

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

APPLICATION OF VALLEY GAS, INC. FOR) CASE NO.
ALTERNATIVE RATE FILING ADJUSTMENT) 2011-00010

O R D E R

On January 7, 2011, Valley Gas, Inc. ("Valley") applied to the Commission for an increase in its rates for gas service. The proposed rates would increase annual revenues by \$94,233, or 18.68 percent, over normalized revenues of \$531,312.

Commission Staff performed a limited financial review of Valley's operations and, on May 20, 2011, issued a Staff Report containing its findings and recommendations concerning the proposed rates. In its report, Staff determined that the rates proposed by Valley exceeded the level needed to meet its reasonable operating expenses, service its debt and provide for future equity growth. Staff, therefore, recommended that the proposed rates be denied. Staff recommended rates that would increase Valley's annual revenues by \$23,158, or 4.36 percent, over Valley's normalized revenues.

By our Order of May 20, 2011, we permitted all parties to file written comments upon Staff's findings and recommendations or to request a conference or hearing no later than June 3, 2011. We further ordered that a party's failure to object to a finding or recommendation contained in the Staff Report would be deemed as agreement with that finding or recommendation and a waiver of any right to object to that finding or recommendation. No comments or objections were filed with the Commission.

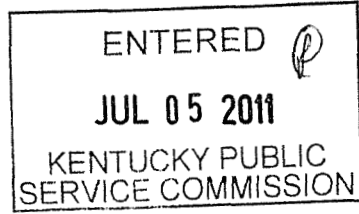
The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The findings and recommendations contained in the Staff Report are supported by the evidence of record and are reasonable.
2. Valley's proposed base rates will produce annual revenue from sales that is \$71,075 in excess of its needs and should be denied.
3. The base rates recommended in the May 20, 2011 Staff Report are fair, just and reasonable rates for Valley to charge for service rendered on and after the date of this Order.

IT IS THEREFORE ORDERED that:

1. The findings and recommendations contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. Valley's proposed base rates are denied.
3. The base rates recommended in the Staff Report, which are set forth in the Appendix attached to this Order, are approved for service rendered by Valley on and after the date of this Order.
4. Within 20 days of the date of this Order, Valley shall file its revised tariff with the Commission setting out the rates approved herein.

By the Commission



ATTEST:

Carroll D. Greenwell for
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00010 DATED **JUL 05 2011**

The following rates and charges are prescribed for the customers in the area served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

BASE GAS RATES

| <u>RATE CLASSIFICATION</u> | <u>BASE RATE</u> |
|----------------------------|------------------|
| Customer Charge | \$ 10.00 |
| Per Mcf Charge | \$ 2.7544 |

GAS COST

| | |
|---------|------------------------|
| Per Mcf | \$ 3.2682 ¹ |
|---------|------------------------|

¹ Gas Cost approved in Case No. 2011-00089, Purchased Gas Adjustment Filing of Valley Gas, Inc. (Ky. PSC Mar. 31, 2011), for rates effective April 1, 2011.

Kerry R Kasey
Secretary
Valley Gas, Inc.
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