

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

**RESPONSE OF VALLEY GAS, INC. TO**  
**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**  
**DATED APRIL 1, 2024**

**Filed: April 9, 2024**



**VALLEY GAS, INC.**

**Response to Commission Staff's Second Request for Information  
Dated April 1, 2024**

**Case No. 2023-00402**

**Question No. 1**

**Responding Witness: Kerry Kasey**

- Q-1. Refer to Amendment No. 2 to Mago Agreement. [Footnote omitted.] Clearly state what Mago Construction Company (Mago) would be charged by Valley Gas under the terms of the Mago Contract and Amendment No. 2 to Mago Agreement in the situation that Mago purchases its natural gas from Valley Gas. Provide each billing line item**
- A-1. Under the terms of Amendment No. 2, if Mago Construction Company purchases gas from Valley Gas, Valley Gas will assess Mago Construction Company a **Monthly Meter Charge** of \$489, the **Base Rate** for gas multiplied by the volume of gas that Mago Construction received during the billing period, and the **Gas Cost Rate** multiplied by the volume of gas Mago Construction Company received during the billing period. The volume of gas received during the billing period would be based upon the difference in the volume indicated on the prior billing period's meter reading and the current billing period's meter reading.

**VALLEY GAS, INC.**

**Response to Commission Staff's Second Request for Information  
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**Question No. 2**

**Responding Witness: Kerry Kasey**

- Q-2. Refer to Amendment No. 2 to Mago Agreement. Clearly state what Mago would be charged by Valley Gas under the terms of the Mago Contract and Amendment No. 2 to Mago Agreement if Mago purchases its natural gas from Constellation Energy or another natural gas supplier. Provide each billing line item.**
- A-2. Under the terms of Amendment No. 2, if Mago Construction Company purchases gas from another entity and receives only transportation service from Valley Gas, Valley Gas will assess Mago Construction Company a **Monthly Meter Charge** of \$489 and a **Gas Transportation Charge** of \$2.00 per MCF multiplied by the volume of gas Mago Construction Company received during the billing period. This response assumes that during the billing period the third party is supplying the total volume of natural gas that Mago Construction Company received.

**VALLEY GAS, INC.**

**Response to Commission Staff's Second Request for Information  
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**Question No. 3**

**Responding Witness: Kerry Kasey**

- Q-3. Confirm whether the information provided by Valley Gas in its response to Commission Staff's First Request for Information, Item 1 is still pertinent to the \$489 monthly meter fee included in Amendment No. 2 to Mago Agreement. If not, then provide the updated cost justification for the \$489 monthly per meter fee.**
- A-3. The response to Commission Staff's First Request for Information, Question 1, is applicable to the Monthly Meter Charge set forth in Amendment No. 2.

**VALLEY GAS, INC.**

**Response to Commission Staff's Second Request for Information  
Dated April 1, 2024**

**Case No. 2023-00402**

**Question No. 4**

**Responding Witness: Kerry Kasey**

- Q-4. Explain how Valley Gas plans to update the Commission should Mago and Valley Gas decide to terminate the Mago Agreement [footnote omitted] and Amendment No. 2 to the Mago Agreement.**
- A-4. Assuming that the Public Service Commission permits Amendment No. 2 to take effect, termination of the Agreement, as amended by Amendment No. 2, would constitute a cancellation of an existing rate and would require 30 days' written notice to the Public Service Commission. If the Agreement is terminated, Valley Gas would provide written notice to the Public Service Commission. Please note that the Mago Agreement, as amended by Amendment No. 2, allows for termination of the Agreement only upon notice provided at least 30 days prior to the end of the Agreement's term. According to Article 2 of the Agreement, the Agreement's current term is scheduled to end November 30, 2026.

**VALLEY GAS, INC.**

**Response to Commission Staff's Second Request for Information  
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**Question No. 5**

**Responding Witness: Kerry Kasey**

- Q-5. Explain how Valley Gas plans to update the Commission should Mago and Valley Gas decide to make any changes to the Mago Agreement and Amendment No. 2 to the Mago Agreement.**
- A-5. Assuming that the Public Service Commission permits Amendment No. 2 to take effect, any revision of the Agreement, as amended by Amendment No. 2, would constitute a revision to an existing rate. KRS 278.180 would require 30 days' written notice of the revision to the Public Service Commission. Valley Gas would comply with the provisions of KRS 278.180 and provide at least 30 days' written notice of the proposed revision to the Public Service Commission.

**VALLEY GAS, INC.**

**Response to Commission Staff's Second Request for Information  
Dated April 1, 2024**

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**Question No. 6**

**Responding Witness: Kerry Kasey**

- Q-6. Explain how Valley Gas plans to track and update the Commission in its Gas Cost Recovery rate reports should Mago purchase natural gas from Constellation Energy or a another natural gas supplier.**
- A-6. To minimize potential misunderstanding, Valley Gas respectfully asks the Public Service Commission to direct a specific method of tracking and reporting for such purchases. Valley Gas has previously requested a conference with Commission Staff in Case No. 2023-00385 to discuss the appropriate method for calculating Valley Gas's gas cost recovery rate. (Valley Gas's Motion for Conference will filed with the Public Service Commission on February 25, 2024.) A discussion of tracking and reporting requirements related to Mago Construction Company's purchase of natural gas could be included in the agenda for such conference. Valley Gas is willing to take all actions within its capabilities to ensure full transparency of these purchases and to ensure that its Gas Cost Recovery Rate is properly calculated. As noted in its Motion for Conference, "A conference to discuss the correct methodology for future reports will enable Valley Gas to submit correctly calculated quarterly reports, avoid the need for additional proceedings to review and correct future GCR Rate filings, and avoid Valley Gas and the Commission expending valuable resources needlessly."