

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC)	2024-00081

ORDER

On April 1, 2024, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed its quarterly Gas Cost Recovery (GCR) rate report with a proposed effective date of May 1, 2024. Kentucky Frontier's previous GCR rate was placed into effect in Case No. 2023-00427, subject to refund, pending the Commission's final decision in that matter.¹

BACKGROUND

Kentucky Frontier's previous GCR rate report filing in Case No. 2023-00427 remains an ongoing proceeding. The Commission's January 30, 2024 Order in that case suspended the proposed GCR rate, finding that GCR rate report provided by Kentucky Frontier followed the GCR calculation methodology proposed by Kentucky Frontier in Case No. 2023-00067.² In Case No. 2023-00067, Kentucky Frontier filed revised proposed GCR tariff sheets changing the formulaic methodology of its GCR rate. The Commission's July 3, 2023 Order suspended the proposed tariff sheets up to and including, December 5, 2023. On December 28, 2023, Kentucky Frontier filed its notice of intent to place its proposed tariff into effect. Pursuant to KRS 278.190(2), a utility is

¹ Case No. 2023-00427, *Electronic Purchased Gas Adjustment Filing Of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 30, 2024).

² Case No. 2023-00067, *Electronic Application for Revised Quarterly Gas Cost Recovery Schedules for Kentucky Frontier Gas, LLC*. (filed June 5, 2023).

permitted to place proposed rates into effect at the end of the suspension period, upon written notice to the Commission and subject to refund, pending a final Order. Due to Case No. 2023-00067 being an ongoing proceeding at the time, it was determined that the Commission's final Order in that case would dictate the formulaic calculation for Kentucky Frontier GCR mechanism and, if a refund is ordered in Case No. 2023-00067, a refund would need to be provided in in Case No. 2023-00427 as well. On March 28, 2024, the Commission issued its final Order in Case No. 2023-00067 and pursuant to the findings made in that Order, instructed Kentucky Frontier to: (1) refile the quarterly GCR rate report in Case No. 2023-00427 using the Commission approved GCR rate report mechanism; and (2) file a statement describing how Kentucky Frontier intends to refund or collect any over/under-collection resulting from placing into effect, subject to refund, the suspended GCR rates of Case No. 2023-00427 on and after February 2, 2024.³ Case No. 2023-00427 remains an ongoing proceeding and the Commission's determination of any under- or over-collection that may have occurred require Kentucky Frontier's compliance to the Commission's March 28, 2024 Order.

LEGAL STANDARD

The Commission's standard of review for GCA 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.

³ Case No. 2023-0067, *Electronic Application for Revised Quarterly Gas Cost Recovery Schedules For Kentucky Frontier Gas, LLC* (Ky. PSC Mar.28, 2024), ordering paragraphs 4 and 5.

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.⁴

DISCUSSION

Kentucky Frontier's proposed GCR rate report included a proposed Expected Gas Cost (EGC) component of \$6.0698 per Mcf based on a reported Total Expected Gas cost of \$2,250,404 and 370,756 Mcf of sales for the 12-month ended January 31, 2024.⁵ Review of Kentucky Frontier's EGC calculation sheet shows what appears to be an incorrect application of the market based rates used to determine the total expected cost of purchases for the upcoming quarter.⁶ The Commission in its review of Kentucky Frontier's GCR rate report finds that further investigation is needed. Additionally, due to Case No. 2023-00427 being an ongoing proceeding the Commission further finds that the Commission's final Order and the determination of any under- or over-collection that may have occurred in that case may need to be accounted for in this proceeding and any subsequent GCR rate reports filed by Kentucky Frontier. Thus, the Commission finds that the proposed GCR rate report as filed by Kentucky Frontier requires further

⁴ KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

⁵ Kentucky Frontier's GCR rate report (filed. Apr. 1, 2024), Appendix B, Page 2, Schedule I, Gas Cost Recovery Rate Summary, Section A: Expected Gas Cost Calculation.

⁶ Kentucky Frontier's GCR rate report (filed. Apr. 1, 2024), Appendix B, Page 3, Schedule Ii, Expected Gas Cost, Bottom of page. Notably, the use of a no longer effective Columbia Gas of Kentucky, Inc. IUS Rate and the application of the rates labeled, "Est. Avg NYMEX May, June, Jul"; "Est TCo"; and "(TCO Appal Basis)".

clarification and that an investigation is necessary to determine the reasonableness of the proposed GCR rate.

KRS 278.030 provides that a utility may collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. Having reviewed the proposed GCR rate report and being otherwise sufficiently advised, the Commission finds that an investigation is necessary and cannot be completed before May 1, 2024. Therefore, pursuant to KRS 278.190(2), the Commission will suspend the effective date of the proposed GCR rates for one day until May 2, 2024, to give the Commission time to investigate the proposed GCR rates, and to allow Kentucky Frontier to begin charging the GCR rates, pending a final Order and subject to refund, provided it files written notice with the Commission of its intention to do so as required by KRS 278.190(2).

Kentucky Frontier shall file on or before May 15, 2024, its responses to the Commission Staff's request for information, attached as an Appendix to this Order, and shall respond to any future requests for information propounded by Commission Staff by the date or dates set forth on any such requests.

The Commission directs Kentucky Frontier to the Commission's July 22, 2021 Order in Case No. 2020-00085⁷ in which the Commission mandated the use of electronic filing procedures listed in 807 KAR 5:001, Section 8. The Commission finds that electronic filing procedures should be used, consistent with the filing procedures set forth in Case No. 2020-00085.

⁷ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier's proposed GCR rates are suspended for one day, to May 2, 2024.
2. Kentucky Frontier's proposed GCR rates may be placed in effect by Kentucky Frontier on or after May 2, 2024, pending the final Order in this matter and subject to refund, provided Kentucky Frontier files written notice to the Commission of its intention to do so as required by KRS 278.190(2).
3. If Kentucky Frontier files notice of its intention to place the proposed GCR rates into effect after the end of the suspension period, Kentucky Frontier shall maintain its records in such manner as will allow it, the Commission, or any customer to determine the amounts to be refunded and to whom in the event a refund is ordered upon final resolution of this matter.
4. On or before May 15, 2024, Kentucky Frontier shall file its responses to the Commission Staff's request for information, attached as an Appendix to this Order.
5. Kentucky Frontier shall respond to all requests for information propounded by Commission Staff as provided in those requests.
6. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding, which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special

interest that is not otherwise adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

7. Kentucky Frontier shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statements: “This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov” and “Public comments may be made at the beginning of the hearing. Those wishing to make oral public comments may do so by following the instructions listed on the PSC website, psc.ky.gov.” At the time publication is requested, Kentucky Frontier shall forward a duplicate of the notice and request to the Commission.

8. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

9. Any hearing scheduled in this matter shall be held on the designated day or days and continued until called from the bench by the presiding officer. Pursuant to 807 KAR 5:001, Section 2, if the hearing is not concluded on the designated day, the hearing shall be continued upon verbal announcement by the presiding officer. A verbal announcement made by the presiding officer shall be proper notice of the continued hearing.

10. Witnesses who sponsor schedules, testimony, or responses to requests for information shall participate in person at any hearing scheduled in this matter.

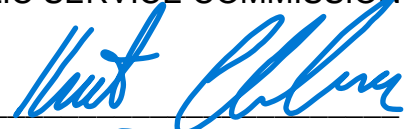
11. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

12. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of times with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

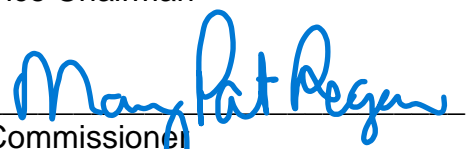
13. The Commission does not look favorably upon motions to excuse witnesses from testifying at Commission hearings. Accordingly, motions to excuse a witness from testifying at a Commission hearing or from testifying in person at a Commission hearing shall be made in writing and will be granted only upon a showing of good cause.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

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APR 30 2024
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director *Fre*

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00081 DATED APR 30 2024

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

Kentucky Frontier Gas, LLC (Kentucky Frontier), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due no later than May 15, 2024. The Commission directs Kentucky Frontier to the Commission's July 22, 2021 Order in Case No. 2020-00085⁸ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Frontier shall make timely amendment to any prior response if Kentucky Frontier obtains information that indicates the response was incorrect or incomplete when

⁸ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Kentucky Frontier fails or refuses to furnish all or part of the requested information, Kentucky Frontier shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Kentucky Frontier shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Gas Cost Recovery (GCR) rate report filing. Provide an electronic version of the filed GCR rate report in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

2. Refer to the GCR rate report filing, Appendix B, Page 3, Schedule II, Expected Gas Cost (EGC) calculation sheet, bottom of page, in regards to the line, "Est Avg NYMEX May, Jun, Jul = \$2.1647/Dth; Est TCo = \$2.1647-\$0.0.686/Dth (TCo Appal Basis) \$2.3067 Dth".

- a. Explain how the "Est Avg NYMEX" rate was determined.
- b. Explain how the "Est TCo" rate was determined.
- c. Explain how the \$2.3067 per Dth rate was calculated.

d. If any part of this information is not correct, provide the correct information and a corrected calculation and an updated EGC calculation.

3. Refer to the GCR rate report filing, Appendix B, Page 3, Schedule II, EGC calculation sheet, bottom of page, in regards to the line, "Columbia of KY (Case No. 2023-00350) \$6.2856 Mcf". Provide a corrected EGC calculation using the most current Intrastate Utility Service rate as approved in Case No. 2024-000011.⁹

4. Refer to the GCR rate report filing, Appendix B, Page 3, Schedule II, EGC calculation sheet, bottom of page. For each line denoting a supplier name and a usage based rate, separately provide a detailed calculation for each individual usage based rate listed in bold.

5. Refer to the GCR rate report filing, Appendix B, Page 3, Schedule II, EGC calculation sheet, bottom of page. For each line denoting a supplier name along with the word "contract", provide the referenced contract.

⁹ Case No. 2024-00011, *Electronic Purchased Gas Adjustment Filing Of Columbia Gas of Kentucky, Inc.* (Ky. PSC Feb. 26, 2024).

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