

VALLEY GAS, INC.
P.O. BOX 55
IRVINGTON, KENTUCKY 40146
(270) 547-2455 or (270)877-2661

RECEIVED
MAR 01 2005
PUBLIC SERVICE
COMMISSION

March 1, 2005

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

Case 2005-00091

Dear Ms. O'Donnell:

Enclosed please find our application for revised rates in accordance with purchased gas cost adjustment requirements.

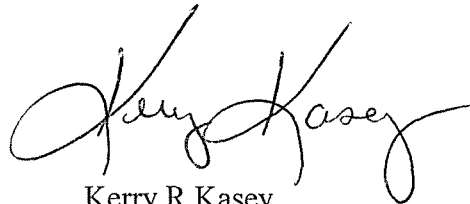
We would like for the adjustment to become effective April 1, 2005 and we are requesting a waiver of the 30-day notice requirement.

If additional information is needed, please advise.

Your assistance is appreciated.

Yours truly,

VALLEY GAS, INC.



Kerry R Kasey
Secretary

SCHEDULE 1

Expected Gas Cost (EGA)
 Refund Adjustment (RA)
 Actual Adjustment (AA)
 Balance Adjustment (BA)
 Gas Cost Recovery Rate (GCR)

to be effective for service rendered from October 1, 2004 to January 1, 2005

A. EXPECTED GAS COST CALCULATION

Total Expected Gas Cost (Sch II)	Unit	Amount
/Sales for the 12 months ended July 31, 2004	\$/Mcf	\$ 308,692.93
Expected Gas Cost	\$/Mcf	\$ 41271
	\$/Mcf	\$ 7,4797

C. ACTUAL ADJUSTMENT CALCULATION

Actual Adjustment for the Reporting Period (Sch IV)	Unit	Amount
+Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.4156
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (1.2572)
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	0
=Actual Adjustment (AA)	\$/Mcf	\$ (0.8416)

D. BALANCE ADJUSTMENT CALCULATION

Balance Adjustment for the Reporting Period (Sch V)	Unit	Amount
+Previous Quarter Reported Balance Adjustment	\$/Mcf	0
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	0
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	0
	\$/Mcf	0
	\$/Mcf	0

Particulars	Unit	4-Aug		Sep-04		Oct-04		Nov-04		Dec-04		Jan-05	
		Month 1	Month 2	Month 2	Month 3	Month 3	Month 4	Month 4	Month 5	Month 5	Month 5	Month 5	
Total Supply Vol Purchased	MCF	3100	4680	3100	3100	4980	8273	8477					
Total Cost of Vol Purchased	\$	19,598.98	\$ 24,891.96	\$ 19,012.06	\$ 19,012.06	\$ 41,527.69	\$ 47,659.85	\$ 56,990.02	\$ 56,990.02	\$ 56,990.02	\$ 56,990.02	\$ 56,990.02	\$ 56,990.02
/ Total Sales *	MCF	2945	4446	2945	2945	4731	7859.35	8149	8149	8149	8149	8149	8149
= Unit Cost of Gas	\$/MCF	6.6550	\$ 5.5987	\$ 6.4557	\$ 6.4557	\$ 8.7778	\$ 6.0641	\$ 6.9935	\$ 6.9935	\$ 6.9935	\$ 6.9935	\$ 6.9935	\$ 6.9935
- EGC in Effect for Month	\$/MCF	6.4565	6.4565	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
= Difference	\$/MCF	0.1985	\$ (0.8578)	\$ 0.4557	\$ 0.4557	\$ 2.7778	\$ 0.0641	\$ 0.9935	\$ 0.9935	\$ 0.9935	\$ 0.9935	\$ 0.9935	\$ 0.9935
X Actual Sales During Month	MCF	979	1005	1431	1431	3102	7122	8149	8149	8149	8149	8149	8149
= Monthly Cost Difference	\$	194.33	\$ (862.06)	\$ 652.12	\$ 652.12	\$ 8,616.68	\$ 456.49	\$ 8,096.02	\$ 8,096.02	\$ 8,096.02	\$ 8,096.02	\$ 8,096.02	\$ 8,096.02
Total Cost Difference													
/Sales for 12 months ended 7/31/04													
= Actual Adjustment for the Reporting Period (to SCH 1C)													
*may not be less than 95% of supply volume													

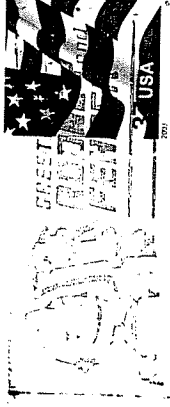
Schedule II	Actual MCF purchases for 12 months ended January 2005	Supplier	MCF	Rate	Cost
Noble Energy	51000		\$ 7.1057	\$ 362,392.82	
Line loss for 12 months 07/31/04 and sales of	is based rchases of 41271 Mcf		51000	19.08%	
Total Expected Cost of Purchases / Mcf Purchases					\$ 362,392.82
= Average Expected Cost Per Mcf Purchased					51000
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)					\$ 7.1057
= Total Expected Gas Cost (to Schedule 1A)					\$ 308,692.93

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"NATURALLY ITS GAS"

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