

Valley Gas, Inc.

401 First Street, Irvington, Kentucky 40146

270-547-2455

March 7, 2017

Aaron Greenwell
Executive Director
Public Service Commission
PO Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

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Public Service
Commission

Dear Mr. Greenwell:

Enclosed please find our application for revised rates in accordance with purchased gas cost adjustment requirements report

If additional information is needed, please advise.

Your assistance is appreciated.

Sincerely

Kerry Kasey

Kerry Kasey
Valley Gas, Inc.

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

| <u>Component</u> | <u>Unit</u> | <u>Amount</u> Proposed |
|------------------------------|-------------|---------------------------|
| Expected Gas Cost (EGC) | \$/Mcf | \$4.1248 |
| Refund Adjustment (RA) | \$/Mcf | \$0.0000 |
| Actual Adjustment (AA) | \$/Mcf | (\$1.1819) |
| Balance Adjustment (BA) | \$/Mcf | \$0.0000 |
| Gas Cost Recovery Rate (GCR) | \$/Mcf | \$2.9430 |

Rates to be effective for service rendered from April 1, 2017

| <u>A. EXPECTED GAS COST CALCULATION</u> | <u>Unit</u> | <u>Amount</u> |
|---|-------------|---------------|
| Total Expected Gas Cost (Sch II) | \$/Mcf | \$130,064.72 |
| /Sales for the 12 months ended | \$/Mcf | 31,532.00 |
| Expected Gas Cost | \$/Mcf | \$4.1248 |
| | | |
| <u>B. REFUND ADJUSTMENT CALCULATION</u> | <u>Unit</u> | <u>Amount</u> |
| Supplier Refund Adjustment for Reporting Period (Sch III) | \$/Mcf | \$0.0000 |
| +Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| +Second Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| +Third Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| =Refund Adjustment (RA) | \$ Mcf | \$0.0000 |
| | | |
| <u>C. ACTUAL ADJUSTMENT CALCULATION</u> | <u>Unit</u> | <u>Amount</u> |
| Actual Adjustment for the Reporting Period (Sch IV) | \$/Mcf | (\$0.0780) |
| +Previous Quarter Reported Actual Adjustment | \$/Mcf | \$0.1461 |
| +Second Previous Quarter Reported Actual Adjustment | \$/Mcf | (\$1.2682) |
| +Third Previous Quarter Reported Actual Adjustment | \$/Mcf | \$0.0182 |
| =Actual Adjustment (AA) | \$ Mcf | (\$1.1819) |
| | | |
| <u>D. BALANCE ADJUSTMENT CALCULATION</u> | <u>Unit</u> | <u>Amount</u> |
| Balance Adjustment for the Reporting Period (Sch V) | \$/Mcf | \$0.0000 |
| +Previous Quarter Reported Balance Adjustment | \$/Mcf | |
| +Second Previous Quarter Reported Balance Adjustment | \$/Mcf | |
| +Third Previous Quarter Reported Balance Adjustment | \$/Mcf | |
| =Balance Adjustment (BA) | \$ Mcf | \$0.0000 |

SCHEDULE II
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended December 31, 2016

| (1) Supplier | (2) Dth | (3) Btu Conversion Factor | (4) Mcf | (5) Rate | (6) (4) x (5) Cost |
|----------------------|------------|---------------------------------|------------|-------------|--------------------------|
| Constellation Energy | | | 31,532 | \$4.3208 | \$136,243.47 |
| | | | | | \$0.00 |
| | | | | | \$0.00 |
| | | | | | \$0.00 |
| | | | | | \$0.00 |
| | | | | | \$0.00 |

| | | | | | |
|--------|--|--|--------|--|--------------|
| Totals | | | 31,532 | | \$136,243.47 |
|--------|--|--|--------|--|--------------|

| | | | | |
|--|--|--|-------|------------------|
| Line loss for 12 months ended <u>12/31/2016</u> is based on purchases of and sales of <u>31,532.00</u> Mcf. | | | 0.00% | <u>31,532.00</u> |
|--|--|--|-------|------------------|

| | <u>Unit</u> | <u>Amount</u> |
|---|-------------|---------------|
| Total Expected Cost of Purchases (6) | | \$136,243.47 |
| / Mcf Purchases (4) | | 31,532 |
| = Average Expected Cost Per Mcf Purchased | | \$4.3208 |
| x Allowable Mcf Purchases (must not exceed Mcf sales / .95) | | 30,102.00 |
| = Total Expected Gas Cost (to Schedule IA) | | \$130,064.72 |

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended September 30, 3016

| Particulars | Unit | Oct-16 | Nov-16 | Dec-16 |
|--|--------|--------------|--------------|-------------|
| Total Supply Volumes Purchased | Mcf | 3806 | 3340 | 7069 |
| Total Cost of Volumes Purchased | \$ | \$17,323.29 | \$10,396.03 | \$29,036.31 |
| / Total Sales * | Mcf | 3,615.0 | 3,173.0 | 6,715.0 |
| = Unit Cost of Gas | \$/Mcf | \$4.7921 | \$3.2764 | \$4.3241 |
| - EGC in Effect for Month | \$/Mcf | \$4.3208 | \$4.3208 | \$4.3208 |
| = Difference | \$/Mcf | \$0.4713 | (\$1.0444) | \$0.0033 |
| x Actual Sales during Month | Mcf | 774.0 | 2,721.0 | 5,553.0 |
| = Monthly Cost Difference | \$ | \$364.75 | (\$2,841.80) | \$18.31 |
| | | | | |
| Total Cost Difference | | (\$2,458.74) | | |
| / Sales for 12 months ended | | 31,532.0 | | |
| = Actual Adjustment for the Reporting Period (to Sch IC) | | (\$0.0780) | | |

* May not be less than 95% of supply volume

| |
|---------------|
| Fuel 2.86% |
|---------------|

| <i>Actual or Average 3 Yr USAGE</i> | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 | Dec-16 |
|--|----------------|----------------|---------------|---------------|--------------|--------------|--------------|-------------|-------------|--------------|---------------|---------------|
| <i>Nomination</i> | 3,000 | 2,200 | 3,200 | 1,550 | 2,775 | 2,625 | 2,975 | 1,600 | 800 | 5,053 | 3,395 | 3,500 |
| <i>Volume to Purchase</i> | - | - | - | - | - | - | - | - | - | 3,753 | 1,697 | 1,750 |
| <i>Settlement/Market Price</i> | \$ 2.6210 | \$ 2.6210 | \$ 2.6210 | \$ 2.2990 | \$ 2.2990 | \$ 2.2990 | \$ 2.6270 | \$ 2.6270 | \$ 2.6270 | \$ 3.3980 | \$ 3.3980 | \$ 3.3980 |
| <i>TGT Transport</i> | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 |
| <i>Fuel</i> | | | | | | | | | | | | |
| <i>CNEG-Invoice/Dth</i> | \$ 3.5218 | \$ 3.5218 | \$ 3.5218 | \$ 3.1998 | \$ 3.1998 | \$ 3.1998 | \$ 3.5278 | \$ 3.5278 | \$ 3.5278 | \$ 4.2988 | \$ 4.2988 | \$ 4.2988 |
| <i>Btu - Zone 3</i> | \$ 1.0042 | \$ 1.0042 | \$ 1.0042 | \$ 1.0053 | \$ 1.0053 | \$ 1.0053 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 |
| <i>Mcf Conversion</i> | \$ 3.5366 | \$ 3.5366 | \$ 3.5366 | \$ 3.2168 | \$ 3.2168 | \$ 3.2168 | \$ 3.5521 | \$ 3.5521 | \$ 3.5521 | \$ 4.3285 | \$ 4.3285 | \$ 4.3285 |
| <i>Ccf Conversion</i> | \$ 0.0354 | \$ 0.0354 | \$ 0.0354 | \$ 0.0322 | \$ 0.0322 | \$ 0.0322 | \$ 0.0355 | \$ 0.0355 | \$ 0.0355 | \$ 0.0433 | \$ 0.0433 | \$ 0.0433 |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,133.40 | \$ 7,295.06 | \$ 7,522.90 |
| <i>Volume Hedged</i> | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 | Dec-16 |
| | 3,000 | 2,200 | 3,200 | 1,550 | 2,775 | 2,625 | 2,975 | 1,600 | 800 | 1,300 | 1,698 | 1,750 |
| <i>WACOG for Hedges</i> | \$ 3.5672 | \$ 3.5495 | \$ 3.5116 | \$ 3.9458 | \$ 3.8038 | \$ 3.7952 | \$ 3.8133 | \$ 3.9450 | \$ 3.9450 | \$ 3.9431 | \$ 3.0799 | \$ 3.3903 |
| <i>TGT Transport</i> | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 |
| <i>Fuel</i> | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| <i>CNEG-Invoice/Dth</i> | \$ 4.4680 | \$ 4.4503 | \$ 4.4124 | \$ 4.8466 | \$ 4.7046 | \$ 4.6960 | \$ 4.7141 | \$ 4.8458 | \$ 4.8458 | \$ 4.8439 | \$ 3.9807 | \$ 4.2911 |
| <i>Btu - Zone 3</i> | \$ 1.0042 | \$ 1.0042 | \$ 1.0042 | \$ 1.0053 | \$ 1.0053 | \$ 1.0053 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 |
| <i>Mcf Conversion</i> | \$ 4.4868 | \$ 4.4690 | \$ 4.4309 | \$ 4.8723 | \$ 4.7295 | \$ 4.7209 | \$ 4.7466 | \$ 4.8792 | \$ 4.8792 | \$ 4.8773 | \$ 4.0082 | \$ 4.3207 |
| <i>Ccf Conversion</i> | \$ 0.0449 | \$ 0.0447 | \$ 0.0443 | \$ 0.0487 | \$ 0.0473 | \$ 0.0472 | \$ 0.0475 | \$ 0.0488 | \$ 0.0488 | \$ 0.0488 | \$ 0.0401 | \$ 0.0432 |
| | \$ 13,404.00 | \$ 9,790.66 | \$ 14,119.68 | \$ 7,512.23 | \$ 13,055.27 | \$ 12,327.00 | \$ 14,024.45 | \$ 7,753.28 | \$ 3,876.64 | \$ 6,297.07 | \$ 6,759.23 | \$ 7,509.43 |
| <i>Storage (Injection)/Withdrawals</i> | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 | Dec-16 |
| | (4,175) | (4,082) | (1,607) | (351) | 1,780 | 1,966 | 2,386 | 940 | 140 | 3,222 | (1,208) | (1,800) |
| <i>WACOG for Storage</i> | \$ 3.5672 | \$ 3.5495 | \$ 3.5116 | \$ 3.9458 | \$ 3.8038 | \$ 3.7952 | \$ 3.8133 | \$ 3.9450 | \$ 3.9450 | \$ 3.5382 | \$ 3.2389 | \$ 3.3942 |
| <i>TGT Transport</i> | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 | \$ 0.9008 |
| <i>Fuel</i> | | | | | | | | | | | | |
| <i>CNEG-Invoice/Dth</i> | \$ 4.4680 | \$ 4.4503 | \$ 4.4124 | \$ 4.8466 | \$ 4.7046 | \$ 4.6960 | \$ 4.7141 | \$ 4.8458 | \$ 4.8458 | \$ 4.4390 | \$ 4.1397 | \$ 4.2950 |
| <i>Btu - Zone 3</i> | \$ 1.0042 | \$ 1.0042 | \$ 1.0042 | \$ 1.0053 | \$ 1.0053 | \$ 1.0053 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 | \$ 1.0069 |
| <i>Mcf Conversion</i> | \$ 4.4868 | \$ 4.4690 | \$ 4.4309 | \$ 4.8723 | \$ 4.7295 | \$ 4.7209 | \$ 4.7466 | \$ 4.8792 | \$ 4.8792 | \$ 4.4697 | \$ 4.1683 | \$ 4.3246 |
| <i>Ccf Conversion</i> | \$ 0.0449 | \$ 0.0447 | \$ 0.0443 | \$ 0.0487 | \$ 0.0473 | \$ 0.0472 | \$ 0.0475 | \$ 0.0488 | \$ 0.0488 | \$ 0.0447 | \$ 0.0417 | \$ 0.0432 |
| | \$ (18,653.90) | \$ (18,166.12) | \$ (7,090.73) | \$ (1,701.16) | \$ 8,374.19 | \$ 9,232.34 | \$ 11,247.84 | \$ 4,555.05 | \$ 678.41 | \$ 14,302.59 | \$ (5,000.76) | \$ (7,730.91) |
| <i>\$\$\$ per Dth</i> | \$ 4.4680 | \$ 4.4503 | \$ 4.4124 | \$ 4.8466 | \$ 4.7046 | \$ 4.6960 | \$ 4.7141 | \$ 4.8458 | \$ 4.8458 | \$ 4.4390 | \$ 4.1397 | \$ 4.2950 |
| <i>Overall \$\$\$ per Mcf</i> | \$ 4.4868 | \$ 4.4690 | \$ 4.4309 | \$ 4.8723 | \$ 4.7295 | \$ 4.7209 | \$ 4.7466 | \$ 4.8792 | \$ 4.8792 | \$ 4.4697 | \$ 4.1683 | \$ 4.3246 |