

Valley Gas, Inc.
PO Box 55
Irvington, KY 40146
270-547-2455

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Valley Gas, Inc.

September 3, 2004

Case 2004-00359

Ms. Beth O'Donnell
Executive Director
Public Service Commission
PO Box 615
Frankfort, Kentucky 40602-061

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SEP 7 2004

PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell:

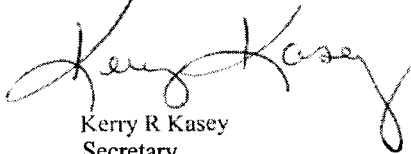
Enclosed please find tariff sheets setting out the rates to be reviewed and approved by the Commission for natural gas service here in Irvington, Kentucky. We request a wavier for rates to go into effect October 1, 2004.

Your assistance is appreciated.

Yours truly,

VALLEY GAS, INC.

Sincerely,



Kerry R Kasey
Secretary

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Schedule II				
Actual MCF purchases for 12 months ended July 31, 2004				
Supplier	MCF	Rate	Cost	
Noble Energy	49897	\$ 5.70	\$	284,413.77
Line loss for 12 months 07/31/04 is based on purchases of				
and sales of	43629 Mcf	49897		12.56%
Total Expected Cost of Purchases				\$ 284,413.77
/ Mcf Purchases				49897
= Average Expected Cost Per Mcf Purchased				\$ 5.7000
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)				45925.26
= Total Expected Gas Cost (to Schedule 1A)				\$ 261,774.78

SCHEDULE 1		Unit	Amount
Expected Gas Cost (EGA)		\$/Mcf	\$ 6 0000
Retains Adjustment (RA)		\$/Mcf	
Actual Adjustment (AA)		\$/Mcf	-0.440931478
Balance Adjustment (BA)		\$/Mcf	0
Gas Cost Recovery Rate (GCR)		\$/Mcf	\$ 5.5591
to be effective for services rendered from October 1, 2004 to January 1, 2005			
A. EXPECTED GAS COST CALCULATION			
Total Expected Gas Cost (Sch II)		\$/Mcf	\$ 261,774.78
/Sales for the 12 months ended July 31, 2004		\$/Mcf	43629
Expected Gas Cost		\$/Mcf	\$ 6 0000
C. ACTUAL ADJUSTMENT CALCULATION			
Actual Adjustment for the Reporting Period (Sch IV)		\$/Mcf	-0.440931478
+Previous Quarter Reported Actual Adjustment		\$/Mcf	0
+Second Previous Quarter Reported Actual Adjustment		\$/Mcf	0
+Third Previous Quarter Reported Actual Adjustment		\$/Mcf	0
=Actual Adjustment (AA)			-0.440931478
D. BALANCE ADJUSTMENT CALCULATION			
Balance Adjustment for the Reporting Period (Sch V)		\$/Mcf	0
+Previous Quarter Reported Balance Adjustment		\$/Mcf	0
+Second Previous Quarter Reported Balance Adjustment		\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment		\$/Mcf	
= Balance Adjustment (BA)			

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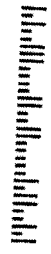
BETH O'DONNELL
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
PO BOX 615
FRANKFORT, KENTUCKY 40602-0615

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