

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF VALLEY)
GAS, INC. OF AN AMENDMENT TO A) CASE NO. 2023-00402
SPECIAL CONTRACT WITH MAGO)
CONSTRUCTION COMPANY)

NOTICE OF FILING

Valley Gas, Inc. (“Valley Gas”) hereby gives notice of the filing of its Response to Commission Staff’s First Request for Information, which is attached.

Dated: January 24, 2024

Respectfully submitted,



W. Duncan Crosby III
Stoll Keenon Ogden PLLC
400 West Market Street, Suite 2700
Louisville, Kentucky 40202
Telephone: (502) 560-4263
Fax: (502) 333-6099
duncan.crosby@skofirm.com

Gerald E. Wuetcher
Emily S. Childress
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507
Telephone: (859) 231-3000
Fax: (859) 259-1093
gerald.wuetcher@skofirm.com
emily.childress@skofirm.com

Counsel for Valley Gas, Inc.

CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on January 24, 2024; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.



W. Duncan Crosby III

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF)	
VALLEY GAS, INC. OF AN)	
AMENDMENT TO A SPECIAL)	CASE NO. 2023-00402
CONTRACT WITH MAGO)	
CONSTRUCTION COMPANY)	

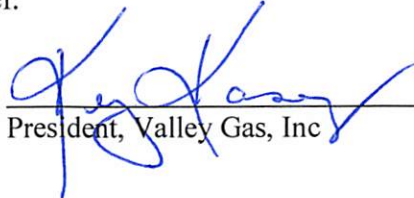
RESPONSE OF VALLEY GAS, INC. TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED JANUARY 9, 2024

Filed: January 24, 2024

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF BRECKENRIDGE)

The undersigned, Kerry Kasey, being duly sworn, deposes and says that he is the President of Valley Gas, Inc., and that he has personal knowledge of the matters set forth in the response for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



President, Valley Gas, Inc

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 24th day of January 2024.



Notary Public

My Commission Expires: 10/27/2026

Notary Public ID No. KYNP 61317

ELIZABETH M. LOGSDON
Commission ID KYNP61317
NOTARY PUBLIC
STATE AT LARGE - KENTUCKY
My Commission Expires: 10/27/2026

VALLEY GAS, INC.

**Response to Commission Staff's First Request for Information
Dated January 9, 2024**

Case No. 2023-00402

Question No. 1

Responding Witness: Kerry Kasey

Q-1. Refer to Amendment No. 1 to the Amendment to the Mago Agreement (Amendment).

- a. Identify all types of costs incurred by Valley Gas that the \$489 charge added by the Amendment is intended to cover.**
- b. Provide actual monthly costs incurred and hours of labor performed in furtherance of the type of work and equipment identified in Valley Gas's response to Item 1(a) above for the duration of the special contract with Mago Construction Company (Mago).**
- c. Provide a breakdown of the calculation of the \$489 charge added by the Amendment.**
- d. Provide any documents used to determine any equipment or labor costs used to calculate the \$489 charge.**

A-1. a. The monthly meter charge is intended to recover the following costs: Depreciation expense on Turbine Meter; Depreciation expense on Regulator Station; Meter testing expense; labor expense to periodically lubricate turbine meter; labor expense to perform annual corrosion check; and labor expense for general maintenance on meter, including monthly inspection of supports and general upkeep of area surrounding the meter and regulator.

b. Estimated annual costs for expenses listed in response to Question 1a are:

- (1) Depreciation expense on Turbine Meter (\$1,050) – Estimated Turbine Meter Cost (\$10,500) was divided by the meter's expected useful life (10 years);
- (2) Depreciation expense on Regulator Station (\$2,935.70) – Actual cost of regulator station (\$29,357) was divided by the station's expected useful life (10 years);
- (3) Meter Testing Expense (\$520.00) – Cost was determined by dividing the expected cost of testing (\$2,600) by 5 years (expected time between tests);

- (4) Labor Expense - Lubrication of turbine meter (\$100.00) – Cost was determined by multiplying the labor cost of lubricating the meter quarterly (one hour of labor at \$25 per hour) by four;
- (5) Labor Expense - Annual corrosion check (\$25.00) – Cost is based upon one hour of labor at \$25 per hour.
- (6) Labor Expense - General maintenance (\$250.00) – Cost is based upon estimate other labor of 10 hours at \$25 per hour for monthly inspection of supports and general upkeep of area surrounding the meter and regulator.

Total annual expense is \$4,880.70, or monthly expense of \$407.

- c. See response to Question 1b.
- d. See Attachment 1.

Attachment 1

Documents Used Determine Proposed Meter Charge



Utility Safety and Design Inc.

PO Box 276
1927 Miller Drive
Olney, IL 62450
6183925502

INVOICE

Number:	IN20225114
Page:	1
Date:	10/31/2022

Sold To: VALLEY GAS
PO BOX 390
IRVINGTON, KY 40146

Attn: KENNETH KASEY

Reference - P.O. #	Customer No.	Salesperson	Ship Via	Terms Code
	VALLEY	DH		NET30

Item No.	Description/Comments	Quantity	UOM	Unit Price	Amount
LABOR	Relief Valve Replacement Regulator Inspections/Testing @ MAGO & Housing Auth. Valve Replacement D/S of the HA Relief Valve	24.00	HOUR	130.000000	3,120.00
MATERIAL	Mileage	180.00000	EACH	0.250000	45.00
MATERIAL	Mileage	180.00000	EACH	0.780000	140.40
MATERIAL	NIPPLE 2 X 5 BLK HP	1.00000	EACH	6.156250	6.16
MATERIAL	GAUGE 0-100 PSI PRESSURE GAUG	1.00000	EACH	13.592857	13.59
20221327 SubTotal					3,325.15
2022-VALLEYKY Total					3,325.15
Due Date		Amount Due			
11/30/2022		3,325.15			

Remit To:
Utility Safety and Design Inc.
PO Box 276
1927 Miller Drive
Olney 62450

Subtotal before taxes	3,325.15
Total taxes	0.00
Total amount	3,325.15
Amount due	3,325.15

Thank you for the opportunity to serve you.

2371 IRVINE RD.
RICHMOND, KY 40475

SHAWN MARTIN
OWNER

Martin
Contracting Inc.

(TEL) 859-623-0112
(CELL) 606-305-6434
(FAX) 859-626-0822
SMARTIN1@BELLSOUTH.NET

Invoice #15008

DATE

28-Jan-15

BILL TO:

Valley Gas, Inc.
401 S. 1st Street
Irvington, KY

ATTENTION: Kerry Kasey

MC Job Number

14524

DESCRIPTION	QTY	RATE	TOTAL
Regulator @ Mago Asphalt Work completed through January 23, 2015			
Regulator portion of meter set at Mago Asphalt	LS		\$29,357.38
Breakdown			
Material: \$18,714.65			
Labor: \$5,243.00			
Equipment: \$1,460.00			
x Overhead 5% \$26,688.53			
x Profit 10% \$29,357.38			

PAID
check # 8646
2-28-15

TOTAL

\$29,357.38

VALLEY GAS, INC.

**Response to Commission Staff's First Request for Information
Dated January 9, 2024**

Case No. 2023-00402

Question No. 2

Responding Witness: Kerry Kasey

- Q-2. Refer to Amendment No. 1 to Amendment. Under the terms of the Amendment, state whether Mago would be charged Valley Gas's tariff base usage rate per Mcf in addition to the proposed \$489 monthly meter charge and the Gas Cost Recovery rate when it purchases its natural gas from Valley Gas [footnote omitted].**
- A-2. The intent of the Amendment was to allow Valley Gas to charge Mago Construction Company the base usage rate, the gas cost recovery rate and the proposed monthly meter charge when that customer purchases its natural gas from Valley Gas. Upon closer review of Amendment No. 1 with legal counsel, Valley Gas now recognizes that Amendment No. 1 does not achieve this result. Within the next 20 days, Valley Gas intends to discuss and negotiate with Mago Construction Company revisions to Amendment No. 1 that would achieve the intended result and to file the revised amendment with the Public Service Commission for its review and approval.

VALLEY GAS, INC.

**Response to Commission Staff's First Request for Information
Dated January 9, 2024**

Case No. 2023-00402

Question No. 3

Responding Witness: Kerry Kasey

- Q-3. Refer to Amendment No. 1 to Amendment. Also, Refer to the Mago Agreement contract approved by the Commission in Case No. 2014-00368 (Mago Contract). Confirm that Article 2 and Article 4 of the Mago Contract are no longer under confidential protection [footnote omitted].**
- A-3. Until a revised amendment is filed with and approved by the Public Service Commission, the provisions of the original contract currently afforded confidential protection should continue to receive confidential protection.**

VALLEY GAS, INC.

**Response to Commission Staff's First Request for Information
Dated January 9, 2024**

Case No. 2023-00402

Question No. 4

Responding Witness: Kerry Kasey

- Q-4. Clearly state what Mago would be charged by Valley Gas under the terms of the Mago Contract and Amendment in the situation that Mago purchases its natural gas from Valley Gas. Provide each billing line item.**
- A-4. See response to Question 2.

VALLEY GAS, INC.

**Response to Commission Staff's First Request for Information
Dated January 9, 2024**

Case No. 2023-00402

Question No. 5

Responding Witness: Kerry Kasey

- Q-5. Clearly state what Mago would be charged by Valley Gas under the terms of the Mago Contract and Amendment if Mago purchases its natural gas from Constellation Energy. Provide each billing line item.**
- A-5. The intent of the Amendment was to allow Valley Gas to charge Mago Construction Company the agreed transportation rate and the proposed monthly meter charge when that customer purchases its natural gas from Constellation Energy and Valley Gas transports that gas to the customer's delivery point. Upon closer review of Amendment No. 1 with legal counsel, Valley Gas now recognizes that Amendment No. 1 does not achieve this result. Within the next 20 days, Valley Gas intends to discuss and negotiate with Mago Construction Company revisions to Amendment No. 1 that would achieve the intended result and to file the revised amendment with the Public Service Commission for its review and approval.

VALLEY GAS, INC.

**Response to Commission Staff's First Request for Information
Dated January 9, 2024**

Case No. 2023-00402

Question No. 6

Responding Witness: Kerry Kasey

Q-6. State why the \$489 charge was not included in the original special contract with Mago.

A-6. The original contract was prepared without the assistance of legal counsel. Valley Gas was focused upon obtaining Mago Construction Company as a customer and intended the contract to address the basics of its transaction with the customer. While it was aware that other local gas distribution utilities assessed a customer charge to large commercial and industrial customers, it did not give much consideration to the charge at the time of the original contract's execution. Valley Gas had not determined the amount of such charge, was still reviewing the fee schedules of other natural gas utilities, and believed that the charge could be imposed at a later date if the customer agreed. Due to its lack of knowledge and familiarity with the requirements of KRS Chapter 278, its officials did not realize that the charge should be part of its filed rate schedules or required Public Service Commission approval even if the customer was agreeable to the charge. In hindsight, the failure to include the charge in the original agreement was a significant, albeit unintentional, omission.