COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF VALLEY GAS, INC. FOR AN ALTERNATIVE RATE ADJUSTMENT	)))	CASE NO. 2022-00315

O R D E R

This matter arises upon Valley Gas, Inc.'s (Valley Gas) filing, pursuant to 807 KAR 5:076, an application requesting to adjust its gas rates under the alternative rate adjustment (ARF) procedures. Valley Gas tendered its application with the Commission on September 16, 2022, which was rejected for filing due to certain filing deficiencies. Valley Gas subsequently filed documents that cured the filing deficiencies and the application was deemed filed on October 24, 2022.

In its application, Valley Gas determined it required an increase in revenues from gas rates of $59,255, or 15.43 percent.[1] However, Valley Gas's notice to customers reflected proposed rates that would increase bills by approximately 66 percent.[2]

Pursuant to a procedural schedule established on November 22, 2022, and amended on February 17, 2023, and May 10, 2023, Commission Staff conducted a field review on March 1, 2023. On April 11, 2023, Commission Staff participated in an informal conference (IC) with Valley Gas for the purpose of discussing a special contract.

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[1] RevenueRequirementCalcualtion-operatingratio.pdf (filed Sept. 30, 2022).

[2] Valley Gas's Notice for Newspaper (filed Oct. 24, 2022) (October 24, 2022 Customer Notice).

Commission Staff issued its report (Commission Staff's Report) on May 31, 2023, summarizing its findings and recommendations regarding Valley Gas's requested rate adjustment. In the Commission Staff's Report, Commission Staff found that Valley Gas's adjusted test-year operations support an overall revenue requirement of $231,859, and that an annual revenue increase of $12,311, or 5.78 percent, is necessary to generate the overall revenue requirement.[3] In the absence of a cost of service study (COSS), Commission Staff recommended that the allocation of revenues between fixed and volumetric charges remain the same.

Pursuant to 807 KAR 5:076, Section 11(3)(a), Valley Gas had 14 days to file written objections, if any, to findings contained in the Commission Staff's Report. On June 2, 2023, the Commission, on its own motion, scheduled a hearing in this matter for June 30, 2023, at 9 a.m. Eastern Daylight Time. Valley Gas did not file any written responses or objections to the Commission Staff Report thus, Valley Gas waived all objections to the recommendations in the Commission Staff Report.[4] Because Valley Gas did not file written comments and never requested a hearing in this matter, the Commission, on its own motion, conditionally canceled the evidentiary hearing in this matter.

The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to

[3] Commission Staff's Report (filed May 31, 2023) at 4.

[4] 807 KAR 5:076, Section 11(3)(c).

the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, Valley Gas is allowed to charge its customers "only fair, just and reasonable rates."[5] Further, Valley Gas bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

KRS 278.390 provides that Commission Orders continue in force until the expiration of time, if any, established in an order, or until revoked or modified by the Commission, unless the order is suspended or vacated in whole or in part by a state or federal court.

BACKGROUND

Valley Gas is a privately owned local gas distribution company (LDC) that provides retail natural gas in and around the city of Irvington in Breckinridge County, Kentucky. Its two shareholders own a separate business, Irvington Gas, that is not regulated by the Commission. Irvington Gas provides office and warehousing space, equipment, and staffing to Valley Gas for which a portion of costs is allocated to Valley Gas. During the 2021 test-year period, Valley Gas served 421 residential customers and 50 commercial customers and one industrial customer.[6] Valley Gas has a single rate class for general service, which includes all residential, commercial, and industrial customers. Valley Gas's last regular rate adjustment was approved by the Commission in Case No. 2013-00150.[7]

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[5] *City of Covington v. Public Service Commission,* 313 S.W.2d 391 (Ky. 1958); and *Public. Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

[6] *Annual Report of Valley Gas to the Public Service Commission for the Year Ended December 31, 2021* (2021 Annual Report) at 26.

[7] Case No. 2013-00150, *Application of Valley Gas, Inc. for an Alternative Rate Adjustment* (Ky. PSC Nov. 5, 2013).

TEST PERIOD

The calendar year ended December 31, 2021, was used as the test year to determine the reasonableness of Valley Gas's existing and proposed gas base rates, as required by 807 KAR 5:076, Section 9. The Commission finds the use of this test year to be appropriate.

SUMMARY OF REVENUE AND EXPENSES

The summary of Valley Gas's pro forma income statement as determined by the Commission appears below.

	Test-Year Operations	Valley Gas Proposed Adjustments	Commission Staff Adjustments	Pro Forma Operations
Operating Revenues	$ 393,532	$ 0	$ (173,984)	$ 219,548
Operating Expenses	418,961	0	(214,925)	204,086
Total Utility Operating Income	$ (25,429)	$ 0	$ 40,941	$ 15,512

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Valley Gas proposed no adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff recommended additional adjustments as detailed below. The Commission finds that the recommendations contained in the Commission Staff's Report are just and reasonable. The Commission has no further modifications.

REVENUE REQUIREMENTS

	Test Year	Valley Gas Proposed Adjusments	Commission Staff Adjusments	Total Adjustment	(Ref)	Pro Forma
Operating Revenues						
Sales of Gas						
Gas Revenues (Customer Charge and Base Rate)	$ 384,123	$ -	$ (171,097)	$ (171,097)	(A)	$ 213,026
Other Operating Revenues						
Forfeited Discounts	4,819	0	0	0		4,819
Miscellaneous Service Revenues	4,590	0	(2,912)	(2,912)	(B)	
		0	25	25	(B)	1,703
Total Operating Revenues	393,532	0	(173,984)	(173,984)		219,548
Operating Expenses						
Operation and Maintenance Expenses						
Other Gas Supply Expenses	170,907	0	(170,907)	(170,907)	(C)	0
Distribution Expenses	77,509	0	(5,260)	(5,260)	(D)	72,249
Customer Accounts Expenses	16	0	0	0		16
Administrative and General Expenses	154,527	0	(9,843)	(9,843)	(E)	
		0	(7,491)	(7,491)	(F)	
		0	(3,544)	(3,544)	(G)	
		0	(30,000)	(30,000)	(H)	103,649
Total Operation and Maintenance Expenses	402,959	0	(227,045)	(227,045)		175,914
Depreciation	8,585	0	6,391	6,391	(I)	
		0	1,498	1,498	(F)	16,474
Taxes Other Than Income	7,417	0	(1,277)	(1,277)	(J)	
		0	5,508	5,508	(K)	11,648
Total Operating Expenses	418,961	0	(214,925)	(214,925)		204,036
Utility Operating Income	$ (25,429)	$ -	$ 40,941	$ 40,941		$ 15,512

Billing Analysis Adjustment. Valley Gas reported total test period operating revenues from gas sales of $384,123, which included purchased gas costs and gas transmission fees. These costs are recovered by Valley Gas through its purchased gas adjustment and are excluded when determining base rate revenue. Valley Gas has a single industrial customer that is served by Valley Gas under a Special Contract approved by the Commission in Case No. 2014-00368.[8] The terms of the special contract allow the industrial customer to establish a separate gas procurement contract with Valley Gas's gas supplier, Constellation Energy (Constellation), and transport the gas through Valley

[8] 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).

Gas's system at a reduced transportation fee that is less than the base rate paid by other customers. Should the industrial customer procure its gas from Constellation, then any gas supply related costs for the industrial customer would be excluded from Valley Gas's GCR rate calculation.[9] A provision is included in the special contract that allows the industrial customer an option to purchase gas directly from Valley Gas and revert to Valley Gas's tariffed rates, including the GCR rate.

However, the evidence in the record demonstrates that Valley Gas did not follow the terms of the special contract. At the April 11, 2023 IC, Valley Gas informed Commission Staff that the industrial customer did not enter into a separate contract with Constellation and that the industrial customer has been purchasing its natural gas directly from Valley Gas. Under the terms of the special contract, the industrial customer should pay Valley Gas the tariffed rates, which would be the monthly $15 customer charge, the quarterly GCR rate, and the current $3.0061 per Mcf usage rate. However, Valley Gas informed Commission Staff that it had been charging the industrial customer a monthly $489 meter charge rate in lieu of the monthly $15 customer charge tariff rate.[10] Valley Gas was unable to provide a cost justification for the monthly $489 meter charge at the time of the IC.

The Commission finds that revenues from base gas rates of the industrial customer should be calculated on the tariffed rates and exclude the monthly $489 meter charge from revenues. This is because a utility can bill its customers only the rates and charges

[9] Because the industrial customer with a special contract is excluded from Valley Gas's GCR rate calculation, that industrial customer would not be charged Valley Gas's quarterly GCR rate. The GCR rate for Valley Gas should only be charged to end use customers that purchase the gas procured by Valley Gas.

[10] April 11, 2023 IC Memo (Ky. PSC Apr. 17, 2023).

approved by the Commission pursuant to KRS 278.160. Neither the current tariff nor the special contract includes a Commission-approved $489 meter charge.

Additionally, due to the unauthorized charging of a non-Commission approved rate, the Commission finds that a separate proceeding to investigate the special contract between Valley Gas and the industrial customer approved by the Commission in Case No. 2014-00368 should be established.

In 2021, Valley Gas reported gas sales of 42,662 Mcfs to 471 customers.[11] By applying the gas deliveries to the current rate of $3.0061 per Mcf and the test-period customer level to the monthly customer charge of $15, the Commission Staff Report reflected the calculated the revenues from base gas rates of $213,026 as shown below.[12]

		Current
Tariffed Customer Charge	$	15.00
Number of Customers		471
Monthly Customer Charge Revenues	$	7,065
		12
Annual Customer Charge Revenues	$	84,780
Base Rate Per Mcf	$	3.0061
Mcf Deliveries		42,662
Volumetric Revenues	$	128,246
2021 Normalized Base Rate Revenues	$	213,026
Reported Gas Revenues ( )		(384,123)
Net Adjustment	$	(171,097)

Pursuant to the above discussion, the Commission finds that Valley Gas's operating revenues from gas sales should be decreased by $171,097 to eliminate both

[11] 2021 Annual Report at 26 and 37.

[12] Commission Staff Report at 9.

the purchased gas costs and gas transmission fees, and to adjust the billing analysis as calculated above.

Miscellaneous Service Revenues. In the Commission Staff Report, Commission Staff reviewed the cost justification information provided by Valley Gas and adjusted the nonrecurring charges by removing Field Labor Costs and Office/Clerical Labor Costs from those charges which occur during normal business hours. The Commission agrees with the Commission Staff Report, because this is consistent with recent Commission decisions, that labor expenses resulting from work during normal business hours should not be recovered through nonrecurring charges.[13] The Commission requires that charges be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense to a nonrecurring service when that expense is already incurred and recovered in customer rates as a day-to-day cost of maintaining a system. Salaries of current employees are recovered in customer rates, and labor occurring during normal working hours should not be allocated to nonrecurring services. Only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the Commission finds that the estimated labor expenses previously included in determining the amount of nonrecurring charges should be eliminated from the charges as proposed by Commission Staff and a corresponding reduction to Other Operating Revenues should be made to reflect the changes in the nonrecurring charges. The following chart highlights the Commission adjustments.

[13] Case No. 2020-00141, *Electric Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Order at 19–20.

Nonrecurring Charge Adjustments		
Collection Charge		
	Valley Gas Revised Charge	Commission Revised Charge
Field Labor $20 at 0.50 hour	$ 10.00	$ 0.00
Office Supplies	$ 1.00	$ 1.00
Office Labor	$ 10.00	$ 0.00
Transportation	$ 5.00	$ 5.00
Total Revised Charge	$ 26.00	$ 6.00
Current Rate	$ 18.00	

Returned Check Charge		
	LDC Revised Charge	Commission Revised Charge
Office Labor	$ 25.00	$ 0.00
Total Revised Charge	$ 25.00	$ 0.00
Current Rate	$ 25.00	

Reconnection Charge		
	LDC Revised Charge	Commission Revised Charge
Field Materials	$ 20.00	$ 20.00
Field Labor $25 at 1 hour	$ 25.00	$ 0.00
Office Supplies	$ 5.00	$ 0.00
Office Labor	$ 20.00	$ 0.00
Transportation	$ 5.00	$ 5.00
Total Revised Charge	$ 75.00	$ 25.00
Current Rate	$ 43.00	

The Commission Staff Report followed Commission precedent and made adjustments to the Nonrecurring Charges which results in a decrease to the charges and an increase to total revenue requirement of $2,912 as shown below.[14]

[14] Case No. 2020-00141, November 6, 2020 Order.

Description	Occurrences	Current Rate	Reported Revenue	Calculated Revenue	Increase / (Decrease) Revenue	Revised Rate	Pro Forma Revenue	Increase / (Decrease) Revenue
Collection Charge	213	$18	3,834	3,834	0	$6	1,278	(2,556)
Returned Check Charge	2	$25	40	50	10	$0	0	(50)
Reconnection Charge	17	$43	680	731	51	$25	425	(306)
Not Identified			36		(36)			0
Totals	232		$ 4,590	$ 4,615	**$ 25**		$ 1,703	**$ (2,912)**
Reference					(B)			(B)

For the reasons stated above, the Commission finds the $2,912 adjustment to nonrecurring charges is reasonable.

Additionally, the Commission notes that Valley Gas, on several occurrences, charged customers an amount of nonrecurring charges that differed from what has been approved by the Commission. As noted in the Commission Staff Report, Valley Gas charged one customer $15 rather than the approved tariff amount of $25 for a returned check charge; and, 17 times, charged $40 rather than the approved tariff amount of $43 for Reconnection Charges.[15] This information was provided by Valley Gas to Commission Staff on March15, 2023, during a field review and those records have been filed into the case record.[16] KRS 278.160(2) states that "[n]o utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules." Each utility regulated by the Commission is responsible for ensuring that the rates and charges billed to customers match its approved rates and charges and that the

[15] Commission Staff Report at 10

[16] 2021 General Ledger (Ky. PSC Aug. 14, 2023), 20230814_PSC_Letter Filing Documents into the Record.pdf and Tax Statements (Ky. PSC Aug. 14, 2023), 20230814_PSC_Letter Filing Documents into the Record.pdf (Ky. PSC Aug. 14, 2023).

tariffs on file with the Commission reflect those rates and charges. While the forgone revenue to Valley Gas of $51 was minimal, Valley Gas's failure to charge the correct tariff rate was also noted in a prior case.[17] For this reason, the Commission finds that the separate investigation proceeding discussed above should include an investigation of Valley Gas's compliance with approved tariff rates, pursuant to KRS 278.160, KRS 278.250, KRS 278.260, and KRS 278.270.

Gas Supply Expenses. Valley Gas reported net natural gas purchases and transmission fees of $170,907.[18] In the Commission Staff Report, Commission Staff adjusted the gas supply expense by $170,907 because the natural gas purchases and transmission fees are recovered through Valley Gas's purchased gas adjustment. For this reason, and to avoid double recovery in rates of the same expense, the Commission finds that gas supply expenses should be reduced by $170,907 to exclude these costs from the determination of Valley's revenue requirement.

Distribution Expenses – Mains and Services. The Commission Staff Report identified a $5,260.26 payment to Discover Card that Valley Gas stated was erroneously paid from Valley Gas's cash account rather than Irvington Gas's account.[19] Because this expense was not incurred by Valley Gas, the Commission finds that Distribution Expenses – Mains and Services should be reduced by $5,260.26.

Administrative and General Expenses – Adjustment. Commission Staff Report identified two expenditures totaling $14,764.20 that will recur periodically, but not

[17] Case No. 2013-00150, November 5, 2013 Order at 7.

[18] 2021 Annual Report at 28.

[19] 2021 General Ledger (Ky. PSC Aug. 14, 2023), 20230814_PSC_Letter Filing Documents into the Record.pdf.

annually.[20] Based on discussions with Valley Gas representatives during the field review, Commission Staff recommended amortizing the expenditures for ratemaking purposes over a three-year period as shown below. Because the expenses are periodic, the Commission finds that amortization of the expense is appropriate for ratemaking purposes, and thus the Administrative and General Expenses should be reduced by $9,843 to reflect the amortization of this expense.

Date	Supplier	Description	Invoice Amount	Estimated Frequency of Recurrence (Years)	Adjustment (Years)	Adjustment
12/10/2021	USDI	Training	6,372.20	3	2	4,248.00
08/06/2021	USDI	Audit / Manual	8,392.00	3	2	5,595.00
Total			$ 14,764.20			$ 9,843.00

Administrative and General Expenses – Reclassified to Fixed Assets. The Commission Staff Report identified two expenditures for computer assets totaling $7,491.73 that Valley Gas recorded as expense that, due to each asset's estimated useful life, should have been capitalized and depreciated rather than expensed. Because these expenditures should have been capitalized and depreciated, the Commission finds that Administrative and General Expenses – Reclassified to Fixed Assets should be decreased by $7,491.73 and that 20 percent of the cost, or $1,498, should be added to depreciation expense.

[20] 2021 General Ledger (Ky. PSC Aug. 14, 2023), 20230814_PSC_Letter Filing Documents into the Record.pdf.

Date	Supplier	Description	Invoice Amount	Depreciation Life	Depreciation Adjustment
08/25/21	Rural Computer	MS Surface Pro	1,081.96	5	216.39
08/25/21	Rural Computer	Mobile Office On the Go (software)	6,409.77	5	1,281.95
Total			$ 7,491.73		$ 1,498.34

Administrative and General Expenses – Vehicle Expenses. Commission Staff recommended that three expenses totaling $3,544.29 be disallowed. The amounts were paid to American Express and charged to "Vehicle Expense – 874."[21] During the field review, Commission Staff inquired about these payments and were told that because Valley Gas does not own a vehicle, the fuel bill for a vehicle owned by Irvington Gas was paid for three months out of Valley Gas's cash rather than Irvington Gas. Commission Staff was unable to conclude that the amounts paid are either directly attributable to Valley Gas's activities or proportionate to its share of cost because Valley Gas failed to provide evidence to support this request.

Because Valley Gas was unable to provide sufficient evidence to support a conclusion that Valley Gas incurred these expenses, the Commission finds that Administrative and General Expenses – Vehicle Expenses should be decreased by $3,544.29. Under KRS 278.190(3), a utility requesting a rate increase has the burden of proof to show that the rates it seeks are just and reasonable.[22] Here, Valley Gas failed to provide sufficient evidence for this expense and therefore failed to meet its burden of proof.

[21] 2021 General Ledger (Ky. PSC Aug. 14, 2023), 20230814_PSC_Letter Filing Documents into the Record.pdf.

[22] See also *Kentucky American Natural Gas Co. v. Commonwealth ex rel.* Cowan, 847 S.W.2d 737. 741 (Ky. 1993) (stating that burden of proof for a rate increase is on the applicant requesting the rate increase).

Date	Supplier	Invoice Amount
05/27/21	American Express	561.61
10/01/21	American Express	1,110.07
12/04/21	American Express	1,872.61
Total		$ 3,544.29

Administrative and General Expenses – Management Fee. Valley Gas recorded a charge of $30,000 from Irvington Gas that was classified as "Mgmt Fees – 923" in its test-year general ledger. Valley Gas did not provide documentation or justification in support of the charge for ratemaking purposes. Because the owner of Irvington Gas also owns Valley Gas, the management fee is an owner-manager fee. As Commission Staff noted in the Commission Staff Report, the Commission addressed owner-manager fees in previous cases involving Valley Gas and in cases involving other utilities.[23] Based upon Commission precedent[24] that owner-manager fees are not arm's length transactions, and thus must be supported by evidence that the fee is reasonable, Commission Staff recommended that Administrative and General Expenses – Management Fee be decreased by $30,000 because Valley Gas failed to provide documentation or justification to support the owner-manager fee.

Based upon the case record, the Commission concurs with Commission Staff and finds that Administrative and General Expenses – Management Fee should be decreased

[23] Case No. 2011-00010, *Application of Valley Gas, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jul 5, 2011); Case No. 2019-00109, *Electronic Application of Citipower, LLC for (1) an Adjustment of Rates Pursuant to 807 KAR 5:076; (2) Approval for a Certificate of Public Convenience and Necessity to Purchase Pipeline and Other Related Assets; and (3) Approval of Financing* (Ky. PSC Mar. 25, 2020); Case No. 2017- 00160, *Application of Citipower, LLC for a Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 27, 2017); and Case No. 2008-00392, *Application of Citipower, LLC for a Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 3, 2009).

[24] Case No. 2007-00436 *Application of Farmdale Development Corporation for a Rate Adjustment* (Ky. PSC July 30, 2008).

by $30,000 because Valley Gas failed to provide any evidence to support the reasonableness of the owner-manager fee.

Depreciation Expense – Capital Expenditures Subsequent to Test Year. During the year ended December 31, 2022, Valley Gas purchased two capital equipment items totaling $77,835.41. Using the table below in the Commission Staff Report, Commission Staff recommended an increase to Depreciation expense of $6,391 to reflect the equipment not captured in the test year deprecation. The Commission finds that this adjustment, is a known and measurable change to Deprecation expense, is reasonable, and should be accepted.

Item	Description	Cap Date	Cost	Book Depreciation Life	NARUC Life	Full Year Depreciation
118	RT45 Trencher (Ditch Witch)	10/12/22	69,636.68	7.00	12.50	5,571.00
119	Meters	11/18/22	8,198.73	7.00	10.00	820.00
	Adjustment		$ 77,835.41			$ 6,391.00

Taxes Other Than Income – Property Taxes. As part of Valley Gas's cost sharing arrangement with Irvington Gas, Valley Gas pays property tax through Irvington Gas. Irvington Gas recorded $1,276.72 as paid to the city of Irvington on September 10, 2021, and provided documentation that the payment was for 2018 taxes due in 2019.[25] In the Commission Staff Report, Commission Staff recommended a decrease to Taxes Other Than Income expense of $1,276.72 to reflect the tax amount paid for 2018 and not the test year. The Commission finds that this adjustment, is a known and measurable change to Taxes Other than Income, is reasonable, and should be accepted.

[25] Tax Statements (Ky. PSC Aug. 14, 2023), 20230814_PSC_Letter Filing Documents into the Record.pdf.

Taxes Other Than Income – FICA. Valley Gas reported $72,000 in salary compensation but did not report any FICA on the salaries. In the Commission Staff Report, Commission Staff recommended an increase to Taxes Other Than Income expense of $5,508 to reflect the $72,000 in salary multiplied by the FICA percentage rate of 7.65 percent. The Commission finds that this adjustment, is a known and measurable change to Taxes Other than Income, is reasonable, and should be accepted.

OVERALL REVENUE REQUIREMENT AND REQUIRED REVENUE INCREASE

The Commission has historically authorized use of the Operating Ratio method[26], rather than the Debt Service method, when it is appropriate for small investor-owned utilities. This may occur for a variety of reasons including significant levels of contributed capital, lower amounts of outstanding long-term debt, or fully depreciated assets that are continuing to be operational beyond their expected service life. The Commission has determined that an 88 percent operating ratio to calculate the revenue requirement is appropriate for Valley Gas based on its lack of outstanding long-term debt to provide appropriate revenues for operations and debt service coverage.

Based upon the Commission's findings and determinations in this Order, Valley Gas requires an Overall Revenue Requirement of $231,859. The Commission's Staff calculated a revenue increase of $12,311, or 5.78 percent, is necessary to generate the Overall Revenue Requirement. The Commission finds that the calculation of the Overall

[26] Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses + Depreciation + Taxes}}{\text{Gross Revenues}}$$

Revenue Requirement and the Required Revenue Increase using the Operating Ratio method shown below is just and reasonable for the reasons set forth in this Order.

Pro forma Operating Expenses Before Income Taxes	$	204,036
Operating Ratio		88%
Sub-Total		231,859
Less: Pro forma Operating Expenses Before Income Taxes		(204,036)
Net Income Allowable		27,823
Add: Provision for State and Federal Income Taxes		
Pro Forma Operating Expenses Before Taxes		204,036
Cost of Natural Gas		0
Total Revenue Requirement		231,859
Less: Other Operating Revenue		(6,522)
Total Revenue Required from Rates for Service		225,337
Less: Revenue from Sales at Present Rates		(213,026)
Required Revenue Increase	$	12,311
Required Revenue Increase Percentage		5.78%

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report are supported by the evidence of record and are reasonable. The Commission further finds that there is sufficient evidence of an alleged violation of the Commission's Order in Case No. 2020-00085 and possible violations of KRS 278.160 to initiate a separate proceeding in which to conduct an investigation. [27]

[27] Case No. 2020-00085, Sept. 21, 2020 Order at 7 (finding that late fees shall not be assessed on any past due residential amounts accrued between March 16, 2020, and December 31, 2020, following the December 31, 2020 deadline).

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report are adopted and incorporated by reference into this Order as if fully set out in this Order.

2. The gas service rates proposed by Valley Gas are denied.

3. The rates set forth in the Appendix to this Order are approved for services rendered by Valley Gas on and after the date of service of this Order.

4. The Nonrecurring Charges set forth in the Appendix to this Order are approved for service rendered by Valley Gas on or after the date of service of this Order.

5. Within 20 days of the date of service of this Order, Valley Gas shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

6. Pursuant to KRS 278.160, KRS 278.250, KRS 278.260, and KRS 278.270, the Commission will open a separate proceeding for the purposes of investigating an alleged violation of a Commission Order and KRS 278.160.

7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

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Chairman

____

Vice Chairman

____

Commissioner

ENTERED

AUG 18 2023

bsb

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

____

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00315 DATED AUG 18 2023

The following rates and charges are prescribed for the customers in the area served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Gas Rates

General Service

	Base Rate	Gas Cost Recovery Rate*	Total
Customer Charge	$ 15.85		
All Mcf	$ 3.1821	$ 4.0663	$ 7.2484

*Gas Cost Recovery Rate approved in Case No. 2023-00186 effective July 1, 2023.

Nonrecurring Charges

Collection Charge	$ 6.00
Returned Check Charge	$ 0.00
Reconnection Charge	$ 25.00

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