

PO Box 55
Irvington, KY 40146
Phone: (270) 547-2455
igenenergy@bbtel.com

Fax: (270) 547-2464

Valley Gas, Inc.

Case No. 2010-00332

August 13, 2010

RECEIVED

AUG 13 2010

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Executive Director, Public Service Commission
PO Box 615 / 211 Sower Blvd.
Frankfort, KY 40602

RE: Case #

PUBLIC SERVICE COMMISSION

Gas Cost Adjustment Report

Dear Mr. Derouen:

The following document is Valley Gas Cost Adjustment Report for quarter October 1, 2010 to December 31, 2010.

Sincerely,



Kerry R Kasey
Secretary

RECEIVED

Page 1

AUG 13 2010

PUBLIC SERVICE
COMMISSION
QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed: August 13, 2010

Date Rates to be Effective: October 1, 2010 TO December 31, 2010

Reporting Period is Calendar Quarter Ended:

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$6.0947
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$3.1696)
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$2.9251

Rates to be effective for service rendered from October 1, 2010

A. EXPECTED GAS COST CALCULATION

	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$222,512.75
/Sales for the 12 months ended	\$/Mcf	36,509.00
Expected Gas Cost	\$/Mcf	\$6.0947

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	(\$3.1696)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	
=Actual Adjustment (AA)	\$ Mcf	(\$3.1696)

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, 2010

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
ATMOS ENERGY			38,611	\$5.79	\$223,557.69
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals	38,611	\$223,557.69
--------	--------	--------------

Line loss for 12 months ended 6/30/2010 is based on purchases of 38,611.00
and sales of 36,509.00 Mcf. 5.44%

	Unit	Amount
Total Expected Cost of Purchases (6)		\$223,557.69
/ Mcf Purchases (4)		38,611
= Average Expected Cost Per Mcf Purchased		\$5.7900
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		38,430.53
= Total Expected Gas Cost (to Schedule IA)		\$222,512.75

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended June 30, 2009

Particulars	Unit	Jun-10	May-10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09	Nov-09	Oct-09	Sep-09	Aug-09	Jul-09
Total Supply Volumes Purchased	Mcf	756	868	1338	4135	7822	9072	7095	3094	2073	825	768	765
Total Cost of Volumes Purchased	\$	\$3,898.41	\$4,578.48	\$6,468.84	\$24,798.67	\$48,982.64	\$61,870.99	\$40,495.65	\$16,376.85	\$9,780.63	\$3,142.91	\$3,616.68	\$3,777.47
/ Total Sales *	Mcf	718.2	889.0	1,793.0	5,384.0	7,809.0	8,618.4	6,740.3	2,939.3	1,969.4	783.8	823.0	895.0
= Unit Cost of Gas	\$/Mcf	\$5.4280	\$5.1501	\$3.6078	\$4.6060	\$6.2726	\$7.1789	\$6.0080	\$5.5717	\$4.9664	\$4.0101	\$4.3945	\$4.2206
- EGC in Effect for Month	\$/Mcf	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829	\$9.0829
= Difference	\$/Mcf	(\$3.6549)	(\$3.9328)	(\$5.4751)	(\$4.4769)	(\$2.8103)	(\$1.9040)	(\$3.0749)	(\$3.5112)	(\$4.1165)	(\$5.0728)	(\$4.6884)	(\$4.8623)
x Actual Sales during Month	Mcf	713.0	889.0	1,793.0	5,384.0	7,809.0	8,602.0	5,352.0	2,223.0	1,577.0	449.0	823.0	895.0
= Monthly Cost Difference	\$	(\$2,605.92)	(\$3,496.22)	(\$9,816.80)	(\$24,103.66)	(\$21,945.73)	(\$16,377.85)	(\$16,456.68)	(\$7,805.43)	(\$6,491.68)	(\$2,277.69)	(\$3,858.55)	(\$4,351.73)
												\$	(\$115,719.45)
Total Cost Difference												Mcf	36,509.0
/ Sales for 12 months ended													(\$3.1696)
= Actual Adjustment for the Reporting Period (to Sch IC)													

* May not be less than 95% of supply volume



Summer-Winter 2010-11		
%	1-%	Fuel Factor
2.80%	0.9720	0.02881

Actual or Average 3 Yr USAGE	Mar-10	Apr-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
Volume to Purchase	438	879	756	836	773	809	1,704	3,569	6,212	7,059	6,361	4,071
Current Market Price	\$ 3.8420	\$ 4.2710	\$ 4.1550	\$ 4.7170	\$ 4.7740	\$ 4.3260	\$ 4.3310	\$ 4.5460	\$ 4.7770	\$ 4.9060	\$ 4.8890	\$ 4.8110
TGT Transport	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000
Fuel	0.11	0.12	0.12	0.14	0.14	0.12	0.12	0.13	0.14	0.14	0.14	0.14
AEM-Invoice/Dth	\$ 4.8527	\$ 5.2940	\$ 5.1747	\$ 5.7529	\$ 5.8115	\$ 5.3506	\$ 5.3558	\$ 5.5770	\$ 5.8146	\$ 5.9473	\$ 5.9298	\$ 5.8496

Btu - Zone 3	1.0075	1.0024	1.0067	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080
--------------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Mcf Conversion	\$ 4.8892	\$ 5.3065	\$ 5.2091	\$ 5.7989	\$ 5.8580	\$ 5.3934	\$ 5.3986	\$ 5.6216	\$ 5.8611	\$ 5.9949	\$ 5.9773	\$ 5.8964
----------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Ccf Conversion	\$ 0.0489	\$ 0.0531	\$ 0.0521	\$ 0.0580	\$ 0.0586	\$ 0.0539	\$ 0.0540	\$ 0.0562	\$ 0.0586	\$ 0.0599	\$ 0.0598	\$ 0.0590
----------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

	\$ 2,125.47	\$ 4,653.45	\$ 3,912.07	\$ 4,809.41	\$ 4,492.31	\$ 4,326.51	\$ 9,127.29	\$ 19,905.27	\$ 36,121.51	\$ 41,981.18	\$ 37,718.69	\$ 23,812.70
--	-------------	-------------	-------------	-------------	-------------	-------------	-------------	--------------	--------------	--------------	--------------	--------------

Volume Hedged	Mar-10	Apr-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
WACOG for Hedges	\$ 5.400	-	-	-	-	-	\$ 4.8900	\$ 4.8900	\$ 4.8900	\$ 4.8900	\$ 4.8900	\$ 4.8900
TGT Transport	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000
Fuel	-	-	-	-	-	-	-	-	-	-	-	-
AEM-Invoice/Dth	\$ 6.4400	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 5.7900	\$ 5.7900	\$ 5.7900	\$ 5.7900	\$ 5.7900	\$ 5.7900

Btu - Zone 3	1.0075	1.0024	1.0067	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080	1.0080
--------------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Mcf Conversion	\$ 6.4885	\$ 0.9021	\$ 0.9060	\$ 0.9072	\$ 0.9072	\$ 0.9072	\$ 5.8363	\$ 5.8363	\$ 5.8363	\$ 5.8363	\$ 5.8363	\$ 5.8363
----------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Ccf Conversion	\$ 0.0649	\$ 0.0090	\$ 0.0091	\$ 0.0091	\$ 0.0091	\$ 0.0091	\$ 0.0584	\$ 0.0584	\$ 0.0584	\$ 0.0584	\$ 0.0584	\$ 0.0584
----------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

	\$ 5,796.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,158.00	\$ 2,316.00	\$ 4,053.00	\$ 4,632.00	\$ 4,053.00	\$ 2,895.00
--	-------------	------	------	------	------	------	-------------	-------------	-------------	-------------	-------------	-------------

\$\$\$ per Dth	\$ 5.9204	\$ 5.2940	\$ 5.1747	\$ 5.7529	\$ 5.8115	\$ 5.3506	\$ 5.4014	\$ 5.5984	\$ 5.8121	\$ 5.9313	\$ 5.9160	\$ 5.8431
----------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Overall \$\$\$ per Mcf	\$ 5.9650	\$ 5.3065	\$ 5.2091	\$ 5.7989	\$ 5.8580	\$ 5.3934	\$ 5.4446	\$ 5.6432	\$ 5.8586	\$ 5.9788	\$ 5.9633	\$ 5.8898
------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------