COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

MOTION FOR REHEARING/CLARIFICATION

Comes now Kentucky Frontier Gas, LLC ("Kentucky Frontier") by and through the undersigned counsel and pursuant to KRS 278.400 respectfully requests the Kentucky Public Service Commission ("Commission") to grant rehearing and/or clarification on its March 28, 2024 Order ("March 28h Order") in the above-styled case. In support of this motion, Kentucky Frontier respectfully states as follows:

1. Kentucky Frontier filed its Notice of Election to Use Electronic Filing Procedures in this case on February 22, 2023.

2. Kentucky Frontier discovered in June 2022 that it incurred an approximate $600,000 gas balance loss since November 2020. While the amount of the under recovery has varied with the changing price of gas, it remains a significant amount that has not resolved using the PSC mandated method more than three years later. Kentucky Frontier worked to determine how this occurred and why this loss was not accounted for in the quarterly GCR filings, and in attempt to prevent any similar occurrences, applied for a revision to its quarterly GCR filing.

3. In order to address the aforementioned under recovery, Kentucky Frontier attempted multiple filings with the Commission, reaching out to Staff to offer to meet in informal conferences or formal hearings to explain the proposal, if there were any questions or concerns

regarding the proposal, to attempt any means possible to correct the economic strain the current regulatory requirements inflict. Kentucky Frontier responded to two rounds of information requests and filed supplemental information to update information throughout the long pendency of the case. In addition, Kentucky Frontier participated in a virtual informal conference with Commission Staff after the Commission entered an Order on January 5, 2024 setting the date for an informal conference. However, it seems the Commission's March 28, 2024 Order admonishes Kentucky Frontier that Commission Staff cannot speak for the Commission, the Commission only speaks through its Orders. Kentucky Frontier was attempting to provide any helpful information it could to assist the Commission Staff in understanding the proposal in an effort to assist the Commission in its decision in this proceeding. Kentucky Frontier believed that being available to explain and respond to questions of Commission Staff in real time instead of in writing, may be beneficial. After waiting more than a year for a decision from the Commission in this proceeding, Kentucky Frontier was simply seeking to assist in any way that the Commission Staff would find helpful. During the pendency of this proceeding, Kentucky Frontier experienced critical swings in losses and gains at seasonal intervals that was making it impossible to financially balance with the approved GCR mechanism. Kentucky Frontier was simply attempting to seek any guidance and solutions to its regulatory predicament, as any business struggling to regain financial wellness would.

4. After 398 days, the Commission entered its March 28, 2024 Order in this matter. This was the day before a holiday, Good Friday, and ordered changes to the GCA filing that would have to be filed on the Monday of a holiday weekend.

5. Kentucky Frontier filed an application to revise the schedules it files with its quarterly GCR filings, which essentially proposed that the Balancing Adjustment ("BA") element

of the current gas cost recovery rate formula in Kentucky Frontier's tariff be calculated using the actual balance of the gas balancing account. Further, the BA was a single adjustment figure and still added any Actual Adjustment ("AA") from the last quarter and all previous quarters. This method was simpler and provided more relevant information for the customers, the Commission, and the utility. Kentucky Frontier believes this method is more transparent. The proposal was only changing the input to the formula, however it does not change the formula itself. However, the Commission ruled that "Kentucky Frontier's proposal mechanism uses a figure not based on historical sales but an estimate of forecasted sales for the next 12 months based in part on sales over a five-year period, then rounded."[1] The Commission's discussion is that the Commission prefers a recent 12-month period as the best indicator of sales that will occur in the near future. But the Commission concludes that Kentucky Frontier's use of an estimated variable to be unreasonable because the Commission and Commission Staff must access information from past cases to correct errors and "actual data is highly preferrable to **estimated** data."(emphasis added)[2] Kentucky Frontier requests that the Commission clarify and/or grant rehearing on its position regarding this statement. Kentucky Frontier's proposed GCR method contains actual data and, in fact contains more information than the current GCR method. Further the current PSC mandated GCR method requires **estimation** as a fundamental part of the formula. In fact, the actual data used to **estimate** the Estimated Gas Cost (in the Commission approved GCR), is the same actual data used to **estimate** the divisor for the proposed Gas Balancing Account, it is an estimate of forecasted sales. Both the Commission approved method and the Kentucky Frontier proposed method, must use estimates of forecasted gas sales.

[1] Commission Order pp 9-10

[2] *Id.* p 10.

6. The Order criticizes Frontier for using a figure "not based on historical sales but an estimate of forecasted sales for the next 12 months based in part on sales over a five-year period" and finds this "estimated variable to be unreasonable". Kentucky Frontier seeks clarification on this statement which appears to be contradictory. The sales over a five-year period are actually five years of historical data.

7. Kentucky Frontier used a divisor of 375,000 Mcf expected annual sales, based on long term sales data, shared in this proceeding, for the estimated Balance Adjustment surcharge. The last 12 months happened to be 352,000, but the 5-year average is 375,000. Kentucky Frontier is currently working on a rate case, and has determined that annual sales volumes are within 1% of the last rate case in 2017. Every rate filing includes many estimates based on best-data forecasts and analysis, and the utility judges the five-year average to be better than last twelve months. All of the data has been filed and is part of the public record in this proceeding. In this case, the surcharge would change by $0.0089 between the two estimated volumes, but the Commission rejected the entire Frontier proposal stating that the estimated variable was unreasonable. If this issue had been raised as significant, Frontier would have negotiated a compromise, rather than risk 18 months of work and expense on a non-critical issue.

8. The Commission's March 28, 2024 Order granted a reasonable adjustment to limit gas losses in its GCR calculation to 7.5 percent of Sales and ordered Kentucky Frontier to amend its tariff to include the proposed adjustment to 7.5 percent limit on gas losses.

9. Kentucky Frontier appreciates the Commission granting the request to increase the line loss limiter to 7.5% but requests rehearing and/or clarification on the statements made in the Order that Kentucky Frontier believes are incorrect. First, the Commission's Order stated that Kentucky Frontier's current GCR mechanism was granted in Case No. 2014-00304. The Order

discussion incorrectly stated that "before its consolidated GCR mechanism was first approved, it requested and the Commission granted waivers to the 5 percent lost and unaccounted for gas limit for certain of its acquired systems."[3] Kentucky Frontier believes these statements are incorrect. The record shows that Kentucky Frontier's consolidated GCR mechanism was first approved in Case No. 2011-00443,[4] in which new Frontier rates were consolidated among Auxier Road Gas, Belfry Gas, BTU Gas, Cow Creek Gas and Sigma Gas, Dema, East Ky Utilities, People's Gas, city of Blaine and Mike Little Gas (which were all small troubled gas companies that Kentucky Frontier acquired and consolidated). The first mention of 5% limit on line losses appears to be in the Commission's October 31, 2014 Order in Case No. 2014-00304,[5] six years after Kentucky Frontier started consolidating the troubled gas companies (including several at the Commission's request), and after several GCRs had been filed on each separate entity. The Commission had already waived the 5% line loss limiter for BTU Gas Company ("BTU") that Frontier acquired from bankruptcy. Kentucky Frontier requested the Commission waive the 5% limit on losses in Case No. 2014-00304,[6] with concerns over the 50% losses in Belfry and BTU and others. By the time any limiter was raised by the Commission, it had already approved dozens of GCA filings by Frontier with no limiter included.

[3] Commission Order, p 4.

[4] Case No. 2011-00443, Application of *Kentucky Frontier Gas, LLC for approval of Consolidation of and Adjustment of Rates, and Approval of AMR Equipment and a Certificate of Convenience and Necessity for Installation of AMR, Pipeline Replacement Program, Revision of Non-Recurring Fees and Revision of Tariffs* (Ky PSC June21, 2013).

[5] Case No. 2014-00304, *Kentucky Frontier Gas, LLC Purchased Gas Adjustment Filing and Petition for* Waiver (Ky PSC Oct. 31, 2014) p 4.

[6] Case No. 2014-00304, *Kentucky Frontier Gas, LLC Purchased Gas Adjustment Filing and Petition for* Waiver (Ky PSC Oct. 31, 2014) p 4.

10. Kentucky Frontier also would like to point out that the five percent line loss limiter was imposed on Kentucky Frontier in Case No. 2018-00334 without any analysis or discussion of how Kentucky Frontier compares with the five large local distribution companies ("LDC") in Kentucky. Kentucky Frontier acknowledges and appreciates the fact that the Commission can set precedent in its orders, but Kentucky Frontier believes that a five percent line loss limiter is not the same for a small LDC, a large LDC and an LDC such as Kentucky Frontier who is in between the two. The Commission's decision to apply the five percent line loss limiter to Kentucky Frontier has resulted in approximately $350,000 of unrecovered, legitimate gas costs. Kentucky Frontier's size makes it not fit with the small LDCs or the large LDCs. Kentucky Frontier also serves a more rural area and has fewer customers per mile of pipeline of the large LDCs.

11. Kentucky Frontier also requests clarification for the comments made in the Order regarding the Pipeline Replacement Program ("PRP"). The Commission's Order stated, "Frontier should use any methods at its disposal" to replace pipe, including outside contractors.[7] The record shows that Kentucky Frontier is already spending quite a bit more than the actual PRP collections each year. All work has been done with internal forces, as leak surveys and normal operations find leaks to investigate and replace pipe, since leaking pipes are the priority to replace. Internal charges for company labor & equipment are significantly below market rates, and cost recovery is way behind the PRP revenues collected. The cost recovery is currently somewhere in 2022 completed work. If Kentucky Frontier had used contractors, the pipe replacement footage would likely be half of present progress for the same cost. Kentucky Frontier believes that it is doing everything it can to replace pipeline as quickly and efficiently as possible.

[7] Commission Order, p16.

12. The Commission states on page 17, "Line Losses is a primary indicator of ongoing maintenance of the system" is only partially true. All of Kentucky Frontier's systems were built and operated by Kentucky Frontier predecessors under the auspices of the Commission, yet were in mostly terrible condition. In fact, once Kentucky Frontier began acquiring a few of the small troubled gas systems, the Commission actually reached out to inquire if Kentucky Frontier would take others. Kentucky Frontier has shouldered the responsibility for finding leaks and replacing pipe, since most of these leaks cannot be simply repaired. Frontier has spent 15 years improving and replacing systems, but cannot quickly fix 50 years of inattention.

13. Kentucky Frontier additionally requests clarification for the statements contained on page 8 of the March 28, 2024 Order. The Order states that "Kentucky Frontier explained that it *would have more leaks* because of the remoteness of its system or more gas loss than other systems because of the higher number of miles of gas pipeline per customer." The statement is false in that it states that Kentucky Frontier has more leaks. In fact, from the Metrics exhibit filed in this case, Kentucky Frontier reported fewer leaks *per mile of main* than other larger gas utilities. However, the remoteness of Kentucky Frontier customers, the far lower customer density in meters per mile, and the far lower sales volume per mile of main, all contribute to Kentucky Frontier's higher relative risk of leaks, and higher *percentage* of gas loss compared with the urban utilities.

Furthermore, the remoteness of Kentucky Frontier's system creates a higher relative risk that a leak will not be discovered and corrected quickly to limit the line loss.[8] Finally, Kentucky Frontier tried to explain the fact that it sells far less volume of gas *per mile of main* than the larger LDCs and that a small leak that goes undetected due to the remoteness of the system risks a *higher percentage* of loss than an identical leak with the same volume lost on a larger system.

[8] Kentucky Frontier's IC Responses Supplemental Filing of December 23, 2023, pp 4-5.

14. Kentucky Frontier gave the example of a huge leak on its former Sigma system, caused when a landowner was digging on his property and broke his old gas riser. No 811 locate was requested, and the perpetrator covered up a very energetic blowing gas leak and did not report it. Because this leak was well off a highway with no neighbors, it was not reported by others (as it would have been, in any urban area). After several weeks, Frontier's operations manager suspected slightly high gas volume and investigated, eventually finding this blowing line. We estimate it may have lost as much as 3000 Mcf, but with no means for accuracy. This No-811 incident was reported to the Commission as required, but it's unknown if any action was taken.

15. Based on the estimated loss, this single, intentional act by a landowner, with no ability for Kentucky Frontier to defend against, adds 0.9% to Frontier's L&U percentage for the entire year. The same, exact incident, when adjusted for miles of mains of exposure, would have caused only *half* the percentage impact on Delta or Burkesville Gas, and 1/10th to 1/40th the L&U impact on LG&E or Atmos. Clearly, the 5% Limiter has been substantially unfair to Kentucky Frontier's specific operation.

16. Kentucky Frontier further requests the Commission address the inequity of applying the line loss limiter to current Kentucky Frontier customers across the board. Applying the line loss limiter as a systemwide average accentuates the penalty from the significantly higher gas cost charged by the unregulated supplier EKM, which is $6 per Mcf higher than the non-Public systems,with no credit for low 3% line loss for the former Public Gas system. Kentucky Frontier requests the Commission allow Kentucky Frontier to separate line loss calculations for the former Public Gas system, apart from the rest of Kentucky Frontier's systems. Gas Cost will not be bifurcated, just the L&U calculations.

WHEREFORE, based on the foregoing, Kentucky Frontier requests the Commission to grant its motion for rehearing.

Dated this 17th day of April, 2024.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that foregoing electronic filing was transmitted to the Commission on April 17, 2024; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, no paper copies of the filing will be made.

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