

Valley Gas, Inc.

401 First Street, Irvington, Kentucky 40146

270-547-2455

May 21, 2012

Jeff Derouen
Executive Director
Public Service Commission
PO Box 615
Frankfort, Kentucky 40602-0615

RECEIVED
MAY 22 2012
PUBLIC SERVICE
COMMISSION

Dear Mr. Derouen:

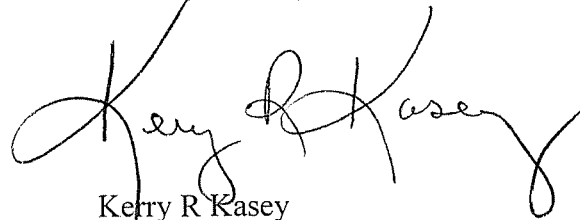
Enclosed please find our application for revised rates in accordance with purchased gas cost adjustment requirements report.

We would like for the adjustment to become effective in July 1, 2012. If additional information is needed, please advise.

Your assistance is appreciated.

Yours truly,

VALLEY GAS, INC.



Kerry R Kasey
Secretary

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$3.5772
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$1.6023)
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$1.9749

Rates to be effective for service rendered from July 1, 2012

A. EXPECTED GAS COST CALCULATION

	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$109,712.93
/Sales for the 12 months ended	\$/Mcf	30,670.00
Expected Gas Cost	\$/Mcf	\$3.5772

B. REFUND ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$ Mcf	\$0.0000

C. ACTUAL ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	(\$0.0643)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0415
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0174)
+Third Previous Quarter Reported Actual Adjustment		(\$0.0088)
Previous Quarter AA to expire 9/30/2013	\$/Mcf	(\$1.5533)
=Actual Adjustment (AA)	\$ Mcf	(\$1.6023)

D. BALANCE ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
=Balance Adjustment (BA)	\$ Mcf	\$0.0000

SCHEDULE II
 EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended March 31, 2012

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
ATMOS ENERGY			31,052	\$3.5332	\$109,712.93
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals			31,052		\$109,712.93
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Line loss for 12 months ended 3/31/2012 is based on purchases of 31,052.00
 and sales of 30,670.00 Mcf. 1.23%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$109,712.93
/ Mcf Purchases (4)		31,052
= Average Expected Cost Per Mcf Purchased		\$3.5332
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		31,052.00
= Total Expected Gas Cost (to Schedule IA)		\$109,712.93

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

Description	Unit	Amount
Supplier Refunds Received during 2 Month Period	\$	
Interest Factor (90 Day Commercial Paper Rate)		
Refunds Including Interest	\$	\$0.00
Divided by 12 Month Projected Sales Ended	Mcf	30,670.00
<u>Current Supplier Refund Adjustment</u>		<u>0</u>

SCHEDULE IV
ACTUAL ADJUSTMENT

For the 12 month period ended March 31, 2012

Particulars	Unit	<i>Mar-12</i>	<i>Feb-12</i>	<i>Jan-12</i>
Total Supply Volumes Purchased	Mcf	2189	5592	6761
Total Cost of Volumes Purchased	\$	\$11,781.11	\$30,062.10	\$35,213.06
/ Total Sales *	Mcf	2,749.0	5,560.0	6,422.0
= Unit Cost of Gas	\$/Mcf	\$4.2856	\$5.4069	\$5.4832
- EGC in Effect for Month	\$/Mcf	\$5.3631	\$5.3631	\$5.3631
= Difference	\$/Mcf	(\$1.0775)	\$0.0438	\$0.1201
x Actual Sales during Month	Mcf	2,749.0	5,560.0	6,217.0
= Monthly Cost Difference	\$	(\$2,962.05)	\$243.26	\$746.61
 Total Cost Difference		 (\$1,972.17)		
/ Sales for 12 months ended		30,670.0		
= Actual Adjustment for the Reporting Period (to Sch IC)		(\$0.0643)		

* May not be less than 95% of supply volume

Valley Gas - Irvington, KY

TGT Meter 1874

FAX

(270) 547-2464



Summer-Winter 2012-13	
%	Fuel Factor
4.49%	0.9551
	0.04701

Actual or Average 3 Yr USAGE	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
Volume to Purchase	3,155	5,308	6,761	5,592	2,189	1,604	1,079	763	768	766	824	1,730
Current Market Price	\$ 3,5240	\$ 3,3640	\$ 3,0840	\$ 2,6780	\$ 2,4460	\$ 2,1910	\$ 2,0360	\$ 2,3400	\$ 2,4300	\$ 2,4900	\$ 2,5400	\$ 2,6160
TGT Transport	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013
Fuel	0.17	0.16	0.14	0.13	0.11	0.10	0.10	0.11	0.11	0.12	0.12	0.12
AEI-Invoice/Dth	\$ 4.5910	\$ 4.4234	\$ 4.1303	\$ 3.7052	\$ 3.4623	\$ 3.1953	\$ 3.0330	\$ 3.3513	\$ 3.4455	\$ 3.5084	\$ 3.5607	\$ 3.6392

Btu - Zone 3	1.0038	1.0061	1.0064	1.0083	1.0083	1.0081	1.0081	1.0081	1.0081	1.0081	1.0081	1.0081
Mcf Conversion	\$ 4.5085	\$ 4.4503	\$ 4.1567	\$ 3.7359	\$ 3.4910	\$ 3.2212	\$ 3.0576	\$ 3.3785	\$ 3.4734	\$ 3.5368	\$ 3.5895	\$ 3.6687
Ccf Conversion	\$ 0.0461	\$ 0.0445	\$ 0.0416	\$ 0.0374	\$ 0.0349	\$ 0.0322	\$ 0.0306	\$ 0.0338	\$ 0.0347	\$ 0.0354	\$ 0.0359	\$ 0.0367
	\$ 5,302.57	\$ 1,362.42	\$ 7,273.43	\$ 2,193.48	\$ 654.37	\$ 5,125.26	\$ 3,273.63	\$ 2,523.53	\$ 2,645.02	\$ 2,686.23	\$ 2,935.21	\$ 6,295.87

Volume Hedged	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
WACOG for Hedges	2,000	5,000	5,000	5,000	2,000	-	-	-	-	-	-	-
TGT Transport	\$ 4,5500	\$ 4,5500	\$ 4,5500	\$ 4,5500	\$ 4,5500	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013
Fuel	-	-	-	-	-	-	-	-	-	-	-	-
AEI-Invoice/Dth	\$ 5.4513	\$ 5.4513	\$ 5.4513	\$ 5.4513	\$ 5.4513	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013

Btu - Zone 3	1.0038	1.0061	1.0064	1.0083	1.0083	1.0081	1.0081	1.0081	1.0081	1.0081	1.0081	1.0081
Mcf Conversion	\$ 5.4721	\$ 5.4844	\$ 5.4862	\$ 5.4965	\$ 5.4965	\$ 0.9086	\$ 0.9086	\$ 0.9086	\$ 0.9086	\$ 0.9086	\$ 0.9086	\$ 0.9086
Ccf Conversion	\$ 0.0547	\$ 0.0548	\$ 0.0549	\$ 0.0550	\$ 0.0550	\$ 0.0091	\$ 0.0091	\$ 0.0091	\$ 0.0091	\$ 0.0091	\$ 0.0091	\$ 0.0091
	\$ 10,902.60	\$ 27,256.50	\$ 27,256.50	\$ 27,256.50	\$ 27,256.50	\$ 10,902.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\$\$\$ per Dth	\$ 5.1363	\$ 5.3917	\$ 5.1072	\$ 5.2664	\$ 5.2796	\$ 3.1953	\$ 3.0330	\$ 3.3513	\$ 3.4455	\$ 3.5084	\$ 3.5607	\$ 3.6392
Overall \$\$\$ per Mcf	\$ 5.1560	\$ 5.4244	\$ 5.1399	\$ 5.3101	\$ 5.3233	\$ 3.2212	\$ 3.0576	\$ 3.3785	\$ 3.4734	\$ 3.5368	\$ 3.5895	\$ 3.6687