

VALLEY GAS, INC.

P.O. BOX 55
IRVINGTON, KENTUCKY 40146
(270) 547-2455 • (270) 877-2661

January 11, 2006

Ms. Elizabeth O'Donnell
Executive Director
KY Public Service Commission
PO Box 615
Frankfort, KY 40602

RECEIVED

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PUBLIC SERVICE
COMMISSION

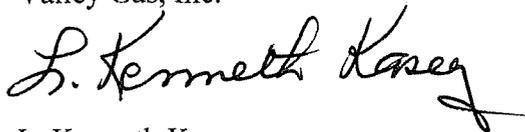
RE: The Application of Valley Gas, Inc. for Approval of the Proposed Increase in Rates
- Case No. 2006-00012.

Dear Ms. O'Donnell:

Enclosed please find additional information pertaining to the above-mentioned Case No.
2006-00012. This information was omitted from the application when filed.

Yours Truly,

Valley Gas, Inc.



L. Kenneth Kasey
President

ATTACHMENT A
Valley Gas, Inc.
Pro Forma Income Statement
Test Year Ended 12/31/04

Acct No.	Account Title	Test Year End Balances Per Annual Report	Ref.	Pro Forma Adjustments	Adjusted Test Year Balances
Operating Revenue					
480, 481	Retail Sales	374,267	A	77,579	451,847
487.0	Forfeited Discounts	6,559			6,559
488.0	Miscellaneous Service Revenues	2,822			2,822
	Total Operating Revenue	383,649		77,579	461,228
Operating Expenses					
Operation and Maintenance Expenses:					
804.0	Natural Gas Citygate Purchases	352,765			352,765
808.1	Gas Withdrawn from Storage	(43,371)			(43,371)
874.0	Mains and Services Expense	33,871			33,871
904.0	Uncollectible Accounts	950			950
920.0	Administrative and General Salaries	26,400			26,400
921.0	Office Supplies and Expenses	8,951	B	1,308	10,258
923.0	Outside Services Employed	57,587	C	255	57,842
924.0	Property Insurance	9,156	D	2,835	11,991
926.0	Employee Pensions and Benefits	9,720	E	6,156	15,876
930.1	General Advertising Expenses	488	F	(488)	0
930.2	Miscellaneous General Expenses	3,362			3,362
931.0	Rents	6,000			6,000
	Total Operation and Maintenance Exp.	465,880		10,065	475,945
403.0	Depreciation	1,648			1,648
408.1	Taxes Other Than Income	4,411	G	45	4,457
	Total Operating Expenses	471,939		10,110	482,050
	Net Operating Income (Loss)	(88,290)		67,469	(20,821)
Other Income (Deductions)					
415-418	Other Nonutility Income - Net	29,786			29,786
419.0	Interest and Dividend Income	281			281
426.0	Other Nonutility Deductions	(100)	H	100	0
431.0	Other Interest Expense	(1,988)			(1,988)
	Total Other Income (Deductions)	27,978		100	28,078
	NET INCOME	(60,312)		67,569	7,256

Revenue Requirement Calculation/Based on an 88% Operating Ratio

Pro Forma Operating Expenses	482,050
Less: Natural Gas Purchases	309,394
Subtotal	172,656
Divided by: 88%	88%
Subtotal	196,200
Add: Natural Gas Purchases	309,394
Less: Other Gas Revenues	9,381
Revenue Requirement from Rates	496,212
Normalized Revenues	451,847
Increase (Decrease) Required	44,365

BILLING ANALYSIS AT PROPOSED RATES

2004 Sales Month	No. of Customers	Customer Charge	Cust. Chg. Revenue	Sales in Mcf	Per Mcf Rate	Mcf Sales Revenue	GCA Rate	GCA Revenue	Proposed Revenues
January	513	\$8.50	\$4,360.50	8,923.4	\$3.1272	\$27,905.36	\$6.6381	\$59,234.42	\$91,500.28
February	513	\$8.50	\$4,360.50	8,676.2	\$3.1272	\$27,132.32	\$6.6381	\$57,593.48	\$89,086.30
March	513	\$8.50	\$4,360.50	4,999.1	\$3.1272	\$15,633.24	\$6.6381	\$33,184.53	\$53,178.27
April	513	\$8.50	\$4,360.50	3,175.3	\$3.1272	\$9,929.84	\$6.6381	\$21,077.96	\$35,368.29
May	513	\$8.50	\$4,360.50	1,331.4	\$3.1272	\$4,163.57	\$6.6381	\$8,837.97	\$17,362.04
June	513	\$8.50	\$4,360.50	942.1	\$3.1272	\$2,946.15	\$6.6381	\$6,253.75	\$13,560.40
July	513	\$8.50	\$4,360.50	646.8	\$3.1272	\$2,022.68	\$6.6381	\$4,293.52	\$10,676.70
August	513	\$8.50	\$4,360.50	980.3	\$3.1272	\$3,065.61	\$6.6381	\$6,507.33	\$13,933.44
September	513	\$8.50	\$4,360.50	1,010.8	\$3.1272	\$3,160.99	\$6.6381	\$6,709.79	\$14,231.28
October	513	\$8.50	\$4,360.50	1,434.2	\$3.1272	\$4,485.05	\$6.6381	\$9,520.36	\$18,365.91
November	513	\$8.50	\$4,360.50	3,111.1	\$3.1272	\$9,729.07	\$6.6381	\$20,651.79	\$34,741.36
December	513	\$8.50	\$4,360.50	7,776.1	\$3.1272	\$24,317.51	\$6.6381	\$51,618.53	\$80,296.54
TOTAL	513		\$52,326.00	43,007		\$134,491.37		\$285,483.44	\$472,300.81

BILLING ANALYSIS AT PRESENT RATES

2004 Sales Month	No. of Customers	Customer Charge	Cust. Chg. Revenue	Sales in Mcf	Per Mcf Rate	Mcf Sales Revenue	GCA Rate	GCA Revenue	Total Revenue
January	530	\$6.50	\$3,445.00	8,923.4	\$2.3819	\$21,254.65	\$4.4728	\$39,912.58	\$64,612.23
February	524	\$6.50	\$3,406.00	8,676.2	\$2.3819	\$20,665.84	\$4.4728	\$38,806.91	\$62,878.75
March	515	\$6.50	\$3,347.50	4,999.1	\$2.3819	\$11,907.36	\$4.4728	\$22,359.97	\$37,614.83
April	512	\$6.50	\$3,328.00	3,175.3	\$2.3819	\$7,563.25	\$6.6381	\$21,077.96	\$31,969.21
May	500	\$6.50	\$3,250.00	1,331.4	\$2.3819	\$3,171.26	\$6.6381	\$8,837.97	\$15,259.23
June	495	\$6.50	\$3,217.50	942.1	\$2.3819	\$2,243.99	\$6.6381	\$6,253.75	\$11,715.24
July	485	\$6.50	\$3,152.50	646.8	\$2.3819	\$1,540.61	\$6.6381	\$4,293.52	\$8,986.64
August	492	\$6.50	\$3,198.00	980.3	\$2.3819	\$2,334.98	\$6.6381	\$6,507.33	\$12,040.31
September	495	\$6.50	\$3,217.50	1,010.8	\$2.3819	\$2,407.62	\$6.6381	\$6,709.79	\$12,334.92
October	500	\$6.50	\$3,250.00	1,434.2	\$2.3819	\$3,416.12	\$6.6381	\$9,520.36	\$16,186.48
November	501	\$6.50	\$3,256.50	3,111.1	\$2.3819	\$7,410.33	\$6.6381	\$20,651.79	\$31,318.62
December	513	\$6.50	\$3,334.50	7,776.1	\$2.3819	\$18,521.89	\$6.6381	\$51,618.53	\$73,474.92
TOTAL	505		\$39,403.00	43,007		\$102,437.90		\$236,550.47	\$378,391.37