

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC)	2023-00113

ORDER

On March 31, 2023, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed its Gas Cost Recovery (GCR) rate report for rates effective May 1, 2023. Kentucky Frontier's previous GCR rate was placed into effect on November 10, 2022, subject to refund, in Case No. 2022-00327, pending the Commission's investigation in that matter.¹

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove that the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.²

¹ Case No. 2022-00327, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (filed Nov. 8, 2022), Notice of Implementation.

² KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

BACKGROUND

On December 30, 2022, Kentucky Frontier filed its GCR rate report for rates effective February 1, 2023, in Case No. 2022-00434.³ The Commission in its January 31, 2023 Order denied Kentucky Frontier's GCR rate report filing and ordered that the GCR rates filed in Case No. 2022-00327 shall remain in effect until Kentucky Frontier files its subsequent quarter's GCR rate report, which was set to be for rates effective May 1, 2023.⁴ On February 9, 2023, Kentucky Frontier filed another GCR rate report in Case No. 2023-00049 for rates to be effective March 1, 2023.⁵ In its February 28, 2023 Order, the Commission denied Kentucky Frontier's February 9, 2023 GCR rate report filing on the grounds that the quarterly GCR rate, if approved, would be effective for a period outside of the established calendar quarters in its Purchased Gas Cost Adjustment tariff.⁶

Due to the rejected filings of the quarterly GCR rate reports in Case Nos. 2022-00434 and 2023-000049, Kentucky Frontier's prior GCR rate from Case No. 2022-00327 have remained in effect since November 10, 2022. The calculation of the quarterly Actual Adjustment (AA) components are based on the estimated and actual gas costs for a prior three-month period. The total AA is comprised of four quarterly AA components, which in total equal 12-months of reconsolidated gas costs. The Commission dictated in its February 28, 2023 Order that Kentucky Frontier shall reconcile the gas costs for the

³ Case No. 2022-00434, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 31, 2023).

⁴ Case No. 2022-00434, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 31, 2023) at 6.

⁵ Case No. 2023-00049, *Electronic Purchased Gas Adjustment Filing Of Kentucky Frontier Gas, LLC* (Ky. PSC Feb 28, 2023).

⁶ Case No. 2023-00049, *Electronic Purchased Gas Adjustment Filing Of Kentucky Frontier Gas, LLC* (Ky. PSC Feb 28, 2023) at 3-4.

months of August 2022 through January 2023 when calculating the current quarter AA when it files its GCR rate report with a proposed effective date of May 1, 2023.⁷ The total Balance Adjustment (BA) is also comprised of four quarterly BA components. Each quarter BA is calculated based on the reconciliation of gas costs that were not fully collected during the period in which an expired quarter AA and expired quarter BA was in effect, based on the estimated sales and the actual sales. The Commission further directed Kentucky Frontier to set its Previous Quarter Reported AA and its Previous Quarter Reported BA at \$0.0000 per Mcf due to the current quarter AA reconciling the last six months of gas costs and the next current quarter BA reconciling the expired components of the prior two quarters.⁸ All unexpired quarter AA and quarter BA rates would remain effective in the calculation of Kentucky Frontier's total AA and total BA calculations.⁹

DISCUSSION

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that Kentucky Frontier's report includes revised rates designed to meet its expected change in wholesale gas costs. Kentucky Frontier's report sets out an Expected Gas Cost (EGC) of \$5.9319 per Mcf, which is a decrease of \$5.5724 per Mcf from its previous EGC of \$11.5043 per Mcf. Kentucky Frontier's report sets out no Refund

⁷ Case No. 2023-00049, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Feb 28, 2023), ordering paragraph 4.

⁸ Case No. 2023-00049, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Feb 28, 2023), ordering paragraph 5.

⁹ The AA quarters of \$0.1578 per Mcf and \$0.5462 per Mcf; and the BA quarters of \$0.0193 per Mcf and \$0.0010 per Mcf will still in effect when Kentucky Frontier files its GCR rate report with rates effective May 1, 2023.

Adjustment. Kentucky Frontier's report sets out a current quarter AA of (\$1.1671) per Mcf. Kentucky Frontier's current quarter AA is calculated based on reconciling the last six months of gas costs for period of August, September, October, November, December 2022, and January 2023. Kentucky Frontier's total AA is (\$0.4631) per Mcf, which is a decrease of \$1.1274 per Mcf from the previous total AA of \$0.6643 per Mcf. Kentucky Frontier's report sets out a current quarter BA of \$0.0016 per Mcf. The current quarter BA is calculated based on reconciling the expired components of the prior two quarters. Kentucky Frontier's total BA is \$0.0219 per Mcf, which is an increase of \$0.0227 per Mcf from the previous total BA of (\$0.0008) per Mcf.

Based upon the calculations of the GCR rate discussed above, the Commission finds that Kentucky Frontier's GCR rate is \$0.54907 per 100 cubic feet, or \$5.4907 per Mcf, which is a decrease of \$6.6771 per Mcf from the previous GCR of \$12.1678 per Mcf. The Commission further finds that the rate set forth in the Appendix to this Order is fair, just and reasonable, and should be approved for service rendered by Kentucky Frontier on and after May 1, 2023.

The Commission finds that for the purpose of transparency and to maintain a record of information for future use, Kentucky Frontier shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Kentucky Frontier purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Kentucky Frontier and set forth in the Appendix to this Order are approved for service rendered on and after May 1, 2023.
2. Kentucky Frontier shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.
3. Within 20 days of the date of service of this Order, Kentucky Frontier shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.
4. This case is closed and removed from the Commission's docket.


PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00113 DATED APR 28 2023

The following rates and charges are prescribed for the customers in the area served by Kentucky Frontier Gas, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Gas Cost Recovery rate

The Gas Cost Recovery rate shall be \$.54907 per Ccf for service rendered on and after May 1, 2023.

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