

Valley Gas, Inc.

401 First Street, Irvington, Kentucky 40146

270-547-2455

September 4, 2012

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

RECEIVED

SEP 4 2012

PUBLIC SERVICE
COMMISSION

Dear Mr. Derouen:

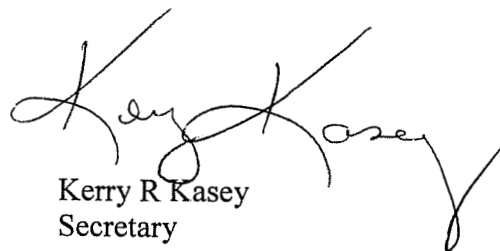
Enclosed please find our application for revised rates in accordance with purchased gas cost adjustment requirements report. Also, I have include copies of the Annual Report & Report of Gross Operating Revenues.

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	\$4.0419
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$1.7542)
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$2.2877

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

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$120,901.31
/Sales for the 12 months ended	\$/Mcf	29,912.00
Expected Gas Cost	\$/Mcf	\$4.0419

<u>B. REFUND ADJUSTMENT CALCULATION</u>	<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

<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	(\$0.1607)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0643)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0415
+Third Previous Quarter Reported Actual Adjustment		(\$0.0174)
Previous Quarter AA to expire 9/30/2013	\$/Mcf	(\$1.5533)
=Actual Adjustment (AA)	\$ Mcf	(\$1.7542)

<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<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 December 31, 2011

(1) Supplier	(2) Dth	(3) Conversion Factor Btu	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
ATMOS ENERGY			29,912	\$4.0419	\$120,901.31
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals 29,912 \$120,901.31

Line loss for 12 months ended 3/31/2012 is based on purchases of 30,387.00
and sales of 29,912.00 Mcf. 1.56%

Total Expected Cost of Purchases (6)
/ Mcf Purchases (4) Unit Amount
= Average Expected Cost Per Mcf Purchased \$120,901.31
x Allowable Mcf Purchases (must not exceed Mcf sales / .95) 30,387
= Total Expected Gas Cost (to Schedule IA) \$3,9787
30,387.00
\$120,901.31

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

Description	Unit	Amount
Supplier Refunds Received during 2 Month Period Interest Factor (90 Day Commercial Paper Rate)	\$	\$0.00
Refunds Including Interest Divided by 12 Month Projected Sales Ended	Mcf	29,912.00
Current Supplier Refund Adjustment		0

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended

September 30, 2011

Particulars	Unit	Jun-12	May-12	Apr-12
Total Supply Volumes Purchased	Mcf	678	804	1679
Total Cost of Volumes Purchased	\$	\$2,218.39	\$2,313.20	\$5,090.63
/ Total Sales *	Mcf	741.0	726.0	2,395.0
= Unit Cost of Gas	\$/Mcf	\$2.9938	\$3.1862	\$2.1255
- EGC in Effect for Month	\$/Mcf	\$3.7360	\$3.7360	\$3.7360
= Difference	\$/Mcf	(\$0.7422)	(\$0.5498)	(\$1.6105)
x Actual Sales during Month	Mcf	741.0	726.0	2,395.0
= Monthly Cost Difference	\$	(\$549.99)	(\$399.14)	(\$3,857.09)

Total Cost Difference

/ Sales for 12 months ended

= Actual Adjustment for the Reporting Period (to Sch IC)

(\$4,806.21)

29,912.0

(\$0.1607)

* May not be less than 95% of supply volume

TGT Meter 1874

FAX

(270) 547-2484



%	4.49%	1-%	0.9551	Fuel Factor	0.04701
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Actual or Average 3 Yr USAGE	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Sep-12	Oct-12	Nov-12	Dec-12
Volume to Purchase	5,761	5,592	2,169	1,604	768	648	594	824	1,803	3,295	7,048
Surrogate Fuel Purchase	1,761	592	169	1,604	768	648	594	824	1,803	3,295	7,048
TGT Transport	\$ 3,0840	\$ 2,6780	\$ 2,4480	\$ 2,1910	\$ 2,0360	\$ 2,4290	\$ 2,7740	\$ 2,8000	\$ 2,6340	\$ 2,7900	\$ 3,2200
Fuel	\$ 0.8013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013	\$ 0.9013
AEI-Invoice/Dth	\$ 4.1303	\$ 3.7052	\$ 3.4623	\$ 3.1953	\$ 3.0330	\$ 3.4445	\$ 3.8057	\$ 3.6591	\$ 3.8120	\$ 3.9900	\$ 4.2672

Std - Zone 3	1.0064	1.0083	1.0083	1.0081	1.0119	1.0119	1.0085	1.0054	1.0054	1.0038	1.0061
Mcf Conversion	\$ 4.1567	\$ 3.7359	\$ 3.4910	\$ 3.2212	\$ 3.0690	\$ 3.4853	\$ 3.9330	\$ 3.8535	\$ 3.6787	\$ 3.8324	\$ 4.0052
Ccf Conversion	\$ 0.0416	\$ 0.0374	\$ 0.0349	\$ 0.0322	\$ 0.0307	\$ 0.0349	\$ 0.0384	\$ 0.0382	\$ 0.0368	\$ 0.0383	\$ 0.0401
	\$ 1,273.43	\$ 2,193.48	\$ 654.37	\$ 5,125.26	\$ 2,329.35	\$ 2,232.03	\$ 2,260.59	\$ 2,303.59	\$ 3,015.12	\$ 6,873.02	\$ 13,146.99

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

Std - Zone 3	1.0064	1.0083	1.0083	1.0081	1.0119	1.0119	1.0085	1.0054	1.0054	1.0038	1.0061
Mcf Conversion	\$ 5.4862	\$ 5.4965	\$ 5.4965	\$ 5.4965	\$ 5.4965	\$ 5.4965	\$ 5.4965	\$ 5.4965	\$ 5.4965	\$ 5.4965	\$ 5.4965
Ccf Conversion	\$ 0.0549	\$ 0.0550	\$ 0.0550	\$ 0.0550	\$ 0.0550	\$ 0.0550	\$ 0.0550	\$ 0.0550	\$ 0.0550	\$ 0.0550	\$ 0.0550
	\$ 27,256.50	\$ 27,256.50	\$ 10,902.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Std per Dth	\$ 5.1072	\$ 5.2664	\$ 5.2796	\$ 3.1953	\$ 3.0330	\$ 3.4445	\$ 3.8057	\$ 3.6591	\$ 3.8120	\$ 3.9900	\$ 4.2672
Overall Volume	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399
Mcf Volume	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399	\$ 5,399