

Valley Gas, Inc.

401 First Street, Irvington, Kentucky 40146

270-547-2455

May 21, 2015

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

RECEIVED

MAY 22 2015

**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 on July 1, 2015. If additional information is needed, please advise.

Your assistance is appreciated.

Sincerely

Kerry Kasey

Kerry Kasey
Valley Gas, Inc.

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u> Proposed
Expected Gas Cost (EGC)	\$/Mcf	\$4.0911
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$2.1704)
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$1.9206

Rates to be effective for service rendered from July 1, 2015

	<u>Unit</u>	<u>Amount</u>
A. EXPECTED GAS COST CALCULATION		
Total Expected Gas Cost (Sch II)	\$/Mcf	\$156,144.16
/Sales for the 12 months ended	\$/Mcf	38,167.00
Expected Gas Cost	\$/Mcf	\$4.0911
B. REFUND ADJUSTMENT CALCULATION		
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		
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	(\$1.1813)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.6193)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0398)
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.3300)
=Actual Adjustment (AA)	\$ Mcf	(\$2.1704)
D. BALANCE ADJUSTMENT CALCULATION		
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 IV

ACTUAL ADJUSTMENT

For the 12 month period ended

June 30, 2015

Particulars	Unit	Jan-15	Feb-15	Mar-15
Total Supply Volumes Purchased	Mcf	12157	11593	4991
Total Cost of Volumes Purchased	\$	\$21,679.95	\$19,017.03	\$21,901.12
/ Total Sales *	Mcf	11,549.0	11,013.0	5,031.0
= Unit Cost of Gas	\$/Mcf	\$1.8772	\$1.7268	\$4.3532
- EGC in Effect for Month	\$/Mcf	\$4.6634	\$4.6634	\$4.6634
= Difference	\$/Mcf	(\$2.7862)	(\$2.9366)	(\$0.3102)
x Actual Sales during Month	Mcf	6,338.0	8,809.0	5,031.0
= Monthly Cost Difference	\$	(\$17,658.84)	(\$25,868.68)	(\$1,560.45)
Total Cost Difference		(\$45,087.97)		
/ Sales for 12 months ended		38,167.0		
= Actual Adjustment for the Reporting Period (to Sch IC)		(\$1.1813)		

* May not be less than 95% of supply volume

SCHEDULE II
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended December 31, 2014

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Constellation Energy			47215	\$3.8866	\$183,505.82
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals		47,215		\$183,505.82
--------	--	--------	--	--------------

Line loss for 12 months ended <u>12/31/2014</u> is based on purchases of	<u>38,167.00</u> Mcf.		<u>47,215.00</u>
and sales of		19.16%	

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$183,505.82
/ Mcf Purchases (4)		47,215
= Average Expected Cost Per Mcf Purchased		\$3.8866
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		40,175.00
= Total Expected Gas Cost (to Schedule IA)		\$156,144.16

Valley Gas, KY
2015-2016 Natural Gas Budget

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Totals
Forecasted ML Nominations (Dth)	5,156	3,177	1,761	2,585	3,000	5,000	4,000	2,940	4,991	2,600	4,874	4,387	44,471
Forecasted CG Usage (Dth)	589	706	691	1,836	5,302	6,530	8,157	8,653	4,807	1,901	995	659	40,828
5% Line Loss	29	35	35	92	265	327	408	433	240	95	50	33	2,041
Total Hedged Natural Gas													
Percentage Hedged	76%	76%	74%	77%	28%	36%	43%	41%	32%	60%	49%	51%	52%
Hedged Quantity (Dth)	3,900	2,400	1,300	2,000	850	1,800	1,700	1,200	1,600	1,550	2,400	2,250	22,950
Price per Dth	\$3.9533	\$3.9533	\$3.9546	\$3.9525	\$3.9435	\$3.9450	\$3.9435	\$3.9450	\$3.9481	\$3.9458	\$3.9450	\$3.9444	\$3.95
Total Cost	\$ 15,418	\$ 9,488	\$ 5,141	\$ 7,905	\$ 3,352	\$ 7,101	\$ 6,704	\$ 4,734	\$ 6,317	\$ 6,116	\$ 9,468	\$ 8,875	\$ 90,619
To Be Purchased													
Volume (Dth)	1,256	777	461	585	2,150	3,200	2,300	1,740	3,391	1,050	2,474	2,137	21,521
Purchase Price	\$2.6500	\$2.6500	\$2.6800	\$2.7000	\$2.8300	\$3.0300	\$3.1400	\$3.1300	\$3.0700	\$2.9800	\$2.9800	\$3.0100	\$2.97
Total Cost	\$ 3,328	\$ 2,059	\$ 1,235	\$ 1,580	\$ 6,085	\$ 9,696	\$ 7,222	\$ 5,446	\$ 10,410	\$ 3,129	\$ 7,373	\$ 6,432	\$63,995
Gas Cost Summary													
Total Gas Cost	\$ 18,746	\$11,547	\$6,376	\$9,485	\$9,436	\$16,797	\$13,926	\$10,180	\$16,727	\$9,245	\$16,841	\$15,307	\$154,614
Total Gas Cost per Dth	\$3.64	\$3.63	\$3.62	\$3.67	\$3.10	\$3.10	\$3.10	\$3.10	\$3.10	\$3.56	\$3.46	\$3.49	\$3.48
Texas Gas Transportation Costs													
Transportation / Dth	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500	\$1.0500
Total Transport	\$618	\$741	\$726	\$1,928	\$5,567	\$6,857	\$8,565	\$9,086	\$5,047	\$1,996	\$1,045	\$692	\$42,867
Total Delivered Gas Cost													
Hedged Gas	\$ 15,418	\$9,488	\$5,141	\$7,905	\$3,352	\$7,101	\$6,704	\$4,734	\$6,317	\$6,116	\$9,468	\$8,875	\$90,619
Gas To Be Purchased	\$ 3,328	\$2,059	\$1,235	\$1,580	\$6,085	\$9,696	\$7,222	\$5,446	\$10,410	\$3,129	\$7,373	\$6,432	\$63,995
Transport Cost	\$618	\$741	\$726	\$1,928	\$5,567	\$6,857	\$8,565	\$9,086	\$5,047	\$1,996	\$1,045	\$692	\$42,867
Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Delivered Gas Cost	\$19,365	\$12,288	\$7,102	\$11,412	\$15,004	\$23,654	\$22,491	\$19,266	\$21,775	\$11,241	\$17,885	\$15,999	\$197,481
Unit Cost													
Delivered Cost / Dth	\$ 3.76	\$ 3.87	\$ 4.03	\$ 4.41	\$ 5.00	\$ 4.73	\$ 5.62	\$ 6.55	\$ 4.36	\$ 4.32	\$ 3.67	\$ 3.65	\$ 4.44

The information contained herein has been obtained from sources which Constellation NewEnergy – Gas Division, LLC (“CNEG”) believes to be reliable. CNEG does not represent or warrant as to its accuracy or completeness. All representations and estimates included herein constitute CNEG’s judgment as of the date of the report and may be subject to change without notice. This material has been prepared solely for informational purposes. CNEG does not make and expressly disclaims, any express or implied guaranty, representation or warranty regarding any opinions or statements set forth herein. CNEG shall not be responsible for any reliance upon any information, opinions, or statements contained herein or for any omission or error of fact. This material shall not be reproduced (in whole or in part) to any other person without the prior written approval of CNEG.

© 2015, Constellation Energy Group, Inc. The materials provided and any offerings described herein are those of CNEG, a subsidiary of Constellation Energy Group, Inc. Brand names and product names are trademarks or service marks of their respective holders. All rights reserved. Errors and omissions excepted.

For Spot Price (NYMEX LDS) *italicise indicates prompt month price.*

For Est/Actual Transport Cost, *italicise indicates estimated cost.*

For Est/Actual Citygate Price, *italicise indicates estimated price.*