COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On February 24, 2023, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed an application to revise its quarterly gas cost recovery (GCR) mechanism along with a motion for a deviation from certain filing requirements. On April 10, 2023, the Commission entered an order rejecting the application but stated that it would accept the application in this matter if Kentucky Frontier filed a revised final and redlined tariff in the form required by 807 KAR 5:011 reflecting its proposed GCR mechanism and provided notice pursuant to 807 KAR 5:011, Section 8, subject to certain deviations granted in the April 10, 2023 Order.

On June 5, 2023, Kentucky Frontier filed a revised Purchased Gas Cost Adjustment Tariff through the tariff filing system with a proposed effective date of July 5, 2023 that changes the calculation methodology of its Gas Cost Recovery (GCR) rate, and made a filing in this case noting the filing of the tariff and providing proof that customer notice was provided. Based on that filing, the Commission finds that Kentucky Frontier's tariff and application to revise its GCR mechanism should be accepted for filing as of June 5, 2023.

Pursuant to KRS 278.180(1), changes to any rate by any utility is prohibited except upon 30 days' notice to the Commission. Since the application was accepted for filing as of June 5, 2023, the earliest date that Kentucky Frontier's proposed tariff can be effective is July 5, 2023, which is now Kentucky Frontier's proposed effective date. However, having reviewed the proposed tariff, which is attached as Appendix B, and the record in this case, the Commission finds that an investigation is necessary to determine the reasonableness of the proposed tariff and that such investigation cannot be completed by the proposed effective date of July 5, 2023. Thus, pursuant to KRS 278.190(2), the Commission will suspend the effective date of the proposed tariff for five months, up to and including December 5, 2023.

The Commission further finds that a procedural schedule should be established to review the reasonableness of the proposed tariff. The procedural schedule is attached as Appendix A to this Order.

Additionally, any hearing scheduled in this matter shall be held on the designated day or days and continued until called from the bench by the presiding officer. Pursuant to 807 KAR 5:001, Section 2, if the hearing is not concluded on the designated day, the hearing may be continued upon verbal announcement by the presiding officer. A verbal announcement made by the presiding officer shall be proper notice of the continued hearing. Hearings are held in the Richard Raff Hearing Room at the offices of the Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky. Witnesses who sponsor schedules, testimony, or responses to requests for information are expected to participate in person at a hearing.

IT IS THEREFORE ORDERED that:

1. Kentucky Frontier's application and proposed tariff are deemed filed as of June 5, 2023.

2. Kentucky Frontier's proposed tariff is suspended for five months from July 5, 2023, up to and including December 5, 2023.

3. The procedural schedule set forth in Appendix A to this Order shall be followed.

4. Kentucky Frontier shall respond to all requests for information propounded by Commission Staff, whether identified on the procedural schedule or otherwise, as provided in those requests.

5. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding, which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

6. Any motion to intervene after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

7. Kentucky Frontier shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statements: “This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov” and “Public comments may be made at the beginning of the hearing. Those wishing to make oral public comments may do so by following the instructions listed on the PSC website, psc.ky.gov.” At the time publication is requested, Kentucky Frontier shall forward a duplicate of the notice and request to the Commission.

8. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

9. Any hearing scheduled in this matter shall be held on the designated day or days and continued until called from the bench by the presiding officer. Pursuant to 807 KAR 5:001, Section 2, if the hearing is not concluded on the designated day, the hearing shall be continued upon verbal announcement by the presiding officer. A verbal announcement made by the presiding officer shall be proper notice of the continued hearing.

10. Witnesses who sponsor schedules, testimony, or responses to requests for information shall participate in person at any hearing scheduled in this matter.

11. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

12. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of times with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

13. The Commission does not look favorably upon motions to excuse witnesses from testifying at Commission hearings. Accordingly, motions to excuse a witness from testifying at a Commission hearing or from testifying in person at a Commission hearing shall be made in writing and will be granted only upon a showing of good cause.

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PUBLIC SERVICE COMMISSION

____
Chairman

____
Vice Chairman

____
Commissioner

ENTERED

JUL 03 2023

rcs

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

____
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00067 DATED JUL 03 2023

Requests for intervention shall be filed no later than 7/12/2023

Initial requests for information to Kentucky Frontier
shall be filed no later than 7/19/2023

Kentucky Frontier shall file responses to
initial requests for information no later than……………………………………08/02/2023

All supplemental requests for information to Kentucky Frontier
shall be filed no later than 08/16/2023

Kentucky Frontier shall file responses to supplemental requests
for information no later than ....……………………………………08/30/2023

Intervenor testimony, if any, in verified prepared
form shall be filed no later than…. 09/06/2023

All requests for information to Intervenors shall
be filed no later than…. 09/20/2023

Intervenors shall file responses to requests for
information no later than…… 10/04/2023

Kentucky Frontier shall file, in verified form, its rebuttal
testimony no later than…………………………………………..…………….... 10/18/2023

Kentucky Frontier or any Intervenor shall request either a
hearing or that the case be submitted for decision
based on the record no later than……………………………….……….…..... 10/25/2023

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00067 DATED JUL 03 2023

TWENTY-THREE PAGES TO FOLLOW

HONAKER
LAW
OFFICE

Brittany Hayes Koenig
(859) 368-8803
brittany@hloky.com

June 5, 2023

***Via Electronic Filing**

Ms. Linda C. Bridwell, P.E.
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: Revised Tariff filed via Electronic Tariff Filing System pursuant to Commission Order of April 10, 2023 in the *Electronic Application for Revised Quarterly Gas Cost Recovery Schedules of Kentucky Frontier Gas, LLC* - Case No. 2023-00067

Dear Ms. Bridwell:

Enclosed, please find for filing, Kentucky Frontier Gas, LLC's proposed revisions to its tariff, as well as the customer notice and verification of same pursuant to the deviations and terms of the Commission's Order of April 10, 2023 in the above-styled case. Notice of this filing has also been filed in the investigation opened by the Commission in the above-styled case, along with supporting testimony.

This is to certify that the electronic filing has been transmitted to the Commission on June 5, 2023 and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means. Pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085 no paper copies of this filing will be made.

Please do not hesitate to contact me with any questions or concerns.

Sincerely,

Brittany H. Koenig

Brittany Hayes Koenig

Enclosure

VERIFICATION PURSUANT TO 807 KAR 5:011

The undersigned, Michelle Robinson, first being duly sworn, deposes and says that she is the Office Leader for Kentucky Frontier Gas, LLC that she was responsible for mailing, first class mail, the notice of the proposed rate/tariff change to Kentucky Frontier Gas, LLC customers. The notice was mailed on May 24, 2023 to its customers. The notice contained the information required by 807 KAR 5:011. A sample copy of the notice is attached to this Verification.

Michelle Robinson
MICHELLE ROBINSON

STATE OF KENTUCKY)
)
COUNTY OF FLOYD)

Subscribed, sworn and acknowledged to before me by Michelle Robinson this 1 day of June, 2023.

Gina Rae Robinson
NOTARY PUBLIC, STATE AT LARGE

MY COMMISSION EXPIRES: 11-19-26

#094299

"OFFICIAL SEAL"
GINA RAE ROBINSON
Notary Public
State at Large, Kentucky

NOTICE OF KENTUCKY FRONTIER GAS, LLC TO REVISE ITS TARIFF
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

Pursuant to the Public Service Commission's ("PSC") regulation 807 KAR 5:011, Kentucky Frontier Gas, LLC ("Frontier") gives notice that a tariff filing will be made with the PSC on or after June 1, 2023 to propose a revised gas cost recovery ("GCR") formula and a revised 7.5 percent limiter from the current 5 percent limiter on lost and unaccounted for gas volume. This is the subject of Case No. 2023-00067*, Electronic Application for Revised Quarterly Gas Cost Recovery Schedules for Kentucky Frontier Gas, LLC.* The change in GCR formula will go into effect July 1, 2023, or sooner if approved by the PSC. The revised formula as proposed consists of changing the formula to **GCR= Expected Gas Cost ("EGC") + Balancing Adjustment ("BA") or GCR= EGC + BA** from the current formula set out in the tariff as GCR = EGC + RA ("Refund Adjustment") + AA ("Actual Adjustment") + BA. The Gas Balancing Account ("GBA") is a running balance and will be updated first using the actual gas purchases and sales. The GBA will show the actual balance of the gas cost account, and combine the amounts previously figured through the RA + AA + BA calculation into one quarterly adjustment. The GBA spreadsheet will be filed with each quarterly GCR filing to show the monthly gas purchase costs and the gas cost recoveries. The over/under recoveries are the monthly difference between gas costs recovered from sales, compared with the purchased gas costs. The monthly over/under recoveries are added to the running, cumulative balance in the GBA spreadsheet. Next, the quarterly BA will be calculated by dividing the ending GBA balance by the expected Sales volume over the next twelve-month period. The BA is calculated to amortize to zero the running balance of the GBA over the next twelve months of sales. The supplier RA will be accounted for in the new GBA, as any refunds received from suppliers during the reporting period, plus interest. The former AA is incorporated into the new BA. The combined, single BA adjustment each quarter will more quickly respond to price volatility to ensure that the GBA balance will remain within reasonable variations. Frontier is also updating its calendar quarters in its tariff and changing the reference units from MCF to CCF to be consistent with its customer bills.

*Not actual rates-example to show how the revised formula would have adjusted an average of rates from Jan. 31, 2022-Jan. 31, 2023.

Customer Class	Calculated Using Current GCR Formula $/CCF	Calculated Using Proposed Revised GCR Formula $/CCF	Difference in Rates Shown in $0.00 $/CCF	Difference in Rates Shown in %
Frontier Res/ Sm Commercial	$0.9414	$1.0271	$0.0857	9%
Frontier Lg Com	$0.8639	$.9496	$0.0857	10%
Daysboro Resid	$0.9694	$1.0551	$0.0857	9%
Daysboro Comm	$1.3764	$1.4621	$0.0857	6%

The Public Service Commission has requested that Frontier provide an example of how the proposed revised GCR Formula would apply to an average of rates of customers over a 12-month period ending January 31, 2023, comparing the average rates applying the current GCR Formula and the average rates applying the proposed GCR Formula by Frontier, but the Commission may order rates to be charged that differ from the proposed rates contained in this notice. There are many factors that affected the rates during those twelve months that may have skewed the representative figures above including the volatility of the gas market and actions taken by Frontier to adjust to that volatility. The main change in the proposed Revised GCR Formula is that it will allow a quicker response to variation in the GCR. The revised GCR formula will allow Frontier to maintain a running balance that will be part of the quarterly filings in the public record, and this will track any over/under recoveries in the difference between gas costs recovered with a reduced amount of lag time between the actual over/under recovery and the adjustment to true-up that difference between gas costs recovered from Sales, compared with the Purchased Gas Costs. Additionally, the Public Service Commission imposed a 5 percent limiter on lost and unaccounted for gas volume that is not in the Frontier tariff. Frontier has replaced many older lines of its system, but still maintains several systems in need of upgrades. Because of the condition of the Frontier system, and the very low rural density of meters and volume sales per mile of pipe compared with other Kentucky utilities, Frontier requests the Public Service Commission grant it a 7.5 percent limiter to allow it greater ability to upgrade the condition of its older lines. The table above is representative of the revised GCR formula applied to an average of rates from last year, however, it does not represent the actual charges that will be applied through the GCR quarterly filing.

Any corporation, association, or person may within thirty (30) days after the date of mailing this notice of the proposed rate change, submit a written request to intervene to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request and including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of the initial publication or mailing of the notice, the commission may take final action on the tariff filing. Written comments regarding this tariff filing may be submitted to the Public Service Commission through its web site at http://psc.ky.gov/ or mailed to the Public Service Commission at 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602. Copies of Frontier's tariff filing may be obtained or viewed at no charge from Frontier at 2963 Ky Route 321 North, Prestonsburg, KY 41653. The tariff filing and all documents filed with the Public Service Commission may be viewed at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday from 8:00 a.m. to 4:30 p.m. or downloaded at the Public Service Commission's website at http://psc.ky.gov/.

V. PURCHASED GAS COST ADJUSTMENT (Non-farm tap rates)

A. PROCEDURE

The Company shall file a Quarterly Report with the Commission which shall contain an updated Gas Cost Recovery Rate (GCR) and shall be filed at least thirty (30) days prior to the beginning of each calendar quarter. The GCR shall become effective for billing with the final meter readings of the first billing cycle of each calendar quarter.

The gas cost recovery rates are comprised of:

EGC - the Expected Gas Cost component, on a dollar per MCF CCF basis, which represents the average expected cost of gas supplies and may include fixed price, forward price and indexed price purchases. The purchases are reduced by any amounts injected into underground storage. The EGC includes withdrawals from underground storage at the average unit cost of working gas. The EGC includes the uncollectible gas costs portion of bad debt. In an effort to mitigate price volatility, the Company may contract with gas suppliers at fixed prices, at locked-in prices for gas to be delivered at future dates (forward price) and at index-based prices. These efforts can include the monthly or periodic layering of forward purchase volumes to help moderate the volatility of gas prices. The Company may consider published futures prices as well as price trends and price expectations at the time such decisions are made. Depending upon the circumstances, this volume can be up to the annual projected system requirements including storage needs. T

GBA - The Gas Balancing Account ("GBA") is a running balance and will be updated first using the actual gas purchases and sales. The GBA will show the actual balance of the gas cost account, and combine the amounts previously figured through the RA + AA + BA calculation into one quarterly adjustment. The GBA spreadsheet will be filed with each quarterly GCR filing to show the monthly gas purchase costs and the gas cost recoveries. The over/under recoveries are the monthly difference between gas costs recovered from sales, compared with the purchased gas costs. The monthly over/under recoveries are added to the running, cumulative balance in the GBA spreadsheet. T T T T T T T T

DATE OF ISSUE DATE June 5, 2023
EFFECTIVE July 5, 2023
ISSUED BY*/s/ Steve Shute*

Issued by Authority of an Order of the
Public Service Commission of KY
in Case No. 2023-00067 dated April 10, 2023

BA - The Balancing Adjustment ("BA"), on a dollar per CCF basis, which compensates for any under or over collections which have occurred as a result of prior adjustments. BA will be calculated by dividing the ending GBA balance by the expected Sales volume over the next twelve-month period. The BA is calculated to amortize to zero the running balance of the GBA over the next twelve months of sales.

RA - The supplier Refund Adjustment, on a dollar per CCF basis, which reflects refunds received from suppliers during the reporting period, plus interest at the average 90-day commercial paper rate for the calendar quarter. The supplier RA will be accounted for in the new GBA, as any refunds received from suppliers during the reporting period, plus interest. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.

AA - The Actual Adjustment, on a dollar per CCF basis, compensates for the difference between the previous quarter's expected gas cost and the actual cost of gas during that quarter. The former AA is incorporated into the BA. The combined, single BA adjustment each quarter will more quickly respond to price volatility to ensure that the GBA balance will remain within reasonable variations.

B. BILLING CALCULATION

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following:

GCR= Expected Gas Cost ("EGC") + Balancing Adjustment ("BA") or GCR= EGC + BA ~~**GCR= EGC + RA+AA+BA**~~

C. DEFINITIONS

"Average Expected Cost" means the cost of gas supplies, for injections/withdrawals into storage and the uncollectible gas costs portion of bad debt. Cost of gas supplies include associated transportation and storage charges, and propane which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes during the twelve-month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.

"GCR" means the quarterly updated gas cost recovery rate applicable to the monthly consumption of customers (sum of the expected gas cost component plus the balancing adjustment; i.e., **GCR= EGC + BA**). T

"Calendar Quarters" means each of the four three-month periods of (1) ~~August, September and October~~ January, February and March; (2) ~~November, December and January~~ April, May and June; (3) ~~February, March, and April~~ July, August and September; and (4) ~~May, June, and July~~ October, November and December. T T T

"Reporting Period" means the three (3**)** month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas recovery rates; i.e., the calendar quarter preceding that during which the most recent Quarterly Report was filed.

"Loss and Unaccounted for Gas Limiter" means that the Public Service Commission imposes a 7.5 percent limiter on the amount of lost and unaccounted for gas volume that can be included in rates. This is shown on Schedule IV on the GCR quarterly filing as it is applied to the actual monthly sales in the calculation of the Balancing Adjustment. T I T T

DATE OF ISSUE DATE **June 5, 2023**
EFFECTIVE **July 5, 2023**
ISSUED BY ***/s/ Steve Shute***

Issued by Authority of an Order of the
Public Service Commission of KY
in Case No. 2023-00067 dated April 10, 2023

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The gas cost recovery rates are comprised of:

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GBA - The Gas Balancing Account ("GBA") is a running balance and will be updated first using the actual gas purchases and sales. The GBA will show the actual balance of the gas cost account, and combine the amounts previously figured through the RA + AA + BA calculation into one quarterly adjustment. The GBA spreadsheet will be filed with each quarterly GCR filing to show the monthly gas purchase costs and the gas cost recoveries. The over/under recoveries are the monthly difference between gas costs recovered from sales, compared with the purchased gas costs. The monthly over/under recoveries are added to the running, cumulative balance in the GBA spreadsheet. T T T T T T T T

BA - The Balancing Adjustment ("BA"), on a dollar per CCF basis, which compensates for any under or over collections which have occurred as a result of prior adjustments. BA will be calculated by dividing the ending GBA balance by the expected Sales volume over the next twelve-month period. The BA is calculated to amortize to zero the running balance of the GBA over the next twelve months of sales. T T T T

RA - The supplier Refund Adjustment, on a dollar per CCF basis, which reflects refunds received from suppliers during the reporting period, plus interest at the average 90-day commercial paper rate for the calendar quarter. The supplier RA will be accounted for in the new GBA, as any refunds received from suppliers during the reporting period, plus interest. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth. T T T T T T T

AA - The Actual Adjustment, on a dollar per CCF basis, compensates for the difference between the previous quarter's expected gas cost and the actual cost of gas during that quarter. The former AA is incorporated into the BA. The combined, single BA adjustment each quarter will more quickly respond to price volatility to ensure that the GBA balance will remain within reasonable variations. T T T T T

B. BILLING CALCULATION

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"GCR" means the quarterly updated gas cost recovery rate applicable to the monthly consumption
of customers (sum of the expected gas cost component plus the balancing adjustment; i.e., **GCR=** T
EGC + BA).

"Calendar Quarters" means each of the four three-month periods of (1) January, February and T
March; (2) April, May and June; (3) July, August and September; and (4) October, November and T
December. T

"Reporting Period" means the three (3**)** month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas recovery rates; i.e., the calendar quarter preceding that during which the most recent Quarterly Report was filed.

"Loss and Unaccounted for Gas Limiter" means that the Public Service Commission imposes a T
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DATE OF ISSUE June 5, 2023
DATE EFFECTIVE July 5, 2023
ISSUED BY ***/s/ Steve Shute***

Issued by Authority of an Order of the
Public Service Commission of KY
in Case No. 2023-00067 dated April 10, 2023

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	)	

DIRECT TESTIMONY OF STEVEN SHUTE
ON BEHALF OF KENTUCKY FRONTIER GAS, LLC

June 5, 2023

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	)	

VERIFICATION OF STEVEN SHUTE

COMMONWEALTH OF ~~KENTUCKY~~ GARFIELD)
)
COUNTY OF ~~FLOYD~~ COLORADO)

Steven Shute, Sole Member of Kentucky Frontier Gas, LLC, being duly sworn, states that he has supervised the preparation of his Direct Testimony in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Steven Shute

The foregoing Verification was signed, acknowledged and sworn to before me this 1st day of June, 2023, by Steven Shute.

Notary Commission No. ______________________

Commission expiration: ______________________

ELZBIETA JASZCZAK
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20224002317
MY COMMISSION EXPIRES 01/18/2026

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. Steven Shute, 2963 Kentucky Route 321 North in Prestonsburg KY 41653. I am a natural gas utility and pipeline engineer and run several rural gas utilities. I reside in Colorado.

Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I earned a Bachelor of Science in Electrical Engineering from Kansas State University and am registered as a Professional Engineer in Colorado and Utah. I've worked as a natural gas engineer and manager or executive for more than 40 years, with Conoco Pipeline then a multi-state gas utility before forming my own organization in 1991. I am founder and owner of Pinedale Natural Gas in Wyoming and partner in several others, with about 10,000 meters from Kentucky to California.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR DUTIES AT KENTUCKY FRONTIER.

A. I was one of 3 co-founders of Frontier in 2005. The other 2 partners have retired, and I am now sole member and owner. I serve as Managing Member of Frontier with oversight over all financial and operational and occupational matters.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. Yes. Frontier has put together a dozen small gas utilities to form a single brand with about 5500 customers. Frontier filed its initial purchase Case 2005-00348 and finance Case 2008-00394 to join several struggling gas utilities in Eastern Kentucky. Frontier acquired Auxier Gas with Case 2009-00442 and various assets from Interstate Gas in Case 2010-00076, then consolidated rates among all Frontier utilities in Case 2011-00443. Separate Farm Tap rates were set in Case No. 2011-00513 for farm taps acquired in the initial purchases. Frontier acquired the assets of Public Gas in Case 2015-00299, then again consolidated rates among all Frontier entities in Case 2017-00263. In each of these cases, I was the LLC member most familiar with utility & rate regulation, and prepared or approved most of the filing documentation, exhibits and testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to explain and provide verified support for Kentucky Frontier's proposal for a revised calculation of the Balancing Adjustment ("BA") component of the Gas Cost Recovery ("GCR") that Frontier files quarterly with the Commission. The revised calculation will include an *actual* balance of the account with the intent of tracking gas costs more accurately than the previous process. The timing of the revised process will alert the utility, the customers and the Commission to variances sooner, allowing the utility to adjust to possible variances before the accounts get to an extreme imbalance.

As set forth in Kentucky Frontier's current tariff the GCR formula is:

GCR = Expected Gas Cost ("EGC") + Refund Adjustment ("RA") + Actual Adjustment ("AA") + BA or GCR=EGC + RA+AA+BA

Kentucky Frontier is now proposing a change to the gas cost recovery rate specifically defined in tariff sheets 29 and 30 of its filed tariff pursuant the Commission's Order of April 10, 2023 in this matter. The proposed revised formula is:

GCR=EGC + BA

The revision to the tariff also includes the addition of a Gas Balancing Account ("GBA") Spreadsheet to be included in the quarterly filing. The definition of the GBA is set out as a running balance and will be updated first using the actual gas purchases and sales. The GBA will show the actual balance of the gas cost account, and combine the amounts previously figured through the RA + AA + BA calculation into one quarterly adjustment. The GBA spreadsheet will be filed with each quarterly GCR filing to show the monthly gas purchase costs and the gas cost recoveries. The over/under recoveries are the monthly difference between gas costs recovered from sales, compared with the purchased gas costs. The monthly over/under recoveries are added to the running, cumulative balance in the GBA spreadsheet. The Balancing Adjustment ("BA"), on a dollar per CCF basis, which compensates for any under or over collections which have occurred as a result of prior adjustments. BA will be calculated by dividing the ending GBA balance by the expected Sales volume over the next twelve-month period. The BA is calculated to amortize to zero the running balance of the GBA over the next twelve months of sales. The BA will now include the supplier RA and the AA, on a dollar per CCF basis, which reflects refunds received from suppliers during the reporting period, plus interest at the average 90-day commercial paper rate for the calendar quarter. The supplier RA will be accounted for in the new GBA, as any refunds received from suppliers during the reporting period, plus interest. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth. The former AA, on a dollar per CCF basis, compensates for the difference between the previous quarter's expected gas cost and the actual cost of gas during that quarter. The former AA is incorporated into the BA. The combined, single BA adjustment each quarter will more quickly respond to price volatility to ensure that the GBA balance will remain within reasonable variations.

Q. EXPLAIN HOW THE ADDITION OF THE GAS BALANCING ACCOUNT TO THE QUARTERLY FILINGS WILL IMPROVE GCR FILINGS?

A. The proposed tariff revision includes a revised definition of the Balancing Adjustment, which now includes the former Refund Adjustment and Actual Adjustment. Kentucky Frontier is proposing that the BA element of the GCR formula be calculated using the actual balance of the gas balancing account. Any BA will be a single adjustment figure and will still add any AA from the last quarter and all previous quarters. This method is simpler and provides more relevant information for the customers, the Commission, and the utility. The proposal is adding the actual balance of the gas balancing account to the quarterly filings and the operation of adding this information to the calculation of the BA will provide the average customer with more information in Kentucky Frontier's quarterly GCR reports filed in the public record.

Q IN YOUR OPINION AS A PROFESSIONAL ENGINEER, MANAGER AND EXECUTIVE WITH 40 YEARS OF EXPERIENCE, IS THE PROPOSED REVISION TO THE CALCULATION OF THE GCR FAIR, JUST AND REASONABLE and WHY?

A. Yes, because the proposed GCR calculation using a Gas Balancing Account is more like a bank account. The current system is like a bank account that receives deposits and withdraws and does not allow the account holder to see the balance. The proposed GCR calculation using the GBA will show the deposits of customer payments factored against checks to gas suppliers, and a continuous easy-to-check balance. The single Balance Adjustment will amortize this quarter's balance over one year. This simpler calculation, repeated each quarter, will continue to true-up the estimated gas costs that are a part of the GCR process and will provide more information to the utility, customers and Commission with a more simple and straight-forward process.

Q. ARE THERE ANY OTHER CHANGES TO THE TARIFF PROPOSED IN THIS PROCEEDING?

A. Kentucky Frontier is also proposing a change to the 5 percent limit on gas losses to increase it to 7.5 percent and pursuant to the Commission's April 10, 2023 Order, Frontier is proposing to introducing language to explain the 7.5 percent limit on gas losses in its tariff. Frontier is also proposing a change to the organization of months into quarters to realign the months to a more standard format of calendar quarters ending March, June, September and December. Additionally, Frontier is proposing to change the units in its tariff from MCF to CCF to be consistent with the units used in its billing.

Q. PLEASE GIVE A BACKGROUND OF THE GAS COST RECOVERY ISSUES THAT FORCED KENTUCKY FRONTIER TO SEEK REVISIONS TO ITS GAS COST RECOVERY QUARTERLY FILINGS.

A. In November 2018, the Commission ordered Kentucky Frontier to limit gas cost recovery to 5 percent gas losses. This limit on gas losses has not been contained in Kentucky Frontier's tariff previously, and therefore, the proposed tariff revision would add language to explain the gas loss limit. Kentucky Frontier proposes a reasonable adjustment to the 5 percent limit on losses to 7.5 percent due to the disproportionate penalty the limit places on Kentucky Frontier. Kentucky Frontier followed the original GCR spreadsheets provided by Commission Staff for each quarterly GCR filing. The limited gas losses pre-penalized Frontier for future L&U on future gas purchases. This handicap slowed the response to rising gas index prices and added to a negative BA. In both November 2021 and February 2022, each the first month of new GCR rates, Kentucky Frontier under-recovered $150-160k in a single month.

This is a huge deficit for Kentucky Frontier as a relatively small utility with annual sales of 400,000 MCF. In each of these months, Kentucky Frontier lost about $0.40 per MCF on an entire ***year*** of sales. Since the imposition of the 5 percent loss limit starting November 2018, the total calculated value of "Excess L&U" was substantial.

Kentucky Frontier has under-recovered gas costs by as much as $700,000. This deficit is significantly more than the return on investment allowed by the Commission. In several quarters with an already-high BA balance, the present GCR calculations imposed a negative AA surcharge, which made this under recovery issue worse.

The Commission imposed limits against Kentucky Frontier passing on the full cost of purchased gas when gas losses are deemed excessive. Lost and unaccounted-for gas or L&U can be an indicator of the condition of a gas system. Kentucky Frontier acknowledges the logic of limiting the effect on consumers, but submits that the limit should be higher, due to the size and condition of the Kentucky Frontier systems.

Kentucky Frontier is a conglomeration of a dozen tiny gas utilities in Eastern Kentucky, now with about 5500 customers. Starting in 2008, Kentucky Frontier acquired several gas systems of dubious operation and shaky financial condition, although most had oversight by the Commission. Most systems had gas losses over 10 percent. One utility was found to have falsified Federal records on gas losses for 20 years or more, when this system often had losses of 30-50 percent. Several had corroded steel pipe or off-spec PE pipe and bad fusion joints. All systems have benefited from Kentucky Frontier's expertise and consistent, uniform operating practices and plans for improvement.

In Case No. 2011-00443, *Application of Kentucky Frontier Gas, LLC for Approval of Consolidation of and Adjustment of Rates, 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*, the general rates of the first acquired utilities were consolidated into a single Kentucky Frontier rate structure. In that case, Kentucky Frontier established its Pipeline Replacement Program (PRP) and Automated Meter Reading program (AMR) to improve systems and reduce gas losses. When the case was finalized in May 2013, Frontier immediately started to replace and upgrade gas measurement, make more extensive leak surveys and replace the leakiest segments of pipeline. In Case No. 2017-00263*, Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment*, the customers of Public Gas were consolidated into Kentucky Frontier general rates and added to the PRP and AMR programs. The PRP surcharge was increased, beginning January 2018. Public Gas added more targets to the metering and pipeline replacement projects.

Through quarterly purchased gas adjustment filings approved by the Commission, Kentucky Frontier passed through the entire cost of purchased gas for about nine years. In Case 2017-00401 for GCR rates effective November 1, 2017, the Commission imposed a new limit on future purchased gas adjustments, reducing purchased gas cost pass-through to no more than 10 percent over Sales volume.

One year later, in Case No. 2018-00334, *Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC,* for rates effective November 1, 2018, the Commission further limited Kentucky Frontier's gas cost recovery by reducing the limit on gas losses to 5 percent over sales volume. The Commission's October 30, 2018 Order stated that "Frontier's amended application for rates effective November 1, 2018 returned to using the *standard* 5 percent L&U limit in the calculation of its EGC rate".

This change was not voluntary. Kentucky Frontier's tariff has no such language for a 5 percent limit. This decision was not supported by any actual L&U history or by Kentucky Frontier achieving a new threshold. Moreover, there is no statute or Commission rule that limits gas cost recovery or that defines a "standard" limit to losses of 5 percent, or any such parameter.

Q IN YOUR OPINION AS A PROFESSIONAL ENGINEER, MANAGER AND EXECUTIVE WITH 40 YEARS OF EXPERIENCE, IS THE PROPOSED REVISION TO THE CALCULATION OF THE GCR FROM A 5% LIMITER TO A 7.5% LIMITER FAIR, JUST AND REASONABLE and WHY?

Yes, because proportionally, Kentucky Frontier is a small gas utility in customer count, compared with the five large local distribution companies ("LDC") in Kentucky. However, Kentucky Frontier has about 5500 customers and is larger than most municipal gas utilities and the small LDCs. As compared with most other gas utilities in Kentucky, Kentucky Frontier serves extremely rural customers. By far, the largest community is Jackson, Kentucky, with about 500 meters. Most Kentucky Frontier customers live in small rural, unincorporated communities, crossroads and clusters.

Kentucky Frontier operates about 360 miles of pipeline to serve 4900 utility customers (the rest are farm taps). Customer density is about 15 meters per mile of pipe. The four large LDCs and others that serve primarily urban-suburban communities will typically serve 50-60 meters per mile of pipe. With similar vintages and conditions of pipe, but only 25-30 percent of the customer density, losses on Kentucky Frontier rural pipelines should be statistically 3-4 times higher than urban systems, based on customer density.

Kentucky Frontier has no large industrial users to dilute the effects of gas losses. The two largest customers are a regional hospital and a prison, each of which has the load of one typical urban school. There is no significant user of process or industrial heat, so nearly the entire Kentucky Frontier load is heat-sensitive. The summer load gets down near 200 Mcf per day, or 1/2000th of annual volume. Any gas loss/leakage/theft of even small volumes can cause 20-30 percent L&U in summer months.

When Kentucky Frontier started, the former Belfry Gas was leaking 30-50 Mcf per day. Kentucky Frontier has replaced pipe in the former Belfry Gas system and with other maintenance has largely reduced the amount of L&U in that system.

However, Frontier is at a disadvantage compared to larger urban systems in this area. The Kentucky metro systems with industrial customers will move 10-20 times higher gas volume per mile of pipe. The same exact leaking section of pipe could generate 7 percent losses on the Frontier system, but less than ½ percent volumetric loss on a large urban system in Kentucky, with much larger sales volume per mile.

Kentucky Frontier to date has collected and spent about $500,000 in its AMR program, to refurbish-test-replace meters and add electronic automated meter reading. The meter program will be close to completion in 2023. The PRP surcharge has raised and invested $1.6M to replace miles of marginal pipeline, to positively odorize all systems to find leaks, and effect several improved technologies to find & fix leaks and un-locatable pipelines. Nearly all Kentucky Frontier pipelines are mapped in the Geographical Information System (“GIS”) database along with many DOT records, to keep better track of operating history. Kentucky Frontier has made steady progress in finding and reducing gas leaks and losses. However, the systems Kentucky Frontier acquired and combined to make the current Kentucky Frontier system were in subpar shape and more work is needed to get the system to a point where Kentucky Frontier could have less than 5 percent L&U. The long rural pipelines, low customer density and low volume usage may make 5 percent losses unachievable.

Q. HAS THE UNDER RECOVERY OF $700,000 BEEN CORRECTED?

A. Yes, but only due to the wild volatility in the gas markets that happened to go the right way for Frontier.

Q. HOW DOES THE DRASTIC SWING IN GAS COST OVER THE LAST 6 MONTHS PUT FRONTIER GAS AT A DISADVANTAGE USING THE STANDARD GCR PROCEDURE?

A. This past winter was a perfect example of why we need a more nimble GCR. The rates for November, December and January as approved in Case No. 2022-00327, were based on calculations made in late September. At the time, the TCO gas index was $8 and had been there all summer, compared with $3 in the same months in 2021 and $1.50 in 2020. Clearly, something was amiss with the gas markets.

Kentucky Frontier had just spent several weeks estimating the actual gas cost balance for the first time, since that was never part of the GCR process. We determined the GBA was at least $600,000 under-recovered, after continually worsening over a 2-year period, with a low of $741,000 short. In the preparation of Case No. 2022-00327, Frontier was focused on correcting the massive under-recovery and making sure not to under-estimate EGC for the winter quarter Nov-Dec-Jan with *half of annual sales* volume.

Then very soon after the GCR filing in late September, came the sudden obliteration of the Eastern US gas markets. October TCO index went under $5, then November to $4. Kentucky Frontier over-recovered nicely in November-December, and we projected going positive in 1Q23 for the first time since November 2020. Frontier proposed to lower the rates with subsequent filings in Case No. 2022-00428 and Case No. 2022-00434 and Case No. 2023-00049 as gas indexes stayed low. The February TCO index was $2.48, which was inconceivable six months earlier.

The proposed rate reductions were rejected by the Commission. For February-March-April, Frontier was stuck with charging the rates from Case No. 2022-00327 based on record high EGC. We now estimate that, after the April billing cycle, the GBA balance is now ***over***-recovered by almost $600,000. This was a $1.3 million swing since September.

While other similar utilities are able to adjust to absorb some of the volatility of the market to stay financially viable, it is inconceivable that over a single heating season, Frontier has swung from $740k Red to $670k Black. The wild swing in cash flow is an intolerable risk for a small company with 5000 families depending on us. We need to be able to react more quickly to changing markets.

Q. WHY IS KENTUCKY FRONTIER WORRIED ABOUT AN OVER RECOVERY?

A. Over-recoveries are expected, but the present method was slow to react and allowed massive swings between under and over. The large AA for last winter's over-recovery will apply during the summer, with low usage and traditionally negative cash flow.

These swings in revenues are difficult for a small utility to manage, made worse by a laggard rate mechanism.

Q. HOW WILL THE PROPOSED CHANGE IN QUARTERLY FILINGS PREVENT AN UNDER RECOVERY OR OVER RECOVERY IN A VOLATILE MARKET?

A. The GBA method won't prevent over- or under-recovery in volatile markets. But keeping and disclosing the actual GBA balance will allow quicker and more accurate rate adjustments. This method will also better inform the Commission, the Company and its customers of the current status of GCR and a better prediction of future rate trends.

Q IN YOUR OPINION AS A PROFESSIONAL ENGINEER, MANAGER AND EXECUTIVE WITH 40 YEARS OF EXPERIENCE, IS THE PROPOSED REVISION TO THE CALCULATION OF THE GCR TO CHANGE THE MONTHS OF THE QUARTERS AND THE UNITS OF REFERENCE TO CCF TO BE CONSISTENT WITH BILLING FAIR, JUST AND REASONABLE and WHY?

A. Yes, because these timing and units changes are administrative and have no impact to the substantive information supplied to the Commission through the GCR.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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