

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION)	
INTO VALLEY GAS, INC. FOR AN)	
ALLEGED FAILURE TO COMPLY)	CASE NO. 2023-00331
WITH COMMISSION ORDERS)	
AND KRS 278.160)	

VERIFIED RESPONSE TO ORDER OF OCTOBER 26, 2023

Pursuant to the Kentucky Public Service Commission’s (the “Commission”) Order of October 26, 2023, Valley Gas, Inc. (“Valley Gas”), by counsel, responds to the allegations contained in the Commission’s Order as follows:

Introduction

1. Valley Gas is a small, family owned and operated natural gas distribution company that serves approximately 470 customers in Irvington, Kentucky. It has been in operation since 1962 when Kenneth Kasey organized the company. The Kasey family has operated Valley Gas since then. Kerry Kasey, the current president of Valley Gas, began working for Valley Gas in 1986. He became president of Valley Gas in 2017. Valley Gas’s only other employee is Kerry Kasey’s brother, Kevin Kasey, who serves as Valley Gas’s vice president. Valley Gas primarily relies upon Irvington Gas Company, Inc. (“Irvington Gas”), a related company that provides propane services, for administrative and operational support.

2. No Valley Gas employee or officer has had any formal training regarding the laws and administrative regulations that govern the operations of natural gas utilities. Valley Gas has relied upon and frequently sought Commission Staff’s assistance to meet the requirements of those laws and regulations. Until recently, Commission Staff assisted Valley Gas by preparing the

spreadsheet template used to prepare gas cost recovery filings and reviewing monthly gas cost recovery filings prior to the formal filing. When questions arose regarding any regulatory matter, Valley Gas would contact Commission Staff for assistance and would follow the guidance provided. Due to its small size and limited resources, Valley Gas has rarely retained legal counsel to assist with its filings with the Commission. Though it has always made a good faith effort to comply with the laws and regulations applicable to gas utilities, the lack of a full and complete understanding of those laws and regulations has likely contributed to unknowing and inadvertent noncompliance with them.

Special Contract Between Valley Gas and Mago Construction Company

3. Mago Construction Company (“Mago”) produces asphalt for road construction. In 2014 it approached Valley Gas for natural gas service. It entered into a contract with Martin Contracting for the construction of 8,000 feet of six-inch gas line to serve Mago’s facilities. Mago would pay the \$200,000 cost of the proposed line and convey all ownership interest in the gas line to Valley Gas. At the time of the agreement, it was intended that Mago would be using approximately 150 dekatherms each day between April and November and a total of 20,000 dekatherms on an annual basis.

4. On September 26, 2014, Valley Gas executed a special contract with Mago for the transportation of natural gas to Mago’s facilities. This contract required Valley Gas to accept on Mago’s behalf all daily natural gas delivered to Valley Gas, up to 1,000 Mcf, by Valley Gas’s supplier (Constellation Energy) for Mago’s account. Valley Gas was to provide firm uninterrupted transportation service to meet Mago’s needs. Mago was to pay Valley Gas \$2.00 per Mcf for the transportation service from the point of interconnection between the facilities of Valley Gas and the interstate pipeline serving Valley Gas to the metering point for Mago. The contract was for

an initial term of three years from November 2014 to November 2017, and it included automatic three-year renewals unless Mago provided written notice of nonrenewal. It also permitted Mago to unilaterally revert to Valley Gas's General Service Rates. An unredacted copy of this contract is attached to this Response as **Exhibit A**. Kerry Kasey prepared the special contract without the assistance of legal counsel.

5. On October 3, 2014, Valley Gas submitted to the Commission the special contract with Mago. In addition to filing the special contract, Valley Gas requested a deviation from 807 KAR 5:011 to permit the exclusion from the expected gas cost component of its Gas Cost Recovery Rate the cost of any gas purchased from Constellation Energy on behalf of Mago.

6. In response to an inquiry from Commission Staff following the submission of the special contract, Kerry Kasey advised Commission Staff by electronic mail on October 7, 2014, "If Mago buys any gas from Valley Gas the rate will be at Valley's regular tariff rates."

7. On October 28, 2014, the Commission approved the special contract.¹ It also authorized Valley Gas to deviate from its Gas Cost Adjustment Clause and exclude from recovery through Valley's Gas Cost Adjustment Clause mechanism the cost of Mago's gas supply purchased under a separate contract with Constellation Energy.

8. Construction of the 8,000-foot gas line to Mago was completed on April 30, 2015.

9. Valley Gas began natural gas service to Mago on or about April 30, 2015.

10. To the best of Valley Gas's knowledge and information, Mago did not execute a separate contract with Constellation Energy or otherwise request that Valley Gas purchase natural gas separately for Mago or otherwise advise Valley Gas that it was purchasing natural gas from

¹ *Valley Gas, Inc. Request for Approval Of A Special Contract With Mago Construction Company and A Deviation from the Gas Cost Adjustment Clause*, Case No. 2014-00368 (Ky. PSC Oct. 28, 2014).

Constellation Energy or any other source. At no time did Mago take transportation service from Valley Gas.

11. In its Annual Reports to the Commission for the period from January 1, 2015, to December 31, 2022, Valley Gas did not report any revenue from transportation services or otherwise indicate in those reports that it was providing transportation service for any of its customers.

12. From on or before July 4, 2014, until August 18, 2023, Valley Gas's filed rate schedule for General Service consisted of a monthly customer charge of \$15.00, a quarterly Gas Cost Recovery ("GCR") rate, and a volumetric rate of \$3.0061 per Mcf. Valley Gas did not have a filed rate schedule rate for industrial customers such as Mago.

13. Beginning on April 30, 2015, Valley Gas began assessing Mago a monthly customer charge of \$489.00. Valley Gas's officers developed this charge based upon their review of monthly charges assessed by other Commission-regulated gas utilities. The charge was intended to recover the costs of providing service to Mago. Mago is the only industrial customer that Valley Gas has served. Its existing customer charge was not designed to recover the type of costs necessary to serve such a customer. (For example, the regulator portion of the meter through which Valley Gas provided service to Mago cost approximately \$29,385. The cost to test the meter and to inspect and maintain other facilities necessary to serve Mago were significantly greater than those to serve a residential or small commercial customer.) Valley Gas did not revise its tariff to include this monthly charge or execute a revised contract for service with Mago or file such contract with the Commission.

14. Valley Gas acknowledges that the assessment of the monthly customer fee of \$489.00 to Mago was contrary to KRS 278.160(2).

15. Valley Gas's assessment of the monthly customer fee of \$489.00 to Mago without first revising its filed rate schedules to include such charge was the result of its ignorance of KRS 278.160. Its officers were unaware of the requirements of KRS 278.160 and would have complied with that statute had they been aware of its requirements. Valley Gas believed the monthly customer was reasonable and designed to recover the additional costs of serving its only industrial customer, and because Mago did not object to the monthly customer charge or make any inquiry regarding the charge, Valley Gas and its officers mistakenly believed that the assessment of the charge was lawful so long as the utility and the affected customer agreed. Valley Gas and its officers acknowledge that their ignorance of KRS 278.160 is not a defense and that they had a responsibility to know and understand the requirements of KRS 278.160.

16. On or about April 11, 2023, Kerry Kasey participated in a video conference with Commission Staff in Case No. 2022-00315 on Valley Gas's behalf.² At this conference, Mr. Kasey disclosed that Valley Gas was assessing the monthly customer charge of \$489.00 to Mago. Commission Staff members informed him of the implications of Valley Gas's action and suggested that Valley Gas enter into an amended special contract with Mago that provided for the monthly customer charge of \$489.00 and file the amended contract with the Commission.

17. On May 17, 2023, Valley Gas and Mago executed an amendment to the special contract, which is attached as **Exhibit B**. Substantively, the amendment added a provision specifying that Mago will pay a \$489 monthly meter charge to cover expenses incurred from retesting and maintenance of the onsite equipment. The amendment was also prepared without any assistance from legal counsel.

² *Electronic Application of Valley Gas, Inc. For An Alternative Rate Adjustment*, Case No. 2022-00315 (Ky. PSC filed Oct. 24, 2022).

18. After the amendment was executed, Valley Gas emailed a copy of the amendment to Commission Staff member Sarah Jankowski. A copy of the emails between Valley Gas and Commission Staff regarding the amendment are attached to this Response as **Exhibit C**. At the time of its action, Valley Gas mistakenly believed that by emailing the document to Commission Staff it had filed the amendment with the Commission. Its legal counsel has subsequently advised it that the document must be submitted to the Commission through the Commission's Electronic Filing System for the document to be considered "filed" with the Commission. Valley Gas is correctly submitting a copy of the contract amendment to the Commission contemporaneously with the filing of this Response.

19. Valley Gas acknowledges that the amendment to the special contract must be filed with and approved by the Commission before the monthly customer charge of \$489.00 can be assessed to Mago. As of the date of this Response, Valley Gas has ceased charging the \$489.00 to Mago and will not resume assessing Mago the charge until the Commission has approved amendment to the special contract or its filed tariff has otherwise been revised to contain the \$489.00 meter charge.

20. Consistent with the five-year statute of limitations established in KRS 413.120(2) and the two-year limitation on billing for service, Valley Gas acknowledges a meter-charge refund obligation of 60 months times \$489/month (\$29,340) less twenty-four months of Valley Gas's standard \$15/month charge (\$360), resulting in a total refund obligation of \$28,980. Valley Gas is prepared to begin refunding that amount in accordance with any refund plan the Commission orders. Due to its limited cash reserves, Valley Gas respectfully requests that the Commission permit the refunds to be made over a three-year period.

Reconnection and Returned Check Charges

21. Valley Gas admits that it has assessed charges for returned checks and reconnections that are lower than those set forth in its tariff. Specifically, Valley Gas charged one customer \$15 instead of the approved tariff amount of \$25 for a Returned Check Charge. Also, Valley Gas charged 17 customers \$40 for Reconnection Charges instead of the approved tariff amount of \$43. Thus, Valley Gas underbilled a total of \$61 from a total of 18 customers.

22. Valley Gas admits that its assessment of charges that differ from those in its filed rate schedules is a violation of KRS 278.160(1) but denies that those violations were willful or intentional. Valley Gas and Irvington Gas employees, who collect the charges in issue, relied upon memory when billing nonrecurring charges to customers and failed to consult the utility's filed rate schedules. Valley Gas acknowledges that this does not excuse the violations and is not consistent with good business practices.

23. Valley Gas intends to take the following actions to remedy these violations and ensure future compliance with KRS 278.160. It has made a physical copy of its tariff available in its shared office space with Irvington Gas and has instructed those employees dealing with Valley Gas customers to consult the tariff before assessing and collecting any fee for a returned check or reconnection. It will modify its webpage to include a hyperlink to Valley Gas's tariff to ensure employees and customers can easily access the information. Finally, it has created the document attached as **Exhibit D** to print and display in its office space to ensure employees can readily ascertain the information instead of relying upon their memory. Given the limited amount underbilled, the length of time that has passed since the underbilling occurred, the likely customer resistance to paying the underbilled amount at this late date, and the administrative cost to collect

the underbilled amount, Valley Gas does not propose to collect the underbilled amount. It believes that the cost to collect the underbilled amount is likely to exceed the amount underbilled.

Late Fees for Residential Customers

24. Valley Gas admits assessing a total of \$3,473.41 in late payment fees to residential customers between March 16, 2020, and December 31, 2020, which was contrary to the Commission's Orders of March 16, 2020 and September 23, 2020 in Case No. 2020-00085.

25. During Commission Staff's field review in Case No. 2022-00315, Valley Gas developed the apparently erroneous impression that the Commission would issue instructions regarding refunding the late payment fees. Thus, Valley Gas's refraining from issuing refunds to date arose from a mistaken understanding of how and when the Commission might act regarding such refunds, not a desire to refrain from making them at all.

26. Valley Gas is prepared to begin refunding the erroneous late fees in accordance with any refund plan the Commission orders. Due to its limited cash reserves, Valley Gas respectfully requests that the Commission permit the refunds to be made over a three-month period.

Gas Cost Recovery (GCR) Rate Report

27. Based upon information and belief, Valley Gas believes that the GCR rate reports submitted since September 30, 2015 are accurate and comply with the instructions and guidance Commission Staff provided regarding the preparation of the reports. If there are any inaccuracies in these reports, they are unintentional and inadvertent errors and not the result of any effort to mislead or misrepresent Valley Gas's sales volumes or costs.

28. Prior to September 23, 2015, Valley Gas reported Mago's volumes and gas supply costs in its Gas Cost Adjustment ("GCA") filings to the Commission. In an email exchange

between Valley Gas's president and Commission Staff dated September 23, 2015, Commission Staff noted that Mago's volumes and gas supply costs were included in Valley Gas's Gas Cost Adjustment filing for October 2015. Commission Staff assisted Valley Gas by recalculating the erroneous figures, providing revisions to Valley Gas's Expected Gas Costs spreadsheet, and directing Valley Gas to re-file the application with Mago's volumes and cost removed. A copy of these emails is attached as **Exhibit E** to this Response.

29. Valley Gas and its employees have limited experience and training in preparing the GCA filings. Throughout its history, its employees have heavily relied upon Commission Staff's guidance to prepare its GCA filings. As noted earlier, it had no prior experience serving an industrial customer and no understanding of the regulatory implications of serving such a customer. Commission Staff frequently reviewed Valley Gas's GCA filings before their formal submission and made revisions to them. Given its limited knowledge and the complexity of the filings, Valley Gas strictly followed Commission Staff's advice and instructions when preparing its GCA filings. Valley Gas is very grateful and appreciative of the Commission Staff's assistance in the preparation of the GCA filings and its efforts to ensure those filings' accuracy and compliance with Commission Orders. Valley Gas acknowledges the possibility that misunderstandings between the parties may have occurred during these exchanges that led Commission Staff to provide erroneous instructions to Valley Gas or that caused Valley Gas to fail to fully understand or comprehend Commission Staff's instructions or unintentionally fail to provide all necessary information.

30. Valley Gas will fully cooperate with the Commission in its investigation of Valley Gas's GCA filings and will provide any information necessary to assess the accuracy of its GCA filings.

Conclusion

31. Valley Gas acknowledges its obligation under the law to timely comply with all statutes, regulations, and Commission orders and accepts responsibility for all failures to do so.

32. Valley Gas will take the following actions:

Mago Meter Fee	<ul style="list-style-type: none">• Cease charging the \$489 monthly meter fee to Mago unless and until the Commission approves the fee• Properly file the amendment to the special contract with the Commission to seek approval of the amendment• Comply with the Commission’s directives to issue refunds to Mago as soon as feasibly possible
Nonrecurring Charges	<ul style="list-style-type: none">• Ensure a physical copy of the most updated tariff sheets is available in the Irvington Gas/Valley Gas office space• Include a link to the current tariff sheets on the website• Post the document attached as Exhibit D inside the Irvington Gas/Valley Gas office space
Erroneous Late Fees	<ul style="list-style-type: none">• Comply with the Commission’s directives to issue refunds to affected customers as soon as feasibly possible
GCR Rate Report	<ul style="list-style-type: none">• Provide all information necessary to determine the accuracy of GCR rate reports

33. Given its limited financial resources and its commitment to timely refund any improperly assessed fees and charges, Valley Gas respectfully requests that no penalty be assessed against it or its officers for the actions identified in the October 26, 2023 Order. This would allow Valley Gas to use its available cash flow to issue refunds and remain current on all existing business expenses and liabilities.

WHEREFORE, Valley Gas requests that the Commission (1) accept this response; (2) issue an order detailing the amount and timeline that the Commission finds reasonable to allow Valley Gas to refund affected customers; and (3) close this proceeding.

Dated: November 15, 2023

Respectfully submitted,



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Counsel for Valley Gas, Inc.

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Commission's Order of July 22, 2021, in Case No. 2020-00085, I certify that this document was submitted electronically to the Public Service Commission on November 15, 2023, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

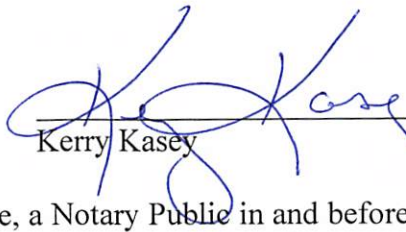


Counsel for Valley Gas, Inc.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF BRECKENRIDGE)

The undersigned, Kerry Kasey, being duly sworn, deposes and states that he is the President of Valley Gas, Inc. and has personal knowledge of the matters set forth in the Response to Order of October 26, 2023, and that the statements contained therein are true and correct to the best of his information, knowledge and belief.



Kerry Kasey

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13 day of November 2023.

BRANDI M. SAILOR
Commission ID KYNP61316
NOTARY PUBLIC
STATE AT LARGE - KENTUCKY
My Commission Expires: 10/27/2026

Brandi M Saylor (SEAL)
Notary Public

My Commission Expires: 10/27/2026

Notary ID: KYNP 61316

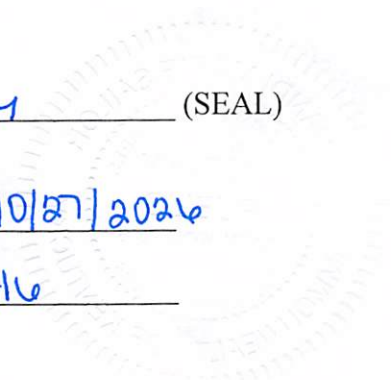


EXHIBIT A

AGREEMENT

THIS AGREEMENT made and entered into this 26th 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).

ARTICLE 2. TERM

2.1. Subject to the terms and conditions herein, the initial term of this Agreement is from **November 2014 thru November 2017**. Thereafter, Mago shall have the right and option to renew and

extend the term of this Agreement for nine (9) additional periods of three (3) years each. Such options shall be deemed to automatically renew in the absence of written notice by Mago of its decision not to renew delivered not less than Thirty Days (30) prior to the then existing term hereof.

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 4. PRICE.

4.1 Subject to the provisions of Article 3.1, End User shall pay the following rate of **two dollars per MCF (\$2.00)** measured at the Redelivery Point for the services of VGI in transporting to End User under the terms of this Agreement the natural gas in amounts equal to or less than the amount of Supplier Contract Gas (minus two percent (2%) by volume for line loss):

4.2. For any Excess Gas delivered or sold by VGI to End User, End User shall pay VGI the rates as provided for in paragraph 4.1 or 4.3 herein plus the applicable Gas Cost Recovery Rate as set forth in VGI's tariffs on file with the PSC, as same may be changed from time to time.

4.3. At any time during the term of this Agreement End User may choose to revert to VGI's General Service Rates as set forth in VGI's tariffs on file with the PSC.

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.

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 by the gas and shall be responsible for the gas itself.

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.

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.

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:  DATE ~~10/03/14~~
10/03/14

End User: MAGO CONSTRUCTION COMPANY

BY:  /res. Date 9/26/14

EXHIBIT B

AMENDMENT NO. 1 TO MAGO AGREEMENT

This AMENDMENT NO. 1 TO MAGO AGREEMENT (this "Amendment") is effective as of the date of May 17, 2023 ("Effective Date"), and amends that certain agreement entered into between (i) Valley Gas, Inc., a Kentucky corporation ("VGI") and Mago Construction Company ("End User"), dated August 25, 2014 (the "Mago Agreement"). Capitalized terms used but not otherwise defined in this Amendment shall have the meanings ascribed thereto in the Mago Agreement.

BACKGROUND

WHEREAS, VGI and End User entered into the Mago Agreement for the purpose of VGI transporting and delivering natural gas to End User; and

WHEREAS, the Commonwealth of Kentucky Public Service Commission ("PSC") conducted an informal conference ("IC") on April 11, 2023 to discuss the terms and pricing of the Mago Agreement; and

WHEREAS, as a result of the IC, the PSC issued an Intra-Agency Memorandum requiring VGI to amend the pricing of the Mago Agreement; and

WHEREAS, VGI and End User wish to enter into this Amendment, and amend the terms of the Mago Agreement, to abide by the requirements of the PSC, as more particularly set forth herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

1. Amendment.

a. Effective as of the date hereof, Article 4.1 of the Mago Agreement shall be deleted in its entirety and replaced as follows:

"Subject to the provisions of Article 3.1, End User shall pay the following meter charge of **Four Hundred Eighty-Nine Dollars (\$489.00)** per month for the services of VGI in transporting to End User under the terms of this Agreement the natural gas in amounts equal to or less than the amount of Supplier Contract Gas (minus two percent (2%) by volume for line loss)."

b. Effective as of the date hereof, Article 4.4 shall be added to the Mago Agreement to state as follows:

"The Parties acknowledge and understand that the monthly meter charge, as set forth in Article 4.1, is in place to cover expenses incurred via retesting and maintenance of the on-site equipment each calendar year."

2. Full Force and Effect. Except as otherwise set forth in this Amendment, the Mago Agreement shall remain in full force and effect in accordance with its terms. If there is any inconsistency or conflict between the term of this Amendment and the Mago Agreement, the terms and provisions of this Amendment shall govern and control.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 to Mago Agreement as of the date first written above.

VGI

VALLEY GAS, INC.

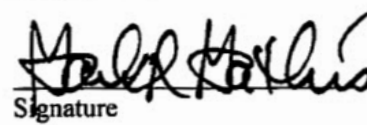

Signature

Kerry Kasey
Print Name

President
Title

END USER

MAGO CONSTRUCTION COMPANY


Signature

MARK R MATHIS
Print Name

PRESIDENT
Title

EXHIBIT C

From: Kerry Kasey <[REDACTED]@bbtel.com>
Sent: Wednesday, May 17, 2023 5:21 PM
To: 'Jankowski, Sarah (PSC)' <[REDACTED]@ky.gov>
Subject: RE: Valley Gas

Here is the amendment adding the meter charge. Please review.

Kerry

From: Jankowski, Sarah (PSC) <[REDACTED]@ky.gov>
Sent: Thursday, May 4, 2023 3:10 PM
To: Kerry Kasey <[REDACTED]@bbtel.com>
Subject: RE: Valley Gas

Staff would prefer to see the contract after it has been finalized and signed by both parties. Please keep me update to date on the process. Staff is stilling working on the Staff Report. Please don't think we have forgotten.

From: Kerry Kasey <[REDACTED]@bbtel.com>
Sent: Thursday, May 4, 2023 3:09 PM
To: Jankowski, Sarah (PSC) <[REDACTED]@ky.gov>
Subject: RE: Valley Gas

Yes – since staff suggestion I get an attorney \$\$\$\$, they are creating the amendment. Once they have it, does PSC want to see it before sending to Mago or after it is signed.

Thanks

From: Jankowski, Sarah (PSC) <[REDACTED]@ky.gov>
Sent: Thursday, May 4, 2023 2:54 PM
To: Kerry Kasey <[REDACTED]@bbtel.com>
Subject: RE: Valley Gas

Hello!

Do you have update on a possible amendment to the special contract between Valley Gas and Mago? Is that still in the works?

Thanks!
Sarah Jankowski

From: Kerry Kasey <[REDACTED]@bbtel.com>
Sent: Thursday, May 4, 2023 2:58 PM
To: Jankowski, Sarah (PSC) <[REDACTED]@ky.gov>
Subject: Valley Gas

Sarah: Rate increase request – are you waiting on something from me or am I waiting on you?

Kerry R Kasey
Valley Gas, Inc.

401 S 1ST STREET
IRVINGTON, KY, 40146
270/547-2455
[REDACTED]@bbtel.com

EXHIBIT D

Valley Gas
Special Customer Charges

RETURNED CHECK \$0

RECONNECTION \$25

COLLECTION \$6

EXHIBIT E

From: Kerry Kasey <[REDACTED]@bbtel.com>
Sent: Monday, September 28, 2015 11:22 AM
To: 'Faulkner, Leah (PSC)' <[REDACTED]@ky.gov>
Subject: RE: GCA filing?

Leah: Is it ok to resubmit the attachment?

Kerry R Kasey
VALLEY GAS, INC.
401 S 1ST STREET
IRVINGTON, KY, 40146
270/547-2455
[REDACTED]@bbtel.com

From: Faulkner, Leah (PSC) [[mailto:\[REDACTED\]@ky.gov](mailto:[REDACTED]@ky.gov)]
Sent: Thursday, September 24, 2015 10:02 AM
To: 'Kerry Kasey'
Subject: RE: GCA filing?

The Excel spread sheet you sent me earlier contains no Mago volumes or gas cost? In that case, I am attaching a spread sheet with my revisions. It will need to be re-filed along with the Constellation gas cost projections notice. I don't think there's any need for you to file that last page you filed the first time showing the purchases and sales volumes and cost/revenues. That was just confusing.

So from what you told me yesterday, Constellation is managing your storage differently from Atmos. If the numbers for purchases, sales, and gas cost were correct in Schedule IV which you sent me yesterday evening, and they contain no Mago volumes or gas cost, then it looks like Mago is buying storage gas on your behalf in the summer and charging you for it in the summer. If that is the case, we can include the cost and use the actual sales and purchase volumes, and not adjust for 5 percent line loss as we ordinarily would. That's what we did in your last application, and the order explained that:

Valley Gas's notice sets out a current quarter Actual Cost Adjustment ("ACA") of (\$1.1813) per Mcf. Valley Gas did not use the \$5.3572 per Mcf EGC in effect for the months of January through March 2015 in calculating its

current quarter ACA. Correcting this produces a current quarter ACA of (\$1.5481) per Mcf based on the Commission's standard practice of limiting line loss recovered through the ACA to five percent. The Commission takes note that, as reported in Case No. 2015-00077 and as confirmed in Valley Gas's 2014 Annual Report, its 2014 line loss was 2.7 percent. Based on system line loss of that level, the 30 percent line loss indicated in Valley Gas's ACA calculation is more likely a mis-match between its own billing cycle and that of its natural gas supplier. Using the actual numbers for Mcf volumes purchased and sold, which the Commission finds to be reasonable in this instance, produces a current quarter ACA of (\$1.1921) per Mcf. Valley Gas's corrected total ACA is (\$2.1812) per Mcf, which is a decrease of \$1.5016 per Mcf from its previous total ACA of (\$.6796) per Mcf.

I recommend that when you file to revise your application, you explain in your cover letter that you do not actually have line loss, and that the mis-match of sales and purchases is due to Constellation's purchase of storage gas on Valley's behalf during the summer, and request to use actual sales and purchase volumes in the AA calculation instead of adjusting for line loss. But only say that in your letter if you know for sure that is the case.

What we have to be careful about is that the storage gas cost is not charged to your customers twice. If the cost of storage gas is collected through the AA during the summer when it is injected, it should not be charged to your customers when it is delivered out of storage to them in the winter. Does that make sense?

From: Kerry Kasey [mailto: [REDACTED]@bbtel.com]
Sent: Thursday, September 24, 2015 9:47 AM
To: Faulkner, Leah (PSC)
Subject: RE: GCA filing?

Mago has already paid for the entire installation and I have removed all Mago's gas cost. It was a little confusing at first but I believe Schedule IV is now correct. Yes Red Fish is on our list. Acme Oyster House, Brennan's and more.



Kerry R Kasey
IRVINGTON GAS COMPANY
401 S 1ST STREET
IRVINGTON, KY, 40146
270/547-2455
[REDACTED]@bbtel.com

From: Faulkner, Leah (PSC) [mailto: [REDACTED]@ky.gov]
Sent: Thursday, September 24, 2015 8:13 AM

To: 'Kerry Kasey'
Subject: RE: GCA filing?

Kerry, you should not use the volumes or the cost from Mago. Mago is paying its own cost of gas separately, right? Either to Constellation directly or to you, and then you're paying Constellation on behalf of Mago. That should be a separate transaction and does not go through the GCA. That's what Valley got a deviation for. If you will confirm that the volumes AND the cost on Schedule IV are for Valley's "system supply" customers only, and that no Mago volumes or cost are included, then I'll continue to look at Schedule IV. Please eat at Red Fish Grill for me. It's my favorite. And I am always happy to help you. "Service" is our middle name! ☺

From: Kerry Kasey [<mailto:████████@bbtel.com>]
Sent: Wednesday, September 23, 2015 6:31 PM
To: Faulkner, Leah (PSC)
Subject: RE: GCA filing?

Leah: OK – found from the attachment that I had added a few months Gas Purchases Wrong. I included the Disbursement - Transport Commodity volume. This was causing my line loss to be large. I need to include the cost but not the volume correct. Also, can you give me the correct numbers for "SCHEDULE I – section C "Actual Adjustment Calculation" I have included my new sheets. Please review before I re submit. Once again thank you I know you go way above the call of duty☺ I am leaving tomorrow for New Orleans for the weekend but will be in the office till 11:00 am tomorrow.

Kerry R Kasey
VALLEY GAS, INC.
401 S 1ST STREET
IRVINGTON, KY, 40146
270/547-2455
████████@bbtel.com

From: Faulkner, Leah (PSC) [<mailto:████████@ky.gov>]
Sent: Wednesday, September 23, 2015 3:41 PM
To: 'Kerry Kasey'
Subject: RE: GCA filing?

OK, thanks.
So since Mago is special contract volumes and Valley got a deviation to keep it separate from the GCA, the Mago volumes and cost have to be removed. Include only the purchase volumes and cost for all your other customers in the GCA application. It is probably best if you re-file your application showing only the gas cost attributable to your other customers. Otherwise, it looks like Valley is trying to recover the Mago gas cost from all the other customers.

From: Kerry Kasey [<mailto:████████@bbtel.com>]
Sent: Wednesday, September 23, 2015 3:32 PM
To: Faulkner, Leah (PSC)
Subject: RE: GCA filing?

I know I am getting confused since Constellation uses our storage differently than Atmos. Yes the 51,517 does include the Mago. It might be different because the Lady from Constellation was on vacation and John Shearer my rep tried to compose the sheet.



Kerry R Kasey
IRVINGTON GAS COMPANY
401 S 1ST STREET
IRVINGTON, KY, 40146
270/547-2455
[REDACTED]@bbtel.com

From: Faulkner, Leah (PSC) [mailto:[REDACTED]@ky.gov]
Sent: Wednesday, September 23, 2015 2:43 PM
To: 'Kerry Kasey'
Subject: RE: GCA filing?

Kerry, I have several questions about your GCA application.

First, could you please supplement the record with your supplier notice from Constellation? We should be able to calculate the \$4.0510 per Mcf rate on Schedule II from that notice.

Second, why is Valley continuing to show close to 30 percent line loss? Do the 51,517 Mcf purchases include Mago volumes?

Similarly, just to be sure....the purchase volumes for April through June 2015 Schedule IV don't include Mago volumes do they? Because otherwise, how could Valley have purchased 8,843 Mcf during the beginning of summer, which is the total of the April through June purchases, but sold only 3,627?

Third, why don't the April through June purchase volumes on Schedule IV match the purchase volumes on the last sheet you provided, which shows sales and purchase volumes, and revenues and gas cost, for 18 months?

I will be recalculating the AA, because the EGC in Effect for Month should be \$4.6634 since that was the EGC included in Valley's rates effective April 1st. It looks like you used the EGC approved for June 1st rates.

Thanks for your help!

Leah

From: Kerry Kasey [mailto:[REDACTED]@bbtel.com]
Sent: Friday, September 18, 2015 12:23 PM
To: Faulkner, Leah (PSC)
Subject: RE: GCA filing?

Leah: Do I need to include the Mago Asphalt Plants usage and revenue in this report?



Kerry R Kasey
IRVINGTON GAS COMPANY
401 S 1ST STREET

IRVINGTON, KY, 40146
270/547-2455
[REDACTED]@bbtel.com

From: Faulkner, Leah (PSC) [[mailto:\[REDACTED\]@ky.gov](mailto:[REDACTED]@ky.gov)]
Sent: Friday, September 18, 2015 11:17 AM
To: Kerry Kasey ([REDACTED]@bbtel.com)
Subject: GCA filing?
Importance: High

Kerry, we haven't received Valley's GCA filing for October 1st rates. Should we expect it soon?
Leah