



March 30, 2015

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

MAR 31 2015

PUBLIC SERVICE
COMMISSION

Re: Gas Cost Adjustment
Kentucky Frontier Gas, LLC

Dear Mr. Derouen:

On behalf of Kentucky Frontier Gas, LLC, we are filing a unified GCA application pursuant to the Commission's order of April 30, 2013 in Case No. 2011-00443. Please see attached Expected Gas Cost for the combined systems.

Frontier is making progress in reducing system wide L&U as noted in the attached GCRR application for the period effective May 1, 2015. Frontier's L&U has improved from 20% to 15% ending January 2015. Frontier will continue to identify and prioritize areas to be addressed in the upcoming warm weather months for pipe replacement, illicit connections and meter upgrades. Belfry and Phelps continue to be major sources of L&U and therefore high priority areas for pipe replacement in the upcoming construction season. Frontier estimates that L&U could be between 10% and 5% by this time next year and in the following year could be 5% or less.

In consideration of the on-going negative financial impacts of the above, Frontier request an extension of the deviation from its PGA tariff in passing through line losses greater than 5 percent granted in Case No. 2014-00477. The attached EGC and AA calculations did not use a limiter and the BA is calculated to recover amounts formerly returned to customers due to using the limiter. The Commission's consideration of this request is very much appreciated.

If you have any questions, please call me at 303-422-3400.

Sincerely,
KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner
Enclosures

KFG UNIFIED GAS COST RECOVERY RATE

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf \$	5.4594
+ Refund Adjustment (RA)	\$/Mcf \$	-
+ Actual Adjustment (AA)	\$/Mcf \$	0.1865
+ Balance Adjustment (BA)	\$/Mcf \$	0.1711
= Gas Cost Recovery Rate (GCR)		5.8170

GCR to be effective for service rendered from: May 1, 2015

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$ \$	1,651,047
/	Sales for the 12 months ended <u>January 31, 2015</u>	Mcf	302,422
=	Expected Gas Cost (EGC)	\$/Mcf \$	5.4594

B	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)	\$	-
+	Previous Quarter Supplier Refund Adjustment	\$/Mcf \$	-
+	Second Previous Quarter Supplier Refund Adjustment	\$/Mcf \$	-
+	Third Previous Quarter Supplier Refund Adjustment	\$/Mcf \$	-
=	Refund Adjustment (RA)	\$/Mcf \$	-

C	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Current Reporting Period (Sch. IV)	\$/Mcf \$	(0.5936) expires 4/30/2016
	Actual Adjustment for the Previous Reporting Period	\$/Mcf \$	0.0141 expires 1/31/2016
+	Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.0918 expires 10/31/2015
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.2354 expires 7/31/2015
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf \$	0.4388 expires 5/31/2015
=	Actual Adjustment (AA)	\$/Mcf \$	0.1865

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf \$	0.1542 expires 4/30/2016
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf \$	0.0169 expires 1/31/2016
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf \$	-
=	Balance Adjustment (BA)	\$/Mcf \$	0.1711

Kentucky Frontler Gas, LLC - Unified

SCHEDULE II

EXPECTED GAS COST

MCF Purchases for 12 months ended:

January 31, 2015

Supplier	NO LIMITER Dth	Btu Factor	Mcf	Rate	(4) x (5) Cost
AEI-KAARS		N/A	1,430	\$ 3.1000	\$ 4,433
** Chattaco		1.0916	4,416	\$ 4.3664	\$ 19,282
Cheseapeake		N/A	1,219	\$ 5.1500	\$ 6,278
Columbia (Goble Roberts, Peoples)		N/A	14,984	\$ 8.0126	\$ 120,061
Cumberland Valley (Auxier)		1.1989	98,157	\$ 3.7111	\$ 364,268
Cumberland Valley (Sigma) includes \$1.25/Mcf DLR trans		1.1989	21,067	\$ 4.9611	\$ 104,515
EQT (EQU,MLG,Price)		1.2675	79,539	\$ 5.7456	\$ 456,997
Gray		1.0595	12,389	\$ 4.7678	\$ 59,068
** HI-Energy		0.9953	6,954	\$ 3.9812	\$ 27,685
** HTC		1.1079	1,621	\$ 4.4316	\$ 7,184
** Interstate NG (Sigma) rate includes \$1.25/Mcf DLR trans		1.2499	282	\$ 6.2496	\$ 1,762
Jefferson (Sigma) rate includes \$1.25/Mcf DLR trans		1.1404	13,313	\$ 6.1293	\$ 81,600
Magnum Drilling, Inc.		N/A	3,372	\$ 10.5000	\$ 35,406
Nytis (Auxier)		1.0962	4,498	\$ 2.4367	\$ 10,960
Nytis (Sigma) includes \$1.25/Mcf DLR trans		1.0962	13,772	\$ 3.6867	\$ 50,774
** Plateau		1.1200	1,683	\$ 4.4800	\$ 7,540
Quality (Belfry)		1.2000	62,784	\$ 3.4543	\$ 216,876
* Slone Energy		1.1870	10,441	\$ 5.3415	\$ 55,771
** Spirit		1.1178	2,141	\$ 4.4712	\$ 9,573
** Tackett & Sons Drilling		1.0790	2,552	\$ 4.3160	\$ 11,014
Totals			356,614	\$ 4.6298	\$ 1,651,047

Line loss 12 months ended: and sales of	<u>Jan-15</u> <u>302,422</u>	based on purchases of Mcf.	<u>15%</u>	<u>356,614</u>	Mcf
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	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)	\$	\$ 1,651,047
/ Mcf Purchases (4)	Mcf	356,614
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.6298
x Allowable Mcf Purchases (w/o 5% Limiter)	Mcf	356,614
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 1,651,047

Estimated Avg Tco for Feb, Mar, Apr = \$2.8526/Dth (NYMEX Future - \$0.074/Dth (TCo Appal Basis) = \$2.7786/Dth

AEI-KAARS contract = \$3.10/Mcf

EQT = TCo + \$0.5044 (14% Fuel) + \$1.05 (Commodity) + \$0.20 (Demand) = \$4.5330/Dth

Jefferson contract = TCo + \$1.50/Dth cost factor = \$4.2786/Dth

CVR = TCo + \$0.0190/Dth Commodity + \$0.1923/Dth TCo Demand + \$0.0555/Dth Fuel + \$0.05/Dth CVR Fee = \$3.0954/Dth

Chattaco, HI-Energy, HTC, ING, Plateau, Spirit, Tackett contract = \$4.00/Dth or 80% of TCo, whichever is greater

Gray, contract = \$4.50/Dth or 80% of TCo, whichever is greater

Magnum Drilling contract = \$10.50/Mcf

Nytis contract = .8 x TCo = .8 x \$2.7786 = \$2.2229/Dth

Slone contract = \$4.50/Dth or 80% of TCo, whichever is greater

Quality (Belfry) = TCo + \$0.10 = \$2.8786/Dth

DLR Transportation for Cow Creek (Sigma) = \$1.25/Mcf on volumes from Auxier, ING, Jefferson, Nytis

* Estimated 3 mo. TCo = \$2.7786/Dth x .8 = \$2.2229/Dth < \$4.50/Dth; \$4.50/Dth

** Estimated 3 mo. TCo = \$2.7786/Dth x .8 = \$2.2229/Dth < \$4.00/Dth; \$4.00/Dth

*** Estimated 3 mo. TCo = \$2.7786/Dth x .8 = \$2.2229/Dth < \$3.00/Dth; \$3.00/Dth

KFG Unfiled

Schedule IV
Actual AdjustmentFor the 3 month period ending: January 31, 2015

<u>Particulars</u>	<u>Unit</u>	NO LIMITER		
		<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>
Total Supply Volumes Purchased	Mcf	44,791	49,194	64,130
Total Cost of Volumes Purchased	\$	\$ 234,912	\$ 293,127	\$ 319,568
(divide by) Total Sales	Mcf	36,913	44,119	55,766
(equals) Unit Cost of Gas	\$/Mcf	\$ 6.3639	\$ 6.6440	\$ 5.7305
(minus) EGC in effect for month	\$/Mcf	\$ 7.5084	\$ 7.5084	\$ 7.5084
(equals) Difference	\$/Mcf	\$ (1.1445)	\$ (0.8644)	\$ (1.7779)
(times) Actual sales during month	Mcf	36,913	44,119	55,766
(equals) Monthly cost difference	\$	\$ (42,245.57)	\$ (38,136.10)	\$ (99,145.43)

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ (179,527.10)
(divide by) Sales for 12 Months ended: <u>January 31, 2015</u>	Mcf	302,422
(equals) Actual Adjustment for the Reporting Period		\$ (0.5936)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ (0.5936)

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended: October 31, 2014

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	** \$ 48,279
		Underrecovery for Aug-Oct 2013 with no five percent limiter
Less: Dollar amount resulting from the AA of 0.0054 \$/Mcf as used to compute the GCR in effect Case No. 2014-0005 four quarters prior to the effective date of the currently effective GCR times the sales of 302,422 Mcf during the 12 month period the AA was in effect	\$	<u>\$1,633</u>
Equals: Balance Adjustment of the AA	\$	<u><u>\$46,646</u></u>
Total supplier refund adjustment including interest used to compute RA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12 month period the RA was in effect	\$	<u>\$0</u>
Equals: Balance Adjustment of the RA	\$	<u><u>\$0</u></u>
Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	

Less: Dollar amount resulting from the BA of
 \$/Mcf as used to compute the GCR in effect
 four quarters prior to the effective date of the
 currently effective GCR times the sales of
 Mcf during the 12 month period the BA was in effect

\$ \$0

Equals: Balance Adjustment of the BA

\$ \$0

Total Balance Adjustment Amount (1) + (2) + (3)

\$ \$46,646

Divide: Sales for 12 months ended October 31, 2014

Mcf 302,422

Equals: Balance Adjustment for the reporting period
 (to Schedule I, part D)

\$/Mcf \$0.1542

**** \$1,697 Case No. 2014-0005
 Underrecovery Calculated with 5 percent limiter**

KFG Unified

Case No. 2014-0005

Schedule IV
Actual Adjustment

For the 3 month period ending: July 31, 2013

<u>Particulars</u>	<u>Unit</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>
Total Supply Volumes Purchased	Mcf	10,139	9,787	19,589
Total Cost of Volumes Purchased	\$	\$ 47,564	\$ 47,248	\$ 93,072
(divide by) Total Sales (not less than 95% of supply)	Mcf	9,632	9,298	18,610
(equals) Unit Cost of Gas	\$/Mcf	\$ 4.9381	\$ 5.0815	\$ 5.0012
(minus) EGC in effect for month	\$/Mcf	\$ 4.9465	\$ 4.9465	\$ 4.9465
(equals) Difference	\$/Mcf	\$ (0.0084)	\$ 0.1350	\$ 0.0547
(times) Actual sales during month	Mcf	6,545	7,049	14,629
(equals) Monthly cost difference	\$	\$ (54.83)	\$ 951.78	\$ 799.95

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 1,696.89
(divide by) Sales for 12 Months ended: July 31, 2013	Mcf	313,758
(equals) Actual Adjustment for the Reporting Period		\$ 0.00541
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.0054

WITH NO LIMITER

<u>Particulars</u>	<u>Unit</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>
Total Supply Volumes Purchased	Mcf	10,139	9,787	19,589
Total Cost of Volumes Purchased	\$	\$ 47,564	\$ 47,248	\$ 93,072
(divide by) Total Sales (not less than 95% of supply)	Mcf	6,545	7,049	14,629
(equals) Unit Cost of Gas	\$/Mcf	\$ 7.2672	\$ 6.7028	\$ 6.3622
(minus) EGC in effect for month	\$/Mcf	\$ 4.9465	\$ 4.9465	\$ 4.9465
(equals) Difference	\$/Mcf	\$ 2.3207	\$ 1.7563	\$ 1.4157
(times) Actual sales during month	Mcf	6,545	7,049	14,629
(equals) Monthly cost difference	\$	\$ 15,189.16	\$ 12,380.12	\$ 20,709.65

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 48,278.93