KAARS contract = **\$3.1000/Mcf**

EQT = \$2.7657/Dth (TCo) + \$0.3872 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = **\$4.4029/Dth**

Jefferson contract = \$2.7657/Dth (TCo) + \$2.00/Dth cost factor = **\$4.7657/Dth**

CVR = \$2.7657 (TCo) + \$0.0190/Dth Commodity + \$0.2838/Dth TCo Demand + \$0.0552/Dth Fuel + \$0.05/Dth CVR Fee = **\$3.1737/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 (Auxier) = **\$2.7657/Dth** (TCo)

Nytis (Sigma) = \$2.7657/Dth (TCo) x .8 = **\$2.2126/Dth**

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

Southern Energy = \$2.7657/Dth (TCo) + \$1.1798/Dth = **\$3.9455/Dth**

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* Estimated 3 mo. TCo = \$2.7657/Dth x .8 = \$2.2126/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$/Dth x .8 = \$2.2126/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$2.7657/Dth x .8 = \$2.2126/Dth < \$3.00/Dth; \$3.00/Dth

KFG Unified

Schedule IV
Actual AdjustmentFor the 3 month period ending: April 30, 2017

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>
Total Supply Volumes Purchased	Mcf	33,786	33,349	16,244
Total Cost of Volumes Purchased	\$	\$ 179,638	\$ 138,025	\$ 90,028
(divide by) Total Sales	Mcf	35,014	30,909	14,514
(equals) Unit Cost of Gas	\$/Mcf	\$ 5.1305	\$ 4.4655	\$ 6.2028
(minus) EGC in effect for month	\$/Mcf	\$ 6.3079	\$ 6.3079	\$ 6.3079
(equals) Difference	\$/Mcf	\$ (1.1774)	\$ (1.8424)	\$ (0.1051)
(times) Actual sales during month	Mcf	35,014	30,909	14,514
(equals) Monthly cost difference	\$	\$ (41,227)	\$ (56,945.99)	\$ (1,524.86)

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ (99,698.03)
(divide by) Sales for 12 Months ended: <u>April 30, 2017</u>	Mcf	231,904
(equals) Actual Adjustment for the Reporting Period		\$ (0.4299)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ (0.4299)

SCHEDULE V

BALANCE ADJUSTMENT

For the 12 month period ended: October 31, 2016

<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	\$	\$ (8,385)	Nov 15 - Jan 16 with no 5% limiter
		(\$0)	
Less: Dollar amount resulting from the AA of (0.0308) \$/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 231,904 Mcf during the 12 month period the AA was in effect	\$	(\$7,143)	
		<u>(\$7,143)</u>	
Equals: Balance Adjustment of the AA	\$	<u>(\$1,242)</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	\$	\$0	
		<u>\$0</u>	
Equals: Balance Adjustment of the RA	\$	<u>\$0</u>	
Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0	
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	\$	\$0	
		<u>\$0</u>	
Equals: Balance Adjustment of the BA	\$	<u>\$0</u>	
Total Balance Adjustment Amount (1) + (2) + (3)	\$	(\$1,242)	
Divide: Sales for 12 months ended April, 2017	Mcf	<u>231,904</u>	
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u>(\$0.0054)</u>	