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PUBLIC SERVICE  
COMMISSION

March 29, 2018

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

Re: Purchased Gas Adjustment  
Effective Date of May 1, 2018  
Kentucky Frontier Gas, LLC

Dear Mr. Derouen:

On behalf of Kentucky Frontier Gas, LLC, we are filing a unified GCA application pursuant to the Commission's order of December 22, 2017 in Case No. 2017-00263. Please see attached Expected Gas Cost for the combined Frontier and Public Gas systems.

In Case 2018-00013, the PSC has agreed to an extension of waiver of the 5 percent limit on gas cost recovery and is allowing Frontier to pass through line loss up to 10 percent until November 1, 2018. Frontier appreciates the Commission's recognition of the safety and financial burden of updating and rebuilding systems with high L&U. Most areas with existing high L&U were not discovered until after they were purchased by Frontier.

To update the Commission on actions taken to reduce L&U, Frontier has replaced 2,000 feet of pipe in the Belfry system since March 10<sup>th</sup> of this year. Other actions taken include securing a staging area for pipe and equipment storage in Belfry, repositioning our HDD machine to Belfry and delivery of 10,000 feet of pipe to our staging area. Pipe replacement for 2018 will primarily occur in the Belfry system. Other systems will be addressed on an as needed basis, i.e., emergencies from dig-ins, etc. Frontier is also increasing company manpower and negotiating with local contractors to assist with the PRP.

The attached PGA was calculated using a 10 percent allowable L&U. Separate AA and BA calculations are included for Frontier and Public Gas to account for the months preceding the merging of Frontier and Public into one tariff.

Sincerely,  
KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner  
Enclosures



**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	\$	5.3831
+ Refund Adjustment (RA)	\$/Mcf	\$	-
+ Actual Adjustment (AA)	\$/Mcf	\$	- N/A unitl 8/1/18
+ Balance Adjustment (BA)	\$/Mcf	\$	- N/A unitl 11/1/19
= Gas Cost Recovery Rate (GCR)		\$	5.3831

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

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 1,953,883
/	Sales for the 12 months ended January 31, 2018	Mcf	362,964
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.3831

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 <b>Current</b> Reporting Period (Sch. IV)	\$/Mcf	\$ -
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
=	Actual Adjustment (AA)	\$/Mcf	\$ -

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ -
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ -
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ -
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ -
=	Balance Adjustment (BA)	\$/Mcf	\$ -

**Kentucky Frontier Gas, LLC - Unified**

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

January 31, 2018

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
Columbia (Goble Roberts, Peoples)		N/A	10,021	\$ 6.5564	\$65,702
Cumberland Valley (Auxier)		1.2330	78,481	\$ 3.6752	\$288,434
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.2270	2,785	\$ 4.9073	\$13,667
EQT (EKU, MLG, Price)		1.2480	92	\$ 5.1449	\$473
* Gray		1.0595	0	\$ 4.7678	\$0
** HI-Energy		1.0031	9,364	\$ 4.0124	\$37,572
** HTC (Sigma) includes \$1.25/Mcf DLR trans		1.0758	4,219	\$ 5.5532	\$23,429
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1184	11	\$ 7.7027	\$85
Jefferson (Public)		1.1184	115,035	\$ 6.4527	\$742,282
Magnum Drilling, Inc.		N/A	3,448	\$10.5000	\$36,204
Nytis (Auxier)		1.0962	7,256	\$ 2.7621	\$20,042
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	10,500	\$ 3.4597	\$36,327
Quality (Belfry)		1.1999	46,938	\$ 3.1434	\$147,544
* Slone Energy		0.9916	6,161	\$ 4.4622	\$27,492
Southern Energy (EKU, MLG, Price)		1.2551	58,798	\$ 4.6058	\$270,814
Southern Energy (Sigma) includes \$1.25/Mcf DLR trans		1.2551	27,550	\$ 5.8558	\$161,328
** Spirit		1.1178	18,449	\$ 4.4712	\$82,489
<b>Totals</b>			<b>399,108</b>	<b>\$ 4.8956</b>	<b>\$1,953,883</b>

Line loss 12 months ended:	<u>Jan-18</u>	based on purchases of	<u>399,108</u>	Mcf
and sales of	<u>362,964</u>	Mcf.	<u>9.1%</u>	L&U

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 1,953,883
/ Mcf Purchases (4)	Mcf	399,108
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.8956
x Allowable Mcf Purchases (10% Limiter)	Mcf	399,108
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,953,883

Estimated Avg TCo for May, Jun, Jul = \$2.7887/Dth (NYMEX Avg + \$-0.2690/Dth (TCo Appal Basis) = **\$2.5197/Dth**

EQT = \$2.5197/Dth (TCo) + \$0.3528 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = **\$4.1225/Dth**

Jefferson contract = \$2.5197/Dth (TCo) + \$3.25/Dth cost factor = **\$5.7697/Dth**

CVR = \$2.5197 (TCo) + \$0.0503/Dth (1.996% Fuel), \$0.0190/Dth Commodity + \$0.3417/Dth (TCo Demand) + \$0.05/Dth CVR Fee = **\$2.9807/Dth**

HI-Energy, HTC, Spirit 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) = **\$2.5197/Dth (TCo)**

Nytis (Sigma) = \$2.5197/Dth (TCo) x .8 = **\$2.0158/Dth**

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

Southern Energy = \$2.5197/Dth (TCo) + \$1.1500/Dth = **\$3.6697/Dth**

Quality (Belfry) = \$2.5197/Dth (TCo) + \$0.10 = **\$2.8197/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 = \$2.5197/Dth x .8 = \$2.0158/Dth < \$4.50/Dth; **\$4.50/Dth**

\*\* Estimated 3 mo. TCo = \$2.5197/Dth x .8 = \$2.0158/Dth < \$4.00/Dth; **\$4.00/Dth**

\*\*\* Estimated 3 mo. TCo = \$2.5197/Dth x .8 = \$2.0158/Dth < \$3.00/Dth; **\$3.00/Dth**

**KFG Unified**Schedule IV  
Actual AdjustmentFor the 3 month period ending: January 31, 2018

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>Nov-17</u>	<u>Dec-17</u>	<u>Jan-18</u>
Total Supply Volumes Purchased	Mcf	43,373	71,272	92,685
Total Cost of Volumes Purchased	\$	\$ 209,629	\$ 363,925	\$ 478,711
(divide by) Total Sales (10% Limiter)	Mcf	40,234	64,977	90,533
(equals) Unit Cost of Gas	\$/Mcf	\$ 4.8332	\$ 5.1061	\$ 5.1649
(minus) EGC in effect for month	\$/Mcf	\$ 4.7512	\$ 4.7512	\$ 4.7512
(equals) Difference	\$/Mcf	\$ 0.0820	\$ 0.3549	\$ 0.4137
(times) Actual sales during month	Mcf	40,234	64,977	90,533
(equals) Monthly cost difference	\$	\$ 3,298	23,063	\$ 37,456

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 63,816.71
(divide by) Sales for 12 Months ended: <u>January 31, 2018</u>	Mcf	362,964
(equals) Actual Adjustment for the Reporting Period		\$ 0.1758
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.1758

**Trackers to complete AA and BA reconciliation for former Frontier and Public systems**

**KY Frontier**

**Frontier System 2017 Sales w/o Public**

Feb.	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
35,014	30,909	14,514	9,244	6,348	5,071	6,521	7,756	13,218	26,376	41,796

Last GCA effective date

11/1/2017 Case No. 2017-00401

AAs in effect 12/31/2017	effective	to collect/return	Mos. Charged	Frontier sales only for mos. Collected	Reconciled through Frontier AA	Remaining for tracker
	11/1/2017	\$ (1,007.62)	1 Dec. 2017	41,796	\$ (188.08)	\$ (819.54)
	8/1/2017	\$ (99,697.55)	5 Aug - Dec	95,667	\$ (41,127.24)	\$ (58,570.31)
	5/1/2017	\$ 94,559.18	8 May - Dec	116,330	\$ 45,101.14	\$ 49,458.04
	2/1/2017	\$ 80,038.57	11 Feb - Dec	196,767	\$ 63,103.18	\$ 16,935.39
Total to reconcile through AA		<b>\$ 73,892.58</b>				<b>\$ 7,003.59</b>

BAs in effect 12/31/2017	effective	to collect/return	Mos. collected	Frontier sales only for mos. Collected	Reconciled through Frontier BA	Remaining for tracker
	11/1/2017	\$ (4,149.00)	1 Dec. 2017	41,796	\$ (773.23)	\$ (3,375.77)
	8/1/2017	\$ (1,151.00)	5 Aug - Dec	95,667	\$ (478.34)	\$ (672.67)
	5/1/2017	\$ 859.00	8 May - Dec	116,330	\$ 407.16	\$ 451.85
	2/1/2017	\$ 15,063.00	11 Feb - Dec	196,767	\$ 11,884.73	\$ 3,178.27
		\$ 10,622.00				<b>\$ (418.32)</b>

**Total Frontier system tracker, return over 12 months \$ 6,585.27**

Divided by Frontier system 12 mos. Sales, TME 12/31/2017 230659

**\$0.0285** Tracker rate for Frontier system to be charged May 1 2018 - April 30 2019

**Public**

**Public System 2017 Sales w/o Frontier**

Feb.	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
13,608	13,004	4,458	2,381	1,621	1,159	1,852	1,841	4,651	13,858	23,181

Last GCA effective date

11/1/2017 Case No. 2017-00400

AAs in effect 12/31/2017	effective	to collect/return	Mos. Charged	Public sales only for mos. Collected	Reconciled through Public AA	Remaining for tracker
	11/1/2017	\$ 6,486.06	1 Dec. 2017	23,181	\$ 1,622.67	\$ 4,863.39
	8/1/2017	\$ (28,843.86)	5 Aug - Dec	45,383	\$ (13,987.04)	\$ (14,856.82)
	5/1/2017	\$ (24,531.00)	8 May - Dec	50,544	\$ (11,847.51)	\$ (12,683.49)
	2/1/2017	\$ (3,350.69)	11 Feb - Dec	81,614	\$ (2,823.84)	\$ (526.85)
		<b>\$ (50,239.49)</b>				<b>\$ (23,203.76)</b>

**Total Public system tracker, return over 12 months**

Divided by Public system 12 mos. Sales, TME 12/31/2017 99411

**(\$0.2334)** Tracker rate for Public system to be charged May 1 2018 - April 30 2019