

VALLEY GAS, INC.

P. O. Box 360
Irvington, KY 41046
270-547-2455

RECEIVED

APR 15 2013

PUBLIC SERVICE
COMMISSION

April 8, 2013


Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Dear Mr. Derouen:

Valley Gas, Inc. hereby submits this Alternative Rate Filing Application and has made arrangements to publish notice once a week for three consecutive weeks in the local Herald News Paper in Breckinridge County.

Please contact me if you have any questions.

Sincerely,



Kerry Kasey
Valley Gas, Inc.

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

VALLEY GAS, INC.
(Name of Utility)

PO BOX 55

(Business Mailing Address - Number and Street, or P.O. Box)

IRVINGTON, KY 40146

(Business Mailing Address - City, State, and Zip)

270-547-2455

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

KERRY KASEY

(Name)

401 S FIRST STREET

(Address - Number and Street or P.O. Box)

IRVINGTON, KY 40146

(Address - City, State, Zip)

270-547-2455

(Telephone Number)

IGENERGY@BBTEL.COM

(Email Address)

(For each statement below, the Applicant should check either "YES" or "NO".)

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| f. Applicant is a water association organized pursuant to KRS Chapter 273. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." (Attach completed "Reasons for Application" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|--|-------------------------------------|-------------------------------------|
| 8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." (Attach completed "Current and Proposed Rates" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, <u>2012</u> . | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." (Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ <u>39757.31</u> and total revenues from service rates of \$ <u>11377.27</u> . The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. (Attach a completed "Revenue Requirement Calculation" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 12. As of the date of the filing of this application , Applicant had <u>462</u> customers. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 13. A billing analysis of Applicant's current and proposed rates is attached to this application. (Attach a completed "Billing Analysis" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 14. Applicant's depreciation schedule of utility plant in service is attached. (Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 15.a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution). | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

- | | YES | NO |
|--|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant is required to file state and federal tax returns. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 17. Approximately [REDACTED] (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed [Signature]
Officer of the Company/Authorized Representative

Title SECRETARY

Date 2-20-13

COMMONWEALTH OF KENTUCKY

COUNTY OF [REDACTED]

Before me appeared [REDACTED], who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

[Signature: Lou M. Hall]
Notary Public

My commission expires: 03-29-13

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- All amendments to Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- "Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- "Billing Analysis" Attachment
- Depreciation Schedule
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return

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PUBLIC SERVICE
COMMISSION

Valley Gas, Inc.

PO Box 55
Irvington, KY 40146
270-547-2455

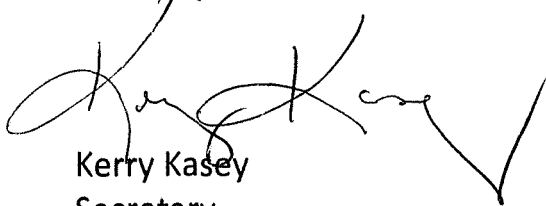
April 8, 2013

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Dear Mr. Derouen:

Valley Gas, Inc. is requesting a deviation to the depreciation schedule since Valley Gas files a federal and state return ending June 30th. The attached schedule is from June 30, 2012. We request this deviation to limit the cost involved in more fees to calculate the depreciation schedule on a December 31st basis.

Sincerely

A handwritten signature in black ink, appearing to read "Kerry Kasey", written over a horizontal line.

Kerry Kasey
Secretary
Valley Gas, Inc.

Book Asset Detail 7/01/11 - 6/30/12

Asset Id	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Degr	Book Net Book Value	Book Method	Book Period
Group: CONTRACTOR INSTALLATION											
19	CONTRACTOR INSTALLATION	5/14/62	55,868.83	0.00	0.00	55,868.83	0.00	55,868.83	0.00	S/L	33.3
20	CONTRACTOR INSTALLATION	1/01/81	214.48	0.00	0.00	214.48	0.00	214.48	0.00	S/L	33.3
21	CONTRACTOR INSTALLATION	1/01/83	1,164.19	0.00	0.00	1,164.19	0.00	1,164.19	0.00	S/L	33.3
22	CONTRACTOR INSTALLATION	1/01/85	1,724.75	0.00	0.00	1,724.75	0.00	1,724.75	0.00	S/L	33.3
23	CONTRACTOR INSTALLATION	1/01/86	347.37	0.00	0.00	347.37	0.00	347.37	0.00	S/L	33.3
24	CONTRACTOR INSTALLATION	1/01/87	8,431.74	0.00	0.00	8,431.74	0.00	8,431.74	0.00	S/L	33.3
25	CONTRACTOR INSTALLATION	1/01/88	4,336.00	0.00	0.00	4,336.00	0.00	4,336.00	0.00	S/L	33.3
26	ADDITIONS	10/01/89	489.00	0.00	0.00	319.07	14.67	333.74	155.26	S/L	33.3
27	ADDITIONS	7/01/90	236.68	0.00	0.00	153.26	7.10	160.36	76.32	S/L	33.3
28	ADDITIONS	2/15/93	1,547.00	0.00	0.00	853.64	46.46	902.10	644.90	S/L	33.3
29	CONTRACTOR INSTALLATION	1/01/94	2,633.38	0.00	0.00	1,382.67	79.01	1,461.68	1,171.70	S/L	33.3
30	CONTRACTOR INSTALLATION	1/01/96	1,817.96	0.00	0.00	846.15	54.59	900.74	917.22	S/L	33.3
31	ADDITIONS	1/01/97	599.61	0.00	0.00	261.14	18.01	279.15	320.46	S/L	33.3
62	CONTRACTORS INSTALLATION	9/01/98	291.45	0.00	0.00	112.29	8.75	121.04	170.41	S/L	33.3
63	CONTRACTORS INSTALLATION	5/01/99	442.41	0.00	0.00	161.69	13.29	174.98	267.43	S/L	33.3
69	CONTRACTOR INSTALLATION	1/01/00	354.23	0.00	0.00	122.36	10.64	133.00	221.23	S/L	33.3
76	CONTRACTOR INSTALLATION	1/01/01	4,098.32	0.00	0.00	1,292.24	123.07	1,415.31	2,683.01	S/L	33.3
83	ADDITIONS	11/20/06	5,000.00	0.00	0.00	688.19	150.15	838.34	4,161.66	S/L	33.3
87	Contractor Installation	1/12/10	750.00	0.00	0.00	33.78	22.52	56.30	693.70	S/L	33.3
			90,347.40	0.00c	0.00	78,315.84	548.26	78,864.10	11,483.30		
CONTRACTOR INSTALLATION											
Group: FURNITURE & FIXTURES											
45	FURNITURE & FIXTURES	1/01/81	12,894.49	0.00	0.00	12,894.49	0.00	12,894.49	0.00	S/L	10.0
46	FURNITURE & FIXTURES	1/01/85	3,223.50	0.00	0.00	3,223.50	0.00	3,223.50	0.00	S/L	10.0
47	FURNITURE & FIXTURES	1/01/86	677.40	0.00	0.00	677.40	0.00	677.40	0.00	S/L	10.0
48	FURNITURE & FIXTURES	1/01/86	129.00	0.00	0.00	129.00	0.00	129.00	0.00	S/L	10.0
49	FURNITURE & FIXTURES	1/01/88	600.00	0.00	0.00	600.00	0.00	600.00	0.00	S/L	10.0
50	FURNITURE & FIXTURES	11/30/89	150.00	0.00	0.00	150.00	0.00	150.00	0.00	S/L	10.0
51	FURNITURE & FIXTURES	7/01/90	601.20	0.00	0.00	601.20	0.00	601.20	0.00	S/L	10.0
52	FURNITURE & FIXTURES	3/15/93	13,684.59	0.00	0.00	13,684.59	0.00	13,684.59	0.00	S/L	10.0
53	FURNITURE & FIXTURES	12/01/95	322.72	0.00	0.00	322.72	0.00	322.72	0.00	S/L	10.0
66	COMPUTER	2/01/99	2,732.75	0.00	0.00	2,732.75	0.00	2,732.75	0.00	S/L	5.0
67	COMPUTER	3/01/99	198.84	0.00	0.00	198.84	0.00	198.84	0.00	S/L	5.0
79	FURNITURE & FIXTURES	1/01/02	1,587.83	0.00	0.00	1,587.83	79.42	1,587.83	0.00	S/L	10.0
80	COMPUTER EQUIPMENT	6/04/03	4,407.21	0.00	0.00	4,407.21	0.00	4,407.21	0.00	S/L	5.0
			41,209.53	0.00c	0.00	41,130.11	79.42	41,209.53	0.00		
FURNITURE & FIXTURES											
Group: INSTALLATION											
15	INSTALLATION EQUIPMENT	1/01/81	4,832.26	0.00	0.00	4,832.26	0.00	4,832.26	0.00	S/L	10.0
16	INSTALLATION EQUIPMENT	3/31/89	379.72	0.00	0.00	379.72	0.00	379.72	0.00	S/L	10.0
17	INSTALLATION EQUIPMENT	7/31/89	400.00	0.00	0.00	400.00	0.00	400.00	0.00	S/L	10.0
18	INSTALLATION EQUIPMENT	3/01/94	196.35	0.00	0.00	196.35	0.00	196.35	0.00	S/L	10.0
77	ELECTRO FUSION	9/10/01	3,816.00	0.00	0.00	3,752.40	63.60	3,816.00	0.00	S/L	10.0

21300 VALLEY GAS, INC.
 61-0598036
 FYE: 6/30/2012

08/31/2012 2:55 PM
 Page 2

Book Asset Detail 7/01/11 - 6/30/12

Asset #	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: INSTALLATION (continued)											
INSTALLATION			9,624.33	0.00c	0.00	9,560.73	63.60	9,624.33	0.00		
54	MACHINERY	1/01/82	1,411.80	0.00	0.00	1,411.80	0.00	1,411.80	0.00	S/L	10.0
55	MACHINERY-TRENCHER	7/01/90	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00	0.00	S/L	10.0
72	MACHINERY	1/01/00	7,614.00	0.00	0.00	7,614.00	0.00	7,614.00	0.00	S/L	10.0
MACHINERY			14,025.80	0.00c	0.00	14,025.80	0.00	14,025.80	0.00		
Group: METERS											
32	METERS	1/01/81	18,149.83	0.00	0.00	18,149.83	0.00	18,149.83	0.00	S/L	10.0
33	METERS	1/01/81	750.00	0.00	0.00	750.00	0.00	750.00	0.00	S/L	10.0
34	METERS	1/01/83	900.00	0.00	0.00	900.00	0.00	900.00	0.00	S/L	10.0
35	METERS	11/30/89	450.00	0.00	0.00	450.00	0.00	450.00	0.00	S/L	10.0
36	METERS	1/01/96	768.50	0.00	0.00	768.50	0.00	768.50	0.00	S/L	10.0
37	METERS	1/01/98	228.72	0.00	0.00	228.72	0.00	228.72	0.00	S/L	10.0
59	METERS	12/31/98	2,860.83	0.00	0.00	2,860.83	0.00	2,860.83	0.00	S/L	10.0
70	METERS	1/01/00	257.00	0.00	0.00	257.00	0.00	257.00	0.00	S/L	10.0
74	METERS	1/01/01	1,475.34	0.00	0.00	1,475.34	0.00	1,475.34	0.00	S/L	10.0
82	METERS	7/13/04	2,648.63	0.00	0.00	2,648.63	0.00	2,648.63	0.00	S/L	10.0
85	METERS (50)	10/01/08	3,741.10	0.00	0.00	1,854.02	264.86	2,118.88	529.75	S/L	10.0
86	METERS (25)	5/01/09	1,935.07	0.00	0.00	1,402.91	374.11	1,402.91	2,338.19	S/L	10.0
88	METERS (50)	5/16/11	2,701.20	0.00	0.00	419.27	193.51	612.78	1,322.29	S/L	10.0
89	METERS (50)	6/24/11	3,312.27	0.00	0.00	22.51	270.12	292.63	2,408.57	S/L	10.0
90	IRON METERS	6/24/11	12,410.48	0.00	0.00	0.00	331.23	331.23	2,981.04	S/L	10.0
91	METERS	1/01/11	3,510.56	0.00	0.00	175.53	351.06	526.59	11,169.43	S/L	10.0
92	METERS	1/01/11	1,990.07	0.00	0.00	99.50	199.01	298.51	2,983.97	S/L	10.0
94	METERS	1/01/12	19,577.69	0.00c	0.00	0.00	978.88	978.88	18,598.81	S/L	10.0
METERS			77,667.29	0.00c	0.00	29,439.85	4,203.83	33,643.68	44,023.61		
Group: PIPE & COATINGS											
1	PIPE COATED	5/14/62	54,101.25	0.00	0.00	54,101.25	0.00	54,101.25	0.00	S/L	33.3
2	PIPE COATED	1/01/81	1,389.49	0.00	0.00	1,389.49	0.00	1,389.49	0.00	S/L	33.3
3	PIPE COATED	1/01/82	938.16	0.00	0.00	938.16	0.00	938.16	0.00	S/L	33.3
4	PIPE COATED	1/01/85	1,856.17	0.00	0.00	1,856.17	0.00	1,856.17	0.00	S/L	33.3
5	PIPE & COATINGS	10/01/86	1,386.74	0.00	0.00	1,386.74	0.00	1,386.74	0.00	S/L	33.3
6	PIPE & COATINGS	2/01/89	493.29	0.00	0.00	409.46	14.80	424.26	69.03	S/L	33.3
7	PIPE & COATINGS	3/01/89	110.00	0.00	0.00	89.68	3.30	92.98	17.02	S/L	33.3
8	ADDITIONS	8/31/89	774.80	0.00	0.00	507.62	23.25	530.87	243.93	S/L	33.3
9	ADDITIONS	11/15/92	434.60	0.00	0.00	243.60	13.05	256.65	177.95	S/L	33.3
10	PIPE AND COATINGS	11/01/93	326.46	0.00	0.00	172.96	9.79	182.75	143.71	S/L	33.3
11	PIPE	1/01/81	602.50	0.00	0.00	602.50	0.00	602.50	0.00	S/L	33.0
12	PIPE	1/01/96	589.37	0.00	0.00	274.35	17.70	292.05	297.32	S/L	33.3
13	PIPE	1/01/97	222.60	0.00	0.00	96.86	6.68	103.54	119.06	S/L	33.3
14	PIPE	1/01/98	1,276.25	0.00	0.00	517.45	38.33	555.78	720.47	S/L	33.3

21300 VALLEY GAS, INC.
61-0598036
FYE: 6/30/2012

Book Asset Detail 7/01/11 - 6/30/12

08/31/2012 2:55 PM
Page 3

Asset #	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sat Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Value	Book Method	Book Period
Group: PIPE & COATINGS (continued)											
61	PIPE	10/01/98	806.93	0.00	0.00	308.93	24.23	333.16	473.77	S/L	33.3
68	PIPE & COATINGS	1/01/00	1,126.23	0.00	0.00	388.93	33.82	422.75	703.48	S/L	33.3
75	PIPE	1/01/01	1,379.83	0.00	0.00	435.12	41.44	476.56	903.27	S/L	33.3
	PIPE & COATINGS		67,814.67	0.00c	0.00	63,719.27	226.39	63,945.66	3,869.01		
Group: RADIO EQUIPMENT											
58	MOTOROLA FOR JEEP	4/01/94	1,372.90	0.00	0.00	1,372.90	0.00	1,372.90	0.00	S/L	10.0
	RADIO EQUIPMENT		1,372.90	0.00c	0.00	1,372.90	0.00	1,372.90	0.00		
Group: REGULATION EQUIPMENT											
38	REGULATION EQUIPMENT	1/01/82	3,712.87	0.00	0.00	3,712.87	0.00	3,712.87	0.00	S/L	10.0
39	REGULATION EQUIPMENT	1/01/81	284.06	0.00	0.00	284.06	0.00	284.06	0.00	S/L	10.0
40	REGULATION EQUIPMENT	1/01/87	507.51	0.00	0.00	507.51	0.00	507.51	0.00	S/L	10.0
41	REGULATION EQUIPMENT	12/31/89	64.26	0.00	0.00	64.26	0.00	64.26	0.00	S/L	10.0
42	REGULATION EQUIPMENT	1/01/81	100.00	0.00	0.00	100.00	0.00	100.00	0.00	S/L	33.0
43	REGULATION EQUIPMENT	12/31/94	473.73	0.00	0.00	473.73	0.00	473.73	0.00	S/L	10.0
44	REGULATION EQUIPMENT	1/01/98	600.07	0.00	0.00	600.07	0.00	600.07	0.00	S/L	10.0
64	REGULATION EQUIPMENT	9/01/98	342.81	0.00	0.00	342.81	0.00	342.81	0.00	S/L	10.0
65	REGULATION EQUIPMENT	12/01/98	104.76	0.00	0.00	104.76	0.00	104.76	0.00	S/L	10.0
71	REGULATION EQUIPMENT	1/01/00	608.97	0.00	0.00	608.97	0.00	608.97	0.00	S/L	10.0
78	REGULATION EQUIPMENT	5/20/02	661.97	0.00	0.00	601.32	60.65	661.97	0.00	S/L	10.0
84	REGULATION EQUIPMENT	11/24/06	731.77	0.00	0.00	344.57	75.18	419.75	332.02	S/L	10.0
	REGULATION EQUIPMENT		8,212.78	0.00c	0.00	7,744.93	135.83	7,880.76	332.02		
Group: TRENCHER											
57	TRENCHER	8/15/92	29,500.00	0.00	0.00	29,500.00	0.00	29,500.00	0.00	S/L	10.0
	TRENCHER		29,500.00	0.00c	0.00	29,500.00	0.00	29,500.00	0.00		
Group: VEHICLES											
56	1994 JEEP LAREDO	11/01/93	27,250.00	0.00	0.00	27,250.00	0.00	27,250.00	0.00	S/L	6.7
60	F-250 PICK-UP	4/22/99	22,100.00	0.00	0.00	22,100.00	0.00	22,100.00	0.00	S/L	7.0
81	UTILITY BED, ETC	9/03/02	4,276.38	0.00	0.00	3,777.49	427.64	4,205.13	71.25	S/L	10.0
95	HONDA CRV	8/21/09	23,719.00	0.00	0.00	15,760.00	2,850.00	18,610.00	5,109.00	200DB	5.0
	VEHICLES		77,345.38	0.00c	0.00	68,887.49	3,277.64	72,165.13	5,180.25		
	Grand Total		417,120.08	0.00c	0.00	343,696.92	8,534.97	352,231.89	64,888.19		

#-7-10

ARTICLES OF INCORPORATION

OF

VALLEY GAS, INC.

(A) NAME OF CORPORATION

Valley Gas, Inc.

(B) PURPOSE OF CORPORATION

The general nature of the business of the Corporation shall be to operate a distribution system for natural gas under franchise rights and to construct, operate, maintain and supervise a natural gas distribution system; to buy, sell and distribute natural gas; to make installation of meters and other necessary items for such distribution in homes, stores and commercial buildings; to own and operate necessary trucks and other equipment for construction, operation, maintenance and supervision of the distribution system; to buy, own, lease and maintain tanks and other storage facilities necessary for the handling and distribution of natural gas; to buy, sell, store, distribute and install appliances operated by natural gas and operate a repair service for said appliances including purchase, sale, delivery and installation of parts and accessories and to do generally everything necessary and incidental to the sale and distribution of natural gas, appliances, parts and accessories and the installation and maintenance of same, and to enter into other businesses related thereto not prohibited by law.

(C) DURATION OF CORPORATION

Perpetual

(D) ADDRESS OF REGISTERED OFFICE IN KENTUCKY - INCLUDING ADDRESS OF PROCESS AGENT

Registered office - Irvington, Kentucky
Agent - Percy L. Kasey
Irvington, Kentucky

(E) AUTHORIZED PAR OR NO PAR STOCK AND VOTING POWER OF STOCK

One thousand (1000) shares common stock

Par Value \$100 each

One vote per share

(F) A DESCRIPTION OF THE CLASSES OF STOCK

One class only - common par value \$100 - (see above item (E))

(G) AMOUNT OF CAPITAL TO BEGIN BUSINESS

\$50,000.00 (Fifty Thousand Dollars)

(H) NAME AND ADDRESS OF EACH INCORPORATOR AND STATEMENT OF NUMBER OF SHARES SUBSCRIBED BY EACH AND CLASS OF SHARES FOR WHICH SUBSCRIBED.

<u>Name</u>	<u>Address</u>	<u>No. of Shares</u>	<u>Class</u>
P. L. Kasey	Irvington, Ky.	249	Common \$100 par
G. O. Haynes	Irvington, Ky.	249	Common \$100 par
Mrs. P. L. Kasey	Irvington, Ky.	1	Common \$100 par
Mrs. G. O. Haynes	Irvington, Ky.	1	Common \$100 par

(I) NUMBER OF DIRECTORS TO BE ELECTED AT FIRST MEETING

Three (3)

GENERAL

The regulation of the business and conduct of the affairs of the corporation shall be regulated by By-Laws of the corporation to be adopted at a future meeting of the stockholders, and the active management of the company's business shall be vested in the board of directors and in such officers of the company as are elected by said board of directors at a future meeting of said directors.

The corporation shall have all other powers enumerated in the General Incorporating Laws of the Commonwealth of Kentucky not specifically listed in these articles of Incorporation, including Section 271.125 but not excluding any others, and the following specifically listed powers, but such listing of specific powers and rights shall not exclude any powers not specifically listed below:

- (1) to sue and be sued by the corporate name;
- (2) to have and use a common seal, which it may alter at pleasure; if no seal, then the signature of the name of corporation by any duly authorized officer shall be legal and binding;
- (3) to purchase and hold or receive by gift, in addition to the personal property, any real estate necessary for the transaction of corporate business and also to purchase or accept any real estate in payment or part payment of any debt due to the corporation, and convey or lease realty and dispose of personalty, for corporate purposes;
- (4) to establish by-laws and make all rules and regulations not inconsistent with the laws and constitution of the United States of America or the Commonwealth of Kentucky, deemed expedient for the management of corporate affairs;
- (5) to appoint such subordinate officers and agents in addition to a president, secretary or treasurer, as the business of the corporation may require, designate the name of the office and fix the compensation of the officer or agent;
- (6) subject to such limitations, if any, contained in its charter, any amendment thereof, or in statutes or law applicable, to borrow money and contract debts proper for the transaction of its corporate business or for any other lawful purpose; to issue bonds, debentures, promissory notes, bills of exchange or other evidences of indebtedness, either secured or unsecured with power to secure same by execution of a corporate mortgage, deed of trust, pledge or otherwise, upon corporate property, real or personal or both;

- (7) to have succession by its corporate name perpetually;
- (8) to guarantee, purchase, own, hold, sell, transfer, assign, mortgage, pledge or otherwise deal in the stocks, bonds, securities or evidences of indebtedness of other corporations, public or private of this or any other state or government including bonds or securities of any state or political subdivision thereof and while owner of such stock to exercise all the rights and privileges of ownership including the right to vote thereon provided, however, that this action shall not be construed to grant to this corporation the power to create unlawful monopolies or combinations in restraint of trade;
- (9) to purchase, guarantee, hold, sell and transfer shares of its own capital stock, provided, however, that this corporation shall not purchase its own shares of capital stock except from the surplus of its assets over its liabilities including capital and provided further that the shares of its own capital stock owned by the corporation shall not be voted directly or indirectly or counted as outstanding for the purpose of any stockholders quorum or vote.
- (10) In any manner to acquire, enjoy, utilize and dispose of patents, copyrights and trademarks and any licenses and other rights or interest therein or thereunder.
- (11) to do all and everything necessary and proper for the accomplishment of the objects enumerated in its certificate of incorporation or any amendment thereof or necessary or incidental to the protection of the corporation and in general to carry on any lawful business necessary or incidental to the attainment of the objects of the corporation whether or not such business is similar in nature to the objects set forth in the certificate of incorporation of this corporation or any amendment thereof, provided, however, that such incidental power shall in no event be construed to include any object for which this corporation may not be formed under the general incorporating laws of the Commonwealth of Kentucky.
- (12) to conduct business, have one or more offices and hold, purchase, mortgage and convey real estate and personal property in this state or any of the several states, territories, District of Columbia, possessions or dependencies of the United States and in foreign countries.

The following restrictions and provisions are coupled with said grant of powers:

- (1) A failure to elect officers at the proper time does not dissolve the corporation, but those in office hold until the election or appointment and qualification of their successors;
- (2) The term of all officers may be fixed by the by-laws, the same not to exceed two (2) years;
- (3) The corporation may, by by-laws, not inconsistent with law, make rules concerning the subscription for or transfer of stock.

IN WITNESS WHEREOF, the undersigned, being all of the incorporators of Valley Gas, Inc., do hereby execute these articles of Incorporation and and certify to the facts stated herein this the 7th day of May 1962.

P. L. Kasey
P. L. Kasey

G. O. Haynes
G. O. Haynes

Mrs. P. L. Kasey
Mrs. P. L. Kasey

Mrs. G. O. Haynes
Mrs. G. O. Haynes

Commonwealth of Kentucky (ss
County of Breckinridge)

I, the undersigned, a notary public duly commissioned in the County of Breckinridge, Commonwealth of Kentucky, certify that P. L. KASEY, G. O. HAYNES, MRS. P. L. KASEY and MRS. G. O. HAYNES being all of the incorporators of Valley Gas, Inc., personally appeared before me, acknowledged the execution of these articles of incorporation and swore to the facts stated therein.

Witness my hand and seal this the 7th day of May 1962.

Betty Lawson
Notary Public

My commission expires _____ My Commission expires March 24, 1966

ORIGINAL COPY
FILED AND RECORDED

Henry N. Carter

MAY 14 1962

SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

County of Breckinridge
State of Kentucky

Book No.
Court Clerk's Office in
Recorded in Breckinridge Court

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

- Valley Gas Inc. petitions the Commission for an order approving an adjustment of rates. It also seeks an adjustment to the following non-recurring fees: the re-connect charge and collection fee.

-In order to have the financial stability needed to provide safe and reliable service, Valley Gas, Inc. has filed this alternative rate filing application. The Commission's alternative rate filing formula generates a fair and reasonable return on investment. In addition Valley Gas will no longer be operating at a loss like it did last year.

-Valley Gas proposed rate design includes an increase in the customer charge. The expense of meter testing, reading and testing the yard lines is increasing with the cost of fuel, equipment re-certification and trained staff. The proposed increase to \$13 will bring further rate stability to Valley Gas by easing the impact of the mild weather conditions. These expenses are incurred regardless of the conditions. Note that the level of this charge is in line with other companies.

-Please be aware that I have provide / sent a copy of our Federal and State Income tax returns by email.

-The proposed increase in salaries is to reflect the cost of living increases. Also, the management fee has been reduced form the past \$60,000 yearly down to \$15,000. The PSC recommend that the \$60k was too large of figure and should be reduced from our last filing.

BILLING ANALYSIS - FLAT RATES

Revenue from Present/Proposed Rates

	<u>Current Rate</u>	<u>Proposed Rate</u>
Number of Customers	473	473
Flat Monthly Rate	\$10.00	\$15.00
Monthly Revenue	\$4,730.00	\$7,095.00
Number of Months	12	12
Annual Revenue	\$56,760.00	\$85,140.00

REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD

(This method is commonly used by investor owned utilities as well as non-profit entities that do not have long-term debts outstanding.)

Pro forma Operating Expenses Before Income Taxes	\$159,115.90
Operating Ratio	0.88
Sub-Total	180,813.52
Less: Pro forma Operating Expenses Before Income Taxes	-159,115.90
Net Income Allowable	21,697.62
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)	5,172.50
Interest Expense	
Pro forma Operating Expenses Before Taxes	159,115.90
Total Revenue Requirement	185,986.02
Less: Other Operating Revenue	-7,629.97
Non-operating Revenue	0.00
Interest Income	0.00
Total Revenue Required from Rates for Service	178,356.05
Less: Revenue from Sales at Present Rates	-138,598.74
Required Revenue Increase	39,757.31

Required Revenue Increase stated as a Percentage of Revenue at Present Rates 28.69%

Provision for Income Taxes - Calculation of Tax Gross-Up Factor

Revenue	1
Less: 5% State Tax	-0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-Total	-0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	21,697.62
Net Income Before Taxes	26,870.12
Difference Equals Provision for State and Federal Income Taxes	5,172.50

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

SCHEDULE OF ADJUSTED OPERATIONS - GAS UTILITY

TYE 12/31/20 12

	Test Year	Adjustment	Ref.	Pro Forma
Operating Revenues				
Sales of Gas				
Residential	228,076.24	-109,431.66		118,644.58
Commercial & Industrial	36,723.17	-16,769.01		19,954.16
Interdepartmental				0.00
Sales for Resale				0.00
Total Sales of Gas	264,799.41	-126,200.67		138,598.74
Other Operating Revenues				
Forfeited Discounts	4,319.49	0.00		4,319.49
Miscellaneous Service Revenues	3,310.48	0.00		3,310.48
Rent from Gas Property				0.00
Other Gas Revenues				0.00
Total Operating Revenues	272,429.38	-126,200.67		146,228.71
Operating Expenses				
Operation and Maintenance Expenses				
Manufactured Gas Production Expenses				0.00
Natural Gas Production Expenses				0.00
Exploration and Development Expenses				0.00
Storage Expenses				0.00
Other Gas Supply Expenses	145,204.76	-145,204.76		0.00
Transmission Expenses				0.00
Distribution Expenses	24,046.03			24,046.03
Customer Accounts Expenses	4,290.92			4,290.92
Customer Service and Informational Expenses				0.00
Administrative and General Expenses	108,483.88	4,800.00	A	113,283.88
Total Operation and Maintenance Expenses	282,025.59	-140,404.76		141,620.83
Depreciation Expense	8,534.97			8,534.97
Amortization Expense				0.00
Taxes Other Than Income	8,960.10			8,960.10
Income Tax Expense	175.00			175.00
Total Operating Expenses	299,695.66	-140,404.76		159,290.90
Utility Operating Income	-27,266.28	14,204.09		-13,062.19

References

A. Administrative and General Expenses

An Adjustment to Administrative wages was made to reflect proposed wage increase of \$4800.00 annually for the two employees (\$2400 each). \$200 dollars per month each.

B. The residential revenue adjustment of \$109,431.66 is the actual cost of gas for the year 2012 leaving the revenue in Pro Forma column with the base rate of \$2.7544.

C. The commercial revenue adjustment of \$16,769.01 is the same as "B".

D. Other Gas Supply Expense is the total gas cost for 2012

COLLECTION FEE
VALLEY GAS, INC.

<u>Collection Fee</u>	Actual Cost Based on one trip	Requested Rate
	\$ 17.78	\$25.00

	Hourly Rate	Per Mile Cost	Hours	
Service Person Hourly Rate	\$ 15.00		1	\$ 7.50
Clerical Person Hourly Rate	\$ 15.00		1	\$ 7.50
Vehicle Charge		\$0.555		<u>\$ 2.78</u>

Calculated Reconnection Fee **\$17.78**

RECONNECT FEE
VALLEY GAS, INC.

<u>Reconnect after disconnection:</u>	Actual Cost Based on one trip	Requested Rate
	\$ 44.26	\$50.00

	Hourly Rate	Per Mile Cost	Hours	
Service Person Hourly Rate	\$ 15.00		1	\$ 15.00
Clerical Person Hourly Rate	\$ 15.00		1	\$ 15.00
Vehicle Charge		\$0.555		\$ 2.78
Fringe Benefit Rate	35%			<u>\$ 11.48</u>
Calculated Reconnection Fee				\$44.26

NOTICE

Notice is hereby given that Valley Gas, Inc. seeks approval by the Public Service Commission, Frankfort, Kentucky, for an adjustment of the base gas rates in the total amount of \$39757.27 on an annual basis. The percentage of increase will be approximately 17.29 percent.

The estimate amount of increase per customer class/meter size is:

<u>Customer Class</u>	<u>Existing</u>	<u>Proposed</u>	<u>Proposed Increase</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Amount</u>	<u>%</u>
Base Rates				
Customer Charge	\$10.00	\$15.00	\$ 5.00	50%
Per Mcf	\$2.7544	\$3.13732	\$.38292	13.9%
Gas Cost				
Per MCF	\$2.9568	\$2.9568	\$ 0	0%
Collection Fee	\$7.50	\$25.00		
Re-Connection Fee	\$25.00	\$50.00		

IMPACT ON AVERAGE CUSTOMER BILL

	<u>Existing</u>	<u>Proposed</u>	<u>% Increase</u>
5.2 MCF Avg. Usage	\$39.70	\$46.69	17.2 %

The base gas rates contained in this notice are the rates proposed by the Valley Gas; however, the Public Service Commission may order gas rates to be charged that differ from the proposed gas rates contained in this notice.

Notice is further given that any corporation, association, or person with a substantial interest in the matter may, by written request within thirty (30) days after the publication of this notice, request to intervene in the matter before the Public Service Commission. Intervention may be granted beyond the thirty (30) day period for good cause shown. The request should be submitted to the Public Service Commission at its address shown below. Any person who has been granted intervention by the Commission may obtain copies, free of charge, of the application and testimony by contacting Valley Gas at the address below. Any person may examine the rate application and any other filings made by Valley Gas at its offices or at the Public Service Commission at the addresses below. Any person may also examine this application at the main offices of Valley Gas, Inc. located at the address below. The application and all documents filed with the Public Service Commission may be viewed and downloaded at the Public Service Commission's Web Site at <http://psc.ky.gov/>.

Valley Gas, Inc.
401 First Street
Irvington, KY 40146
Telephone: 270-547-2455

Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601
Telephone: 502-564-3940