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February 7, 2024

PARTIES OF RECORD

Re: Case No. 2023-00067

Notice is given to all parties that the attached is the Informal Conference memorandum and attendance sheet that has been filed into the record of this proceeding.

If you have any comments you would like to make regarding the contents of the document, please do so within five days of receipt of this letter. If you have any questions, please contact Jason Colyer, at Jason. Colyer@ky.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Linda C. Bridwell".

Linda C. Bridwell, PE
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2023-00067

FROM: Jason Colyer, Staff Attorney III
Sarah Jankowski, Financial Analyst IV

DATE: February 7, 2024

RE: Case No. 2023-00067, Kentucky Frontier Gas, LLC Informal Conference of December 14, 2023

An informal conference (IC) was conducted on December 14, 2023 at 3:00 p.m. An Order officially scheduling the IC was issued January 5, 2024. Attached is a copy of the attendance roster.

The purpose of the IC was for Kentucky Frontier Gas, LLC (Kentucky Frontier) to provide clarification on the proposed method of gas cost recovery (GCR) in this matter and on Commission Staff's Second Request for Information.

Kentucky Frontier attorney Brittany Koenig identified the two primary issues sought to be changed in GCR calculations: 1) redefining the Balancing Adjustment (BA) input in the tariffed GCR equation to reflect the "actual balance of the gas balancing account" (GBA), and 2) increasing the gas cost line loss limiter from five percent to 7.5 percent and changing limiter application.

Frontier Gas's General Manager and Member Steve Shute summarized the history of the formation of the company, its consolidation of small local distribution companies (LDCs), its work to improve the business practices and line losses of these former LDCs' distribution systems, and Kentucky Frontier's GCR recovery history. Mr. Shute explained that due in part to increased natural gas fluctuation in recent years, the lag in recovery has resulted in shortfalls that he believes the company cannot endure while maintaining sufficient cash flow to cover its expenses, including employee payroll.

Mr. Shute stated that Kentucky's GCR calculation is more complex than other states' GCR calculations and provided an alternative method that he believed would minimize the range over- and under-recovery per month. Attorney Koenig provided Commission Staff with two spreadsheets (attached) prior to the IC.¹ GBA Oct23 showed Kentucky Frontier's recommended GCR calculation versus the current method as well as its GCR over- and under-recovery dating back to January 2018. GBA Dec23 updated this information through January 2024.

¹ Kentucky Frontier's Supplemental Filing (filed Feb. 1, 2023), Attachments "PSC 23-0329 GBA compare Oct23.xlsx" (GBA Oct23) and "Frontier GBA Dec23.xlsx" (GBA Dec23).

Commission Staff asked Mr. Shute how Kentucky Frontier calculated the “GAS SALES VOLUMES, last 12 months” figure in GBA Oct23 (Sheet “Sched I Rate Dtm”) and Mr. Shute noted that this figure was not actually based on historical sales but was an estimate of forecasted sales for the next 12 months based in part on sales over a five-year period then rounded to a more uniform total. The main change Kentucky Frontier seeks is to adjust the amortization surcharge in the GBA to use the current GBA balance instead of an amortization of a rolling 12-month average. The resulting difference in expected gas cost (EGC) is that Kentucky Frontier’s preferred method would result in an EGC of \$6.649 per Mcf versus \$3.61 per Mcf under the existing method for the period ending October 31, 2023.

Regarding the line loss limiter, Mr. Shute recommended two changes. First, he asked the Commission to increase the line loss limiter to 7.5 percent. He stated that Kentucky Frontier should not be limited to the same five percent line loss limiter as LDCs with more urban customers because Kentucky Frontier would necessarily have more gas leaks because the relative remoteness of its customers means it has significantly more pipeline per customer and therefore more gas loss. Kentucky Frontier presented a document highlighting this comparison.² Commission Staff requested, and Mr. Shute agreed he would provide the Commission with line loss data from more comparable LDCs. Kentucky Frontier subsequently provided this information that showed a comparison of the data from Delta Natural Gas Company, Burkesville Gas Company, and Atmos Energy Corporation.³ Mr. Shute also noted that since Kentucky Frontier acquired its most recent gas system, it had significantly curtailed leakage, resulting in improvement from 24 percent line loss in 2010 to 6.2 percent in 2022. Second, Mr. Shute sought to assess the line loss limiter to the GCR at the end of each 12-month period instead of monthly. Mr. Shute indicated he wanted these changes to be applied retroactively to the GBA dating back three years.

Frontier Gas presented another document during the IC that was subsequently provided to Commission Staff.⁴ This spreadsheet included changes made to gas purchase volumes, shown highlighted in green, dating back to January 2023. Mike Harris, Kentucky Frontier’s Operations Manager, noted that these adjustments were due to suppliers frequently misreading meters and overbilling Kentucky Frontier.

Frontier Gas also subsequently provided a five-year sales database.⁵

There being no further discussion, the IC was then adjourned.

cc: Parties of Record

² Subsequently filed as Kentucky Frontier’s Supplemental Filing, Exhibit B.

³ Kentucky Frontier’s Response to IC (filed Dec. 29, 2023), Exhibit B.

⁴ Subsequently filed as Kentucky Frontier’s Supplemental Filing, Exhibit A.

⁵ Subsequently filed as Response to IC, Exhibit C.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION FOR REVISED)	
QUARTERLY GAS COST RECOVERY)	CASE NO.
SCHEDULES FOR KENTUCKY FRONTIER)	2023-00067
GAS, LLC.)	

December 14, 2023

Please sign in:

NAME	REPRESENTING
Jason Colyer	Public Service Commission, Office of General Counsel
Sarah Jankowski	Public Service Commission, Financial Analysis Division
Tyler Holliday	Public Service Commission, Financial Analysis Division
Brittany Koenig	Attorney for Kentucky Frontier Gas, LLC
Allyson Honaker	Attorney for Kentucky Frontier Gas, LLC
Steve Shute	Kentucky Frontier Gas, LLC, General Manager/Member
Mike Harris	Kentucky Frontier Gas, LLC, Operations Manager
Dennis Horner	Consultant for Kentucky Frontier Gas, LLC

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