

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF VALLEY GAS, INC.)	2016-00200

ORDER

On November 5, 2013, in Case No. 2013-00150,¹ the Commission approved rates for Valley Gas, Inc. ("Valley Gas") and provided for their further adjustment on a quarterly basis in accordance with Valley Gas's Purchased Gas Cost Adjustment clause.

On June 8, 2016, Valley Gas filed its Gas Cost Recovery ("GCR") rate application to be effective July 1, 2016. On June 17, 2016, Commission Staff issued its First Request for Information ("Staff's First Request"). Valley Gas provided responses to Staff's First Request on July 19, 2016.²

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Valley Gas's notice includes a revised rate designed to pass on to its customers its expected change in wholesale gas costs.

2. Valley Gas's proposed Expected Gas Cost ("EGC") is \$5.0894 per Mcf. The cover letter to Valley Gas's application and its responses to Staff's First Request

¹ Case No. 2013-00150, *Application of Valley Gas, Inc. for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2013).

² By Order issued June 30, 2016, the Commission approved Valley Gas's request for an additional 21 days to file its responses to Staff's First Request.

indicated that, in calculating the EGC, it included volumes injected into storage which made it appear as though it had line loss on its system. Because Valley Gas's 2015 Annual Report confirms that Valley Gas does not have excessive line loss and that line loss on its system is in fact less than 1 percent, the Commission finds that Valley Gas's 12-month sales volumes, rather than purchase volumes, should be used to project its future cost of gas. Volumes related to gas injected into storage should not be included in Valley Gas's EGC calculation. Using Valley Gas's sales volume of 30,099 Mcf for the 12 months ended March 31, 2016, to calculate the EGC results in an EGC of \$4.8350 per Mcf, which is a decrease of \$.1904 per Mcf from the previous EGC of \$5.0254 per Mcf.

3. Valley Gas's notice sets out no current quarter Refund Adjustment.

4. Valley Gas's notice sets out a current quarter Actual Cost Adjustment ("ACA") of (\$1.2682) per Mcf. Valley Gas's total ACA is (\$.6925) per Mcf, which is a decrease of \$.0761 per Mcf from its previous total ACA of (\$.6164) per Mcf.

5. Valley Gas's corrected GCR rate is \$4.1425 per Mcf, which is a decrease of \$.2665 per Mcf from the previous GCR rate of \$4.4090 per Mcf.

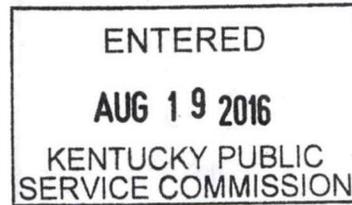
6. The rate set forth in the Appendix to this Order is fair, just, and reasonable and should be approved for service rendered by Valley Gas on and after the date of this Order.

IT IS THEREFORE ORDERED that:

1. The rate proposed by Valley Gas is denied.
2. The rate set forth in the Appendix to this Order is approved for service rendered on and after the date of this Order.

3. Within 20 days of the date of this Order, Valley Gas shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rate approved herein and reflecting that it was approved pursuant to this Order.

By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00200 DATED **AUG 19 2016**

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 the Commission prior to the effective date of this Order.

RATES:

Customer Charge \$15.00

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf	\$3.0061	\$4.1425	\$7.1486

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