

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT) CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC) 2023-00222

ORDER

On June 30, 2023, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed its Gas Cost Recovery (GCR) rate report for rates effective August 1, 2023. Kentucky Frontier's previous GCR rate was approved in Case No. 2023-00113.¹

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 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. 2023-00113, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Apr. 28, 2023).

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

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 pass on to its customers its expected change in wholesale gas costs. Kentucky Frontier's report sets out an Expected Gas Cost (EGC) of \$6.5309 per Mcf. In calculating its EGC, Kentucky Frontier did not apply the 5 percent line loss limiter to the amount of allowable Mcf purchases when multiplying the average expected cost per Mcf purchased. Kentucky Frontier reports a line loss for the 12 months ended April 30, 2023, to be 7.8 percent based on purchases of 377,472 Mcf and sales of 348,061 Mcf. Correcting this produces a Total Expected Gas Cost amount of \$2,206,351 for the 12-month reporting period of April 30, 2023.

Kentucky Frontier's corrected EGC is \$6.3390 per Mcf, which is an increase of \$0.4071 per Mcf from its previous EGC of \$5.9319 per Mcf. Kentucky Frontier's report sets out no Refund Adjustment. Kentucky Frontier's report sets out a current quarter Actual Adjustment (AA) of (\$1.9183) per Mcf. In calculating its current quarter AA, Kentucky Frontier incorrectly applied the 5 percent line loss limiter to the months of February, March, and April 2023. The line loss limiter is applied to the amount of allowable sales for each month in circumstances when the actual sales volume during a month is less than 95 percent of the Total Supply Volumes Purchased. Kentucky Frontier in its current quarter AA calculation incorrectly calculated the line loss limiter then applied that calculation to the actual sales during the month rather than the Total Supply Volumes Purchased.³ When the 5 percent line loss limiter is applied correctly, the allowable sales

³ Kentucky Frontier in its current quarter AA calculation based its allowable sales for each month on the calculation of (actual sales / 0.95). The correct application of the line loss limiter is the (Total Supply

volume for a given month would not be higher than the Total Supply Volumes Purchased. Kentucky Frontier's corrected current quarter AA is (\$1.9488) per Mcf. Kentucky Frontier's corrected total AA is (\$2.9581) per Mcf, which is a decrease of \$2.4950 per Mcf from its previous total AA of (\$0.4631) per Mcf. Kentucky Frontier's report sets out a current quarter Balance Adjustment (BA) of (\$0.0090) per Mcf. Kentucky Frontier's total BA is \$0.0119 per Mcf, which is a decrease of \$0.0100 per Mcf from the previous total BA of \$0.0219 per Mcf.

Based upon the calculations of the GCR rate discussed above, the Commission finds that Kentucky Frontier's corrected GCR rate is \$0.33928 per 100 cubic feet, or \$3.3928 per Mcf, which is a decrease of \$2.0979 per Mcf from the previous GCR of \$5.4907 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 August 1, 2023. The Commission further finds that Kentucky Frontier should conduct a careful and thorough review to minimize any potential errors or omissions in its future GCR rate reports. Failure to minimize errors in future filings may adversely affect the timely processing of Kentucky Frontier's GCR rate reports.

The Commission finds that for the purpose of transparency and to maintain a record of information for future use, Kentucky Frontier should 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

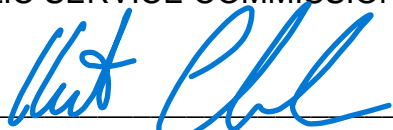
Volumes Purchased x 0.95). Kentucky Frontier's allowable sales should have been calculated as 52,900 Mcf for February 2023; 45,616 Mcf for March 2023; and 24,533 Mcf for April 2023. For February 2023 the Total Supply Volumes Purchased times 0.95 is equal to 51,295 Mcf, which is lower than the actual sales volume of 52,900 Mcf. Thus, the line loss limiter would not need to be applied to the allowable sales for February 2023.

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 rate proposed by Kentucky Frontier is denied.
2. The rate set forth in the Appendix to this Order is approved for service rendered on and after August 1, 2023.
3. 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.
4. 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.
5. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
JUL 31 2023
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00222 DATED JUL 31 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 \$.33928 per Ccf for service rendered on and after August 1, 2023.

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