

Valley Gas, Inc.

401 First Street, Irvington, Kentucky 40146

270-547-2455

September 12, 2016

RECEIVED

Aaron Greenwell
Executive Director
Public Service Commission
PO Box 615
Frankfort, Kentucky 40602-0615

SEP 14 2016

Public Service
Commission

Dear Mr. Greenwell:

Enclosed please find our application for revised rates in accordance with purchased gas cost adjustment requirements report. There is a discrepancy between sales and purchases because the cost of purchases includes storage gas cost and volumes.

If additional information is needed, please advise.

Your assistance is appreciated.

Sincerely

Kerry Kasey

Kerry Kasey
Valley Gas, Inc.

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$4.5482
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$1.1209)
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$3.4273

Rates to be effective for service rendered from October 1, 2016

A. EXPECTED GAS COST CALCULATION	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$137,427.36
/Sales for the 12 months ended	\$/Mcf	30,216.00
Expected Gas Cost	\$/Mcf	\$4.5482

B. REFUND ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$/Mcf	\$0.0000

C. ACTUAL ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.1461
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$1.2682)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0182
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0170)
=Actual Adjustment (AA)	\$/Mcf	(\$1.1209)

D. BALANCE ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
=Balance Adjustment (BA)	\$/Mcf	\$0.0000

SCHEDULE II
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended June 30, 2016

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Constellation Energy			30,216	\$4.3208	\$130,557.29
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals			30,216		\$130,557.29
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Line loss for 12 months ended 6/30/2016 is based on purchases of 30,216.00 and sales of 30,216.00 Mcf. 0.00%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$130,557.29
/ Mcf Purchases (4)		30,216
= Average Expected Cost Per Mcf Purchased		\$4.3208
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		31,806.00
= Total Expected Gas Cost (to Schedule IA)		\$137,427.36

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended

June 30, 2016

Particulars	Unit	Apr-16	May-16	Jun-16
Total Supply Volumes Purchased	Mcf	2777	1703	269
Total Cost of Volumes Purchased	\$	\$10,520.57	\$10,191.97	\$7,634.98
/ Total Sales *	Mcf	2,638.0	1,617.0	621.0
= Unit Cost of Gas	\$/Mcf	\$3.9881	\$6.3030	\$12.2947
- EGC in Effect for Month	\$/Mcf	\$4.8350	\$4.8350	\$4.8350
= Difference	\$/Mcf	(\$0.8469)	\$1.4680	\$7.4597
x Actual Sales during Month	Mcf	2,036.0	1,027.0	621.0
= Monthly Cost Difference	\$	(\$1,724.32)	\$1,507.65	\$4,632.45
Total Cost Difference		\$4,415.78		
/ Sales for 12 months ended		30,216.0		
= Actual Adjustment for the Reporting Period (to Sch IC)		\$0.1461		

* May not be less than 95% of supply volume

Fuel 2.86%

Actual or Average 3 Yr USAGE	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
		7,175	6,282	4,807	1,901	995	659	589	660	660	1,831	4,603
Nomination	3,000	2,200	3,200	1,550	2,775	2,625	2,975	1,600	800	5,053	3,395	3,500
Volume to Purchase	-	-	-	-	-	-	-	-	-	3,753	1,697	1,750
Settlement/Market Price	\$ 2.6210	\$ 2.6210	\$ 2.6210	\$ 2.2990	\$ 2.2990	\$ 2.2990	\$ 2.6270	\$ 2.6270	\$ 2.6270	\$ 3.3980	\$ 3.3980	\$ 3.3980
TGT Transport	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008
Fuel												
CNEG-Invoice/Dth	\$ 3.5218	\$ 3.5218	\$ 3.5218	\$ 3.1998	\$ 3.1998	\$ 3.1998	\$ 3.5278	\$ 3.5278	\$ 3.5278	\$ 4.2988	\$ 4.2988	\$ 4.2988
Btu - Zone 3	\$ 1.0042	\$ 1.0042	\$ 1.0042	\$ 1.0053	\$ 1.0053	\$ 1.0053	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069
Mcf Conversion	\$ 3.5366	\$ 3.5366	\$ 3.5366	\$ 3.2168	\$ 3.2168	\$ 3.2168	\$ 3.5521	\$ 3.5521	\$ 3.5521	\$ 4.3285	\$ 4.3285	\$ 4.3285
Ccf Conversion	\$ 0.0354	\$ 0.0354	\$ 0.0354	\$ 0.0322	\$ 0.0322	\$ 0.0322	\$ 0.0355	\$ 0.0355	\$ 0.0355	\$ 0.0433	\$ 0.0433	\$ 0.0433
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,133.40	\$ 7,295.06	\$ 7,522.90
Volume Hedged	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
	3,000	2,200	3,200	1,550	2,775	2,625	2,975	1,600	800	1,300	1,698	1,750
WACOG for Hedges	\$ 3.5672	\$ 3.5495	\$ 3.5116	\$ 3.9458	\$ 3.8038	\$ 3.7952	\$ 3.8133	\$ 3.9450	\$ 3.9450	\$ 3.9431	\$ 3.0799	\$ 3.3903
TGT Transport	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008
Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CNEG-Invoice/Dth	\$ 4.4680	\$ 4.4503	\$ 4.4124	\$ 4.8466	\$ 4.7046	\$ 4.6960	\$ 4.7141	\$ 4.8458	\$ 4.8458	\$ 4.8439	\$ 3.9807	\$ 4.2911
Btu - Zone 3	\$ 1.0042	\$ 1.0042	\$ 1.0042	\$ 1.0053	\$ 1.0053	\$ 1.0053	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069
Mcf Conversion	\$ 4.4868	\$ 4.4690	\$ 4.4309	\$ 4.8723	\$ 4.7295	\$ 4.7209	\$ 4.7466	\$ 4.8792	\$ 4.8792	\$ 4.8773	\$ 4.0082	\$ 4.3207
Ccf Conversion	\$ 0.0449	\$ 0.0447	\$ 0.0443	\$ 0.0487	\$ 0.0473	\$ 0.0472	\$ 0.0475	\$ 0.0488	\$ 0.0488	\$ 0.0488	\$ 0.0401	\$ 0.0432
	\$ 13,404.00	\$ 9,790.66	\$ 14,119.68	\$ 7,512.23	\$ 13,055.27	\$ 12,327.00	\$ 14,024.45	\$ 7,753.28	\$ 3,876.64	\$ 6,297.07	\$ 6,759.23	\$ 7,509.43
Storage (Injection)/Withdrawals	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
	(4,175)	(4,082)	(1,607)	(351)	1,780	1,966	2,386	940	140	3,222	(1,208)	(1,800)
WACOG for Storage	\$ 3.5672	\$ 3.5495	\$ 3.5116	\$ 3.9458	\$ 3.8038	\$ 3.7952	\$ 3.8133	\$ 3.9450	\$ 3.9450	\$ 3.5382	\$ 3.2389	\$ 3.3942
TGT Transport	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008	\$ 0.9008
Fuel												
CNEG-Invoice/Dth	\$ 4.4680	\$ 4.4503	\$ 4.4124	\$ 4.8466	\$ 4.7046	\$ 4.6960	\$ 4.7141	\$ 4.8458	\$ 4.8458	\$ 4.4390	\$ 4.1397	\$ 4.2950
Btu - Zone 3	\$ 1.0042	\$ 1.0042	\$ 1.0042	\$ 1.0053	\$ 1.0053	\$ 1.0053	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069	\$ 1.0069
Mcf Conversion	\$ 4.4868	\$ 4.4690	\$ 4.4309	\$ 4.8723	\$ 4.7295	\$ 4.7209	\$ 4.7466	\$ 4.8792	\$ 4.8792	\$ 4.4697	\$ 4.1683	\$ 4.3246
Ccf Conversion	\$ 0.0449	\$ 0.0447	\$ 0.0443	\$ 0.0487	\$ 0.0473	\$ 0.0472	\$ 0.0475	\$ 0.0488	\$ 0.0488	\$ 0.0447	\$ 0.0417	\$ 0.0432
	\$ (18,653.90)	\$ (18,166.12)	\$ (7,090.73)	\$ (1,701.16)	\$ 8,374.19	\$ 9,232.34	\$ 11,247.84	\$ 4,555.05	\$ 678.41	\$ 14,302.59	\$ (5,000.76)	\$ (7,730.91)
\$\$\$ per Dth	\$ 4.4680	\$ 4.4503	\$ 4.4124	\$ 4.8466	\$ 4.7046	\$ 4.6960	\$ 4.7141	\$ 4.8458	\$ 4.8458	\$ 4.4390	\$ 4.1397	\$ 4.2950
Overall \$\$\$ per Mcf	\$ 4.4868	\$ 4.4690	\$ 4.4309	\$ 4.8723	\$ 4.7295	\$ 4.7209	\$ 4.7466	\$ 4.8792	\$ 4.8792	\$ 4.4697	\$ 4.1683	\$ 4.3246