

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST)
ADJUSTMENT FILING OF VALLEY) CASE NO. 2001-009-A
GAS, INC.)

O R D E R

On March 14, 2001, in Case No. 2001-009, the Commission approved rates for Valley Gas, Inc. ("Valley") and provided for their further adjustment on a quarterly basis in accordance with Valley's gas cost adjustment ("GCA") clause.

On June 25, 2001, Valley filed its GCA to be effective August 1, 2001.

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

1. Valley's notice includes revised rates designed to pass on to its customers its expected decrease in wholesale gas costs. Valley's proposed expected gas cost ("EGC") is \$5.4338 per Mcf. Valley incorrectly calculated its EGC by adjusting for line loss greater than 5 percent although its line loss was approximately 2 percent. Correcting for this results in an EGC of \$5.2910 per Mcf, a decrease of \$1.73 per Mcf from the previous EGC of \$7.0210.

2. Valley's notice sets out no current quarter refund adjustment ("RA").

3. Valley's notice sets out a current quarter actual adjustment ("AA") of (\$1.50) per Mcf. Valley incorrectly used its total volumetric rate in the AA calculation rather than its EGC. It also incorrectly used its sales for the period ended April 30, 2001

rather than using the sales for the period ended March 31, 2001 as it did in its EGC calculation. Correcting these errors results in a current quarter AA of (40.17) cents per Mcf. Valley's notice sets out a total AA of (59.25) cents per Mcf. Using the corrected current quarter AA results in a total AA of 50.63 cents per Mcf, a decrease of 40.17 cents per Mcf from the previous total AA.

4. Valley's notice sets out no Balance Adjustment.

5. Valley's GCA is \$5.7973 per Mcf, which is \$2.1317 per Mcf less than the previous rate of \$7.9290.

6. The rates in the Appendix to this Order are fair, just, and reasonable, in the public interest, and should be effective for service rendered by Valley on and after August 1, 2001.

IT IS THEREFORE ORDERED that:

1. Valley's proposed rates are denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are approved for service rendered on and after August 1, 2001.

3. Within 20 days of the date of this Order, Valley shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 24th day of July, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2001-009-A DATED JULY 24, 2001

The following rates and charges are prescribed for the customers 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.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Adjustment</u>	<u>Total</u>
Customer Charge			\$6.50
All Mcf	\$2.3819	\$5.7973	\$8.1792