

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC)	2023-00049

ORDER

On February 9, 2023, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed a Gas Cost Recovery (GCR) rate report for rates effective March 1, 2023. Included in the GCR rate report, Kentucky Frontier filed a motion for deviation from the 30 days' notice requirement set forth in KRS 278.180. Kentucky Frontier's previous GCR rate was placed into effect on November 10, 2022, subject to refund, in Case No. 2022-00327, pending the Commission's investigation in that matter.¹

BACKGROUND

On December 30, 2022, Kentucky Frontier filed its GCR rate report for rates effective February 1, 2023, in Case No. 2022-00434.² The Commission in its January 31, 2023 Order denied Kentucky Frontier's GCR rate report for rates effective February 1, 2023, and dictated that the GCR rates that were filed in Case No. 2022-00327 shall remain in effect until Kentucky Frontier files its next GCR rate report for the next quarter.³

¹ Case No. 2022-00327, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Oct. 31, 2022).

² Case No. 2022-00434, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 31, 2023).

³ Case No. 2022-00434, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 31, 2023) at 6.

LEGAL STANDARD

KRS 278.160(1) requires each utility to “file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it.” KRS 278.160(2) prohibits a utility from charging “greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules.” KRS 278.180 prohibits a utility from amending a rate in its filed schedules without 30 days’ notice to the Commission (or 20 days’ notice upon a showing of good cause).

The Commission’s standard of review for GCR 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.

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

Pursuant to 807 KAR 5:011, Section 8, a utility is required to provide public and customer notice if a charge, fee, or rule regarding the provision of service is changed, revised, or initiated and the change will affect the amount that a customer pays for service or the quality, delivery, or rendering of a customer’s service.⁵ However, periodic

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

⁵ 807 KAR 5:011, Section 8.

recalculation of a formulaic rate that does not involve a revision of the rate and that is performed in accordance with provisions of an effective rate schedule or administrative regulation does not require notice pursuant to that section.⁶

DISCUSSION

Pursuant to its Purchased Gas Cost Adjustment Tariff, Kentucky Frontier is required to file a quarterly GCR rate report with the Commission with at least 30 days prior to the beginning of each calendar quarter.⁷ The calendar quarters are defined in the Tariff as each of the four three-month periods of (1) August, September, and October; (2) November, December, and January; (3) February, March, and April; and (4) May, June, and July.⁸ Kentucky Frontier's proposed GCR rate report includes updated calculations of its quarterly Actual Adjustment (AA) rate and quarterly Balancing Adjustment (BA) rate based on an updated reporting period of 12 months ended October 31, 2022. The AA and BA are updated on a quarterly basis and each quarterly rate is set to be in effect for a 12-month period until it expires and is replaced with a new quarterly rate. The proposed GCR rate for rates effective March 1, 2023, including the updated quarterly AA and quarterly BA rates, is \$11.1966 per Mcf, which is a decrease of \$0.9712 per Mcf from the previous GCR rate of \$12.1678 per Mcf. Given that Kentucky Frontier is set to file its next quarterly GCR rate report for rates effective May 1, 2023, the proposed GCR rate will only be in effect for a two-month period rather than the proper three-month period. Approving an updated quarterly AA and quarterly BA that will only be in effect for two months does

⁶ 807 KAR 5:011, Section 8.

⁷ See Kentucky Frontier's current tariff, PSC No. 3 Sheet Original No. 29.

⁸ See Kentucky Frontier's current tariff, PSC No. 3 Sheet Original No. 30.

not follow the Purchased Gas Cost Adjustment calculation as set forth in Kentucky Frontier's tariff. For that reason, the Commission finds that the updated GCR rate report filed by Kentucky Frontier was filed outside of the established calendar quarters in its Purchased Gas Cost Adjustment tariff.

Kentucky Frontier's tariff does permit for an Interim Gas Cost Adjustment report to be filed with the Commission should any significant change in the supplier rate occur between the regularly-scheduled quarterly adjustments.⁹ However, Kentucky Frontier did not indicate that the GCR rate report made was an Interim Gas Cost Adjustment filing, nor did it provide evidence that significant change in the supplier rate has occurred between the regularly-scheduled quarterly adjustments. Additionally, an Interim Gas Cost Adjustment filing would include an updated Expected Gas Cost (EGC) rate based on the change in the supplier rate and would not include updates to the quarterly AA and quarterly BA rates. Kentucky Frontier's proposed GCR rate report filing includes updates to the EGC, AA, and BA rate components. For this reason, the Commission finds that this proposed GCR rate report does not meet the requirements to be considered an Interim Gas Cost Adjustment filing.

In support of its motion for deviation from the 30 days' notice requirement set forth in KRS 278.180, Kentucky Frontier states that it was ordered by the Commission in its January 31, 2023 Order in Case No. 2022-00434 to refile its quarterly GCR rate report filing.¹⁰ The Commission's January 31, 2023 Order states that the GCR rates that were filed in Case No. 2022-00327 shall remain in effect until Kentucky Frontier files its next

⁹ See Kentucky Frontier's current tariff, PSC No. 3 Sheet Original No. 31.

¹⁰ See Motion for Deviation (filed Feb. 9, 2023).

GCR rate report for the next quarter.¹¹ It was not the Commission's intention to suggest that Kentucky Frontier file an updated quarterly GCR rate report with rates to be in effect outside of its established calendar quarters. Thus, having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kentucky Frontier's proposed GCR rate report for rates effective March 1, 2023, should be rejected. Additionally, Kentucky Frontier's motion from the 30 days' notice requirement set forth in KRS 278.180 should be found to be moot.

The Commission finds that any under- or over-recoveries that may have occurred due to the missing updated GCR quarter should be accounted for in Kentucky Frontier's next quarterly GCR rate report filing. Kentucky Frontier's next quarterly GCR report, for rates effective for May 1, 2023, should reconcile the gas costs for the months of August, September, October, November, December 2022, and January 2023 in order to capture the full true up when calculating the current quarter AA that will be effective for service rendered on and after May 1, 2023, through April 30, 2024. Kentucky Frontier's next Previous Quarter Reported Actual Adjustment and its Previous Quarter Reported Balance Adjustment should both be set at \$0.0000 per Mcf due to the next current quarter AA reconciling the last six months of gas costs and the next current quarter BA reconciling the expired components of the prior two quarters. For rates effective for May 1, 2023, Kentucky Frontier should also include the in the calculation of its next total AA the AA quarters of \$0.1578 per Mcf and \$0.5462 per Mcf as they will have not yet expired. The


¹¹ Case No. 2022-00434, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Jan. 31, 2023) at 6.

calculation of the next total BA should also include the BA quarters of \$0.0193 per Mcf and \$0.0010 per Mcf as they too will have not yet expired.

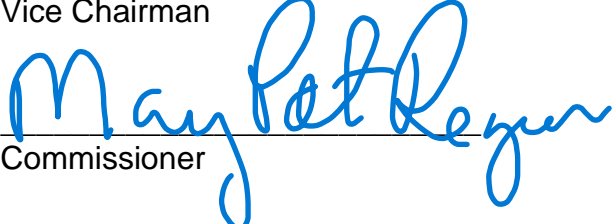
IT IS THEREFORE ORDERED that:

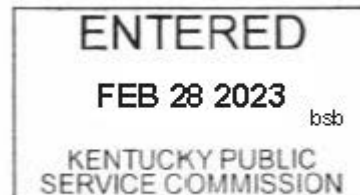
1. Kentucky Frontier's GCR rate report is denied.
2. Kentucky Frontier's motion for deviation from the 30 days' notice requirement set forth in KRS 278.180 is moot.
3. The GCR rates that were filed in Case No. 2022-00327 shall remain in effect until Kentucky Frontier files its next GCR rate report for the next quarter.
4. In its next quarterly GCR rate report set to be filed for rates effective May 1, 2023, Kentucky Frontier shall reconcile the gas costs for the months of August, September, October, November, December 2022, and January 2023 in order to capture the full true up when calculating the current quarter Actual Adjustment rate that will be effective for service rendered May 1, 2023, through April 30, 2024.
5. In its next quarterly GCR rate report set to be filed for rates effective May 1, 2023, Kentucky Frontier shall set its Previous Quarter Reported Actual Adjustment to \$0.0000 per Mcf and its Previous Quarter Reported Balance Adjustment to \$0.0000 per Mcf. All unexpired quarter AA and quarter BA rates will remain effective in the calculation of Kentucky Frontier's total AA and total BA calculations.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

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