



Valley Gas, Inc.  
PO Box 366  
Irvington, KY 40146

RECEIVED

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PUBLIC SERVICE  
COMMISSION

October 2, 2014

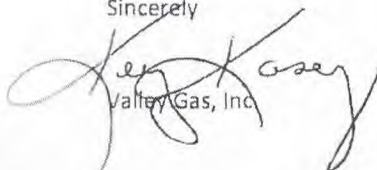
Jeff Derouen  
Executive Director  
Public Service Commission  
PO Box 615  
Frankfort, Kentucky 40602-0615

This special contract is being filed for Commission approval pursuant to 807 KAR 5:011, Section 13. The contract sets out the terms and conditions of Valley's future service to Mago Construction Company (Mago) which does not presently take service from Valley. Among other things, Mago produces asphalt for road construction and until now has used other fuels in its production process. Due to several projects in the local area, the Mago facility Valley intends to serve, (at the Liters Quarry off of Highway #477 near the City of Irvington.) plans on a large increase in its asphalt production in the near future and needs an additional fuel supply to meet the expected demand. The new 6" gas line needed to serve Mago will be constructed by Martin Contracting at an estimated cost of \$200,000. Mago has agreed to pay Valley Gas for 100% of the cost and the line will be owned by Valley Gas as part of their system.

The confidentiality request is being made pursuant to KRS 61.878, Section (1)(c)1. The information for which confidentiality is requested is included in Articles 2 and 4 of contract. It is considered proprietary and public disclosure of it would be detrimental to Valley. The information includes the term of the contract and the price at which Valley has agreed to deliver gas to Mago. Public disclosure of the term of the contract would allow Mago's other fuel suppliers, competitors of Valley, to know the extent of Valley's commitment to Mago. Public disclosure of the price would allow other potential large volume customers to use that information as the "ceiling" in any future contract negotiations they might have with Valley. Knowledge of this information would give those customers the ability to drive a "harder bargain" for terms more advantageous to them than the terms in this agreement. This in turn, would be less advantageous to Valley and its tariffed customers. Based on the contract's term, Valley requests that the information remain confidential for a period of five years.

The deviation request is being made pursuant to 807 KAR 5:011, Section 15. Valley is requesting approval to deviate from the Purchased Gas Cost Adjustment Clause ("Clause") in its filed tariff. The language in the Clause states that "The Gas Cost Recovery Rate is comprised of: 1. The Expected Gas Cost component (EGC) on a dollar-per-Mcf basis, which represents the average expected cost of purchased gas." Under the contract the gas purchased to serve Mago will be provided by Valley's supplier, Constellation Energy, specifically for Mago and will not be included in the average cost calculation of Valley's EGC. It is expected that the gas cost for Mago will be consistently less than the average gas cost used in calculating the EGC that will apply to Valley's other customers. Therefore, a deviation is required. Valley understands that the Commission has permitted Atmos Energy and Columbia Gas to charge a lower EGC to their large volume interruptible customers than is charged their other customers. While Mago's service will not be interruptible, it will be the largest customer by far on Valley's system with annual usage estimated to be equal to nearly one-half of Valley's average annual Mcf sales of 33,000 to its approximately 480 existing customers. The margins on the sales to Mago will improve Valley's finances and should allow Valley to delay filing for a base rate increase for a period of time beyond when it would otherwise need to make such a filing. For these reasons, Valley believes its deviation request should be granted.

Sincerely

  
Valley Gas, Inc.



AGREEMENT

THIS AGREEMENT made and entered into this 26 day of September 2014, by and between Valley Gas, Inc. (VGI), a Kentucky Corporation, and Mago Construction Company (End User).

WITNESSETH:

THAT, WHEREAS, End User desires to purchase certain forward buys of natural gas from VGI's "Supplier" (as defined in Sec. 1.7 below);

WHEREAS, End User desires to have said quantities of natural gas purchased from VGI's Supplier transported and delivered to End User by VGI in Irvington Kentucky at the "Redelivery Point" (as defined in Sec. 1.3 below); and,

WHEREAS, VGI, subject to the terms and conditions set forth herein, desires to transport and deliver to the End User that quantity of natural gas purchased by End User from VGI's Supplier and delivered by Supplier to VGI at the "Delivery Point" (as defined in Sec. 1.2 below).

NOW THEREFORE, the parties agree to as follows:

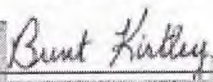
ARTICLE 1. DEFINITIONS

Unless this Agreement provides otherwise, the following definitions shall apply:

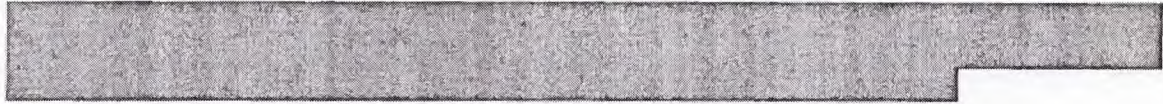
- 1.1. "NATURAL GAS or "GAS" shall mean any mixture of hydrocarbons or hydrocarbons and non-combustible gases in a gaseous state normally accepted as such within the applicable industry, and consisting essentially of methane.
- 1.2. "DELIVERY POINT" shall mean the point of interconnection between the pipeline facilities of VGI and the metering facilities of Texas Gas Transmission or other points which may be agreed to through mutual written agreement of the parties hereto.
- 1.3. "REDELIVERY POINT" shall mean the point of interconnection between the pipeline facilities of VGI and the metering facilities of VGI for End User at End User's asphalt plant located at the Litter's Quarry off of Hwy. 177, in or near Irvington, Kentucky.
- 1.4. "SUPPLIER CONTRACT GAS" shall mean the volumetric quantity of natural gas delivered at the Delivery Point to VGI by Supplier for the account of End User.
- 1.5. "EXCESS GAS" shall mean the amount or quantity of natural gas delivered by VGI to End User at the Redelivery Point in excess of or in addition to the Supplier Contract Gas (as adjusted for VGI's retainage of two percent (2%) for losses.)
- 1.6. "MCF" shall mean the quantity of gas occupying a volume of one thousand (1,000) cubic feet at a pressure base of 14.73 pounds per square inch absolute (14.73 psia) and a temperature base of 60 degrees Fahrenheit (60 F).
- 1.7. "Supplier" shall mean VGI's supplier of natural gas from time to time (presently Constellation Energy, LLC).

[Redacted]

[Redacted]

KENTUCKY PUBLIC SERVICE COMMISSION
<b>JEFF R. DEROUEN</b> EXECUTIVE DIRECTOR
TARIFF BRANCH
 EFFECTIVE
<b>10/28/2014</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)





**ARTICLE 3. TRANSPORTATION AND DELIVERY OF CONTRACT GAS.**

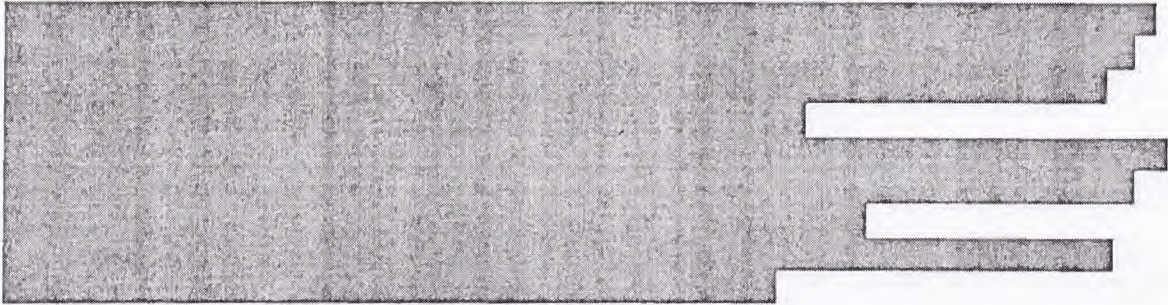
3.1. Subject to the provisions of Article 6 hereof and subject to available capacity and the daily needs of End User, VGI shall accept from Supplier on behalf of End User all daily Supplier Contract Gas which is delivered by Supplier to the Delivery Point, up to a daily maximum of 1,000 MCF.

3.2. VGI shall transport and deliver to End User natural gas in quantities which are equivalent to the amount of Supplier Contract Gas less two percent (2%) by volume for line loss.

3.3. Volumes transported and delivered by VGI to End User as provided in Article 3.1 herein shall be balanced on a daily basis as nearly as possible. Should an imbalance exist upon the termination of this Agreement, such imbalance will be corrected within thirty (30) days of such termination. End User shall purchase from VGI the Excess Gas delivered to End User in accordance with Articles 4 and 5 of this Agreement.

3.4. VGI's transportation obligation hereunder shall be to provide firm uninterrupted service to End User in accordance with End User's needs for natural gas.

3.5. VGI shall not be responsible for paying any transportation or related costs of intermediate transporters, including related line loss, compressor fuel, gas inventory charges and any penalties or other costs.



**ARTICLE 5. STATEMENTS AND PAYMENTS.**

5.1. Statements shall be rendered by VGI as appropriate to End User each month showing the amounts due to VGI for services rendered by VGI for End User during the preceding billing month.

5.2. Each statement required to be furnished shall be mailed to the address set forth in this Agreement. Payment by check payable to the order of Valley Gas, Inc. shall be made by End User by mailing same by the tenth (10th) day following receipt of the bill or Auto Bank Draft can be set up for automatic payment. End User agrees to pay interest at the rate of three quarters percent (0.75%) per month on any outstanding balance which is due VGI under the terms of this Agreement and which is not paid within the time period previously set forth.

**ARTICLE 6. QUALITY.**

KENTUCKY PUBLIC SERVICE COMMISSION <b>JEFF R. DEROUEN</b> EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
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6.1. All Supplier Contract Gas and all gas delivered to End User hereunder shall at all times be merchantable and be free from gasoline, oil, water, salt, gum, dust and other foreign substances that might interfere with the marketability of the gas. The gas delivered by Supplier shall contain not less than 1,000 Btu per cubic foot (as determined by calorimeter test at 60 degrees Fahrenheit (60 F) and saturated with water vapor), and a utilization factor of 1,300 plus or minus 6% (U.F. = heating value (BTU) divided by the square root of gravity). The gas delivered shall not contain more than:

- (a) Seven (7) pounds of water per million cubic feet measured at 14.7 psia and 60 degrees Fahrenheit on an approved dew point apparatus;
- (b) Three percent (3%) by volume of carbon dioxide/
- (c) Twenty-five hundredths (0.25) grain of hydrogen sulfide per one hundred (100) cubic feet; or
- (d) Ten (10) grains of total sulphur per one hundred (100) cubic feet.

6.2. The requirement that the natural gas tendered by Supplier to VGI on behalf of End User conform with the foregoing specifications is a condition precedent to the performance by VGI of the obligation to transport gas to End User imposed by this Agreement.

**ARTICLE 7. MEASUREMENT.**

7.1. Meters and other related equipment installed and maintained by or on behalf of VGI shall be the exclusive method and means of determining the quantity of gas redelivered to End User or delivered to VGI by Supplier for the account of End User. Reading, calibration and adjustment of VGI's meters and related measurement equipment shall be preformed solely by VGI using generally accepted procedures. VGI shall read said meters at regular intervals and the cost of reading; calibrating, adjusting and otherwise maintaining said meters, excluding repair of damage due to the negligence or willful misconduct of End User, shall be borne by VGI. VGI shall test the accuracy of any VGI owned meter in use under this Agreement in accordance with its standard practices as filed with the PSC (Practices 0-8.1 and 0-8.2) for such testing.

7.2. If End User challenges the accuracy of any meters maintained by VGI and requests to have the meters tested, VGI shall test the meters in the presence of End User or its representatives, if End User exercises the right to be present or represented at such test. If the test shall prove the meter to be accurate within plus or minus two percent (+ or - 2%), the cost of testing the same shall be borne by the party requesting the test, but if the test proves the meter to be in error by more than plus or minus two percent (+ or - 2%), then the cost of testing and repairing the same shall be borne by VGI. Meter measurements found to be in error more than plus or minus two percent (+ or - 2%) shall be corrected and the accounts for the period during which the meter error existed shall be adjusted accordingly. In the event the period during which the meter error existed is unknown, then the accounts shall be adjusted for one-half of the elapsed time since the last previous test but in no event for a period of more than sixty (60) days.

**ARTICLE 8. DELIVERY POINTS AND TITLE.**

8.1. Supplier Contract Gas. The point of delivery from Supplier to VGI for the account of End User shall be that Delivery Point herein described in Paragraph 1.2. End User shall retain title to the gas from the Delivery Point to the Redelivery Point. While VGI is in control and possession of the Supplier Contract Gas, it shall be responsible for any damage, claim, liability or injury caused and shall be responsible for the gas itself.

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROWEN, EXECUTIVE DIRECTOR</b>
TARIFF BRANCH
<i>Brent Kirtley</i>
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8.2. Excess Gas. The title to the Excess Gas sold by VGI to End User hereunder shall pass to End User at the Redelivery Point. Before the Excess Gas passes the Redelivery Point, VGI shall be in control and possession thereof and shall be responsible for the gas itself.

8.3. After delivery at the Redelivery Point of the Supplier Contract Gas and the Excess Gas sold by VGI to End User hereunder, End User shall be deemed in control and possession thereof and shall be responsible for any damage, claim, liability or injury caused by the gas.

**ARTICLE 9. TAXES AND FEES.**

VGI may collect from End User any taxes and franchise fees, including, but not limited to, sales tax, school tax and gross receipts tax, which, by regulatory authority or by law, may be collected from End User and which are not otherwise paid by End User, whether such tax is now in existence or hereinafter promulgated or applied. The obligation to pay such taxes shall be in addition to the obligation to pay the appropriate rate set forth in Article 4 of this Agreement.

**ARTICLE 10. FORCE MAJEURE.**

10.1. Suspension of Obligations. If by reason of force majeure any party hereto is rendered unable, wholly or in part, to carry out its obligations under this Agreement, and if such party gives notice and reasonably full particulars of such force majeure, by an express means of written communication, to the other party within a reasonable time after the occurrence of the event of force majeure relied on, the party giving such notice, to the extent that it is affected by such event of force majeure, shall not be in default of its obligations hereunder or liable in damages during the continuation of any inability so caused. The party claiming suspension due to force majeure shall use due diligence to put itself again in position to carry out all of the obligations which it assumes in this Agreement.

10.2. Force Majeure. The term "Force Majeure" as used herein means any cause not reasonably in the control of the party claiming suspension, including but not limited to, acts of God or a public enemy, strikes, riots, injunctions or other interference through legal proceedings, breakage or accident to machinery, equipment or lines of pipe not due to negligence or willful misconduct of the party invoking force majeure, washouts, earthquakes, storms, freezing of lines or wells, blowouts, shutdowns to make emergency or unexpected repairs to machines, equipment or lines of pipe, and compliance with any statute or regulation, either State or Federal, or with any order of the Federal government of any branch thereof, or of the government of the Commonwealth of Kentucky.

10.3. Obligation to Pay. Notwithstanding the foregoing provisions of this Article, End User may not claim suspension, by reason of force majeure, of its obligations under Article 4 and 9 of this Agreement to pay VGI for transportation service rendered and those taxes and franchise fees which VGI may collect from End User.

**ARTICLE 11. GOVERNMENTAL REGULATION.**

11.1. This Agreement shall be subject to all applicable and valid statutes, rules, orders and regulations of any federal, state or local governmental authority or agency having jurisdiction over the parties, their facilities or gas supply, this Agreement or any provision thereof. The parties agree that should any state, federal or local governmental authority or agency with jurisdiction over the parties to this Agreement or transactions herein require approval for the sale of gas hereunder, then each party shall make all necessary applications or filings and shall submit any records or data required by such governmental authority or agency.

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF B. DEBOUEN EXECUTIVE DIRECTOR
TARIFF BRANCH
<i>Brent Kirkley</i>
EFFECTIVE <b>10/28/2014</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



11.2. VGI shall not be liable for failure to perform hereunder if such failure is due to compliance with rules, regulations, laws, orders or directives of any state, federal or local governmental regulatory authority or agency.

11.3. Nothing in this Agreement shall prevent any party from contesting in the validity of any law, order, rule, regulation or directive of any state, federal or other governmental regulatory authority or agency, nor shall anything in this Agreement be construed to require any party to waive its right to assert the lack of jurisdiction of such regulatory body, governmental entity, or agency over this Agreement or any party thereto.

11.4. This Agreement shall not be effective in whole or in part until and unless all necessary regulatory approvals or authorizations shall have been obtained to the satisfaction of each of the parties hereto. In the event any such approvals or authorization is withdrawn or expires (and any renewal is refused by the appropriate regulatory authority), this Agreement may be cancelled at the option of any party hereto. To the extent that VGI is aware of any attempt to assert jurisdiction, or the revocation, withdrawal or expiration of any approval, by any regulatory authority, or an attempt by the Federal Energy Regulatory Commission (FERC) to assert jurisdiction, VGI shall promptly notify End User, in writing, of such impending action and the reason therefore.

11.5. Except as otherwise provided herein, this Agreement is subject to the terms and conditions of VGI's Rates, Rules and Regulations, as set forth in VGI's tariffs on file with the PSC, as same may be changed from time to time.

**ARTICLE 12. CONFIDENTIALITY.**

Except as otherwise provided herein, VGI and End User shall maintain the confidentiality of the terms and conditions of Articles 2 and 4 of this Agreement, and VGI and End User agree not to divulge same to any third party except to the extent required for End User to purchase or monitor supplier Contract Gas or as may be required by law, court order or the order or regulation of any administrative agency having jurisdiction over either party.

**ARTICLE 13. GOVERNING LAW.**

This Agreement was entered into under and, to the extent permitted by law, shall be construed in accordance with the laws of the Commonwealth of Kentucky.

**ARTICLE 14. NOTICES.**

Any notice, request, demand, statement, bill, payment or other communication from any party to any other shall be in writing and shall be delivered to the addresses listed below or at such other address as the receiving party may designate in writing:

To VGI: Valley Gas, Inc.  
PO Box 360  
Irvington, KY 40146-0360

To End User: Mago Construction Company  
PO Box 669  
Bardstown, KY 40004-0669

**ARTICLE 15. ASSIGNMENT.**

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH 
EFFECTIVE <b>10/28/2014</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Either party may assign this Agreement or any of its rights or obligations hereunder provided the assigned party has the ability to perform.

ARTICLE 16. SUCCESSORS.

Subject to the terms and conditions of this Agreement, this Agreement shall extend to and be binding upon the successors and assigns of the parties hereto.

ARTICLE 17. WAIVER.

A waiver by any party of any one or more defaults by any other party in the performance of any provision of this Agreement shall not operate as a waiver of any future default.

ARTICLE 18. SEVERABILITY

Except as otherwise provided herein, any provision of this Agreement declared or rendered unlawful by a statute, court of law or regulatory agency with jurisdiction over the parties or either of them, shall not otherwise affect the other obligations of the parties under this Agreement.

ARTICLE 19. HEADINGS.

The headings of the provisions of this Agreement are used for convenience only and shall not be deemed to affect the meaning or construction of such provisions.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands this the day and year first above written.

VALLEY GAS, INC.

BY: *Ken Casey*

DATE

10/3/14

End User: MAGO CONSTRUCTION COMPANY

BY: *Paul H. Hines, Jr.*

Date

9/26/14

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kinley</i>
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VALLEY GAS, INC.

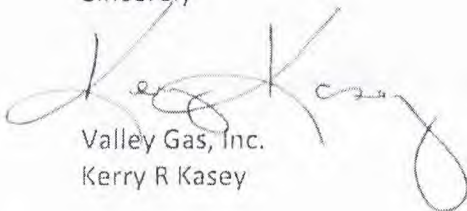
October 22, 2014

Jeff Derouen  
Executive Director  
Public Service Commission  
PO Box 615  
Frankfort, Kentucky 40602-0615

Public Service Commission

The Confidentiality request is being made pursuant to KRS 61.878, Section (1)(c)1. The information for which confidentiality is requested is included in Articles 2 and 4 of contract. It is considered proprietary and public disclosure of it would be detrimental to Valley. The information includes the term of the contract and the price at which Valley has agreed to deliver gas to Mago. Public disclosure of the term of the contract would allow Mago's other fuel supplier's competitors to Valley, to know the extent of Valley's commitment to Mago. Public disclosure of the price would allow other potential large volume customers to use that information as the "ceiling" in any future contract negotiations they might have with Valley. Knowledge of this information would give those customers the ability to drive a "harder bargain" for terms more advantageous to them than the terms in this agreement. This in turn, would be less advantageous to Valley and its tariffed customers. Based on the contract's term, Valley requests that the information remain confidential for a period of five years.

Sincerely



Valley Gas, Inc.  
Kerry R Kasey