

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY FRONTIER GAS,)	
LLC FOR APPROVAL OF CONSOLIDATION OF)	
AND ADJUSTMENT OF RATES, APPROVAL OF)	
AMR EQUIPMENT AND A CERTIFICATE OF)	CASE NO.
CONVENIENCE AND NECESSITY FOR)	2011-00443
INSTALLATION OF AMR, PIPELINE)	
REPLACEMENT PROGRAM, REVISION OF NON-)	
RECURRING FEES AND REVISION OF TARIFFS)	

ORDER

On April 30, 2013, the Commission issued its Order in this case approving, among other things, consolidated and equalized base rates for the combined system of Kentucky Frontier Gas, LLC ("Frontier"). With respect to the proposed Nonrecurring Charges of the Frontier system, the Commission expressed its concerns regarding the reasonableness of the proposed charges. However, in order to avoid delaying approval of Frontier's base rates and Pipeline Replacement Program and Automated Meter Reading charges while continuing to review the record in this proceeding, the Commission ordered that Frontier should charge the proposed nonrecurring charges, subject to refund pending further Order of the Commission.

Frontier proposed the following system-wide nonrecurring charges, for which it provided cost support:

Turn on fee	\$100
Reconnection Fee	\$100
Relocate Meter	\$ 35 per hour plus cost
Transfer Service Fee	\$ 30
Returned Check Charge	\$ 30 plus bank fees

Late Payment Charge	12 percent
Service Trip Charge	\$100
Special Meter Reading Charge	\$100
Meter Test Fee	\$35 per hour plus cost

With regard to the four \$100 charges for Turn on, Reconnection, Service Trips, and Special Meter Reading, the Commission is not persuaded that Frontier has sufficient experience with its combined system to rely on its estimates of the time involved to perform the activities associated with these functions. In the interest of applying a more gradual increase to these charges for the benefit of Frontier's customers, many of whom were paying significantly lower fees for these activities to some of the utilities acquired by Frontier, the Commission finds that each of these fees should be established at \$50. Following Frontier's implementation of these charges, and after it has the opportunity to observe the frequency of the activities giving rise to these charges and the labor time and expense associated with each, Frontier may propose to the Commission a further increase in these charges pursuant to KAR 5:011, Section 10.

Frontier proposed to charge \$35 per hour plus cost to relocate a customer meter at the request of the customer. In the cost support filed in its application, Frontier enumerated field and clerical labor expense as well as excavator expense that could be incurred in performing this function. The Commission finds that a fixed fee is preferable to the open-ended charge proposed by Frontier, and that a fee of \$150 is reasonable for relocating a customer meter based on the cost support provided by Frontier.

Also with regard to the fee for relocating a customer meter at the request of the customer, in the "Contents" section at the beginning of Frontier's proposed tariff, under

II. Rules & Regulations for Natural Gas Service, N. Service Fees, this fee is designated as "Meter resetting fee." Within the body of the tariff under Rates and Charges, C. Other Charges, it is referenced as a "Relocate meter" charge, and later in the body of the tariff under Rules and Regulations it is called a "Meter reset fee." The Commission finds that Frontier should file revised tariff sheets showing the single designation of "Relocate meter fee" for this charge to avoid customer confusion.

The Commission finds that the proposed \$35 per hour plus cost Meter Test Fee should also be a fixed charge, rather than open-ended. The Commission is concerned about the possibility of allowing this charge to reach a level that would tend to discourage customers from requesting a meter test in light of the evidence in the record of this proceeding concerning the age and condition of many of Frontier's meters. The Commission finds a meter test fee of \$225 to be reasonable based on our understanding that this fee will be charged to a customer pressing for an immediate meter test and that otherwise customers requesting a meter test will simply have their meters replaced with new or tested meters, and the meters which customers had requested to be tested will be held with the next batch of meters due for testing.¹ For these customers, it is understood there will be no charge for the meter test. The Commission further finds that a meter test fee should only be charged to a customer pressing for an immediate test if the meter test shows that the meter is not within the limits established by 807 KAR 5:022, Section 8(3)(a)1, so that customers are not penalized for reporting meters that are registering inaccurately. The tariff language regarding the meter test fee should be revised to reflect this limitation, as well as to

¹ Response to Item 13.a., Response to Commission Staff's First Request for Information, October 17, 2012.

specify that the \$225 fee will be charged only if the customer insists on an immediate test.

As with the \$50 charges found reasonable herein, Frontier may propose to the Commission a further increase in its relocate meter and meter test charges pursuant to KAR 5:011, Section 10 after it has gained more experience with the actual cost it incurs to perform these functions for its combined system.

The Commission finds the \$30 Transfer Service fee to be reasonable.

The Commission finds the returned check charge should be limited to \$30 and should not include additional amounts for bank fees. Frontier's proposed tariff states that the returned check charge will be \$30 "plus any fees assessed by the bank," and "up to the maximum amount allowed under the statutes of the Commonwealth of Kentucky." This language should be removed from the tariff.

With respect to the proposed 12 percent late payment charge, the Commission finds that the majority of the acquired Frontier companies had 10 percent late charges, which is typical for late payment charges of other small jurisdictional utilities. The Commission finds that Frontier's late payment charge should be 10 percent. The Commission further finds that in Section Q. Late Payment Charge under Rules and Regulations, the word "Penalties" should be replaced with the word "Charges."

Deposit Issues

Section D. in Frontier's proposed tariff under Rates and Charges included language regarding customer deposits which stated that new residential customers that do not have an acceptable credit rating will be charged a deposit equal to two-twelfths of the estimated annual bill. It also stated that a seasonal customer shall be charged a

deposit equal to one-half of the estimated annual bill of a similar full-time residential or commercial customer. Pursuant to 807 KAR 5:006, Section 8(1)(d)1.c., a deposit cannot exceed 2/12ths of the estimated annual bill. The Commission finds that this language should be added to the deposit language for seasonal customers, and “one-half of the estimated annual bill” should be deleted.

In that same section the proposed tariff stated that a commercial customer will be charged a deposit of \$100 or 2/12ths of the annual estimated bill, whichever is greater. The Commission finds that a deposit cannot exceed 2/12ths of the estimated annual bill pursuant to 807 KAR 5:006, Section 8(1)(d)1.c., and that the reference to \$100 should be removed from the deposit language for commercial customers, since a deposit for the same class of customers must be either equal or calculated pursuant to 807 KAR 5:006, Section 8(1)(d).

Section E. in Frontier’s proposed tariff under Rules and Regulations stated, “The Company requires each Customer to make a minimum cash deposit to initiate or re-establish gas service, or if there is a substantial increase in usage.” Pursuant to 807 KAR 5:006, Section 8(3)(c), a utility cannot require an additional or subsequent deposit from a residential customer with good payment history, regardless of a substantial increase in usage, unless the customer’s classification of service changes, except as established in 807 KAR 5:006, Section 8(1)(d)3. The Commission finds that the following language should be inserted after the first sentence of Section E:

Except as established in 807 KAR 5:006, Section 8(1)(d)3. or unless the customer’s classification of service changes, an additional or subsequent deposit will not be required from a residential customer with a satisfactory payment record who has a substantial increase in usage.

The proposed Deposits language in section E. also stated, "Interest on such deposits will be calculated at a rate prescribed by the PSC for the period elapsed from date of deposit to date refunded, provided that such period is not less than six months, *and provided further that such deposits will not draw interest after the date on which Company notifies Customer that deposit will be refunded or after service is discontinued*" (emphasis added). The Commission finds that the above sentence should end after the phrase "date of deposit to date refunded," as Frontier must pay interest on deposits no matter how long they are held, and interest should stop accruing only when the refund is issued.

Procedural Issues

The Commission's Order of April 30, 2013, found that Frontier was entitled to receive the larger increase found reasonable therein upon giving notice to its customers of the higher rates necessary to generate the additional revenue. Frontier was required to provide written notice within seven days of the date of the Order to advise the Commission if it wished to receive or forgo the higher rates. On May 6, 2013, Frontier filed notice with the Commission of its intent to accept the greater increase and the rates found reasonable on page 2 of the Appendix of that Order.

By Order dated June 3, 2013, the Commission ordered that a hearing be scheduled on June 11, 2013, to allow for public comment on Frontier's intent to accept the larger increase. Frontier was required by that Order to publish notice of the hearing pursuant to 807 KAR 5001, Section 9(2)(b). On June 10, 2013, Frontier filed a Motion for Deviation from the requirements of that regulation. In support of its motion, Frontier stated that it provided notice of the hearing to all of the newspapers in its service area

as required, and that all of the newspapers published the full notice within the time limits of the regulation except the "Licking Valley Courier," which published the time, date, location and purpose of the hearing, but did not include the table of current and proposed rates. Frontier stated that it believes it is in substantial compliance with the regulation, and moved the Commission for an Order granting it a deviation from the notice publication requirements pursuant to 807 KAR 5:001(21), as it has for other utilities in similar situations.²

FINDINGS

Based on the evidence of record and being otherwise advised, the Commission finds that:

1. Based on its acceptance of the greater increase found reasonable in our April 30, 2013 Order and its compliance with the procedural requirements included therein, Frontier should be authorized to charge the base rates in the Appendix to this Order.
2. Frontier's request for a deviation from the notice publication requirements contained in 807 KAR 5001, Section 9(2)(b) is reasonable and should be granted.
3. The nonrecurring charges proposed by Frontier should be denied, with the exception of the \$30 Transfer Service fee, which is reasonable and should be approved.
4. The nonrecurring charges in the Appendix to this Order are fair, just and reasonable, and should be approved for billing for service rendered on and after the date of this Order.

² Frontier's motion cites our August 12, 2012 Order in Case No. 2012-00221, Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, in support of its motion.

5. Any excess revenues collected by Frontier as a result of charging rates that are denied by this Order should be returned to customers within 60 days of this Order.

6. Frontier's tariff language regarding the Relocate Meter Fee, Meter Test Fee, Returned Check Charge, Late Payment Charge, and deposits in both the Rates and Charges and Rules and Regulations sections should be revised as required herein.

7. Frontier may file for any increase in nonrecurring charges it deems necessary based on cost support, pursuant to KAR 5:011, Section 2, once it has gained sufficient experience with operating its combined system.

IT IS THEREFORE ORDERED that:

1. The rates contained in the Appendix to this Order are approved for service rendered on and after the date of this Order.

2. Frontier's motion for deviation from the notice publication requirements contained in 807 KAR 5001, Section 9(2)(b) is granted.

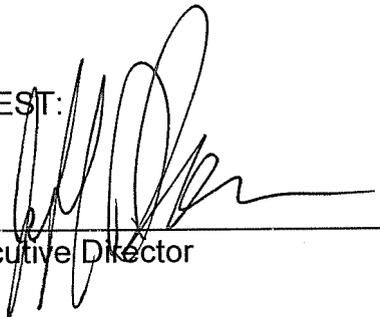
3. Within 20 days of the date of this Order, Frontier shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates and tariff language revisions approved herein and reflecting that they were approved pursuant to this Order.

4. Within 90 days of the date of this Order, Frontier shall provide a report to the Commission of all excess nonrecurring charge revenue collected and returned to customers pursuant to this Order.

By the Commission

ENTERED
JUN 21 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00443 DATED JUN 21 2013

The following rates and charges are prescribed for the customers served by Kentucky Frontier Gas, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Residential and Small Commercial

	<u>Base Rate</u>	<u>Gas Cost Rate</u>	<u>Total</u>
Customer Charge	\$10.00		
All Mcf	\$ 4.2023	\$5.2251	\$ 9.4274

Large Commercial

	<u>Base Rate</u>	<u>Gas Cost Rate</u>	<u>Total</u>
Customer Charge	\$50.00		
All Mcf	\$ 3.4454	\$5.2251	\$ 8.6705

Nonrecurring Charges

Turn on fee	\$50
Reconnection Fee	\$50
Relocate Meter	\$150
Transfer Service Fee	\$ 30
Returned Check Charge	\$ 30
Late Payment Charge	10 percent
Service Trip Charge	\$50
Special Meter Reading Charge	\$50
Meter Test Fee	\$225

Deposits - Two-twelfths of the estimated annual bill

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