

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT	)	CASE NO.
FILING OF VALLEY GAS, INC.	)	2022-00055

ORDER

The Commission, on its own motion, hereby closes this case and removes it from the Commission's docket. On February 22, 2022, Valley Gas, Inc. (Valley Gas) filed its Gas Cost Recovery (GCR) rate report to become effective April 1, 2022. In its March 30, 2022 Order filed in this proceeding the Commission found that the case should remain open to investigate the reasonableness of Valley Gas's GCR rate report filing, including its calculation methodology and report structure.

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates, or the

rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.<sup>1</sup>

### BACKGROUND

In its GCR rate report, Valley Gas included in the calculation of its current quarter Actual Cost Adjustment (ACA) a Unit Cost of Gas rate of \$133.7705 per Mcf for the month of October 2021. Valley Gas's monthly Unit Cost of Gas was based on the Total Cost of Volumes excluding Valley Gas's industrial customer, Mago Construction (Mago), divided by Total GCA Sales from the usage through city gate. Due to Mago being a special contract customer that is not charged the GCR rate, the usage and gas costs related to Mago are removed from Valley Gas's GCR rate calculation. Valley Gas sells the gas to Mago but its gas supplier Constellation Energy (Constellation) bills Valley Gas for the total usage in addition to transportation costs, reports on the usage through the City Gate, and manages the storage of natural gas volumes bought by Valley Gas. For the purpose of transparency and to provide justification for its GCR rates, Valley Gas files invoices from its supplier as supplemental documentation to its GCR rate report. The invoices for October 2021 indicated a significantly lower usage through the city gate than reported in previous months resulting in a higher than average unit cost of gas.

In Case No. 2022-00149,<sup>2</sup> the GCR rate report filed by Valley Gas provided additional data that determined that the injection and storage of natural gas managed by Constellation might not be accurately accounted for in the true-up of the ACA calculation.

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<sup>1</sup> KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

<sup>2</sup> Case No. 2022-00149, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed May 25, 2022).

In that case proceeding an Informal Conference (IC) was held with Commission Staff to discuss the GCR mechanism and the storage injection and withdrawal for Valley Gas.<sup>3</sup> Following the IC, Valley Gas filed the monthly storage injection and withdrawal information from Constellation as supplemental information into the case record.<sup>4</sup> Upon review of the additional supplemental Information, the Commission issued an Order that modified Valley Gas's ACA methodology to reflect the total supply of gas purchased by Constellation for the usage of Valley Gas and the injection of storage for each month. Furthermore, the Commission found that the actual quarter ACA approved in this case was to be revised in preceding GCR rate reports to reflect the corrected actual cost of gas. The quarter ACA of \$2.8211 per Mcf as approved by the Commission in its March 30, 2022 Order is set to expire from the GCR rate calculation on March 31, 2023. By using the modified ACA methodology, the corrected quarter ACA was revised by the Commission to \$0.7462 per Mcf and shall continue to be included in the GCR rate calculation until it expires.<sup>5</sup>

### DISCUSSION

The Commission finds that the issues related to the reasonableness of Valley Gas's GCR rate report filing, including its calculation methodology and report structure, were addressed in Case No. 2022-00149 and this case is now moot. The Commission finds that this case should be closed and removed from the Commission's docket.

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<sup>3</sup> Case No. 2022-00149, June 16, 2022 Informal Conference Memo.

<sup>4</sup> Case No. 2022-00149, June 20, 2022 supplemental information.

<sup>5</sup> Case No. 2022-00149, June 30, 2022 Order at 4.

IT IS THEREFORE ORDERED that this case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

  
Chairman

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Vice Chairman

  
Commissioner



ATTEST:

  
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