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April 17, 2023

PARTIES OF RECORD

Re: Case No. 2022-00315

Attached is a copy of a memorandum, which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter.

If you have any questions, please contact Andrew Bowker, Staff Attorney, at 502-782-2580 or andrew.bowker@ky.gov.

Sincerely,

A handwritten signature in blue ink that reads "Linda C. Bridwell".

Linda C. Bridwell, PE
Executive Director

Attachment



INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2022-00315

FROM: Andrew Bowker, Staff Attorney

DATE: April 17, 2023

RE: Informal Conference of April 11, 2023

Pursuant to a Commission Staff Notice issued on April 10, 2023, a virtual informal conference (IC) was conducted on April 11, 2023 at 10:00am Eastern Daylight time. A representative of Valley Gas, Inc. (Valley Gas) participated in the virtual conference with Commission Staff. Attached is a copy of the attendance roster.

The purpose of the IC was to discuss issues regarding Valley Gas's special contract as approved by the Commission in Case No. 2014-00368 and as it pertains to the current case proceeding.¹ During the IC, Commission Staff discussed the terms and pricing of the special contract with Mago Construction Company (Mago). Mago is Valley Gas' sole industrial customer and procures gas during the summer months when residential and commercial usage is typically low. Valley Gas requested and was granted a deviation from its Gas Cost Recovery (GCR) rate report so as to exclude the cost of Mago's gas supply from recovery through Valley Gas' GCR mechanism. The deviation was granted on the grounds that Mago would hold a separate gas supply contract with Valley Gas's natural gas supplier Constellation Energy (Constellation).² As part of the pricing terms of the special contract, Valley Gas would only charge Mago a fixed transportation fee for delivering the gas through its system. Valley Gas's quarterly GCR rate report filings beginning on and after Case No. 2018-00089 excluded Mago's gas supply from the calculation of its GCR rate.³

Valley Gas informed Commission Staff that Mago, since its participation as a Valley Gas ratepayer, has been charged a monthly \$489 meter charge. Additionally, when Mago purchases natural gas it is charged the tariff base usage charge of \$3.0061 per Mcf and the per Mcf GCR rate that is in effect during Mago's period of usage. Valley Gas stated to Commission Staff that the separate contract between Mago and Constellation was never established and Mago purchases all of its natural gas directly

¹ Case No. 2014-00368, *Valley Gas, Inc. Request For Approval of a Special Contract With Mago Construction Company and a Deviation From The Gas Cost Adjustment Clause* (Ky. PSC Oct. 28, 2014).

² Case No. 2014-00368, *Valley Gas, Inc. Request For Approval of a Special Contract With Mago Construction Company and a Deviation From The Gas Cost Adjustment Clause* (Ky. PSC Oct. 28, 2014) at 1-2.

³ Case No. 2018-00089, *Purchased Gas Adjustment Filing Of Valley Gas, Inc.* (filed Mar. 5, 2018).

from Valley Gas. Article 4.3 of the special contract states that at any time during the term of the agreement Mago may choose to revert to Valley Gas's General Service Rates as set forth in Valley Gas's tariff on file with the Commission. Valley Gas has not been charging Mago the monthly tariff customer charge of \$15 like all other general service rate customers. Valley Gas was not able to provide a justification for the monthly \$489 charge during the IC with Commission Staff but notes that Mago uses a turbine meter and it is inspected annually.

Commission Staff informed Valley Gas that it may only charge Mago the rates from its tariff or from the Commission approved special contract. Commission Staff suggested that Valley Gas file an amended special contract between Mago and Valley Gas setting forth a proposed \$489 monthly charge and to provide justification for the charge. Commission Staff informed Valley Gas that providing a thorough cost justification for the \$489 meter charge would help the Commission come to a reasonable decision on whether to grant the amended special contract. Valley Gas was also advised that it may be beneficial to seek legal counsel to assist in the filing of an amended special contract to ensure a timely and legally sound filing be brought before the Commission for consideration. Commission Staff also notes that due to Mago purchasing natural gas directly from Valley Gas the Commission's approved deviation of Mago gas supply from Valley Gas's GCR mechanism from Case No. 2014-00368 is no longer reasonable. Commission Staff also mentioned that the current procedural schedule might need to be amended to allow additional time to process the information identified during the IC and to prepare the Staff Report. Valley Gas did not note any objections to an amended procedural schedule that would push the Staff Report date a few weeks.

There being no further discussion, the IC was then adjourned.

cc: Parties of Record

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