

Valley Gas, Inc.

PO Box 55
Irvington, KY 40146
270-547-2455

July 2, 2013

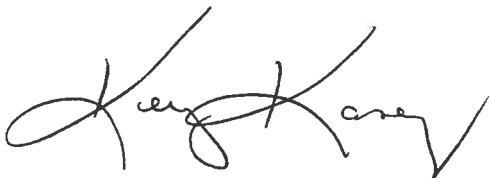
Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

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PUBLIC SERVICE
COMMISSION

Please review the responses to the questions concerning CASE NO. 2013-00150.
If you have any questions, please let me know.

Sincerely

A handwritten signature in black ink, appearing to read "Kerry Kasey". The signature is fluid and cursive, with a checkmark at the end.

Kerry Kasey
Secretary
Valley Gas, Inc.

Answers to Questions Concerning
Application for Alternative Rate Adjustment
Case #2013-00150

Question #1: The customer charge of \$15 as shown in the Billing Analysis and the Notice is correct.

Question #2: Is Correct - \$2400 each for a total of \$4800.

Question #2A: Is Correct

Question #2B: 2008- \$28900, 2009-\$27900, 2010 - \$33500, 2011- \$30000, 2012-\$30000,

Question #2C: The proposed increase was chosen based on the increases that have been given by the local businesses in the area.

Question #2D: The proposed increases are only if the revenue requested is granted.

Questions #2E: Since the employees are family, they will not be looking for other employment. If Valley needed to replace one of the employees, Valley is not sure if they could hire someone with the experience for the same rate but currently Valley would approve the Commission's recommendation.

Question #3A: The calculation is correct 0.5 hour per person not the one hour.

Question #3B: Yes the calculation is for the Collection Fee.

Question #3C: The \$25 was chosen to reflect inflation and to avoid another increase request in the near future (fuel increases etc).

Question #4A: I actually saw the Fringe Benefit Rate of 35% on an example of a company filing an ARF filing. I thought that was a fix rate that was being used. I do feel a rate needs to be added for the training cost that is involved for a service person to reconnect a service and check for leaks. I don't know how to calculate the Fringe Benefit Rate? Valley will be satisfied with what the Commission decides and wishes not to be held up calculating this rate.

Question #4B: I see from over examples that I was in error including the vehicle charge in the calculation. Correct amount \$43.28

Question #4C: The respond is similar to question #3C. The \$50 was chosen to reflect inflation and to avoid another increase request in the near future.

Question #5: Valley gas has been charging the \$25.00. It did not include this because we were not requesting any change in the charge. Valley assumed that since the charge was authorized it was already on the Tariff.

Question #6A & B: Valley thought that their Reconnection and Return Check Charges were both \$25.00. If Valley's reconnect charge was \$15 with a \$10 monthly meter charge, they would be turning half their customer's meters off during the summer. We have found it to be safer to have a system on continuously than off and on. Your appliances have less problems and stay cleaner.

Question #7A: Valley Gas has received no complaints from the proposed increase in rates.

Question #7B: Valley Gas believes the proposed increase in the customer charge will be more manageable than having a larger increase in Valley's base rate. Plus, the customer charge increase will be easier to budget since it is a flat charge. Since the decline in Valley's usage, this will also help Valley forecast future equipment purchases. (Trencher, Leak survey equipment, meter reading equipment and OQ training).

Question #8A: Weather has something to do with the usage decrease. Also, what new construction the Irvington Area has is being built all electric. It is cheaper for the contractor to install than gas and the contractor doesn't care what it will cost the homeowner for utilities in the future. I would guess that over 50% of new home buyers don't think what type of heating equipment as being a major factor in buying a home.

Question #8B: Hopefully with the increase cost of electricity more people will choose gas. I do believe that Valley's customers' usage will not increase much based on the last several years. I am going to send some marketing material out with the Public Awareness about cost savings on Gas Water Heaters.