

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT) CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC) 2023-00329

ORDER

On September 29, 2023, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed its Gas Cost Recovery (GCR) rate report for rates effective November 1, 2023. Kentucky Frontier's previous GCR rate was approved in Case No. 2023-00222.¹

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. 2023-00222, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC July 31, 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 reports its sales for the 12-month period ended July 31, 2023, to be 348,061 Mcf, which happens to be the same sales for the 12-month period ended April 30, 2023, as reported in Kentucky Frontier's previous GCR rate report in Case No. 2023-00222.³ Kentucky Frontier reports a line loss for the 12 months ended July 31, 2023, to be 8.3 percent based on purchases of 379,668 Mcf and sales of 348,061 Mcf. Upon review of the monthly sales data provided as supplemental documentation by Kentucky Frontier in Case Nos. 2023-00329,⁴ 2023-00222,⁵ and 2023-00113,⁶ the Commission has determined that the actual sales for the 12-month period ended July 31, 2023, should be 354,444 Mcf. Based on the actual sales for the 12-month period ended July 31, 2023, Kentucky Frontier's line loss should be approximately 6.6 percent. Using the information provided in the Expected Gas Cost (EGC) calculation sheet, the Commission determined that Kentucky Frontier's

³ Case No. 2023-00222, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (filed June 30, 2023), GCR rate report, Schedule I, Sales for the 12-months ended April 30, 2023.

⁴ Case No. 2023-00329, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (filed Sept. 29, 2023), *KFG_Sales_May_to_July_2023.pdf*. May 2023 is 152,219.11 Ccf or 15,221.91 Mcf; June 2023 is 99,039.33 Ccf or 9,903.93 Mcf; and July 2023 is 74,165.65 Ccf or 7,416.57 Mcf.

⁵ Case No. 2023-00222, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (filed June 30, 2023), *KFGSalesFEBtoAPR2023.pdf*. February 2023 is 525,381.00 Ccf or 52,538.10 Mcf; March 2023 is 444,867.58 Ccf or 44,486.76 Mcf; and April 2023 is 236,185.59 Ccf or 23,618.56 Mcf.

⁶ Case No. 2023-00113, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (filed May 31, 2023), *KFG_GCA_MAY-2023_SS_Final.pdf*, unnumbered pages 7–12. August 2022 is 68,726.27 Ccf or 6,872.63 Mcf; September 2022 is 76,542.12 Ccf or 7,654.21 Mcf; October 2022 is 225,226.33 Ccf or 22,522.63 Mcf; November 2022 is 434,861.24 Ccf or 43,486.12 Mcf; December 2022 is 654,903.45 Ccf or 65,490.35 Mcf; and January 2023 is 552,314.78 Ccf or 55,231.48 Mcf.

total expected gas cost should be \$2,218,603.⁷ Due to the reported line loss being above 5 percent, the \$2,257,665 total expected cost of gas purchases was reduced. Dividing the total expected gas cost of \$2,218,603 by the corrected 12-month sales of 354,444 Mcf results in an EGC of \$6.2594 per Mcf, which is a decrease of \$0.0796 per Mcf from the previous EGC of \$6.3390 per Mcf. Kentucky Frontier’s report sets out no Refund Adjustment (RA). Kentucky Frontier’s report sets out a current quarter Actual Adjustment (AA) of (\$0.1483) per Mcf. Kentucky Frontier’s Total Cost Difference for the May, June, and July 2023 reporting period is (\$51,603). Dividing the total cost difference by the 12-month period ended July 31, 2023, actual sales of 354,444 Mcf produces a corrected current quarter AA of (\$0.1456) per Mcf. Kentucky Frontier’s total AA is (\$3.2615) per Mcf, which is a decrease of 0.3034 per Mcf from the previous total AA of (\$2.9581) per Mcf. Kentucky Frontier’s report sets out a current quarter Balance Adjustment (BA) of \$0.0279 per Mcf. In calculating the current quarter BA, Kentucky Frontier failed to use the correct amount for the “Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR” from Case No. 2022-00196 used to calculate the quarter BA of \$0.0010 per Mcf.⁸ Kentucky Frontier

⁷ The correct calculation should be as follows:

Line loss 12 months ended: 7/31/23 based on purchases of 379,668 Mcf
and sales of 354,444 Mcf. 6.6% L&U

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)	\$	2,257,665
/ Mcf Purchases (4)	Mcf	379,668
= Average Expected Cost Per Mcf Purchased	\$/Mcf	5.9464
x Allowable Mcf Purchases (w/ 5% Limiter)	Mcf	373,099
= Total Expected Gas Cost (to Schedule 1A)	\$	2,218,603

⁸ Case No. 2022-00196, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (filed July 1, 2022), Motn_to_Amend_GCA_filing_220701.pdf, Exhibit A, GCR rate report, Schedule V, “Total Balance Adjustment Amount (1) + (2) + (3).”

erroneously used \$33 in its current quarter BA calculation instead of the actual amount of \$354. Correcting this produces a Total Balance Adjustment Amount of \$6,529,⁹ which when divided by the 12-month period ended July 31, 2023, actual sales of 354,444 Mcf produces a corrected current quarter BA of \$0.0184 per Mcf. Kentucky Frontier's total BA is \$0.0110 per Mcf, which is a decrease of \$0.0009 per Mcf from the previous total BA of \$0.0119 per Mcf.

Based upon the calculations of the GCR rate discussed above, the Commission finds that Kentucky Frontier's corrected GCR rate is \$0.30089 per 100 cubic feet, or \$3.0089 per Mcf, which is a decrease of \$0.3839 per Mcf from the previous GCR of \$3.3928 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 November 1, 2023. The Commission further finds that Kentucky Frontier should conduct a careful and thorough review of its GCR rate report before filing with the Commission 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 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

⁹ The correct calculation should be as follows:

$$\text{Balance Adjustment of the AA: } \$200,126 - (\$0.5462 \text{ per Mcf} \times 354,444 \text{ Mcf}) = \$6,529 \quad (1)$$

$$\text{Balance Adjustment of the RA: } \$0 - (\$0.0000 \text{ per Mcf} \times 354,444 \text{ Mcf}) = \$0 \quad (2)$$

$$\text{Balance Adjustment of the BA: } \$354 - (\$0.0010 \text{ per Mcf} \times 354,444 \text{ Mcf}) = \$0 \quad (3)$$

$$\text{Total Balance Adjustment Amount } (1) + (2) + (3) = \$6,529$$

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:

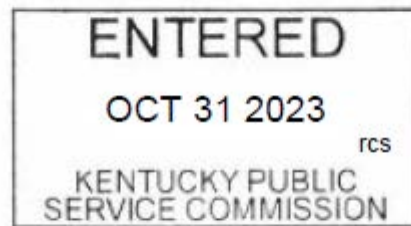
1. The rate proposed by Kentucky Frontier is denied.
2. The rate set forth in the Appendix to this Order is approved for service rendered on and after November 1, 2023.
3. Kentucky Frontier shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period 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



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00329 DATED OCT 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 \$0.30089 per Ccf for service rendered on and after November 1, 2023.

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