

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT )	CASE NO.
FILING OF KENTUCKY FRONTIER GAS, LLC )	2023-00427

ORDER

On December 29, 2023, Kentucky Frontier Gas, LLC (Kentucky Frontier) filed a proposed quarterly Gas Cost Recovery (GCR) rate report with a proposed effective date of February 1, 2024. On April 30, 2024, the Commission suspended the effective date of the proposed GCR rates for one day until February 2, 2024, pursuant to KRS 278.190(2). Kentucky Frontier filed notice of its intent to place the proposed rates into effect, subject to refund, on and after February 2, 2024.<sup>1</sup> Kentucky Frontier's previous GCR rate was approved in Case No. 2023-00329.<sup>2</sup>

The proposed GCR rate report provided by Kentucky Frontier followed the GCR calculation methodology proposed by Kentucky Frontier in Case No. 2023-00067.<sup>3</sup> Pursuant to KRS 278.190(2), the Commission suspended the effective date of the proposed GCR rates for one day until February 2, 2024, finding that the Commission's final Order in Case No. 2023-00067 would determine the formulaic calculation for

---

<sup>1</sup> Notice of Implementation (filed Feb. 8, 2024).

<sup>2</sup> Case No. 2023-00329, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Oct. 31, 2023).

<sup>3</sup> Case No. 2023-00067, *Electronic Application for Revised Quarterly Gas Cost Recovery Schedules for Kentucky Frontier Gas, LLC* (filed June 5, 2023).

Kentucky Frontier GCR mechanism and, if needed, a refund may be required.<sup>4</sup> As directed in the Commission's March 28, 2024, final order in Case No. 2023-00067, Kentucky Frontier filed a revised GCR rate report following the Commission's preferred GCR methodology,<sup>5</sup> and a Plan of Refund.<sup>6</sup> On May 20, 2024, Kentucky Frontier filed an Amended Plan of Refund after discovering that an incorrect rate was used in its original refund plan.<sup>7</sup> There are no intervenors in this proceeding.

### LEGAL STANDARD

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; 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.<sup>8</sup> The Commission has exclusive jurisdiction over the regulation of rates and service of utilities in Kentucky under KRS 278.040(2). Pursuant to KRS 278.030(1), a utility may demand, collect, and receive fair, just and reasonable rates and, pursuant to KRS 278.030(2), that the service rendered and conditions under which service is to be

---

<sup>4</sup> Order to Suspend (Ky. PSC Jan. 30, 2024).

<sup>5</sup> Revised GCR Rate Report (filed May 7, 2024).

<sup>6</sup> Notice of Refund Plan (filed Apr. 26, 2024).

<sup>7</sup> Amended Refund Plan (filed May 20, 2024) at 2.

<sup>8</sup> KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

rendered by the utility must be adequate, efficient and reasonable. The Commission, like a court, acts and speaks only through its written orders and the representations of Commission Staff members are not binding upon the Commission.<sup>9</sup>

### BACKGROUND

In Case No. 2023-00067, Kentucky Frontier filed a revised proposed GCR tariff changing the formulaic methodology of its GCR rate. The Commission's July 3, 2023 Order suspended the proposed tariff up to and including December 5, 2023.<sup>10</sup> On December 28, 2023, Kentucky Frontier filed its notice of intent to place its proposed tariff into effect.<sup>11</sup> On December 29, 2023, Kentucky Frontier filed a proposed quarterly GCR rate report following the same GCR methodology as proposed in Case No. 2023-00067 with a proposed effective date of February 1, 2024.<sup>12</sup> The Commission suspended the effective date of the proposed GCR rates for one day until February 2, 2024.<sup>13</sup> In a letter filed on February 8, 2024, Kentucky Frontier notified the Commission of its intention to place its proposed GCR rate into effect, subject to refund, pursuant to KRS 278.190(2)<sup>14</sup>.

By the Commission's March 28, 2024 final Order in Case No. 2023-00067, Kentucky Frontier's proposed changes to the GCR mechanism were denied; the Commission noted that the current mechanism has worked as intended and Kentucky

---

<sup>9</sup> KRS 278.370; *Union Light, Heat & Power Co. v. Public Serv. Comm'n*, 271 S.W.2d 361, 365 (Ky. App. 1954).

<sup>10</sup> Case No. 2023-00067, July 3, 2023 Order, ordering paragraph 2.

<sup>11</sup> Case No. 2023-00067, Dec. 28, 2023 Notice to Put Rates/Tariff into Effect.

<sup>12</sup> GCR Rate Report (filed Dec. 29, 2023).

<sup>13</sup> Order (Ky. PSC Jan. 30, 2024).

<sup>14</sup> Notice of Implementation.

Frontier's proposal does not support that its proposed mechanism was better than the current mechanism.<sup>15</sup> Kentucky Frontier was ordered to provide the Commission with the quarterly GCR rate report in Case No. 2023-00427 using the Commission approved GCR rate report mechanism discussed in the Case No. 2023-00067 final Order and a statement describing how Kentucky Frontier intended to refund or collect any over- or under-collections resulting from it placing the suspended GCR rates of Case No. 2023-00427 into effect, subject to refund, on and after February 2, 2024. Kentucky Frontier did not fully comply<sup>16</sup> and instead filed a motion pursuant to KRS 278.400 for rehearing/clarification in Case No. 2023-00067.<sup>17</sup> On May 6, 2024, the Commission denied the motion and reiterated that Kentucky Frontier was to comply with the final Order in Case No. 2023-00067 as it relates to Case No. 2023-00427.<sup>18</sup> Kentucky Frontier filed a revised GCR rate report following the Commission's preferred GCR methodology and an amended plan of refund.

Pursuant to its Purchased Gas Cost Adjustment Tariff,<sup>19</sup> Kentucky Frontier continued to file its quarterly GCR rate reports with the Commission with at least 30 days'

---

<sup>15</sup> Case No. 2023-00067, Mar. 28, 2024 final Order.

<sup>16</sup> Case No. 2023-00067, Mar. 28, 2024 final Order, ordering paragraphs 4 and 5. The Commission directed Kentucky Frontier that "within 20 days of the date of service of the Order (no later than April 17, 2024), Kentucky Frontier shall refile the quarterly GCR rate report in Case No. 2023-00427 using the Commission approved GCR rate report mechanism; and within 30 days of the date of service of the Order (no later than April 27, 2024), Kentucky Frontier shall file in Case No. 2023-00427, a statement describing how Kentucky Frontier intends to refund or collect any over/under-collection resulting from placing into effect, subject to refund, the suspended GCR rates of Case No. 2023-00427 on and after February 2, 2024."

<sup>17</sup> Case No. 2023-00067, Apr. 17, 2024 Motion for Rehearing/Clarification.

<sup>18</sup> Case No. 2023-00067, May 6, 2024 Order at 12-13, and ordering paragraph 3.

<sup>19</sup> Kentucky Frontier's Tariff, PSC No. 3, Sheet Original No. 29; and Sheet Original No. 30; and Sheet First Revised No. 31.

notice prior to the beginning of each established calendar quarter.<sup>20</sup> Case Nos. 2024-00081<sup>21</sup> and 2024-00210<sup>22</sup> were suspended for a day, subject to refund, depending on the Commission's decision in this case.

#### PLAN OF REFUND

Kentucky Frontier filed an amended refund plan which calculated the over collection related to the proposed GCR rate report in this proceeding using the proposed GCR rate report methodology from Case No. 2023-00067. In its calculation, Kentucky Frontier took the rate that was put into effect subject to refund of \$5.7314 per Mcf and subtracted the GCR rate of \$3.0385 per Mcf using the Commission's preferred GCR methodology based on the sales of 93,272 Mcf that occurred for the period subject to refund. An adjustment was made to bills in April 2024, which reduced the total refund amount by \$23,255. On May 20, 2024, Kentucky Frontier filed an amended proposal, correcting an error in the original plan and requesting that the credit be applied via a low lump sum method over the summer months with a higher lump sum credit in the winter months.<sup>23</sup> In total, Kentucky Frontier would credit 2,250 customers by November 2024.<sup>24</sup> Then, following that period, all remaining amounts owed would be applied via a \$0.50 per

---

<sup>20</sup> Kentucky Frontier's Purchased Gas Cost Adjustment Tariff sets forth the calendar quarters 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.

<sup>21</sup> Case No. 2024-00081, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC Apr. 30, 2024), Order.

<sup>22</sup> Case No. 2024-00210, *Electronic Purchased Gas Adjustment Filing of Kentucky Frontier Gas, LLC* (Ky. PSC July 31, 2024), Order.

<sup>23</sup> Amended Refund Plan (filed. May 20, 2024), at 2-3.

<sup>24</sup> Amended Refund Plan at 2-3.

Mcf credit until full refund is achieved.<sup>25</sup> The Commission finds that Kentucky Frontier's plan to credit the over collection of the GCR rate billed for service rendered on and after February 2, 2024, is reasonable. Kentucky Frontier should file, as supplemental information in its next GCR rate report filing, an update to Kentucky Frontier's amended refund plan process and the estimated completion date. Once the amount over collected has been fully refunded, Kentucky Frontier should notify the Commission in this case proceeding, by letter, of its completion.

### DISCUSSION

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that Kentucky Frontier's report includes revised rates designed to meet its expected change in wholesale gas costs. Kentucky Frontier's report sets out an Expected Gas Cost (EGC) of \$6.4702 per Mcf, which is an increase of \$0.2108 per Mcf from its previous EGC of \$6.2594 per Mcf. Kentucky Frontier's report sets out no Refund Adjustment. Kentucky Frontier's report sets out a current quarter AA of (\$0.2049) per Mcf. Kentucky Frontier's total AA is (\$3.4664) per Mcf, which is a decrease of \$0.2049 per Mcf from the previous total AA of (\$3.2615) per Mcf. Kentucky Frontier's report sets out a current quarter BA of \$0.0237 per Mcf. Kentucky Frontier's total BA is \$0.0347 per Mcf, which is an increase of \$0.0237 per Mcf from the previous total BA of \$0.0110 per Mcf.

Based upon the calculations of the GCR rate discussed above, the Commission finds that Kentucky Frontier's proposed revised GCR rate is \$0.30385 per 100 cubic feet, or \$3.0385 per Mcf, which is an increase of \$0.0296 per Mcf from the previous GCR of

---

<sup>25</sup> Amended Refund Plan at 2-3.

\$3.0089 per Mcf. Kentucky Frontier notified the Commission of its intention to place its proposed revised GCR rate into effect, subject to refund, pursuant to KRS 278.190(2), beginning on and after February 2, 2024.<sup>26</sup>

On April 1, 2024, Kentucky Frontier filed its next quarterly GCR rate report for rates effective May 1, 2024, in Case No. 2024-00081.<sup>27</sup> The Commission issued an Order in that proceeding suspending the rates for one day, up to and including May 2, 2024, subject to refund, depending on the Commission's decision in this case.<sup>28</sup> The Commission finds that the proposed revised GCR rate and its components, as established in this proceeding, have been charged to Kentucky Frontier customers for the period of February 2, 2024, through May 2, 2024. Therefore, the Commission finds, without additional inquiry, that the GCR rate as filed in the revised GCR rate report facially appears to be correctly calculated based on the information provided, and follows the Commission's preferred GCR methodology, thus does not require the issuance of a refund or recredit for the period the rate was in effect pursuant to KRS 278.190.

The Commission finds that for the purpose of transparency and to maintain a record of information for future use, Kentucky Frontier shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Kentucky Frontier purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

---

<sup>26</sup> Notice of Implementation.

<sup>27</sup> Case No. 2024-00081, Apr. 1, 2024 GCR Rate Report.

<sup>28</sup> Case No. 2024-00081, Apr. 30, 2024 Order.

IT IS THEREFORE ORDERED that:

1. The component charges and credits applied by Kentucky Frontier, through its GCR mechanism, as proposed in the revised GCR rate report, beginning on and after February 2, 2024, through May 2, 2024, are approved.

2. The GCR rate placed into effect subject to refund pursuant to KRS 278.190(2) beginning on and after February 2, 2024, through May 2, 2024, does not require the issuance of a refund or recredit for the period the rate was placed into effect.

3. The amended refund plan as proposed by Kentucky Frontier is approved.

4. Kentucky Frontier shall file as supplemental information, in its next GCR rate report filing, providing the Commission with an update to Kentucky Frontier's amended refund plan process and the estimated completion date.

5. Once the amount over collected has been fully refunded, Kentucky Frontier shall notify the Commission in this case proceeding by letter of its completion.

6. Kentucky Frontier shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.

7. Should Kentucky Frontier purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports then the supplier, cost, and amount shall be documented in its cover letter to the Commission.

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

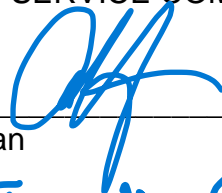


pursuant to this Order and effective on and after the February 2, 2024, through May 2, 2024.

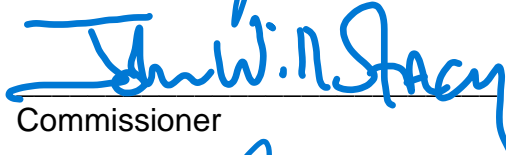
9. This case is closed and removed from the Commission's docket.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_

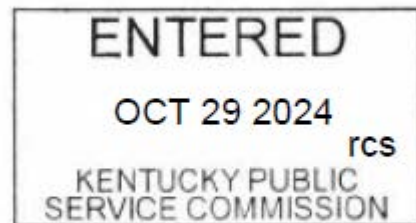
Chairman

  
\_\_\_\_\_

Commissioner

  
\_\_\_\_\_

Commissioner



ATTEST:

  
\_\_\_\_\_  
Executive Director

\*L. Allyson Honaker  
Honaker Law Office, PLLC  
1795 Alysheba Way  
Suite 1203  
Lexington, KENTUCKY 40509

\*Brittany H. Koenig  
Honaker Law Office, PLLC  
1795 Alysheba Way  
Suite 1203  
Lexington, KENTUCKY 40509

\*Dennis R Horner  
Kentucky Frontier Gas, LLC  
2963 Ky Rte 321 North  
PO Box 408  
Prestonsburg, KY 41653

\*Kentucky Frontier Gas, LLC  
2963 Ky Rte 321 North  
PO Box 408  
Prestonsburg, KY 41653