COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT FILING OF VALLEY GAS, INC.	))	CASE NO. 2025-00389

<u>O R D E R</u>

On April 9, 2026, Valley Gas, Inc. (Valley Gas) filed an application for rehearing, pursuant to KRS 278.400, regarding the Order entered on March 17, 2026, modifying Valley Gas's proposed Gas Cost Recovery (GCR) rate. On April 29, 2026, the Commission granted rehearing to obtain additional information before rendering a final decision. Valley Gas responded to requests for information from Commission Staff on June 24, 2026. There are no other parties to this case. Valley Gas's application and request for rehearing are now before the Commission for a decision on the merits.

<u>LEGAL STANDARD</u>

KRS 278.400, which establishes the standard of review for petitions for rehearing, limits rehearing to new evidence not readily discoverable at the time of the original hearing, to correct any material errors or omissions, or to correct findings that are unreasonable or unlawful. A Commission Order is deemed unreasonable only when "the evidence presented leaves no room for difference of opinion among reasonable minds."[1]

[1] *Energy Regulatory Comm'n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

An order can only be unlawful if it violates a state or federal statute or constitutional provision.[2]

By limiting rehearing to correct material errors or omissions, and findings that are unreasonable or unlawful, or to weigh new evidence not readily discoverable at the time of the original hearings, KRS 278.400 is intended to provide closure to Commission proceedings. Rehearing does not present parties with the opportunity to relitigate a matter fully addressed in the original Order.

BACKGROUND

Tariff Language

Valley Gas has a Purchased Gas Cost Adjustment Clause in its tariff, which requires quarterly filings with the Commission to update its gas cost recovery (GCR) Rate. Valley Gas's GCR tariff indicates that it should consist of three components—the Expected Gas Cost (EGC), the Actual Cost Adjustment (ACA), and the Refund Adjustment (RA).[3] Valley Gas's GCR tariff states that:

> The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following components:
>
> GCR = ECG + RA + ACA
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> The GCR will be added to or subtracted from the tariff rates prescribed by the Commission Order on the Company's latest general rate case and will be included in the tariff rates stated on each applicable rate sheet within this tariff.[4]

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[2] *Public Service Comm'n v. Conway*, 324 S.W.3d 373, 377 (Ky. 2010); *Public Service Comm'n v. Jackson County Rural Elec. Coop. Corp.*, 50 S.W.3d 764, 766 (Ky. App. 2000); *National Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 509 (Ky. App. 1990).

[3] Valley Gas's Tariff at 25-27.

[4] Valley Gas's Tariff at 26.

Valley Gas's GCR tariff states that the EGC "represents the average expected cost of purchased gas" and indicates that it will be charged on a "dollar-per-Mcf basis.[5] Valley Gas's tariff further defines "Average Expected Cost" as the "cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes for the most recently available twelve-month period, divided by the corresponding sales volume," less an adjustment for a 5 percent line loss limiter.[6]

Valley Gas's GCR tariff indicates that the ECG component of the GCR rate is trued up in future filings through the ACA component of the GCR rate, which "compensates for over- or under-collection of gas cost resulting from differences between expected gas cost and the actual cost of gas."[7] The GCR tariff notes that "the ACA for the application period shall equal the sum of the ACA for the reporting period and for the three (3) preceding calendar quarters."[8] However, Valley Gas's GCR tariff also states that the ACA may "be used to compensate for any over or under recoveries remaining from previous actual and/or refund adjustments after a 12-month period."[9]

Procedural History

On October 26, 2023, the Commission opened Case No. 2023-00331, to investigate Valley Gas for, among other things, an alleged failure to comply with

[5] Valley Gas's Tariff at 25.

[6] Valley Gas's Tariff at 26.

[7] Valley Gas's Tariff at 25.

[8] Valley Gas's Tariff at 25.

[9] Valley Gas's Tariff at 25.

Commission Orders and KRS 278.160 related to the application of its GCR rate.[10] On November 4, 2024, a final Order was entered in Case No. 2023-00331 stating that the correct calculation of Valley Gas's GCR rate should be determined in GCR cases rather than through the investigation.[11]

On November 24, 2023, in Case No. 2023-00385, Valley Gas filed its GCR rate report for the GCR rate to be effective in the First Quarter of 2024, which included an ACA adjustment truing up the Third Quarter of 2023.[12] The Commission suspended that rate pursuant to KRS 278.190 for one day to investigate the reasonableness of the rate.[13] On December 27, 2023, Valley Gas issued a letter stating that it would be placing the proposed rate into effect, subject to refund, following the suspension date.[14]

On May 30, 2024, in Case No. 2024-00175, Valley Gas filed a GCR rate report for the GCR rate to be effective July 1, 2024,[15] and the Commission suspended that rate for one day for further investigation.[16] On July 15, 2024, a notice of intent was filed to place the proposed GCR rate into effect.[17]

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[10] Case No. 2023-00331, *Electronic Investigation of Valley Gas, Inc. for an Alleged Failure to Comply with Commission Orders and KRS 278.160* (Ky. PSC Oct. 26, 2023).

[11] Case No. 2023-00331, Nov. 4, 2024 Order at 11-12.

[12] Case No. 2023-00385, *Electronic Purchase Gas Adjustment Filing of Valley Gas, Inc.* (filed Nov. 24, 2023), Application.

[13] Case No. 2023-00385, Dec. 21, 2023 Order at 3.

[14] Case No. 2023-00385, Notification of Intent (filed Dec. 27, 2023).

[15] Case No. 2024-00175, *Electronic Purchase Gas Adjustment Filing of Valley Gas, Inc.* (filed May 30, 2024), Application.

[16] Case No. 2024-00175, June 28, 2024 Order at 3.

[17] Case No. 2023-00385, Sept. 4, 2025 Order at 16 and Exhibit A.

On September 4, 2025, a final Order was issued in Case No. 2023-00385, directing Valley Gas to update the sheet it used to calculated the ACA component of its GCR rate to account for storage injections and withdrawals to more accurately reflect the actual cost of gas that is unique to Valley Gas's system and its gas procurement practices.[18] The September 4, 2025 Order also directed Valley Gas to include gas purchases and sales to Mago, a special contract customer, in the calculation of the GCR rate.[19]

The September 4, 2025 Order in Case No. 2023-00385 did not specifically deny the GCR rate calculation included in the GCR report filed in that case. The Order noted that the most recent GCR rate report that had been filed as of the time of the Order was the report in Case No. 2024-00175.[20] The September 4, 2025 Order in Case No. 2023-00385 also noted that:

> The Commission further finds that this case and Case No. 2024-00175 should be closed, and that any under- or over-recoveries of gas costs that would have been reconciled in this case should be reconciled in the GCR rate report filed by Valley Gas for rates effective January 1, 2026.[21]

The final Order in Case No. 2024-00175 indicated the same.[22]

Valley Gas's GCR rate report at issue in this case was filed on November 26, 2025, with a proposed GCR rate of $4.8795 per MCF to be effective January 1, 2026.[23] The GCR rate consisted of an EGC component of $4.8018 per MCF, an ACA component of

[18] Case No. 2023-00385, Sept. 4, 2025 Order at 16 and Exhibit A.

[19] Case No. 2023-00385, Sept. 4, 2025 Order at 2.

[20] Case No. 2023-00385, Sept. 4, 2025 Order at 15.

[21] Case No. 2024-0015, Sept. 23, 2025 Order at 2.

[22] Application (filed Nov. 26, 2025).

[23] Application, Schedule 1.

$0.0777 per MCF, and a RA component of $0.0000 per MCF.[24] The ACA component was calculated based on a true up of $2,598.14 for an alleged under recovery in the Third Quarter of 2025 (July 2025 through September 2025).[25] The Commission suspended the rates pursuant to KRS 278.190 for one day, and Valley Gas filed notice on January 30, 2026 of its intent to place the rates into effect subject to refund for the February billing period.[26]

On March 17, 2026, the Commission entered a final Order in this matter in which the Commission noted the modification to the sheet used to calculate the ACA in Case No. 2023-00385, and found that the ACA component should be further modified "to correct for injection and withdrawal balances being included in the unit cost of gas, unit of measurement calculation from dth to Mcf, and the invoiced rate per Mcf."[27] The Commission determined, with the correction in the mechanism to account for gas storage and gas purchases for Mago, that an over recovery occurred for the period from July 2023 through September 2025 in the amount of $81,123.71.

The Commission determined that it would be reasonable to refund the $81,123.71 over recovery to customers over a period of 36 months. Using Valley Gas's historic sales from 2023 through 2025, the Commission calculated an adjustment to Valley Gas's GCR rate in the amount of ($0.8082) per MCF intended to refund the over recovery through an off set over a period of three years. The March 17, 2026 Order indicated that Valley Gas

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[24] Application, Schedule 1.

[25] Application, 2026 1st Quarter True up.

[26] Notice of Intent (filed Jan. 30, 2026).

[27] Order (Ky. PSC Dec. 23, 2025) at 2.

should include the ($0.8082) credit in the RA component of the GCR rate for three years or until the $81,123.71 is fully credited back to customers, whichever comes first.[28]

Based on updated gas cost information received during the pendency of the case for the months of October 2025 through December of 2025, the Commission also modified the ECG to $4.7377 per Mcf and calculated an ACA component for October 2025 through December 2025 in the amount of $0.2265 per Mcf. Thus, the March 17, 2026, final Order established a GCR rate of $4.1560 per Mcf and indicated that it should be effective April 1, 2026.[29]

Valley Gas's Application for Rehearing

Valley Gas filed an application for rehearing on April 9, 2026, claiming various errors in the March 17, 2026 Order in this case. Valley Gas asserted that the March 17, 2026 Order assumes that the GCR rates proposed in Case Nos. 2023-00385 and 2024-00175 remained subject to refund, but Valley Gas argued that the failure to issue a decision on those cases within ten months of their filing rendered the proposed rates final. Valley Gas asserts that the rule against retroactive ratemaking precludes the Commission from recalculating those rates when determining the extent of any under- or over-recovery of revenue from the GCR rate. Valley Gas asserted that those GCR rates as well as the individual components of those rates became final and not subject to recalculation or modification after ten months.[30]

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[28] Order (Ky. PSC Mar. 27, 2026) at 10.

[29] Order (Ky. PSC Mar. 27, 2026) at 11.

[30] Application for Rehearing (filed Apr. 9, 2026) at 12-14.

More specifically, Valley Gas asserted that the GCR rate proposed in Case No. 2024-00175 was the "filed rate" from July 2, 2024, through January 2, 2026.[31] Valley Gas alleged KRS 278.160(2) requires a utility to charge the filed rate until it is changed by (1) a utility-initiated filing of a new rate schedule, (2) a Complaint filed by any directly interested person, or (3) on the Commission's own motion investigation.[32] Valley Gas stated that because none of these things happened prior to Valley Gas's proposed GCR rate in Case No. 2025-00389 becoming effective subject to refund that the Commission is limited to calculating any over-recovery to the 12-month period specified in the GCR tariff, which would run from October 2024 to September 2025.[33]

Alternatively, Valley Gas argued that even if the rates proposed in Case No. 2023-00385 and Case No. 2024-00175 only became final as to the specific quarters at issue, the components of the ACA used to calculate those rates should be considered "final" and not subject to recalculation for the purposes of determining any over-recovery for the subsequent quarters.[34] Under those circumstances, Valley Gas alleged that the period for calculating any over-collection due to the ACA component should begin with April 2024.[35] However, Valley Gas argued that when reconciling the under- or over-recovery during that period that the Commission would be required to use the old methodology and

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[31] Application for Rehearing at 13.

[32] Application for Rehearing at 13-14.

[33] Application for Rehearing at 14.

[34] Application for Rehearing at 14.

[35] Application for Rehearing at 14-15.

that any changes adopted by the Commission in the March 17, 2026 Order should be prospective only.[36]

Valley Gas argued that prior to the March 17, 2026 Order the treatment of Mago in the GCR rate was governed by the methodology established in Case No. 2018-00089 and that the treatment of gas storage injections was governed by the methodology established in Case No. 2022-00149.[37] Valley Gas asserted that the Commission's final Order modified those methodologies and then improperly applied that modified methodology back to January 2024 when calculating the reconciliation.[38] Valley Gas argued that this was inconsistent with the provisions of KRS Chapter 278 and Valley Gas's existing GCR tariff.[39]

Valley Gas next argued that the calculation of the ACA component was inconsistent with its tariff and contrary to KRS Chapter 278. Valley Gas stated that that its GCR tariff:

> provides that '[f]or purposes of determining sum of the ACA, the application period shall equal the sum of the ACA for the reporting period and for the three (3) preceding calendar quarters.' It defines 'reporting period' as 'the three-month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas cost recovery rates.' It requires that the updated GCR be filed at least thirty (30) days prior to the beginning of the upcoming calendar quarter. Under the PGCA Clause, the ACA would be calculated using the ACA for the period from October 1, 2024, through September 30, 2025. Contrary to this tariffed requirement, the March 17, 2026, Order established a GCR rate using an ACA

[36] Application for Rehearing at 15-17.

[37] Application for Rehearing at 17.

[38] Application for Rehearing at 17.

[39] Application for Rehearing at 17.

> component based solely upon the ACA for October, November, and December 2025.[40]

Valley Gas also stated that it was improper to require the true up of the $81,123.71 over-recovery calculated in the final Order to flow through the RA component of the GCR, because the RA component is defined to only include refunds from suppliers. Valley Gas asserted that under- and over-recoveries are to be recovered through the ACA component, and that the actual cost component is limited to a 12-month period.[41]

Lastly, Valley Gas objects to the Order establishing a GCR rate not for the First Quarter of 2026 but for the Second Quarter of 2026. Valley Gas asserts that the March 17, 2026 Order effectively leaves it in limbo as to the appropriate GCR rate for the application period from January 2026 to March 2026, because it establishes a rate to be effective April 1, 2026, and does not address the GCR rate for the first quarter of 2026.[42]

Proceedings on Rehearing

On April 29, 2026, the Commission granted rehearing and acknowledged that the modifications to the mechanism should be prospective only. The April 29, 2026 Order also granted rehearing regarding Valley Gas's other claims for the purpose of taking additional evidence on those issues without reaching a final determination. However, the April 29, 2026 Order eliminated the ($0.8082) RA component of GCR established in the March 17, 2026 Order pending a final order on rehearing, because it was primarily based on a retroactive change in the mechanism.[43]

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[40] Application for Rehearing at 17-18.

[41] Application for Rehearing at 18.

[42] Application for Rehearing at 18-19.

[43] Order (Ky. PSC Apr. 29, 2026).

In responses to requests for information provided following the grant of rehearing, Valley Gas contended that its $0.0777 per Mcf ACA component truing up the EGC from July 2025 through September 2025 should have been charged from January 1, 2026, through December 31, 2026; and indicated agreement with the Commission's calculation of the ACA component of $0.2265 per Mcf truing up October 2025, through December 2025, and that that ACA component should be included in the GCR from April 1, 2026, through March 31, 2027 (which it has been so far).[44] Further, when asked to calculate an ACA component truing up the period from January 2026 through March 2026, Valley Gas calculated an ACA component of $2.5033 per Mcf.[45] Valley Gas also calculated an EGC component of $4.6809 per Mcf that it proposed to be effective beginning in July 2026 through September 2026 in response to requests for information.[46]

Valley Gas was also asked a series of questions on rehearing regarding how it would propose to account for periods since January 2026 in which an incorrect GCR rate was charged. For instance, when asked how Valley Gas contended that any under or over recovery should be reconciled to the extent the $0.0777 per Mcf ACA component was not charged from January 1, 2026, to present, Valley Gas stated that it:

> respectfully declines to offer any proposal concerning how any over- or under-recovery of gas costs should be reconciled to the extent that portion of the [ACA] adjustment was not included in its rates for any period from January 1, 2026, to present except to note that, subject to restrictions of KRS 278.160 and KRS 278.270, the Public Service Commission's plenary ratemaking powers allow it significant discretion to

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[44] Valley Gas's Response to Commission Staff's First Rehearing Request for Information (Staff's First Rehearing Request) (filed June 24, 2026), Items 2 and 4.

[45] Valley Gas's Response to Staff's First Rehearing Request, Item 5.

[46] Valley Gas's Response to Staff's First Rehearing Request, Item 6, Attachment titled, "Attachment_RehearingRFI-1.xlsx".

> craft a solution that to address any over- or under-recovery created by its Order of March 17, 2026. *Kentucky Public Service Commission v. Commonwealth ex rel. Conway*, 324 S.W.3d 373 (Ky. 2010).[47]

However, to account for the fact the $0.0777 per Mcf ACA component was not charged from April 2026 to present, Valley Gas indicated that it did not object to a proposal raised in Staff's First Rehearing Requests to assume that it was in fact charged and then make a corresponding adjustment to the EGC charged in that period.[48] Valley Gas similarly indicated that it did not object to a similar mechanism to account for the inclusion of the $(0.8082) per Mcf credit in the RA to the extent it was charged during periods in which it should not have been charged from April 1, 2026, through April 30, 2026.[49]

June 10, 2026, GCR Filing in Case No. 2026-00149

On June 10, 2026, in Case No. 2026-00149, Valley Gas filed a quarterly Gas Cost Recovery (GCR) rate report for rates intended to be effective July 1, 2026. In that filing, Valley Gas proposed a GCR rate of $7.4107, consisting of an EGC component of $4.6809 and a total ACA component of $2.7298. Valley Gas did not include the $0.0777 per Mcf ACA component in its overall proposed ACA, consistent with the March 17, 2026, Order in this case removing that rate from the GCR calculation.

DISCUSSION AND FINDINGS

Valley Gas's GCR tariff plainly establishes a mechanism for estimating and truing up rates to allow for the recovery of Valley Gas's actual gas costs. However, as noted in the April 29, 2026 Order granting rehearing, the Commission has previously indicated

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[47] Valley Gas's Response to Staff's First Rehearing Request, Item 2(c).

[48] Valley Gas's Response to Staff's First Rehearing Request, Item 2(d).

[49] Valley Gas's Response to Staff's First Rehearing Request, Item 5(b).

that modifications to the formula used to calculate such rates constitutes a change in the rate.[50] The Commission, therefore, agrees with Valley Gas that actual changes to the formula or mechanism used to determine a formula rate, as distinguished from changes to correct for incorrect or improper inputs or misapplication of an existing mechanism, should also generally be prospective in nature.

Here, Valley Gas alleged that the Commission's changes regarding the treatment of gas storage, and purchases and sales for Mago in the GCR mechanism constituted a change in the existing formula or mechanism that may only be done prospectively. The Commission notes that, while those changes are not necessarily inconsistent with Valley Gas's tariff, the tariff is vague regarding the treatment of those issues. However, Valley Gas presented evidence and orders that support its argument that the Commission previously resolved the ambiguity in the tariff regarding those issues in a different manner, which would tend to support Valley Gas's argument that changing that treatment is a modification of the formula rate as distinguished from a correction in the improper application of an existing formula rate. Thus, the Commission finds that rehearing should be granted regarding the prospective treatment of modifications to the GCR rate mechanism, and therefore, that the changes regarding the treatment of storage and Mago in the September 4, 2025 Order in Case No. 2023-00385 and the March 17, 2026 Order in this case should be applied prospectively only.

Finding that the changes in the treatment of sales to Mago and accounting for gas storage in the September 4, 2025 Order in Case No. 2023-00385 and the March 17, 2026

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[50] Case No. 2023-00067, *Electronic Application for Revised Quarterly Gas Cost Recovery Schedules for Kentucky Frontier Gas, LLC* (Ky. PSC May 6, 2023), Order at 8-9.

Order issued in this case should be prospective only does not automatically eliminate the need for a true up back to July 2023 based on the mechanism in place prior to the September 4, 2025 Order. A true up back to July 2023 may still be necessary in certain situations because, while there are some potential limits on the Commission's ability to true up past GCR rates, those limits are not as extensive as suggested by Valley Gas.[51] However, based on a review of the record in this case, the Commission notes that a true up of the full period from July 2023 to September 2025 based on the methodology that applied prior to Case No. 2023-00385 would likely result in a calculated under recovery less than a thousand dollars lower than the under recovery calculated by Valley Gas to be recovered in the $0.0777 per Mcf ACA component.[52] Given how slight those differences are and the complexity of the legal, procedural, and factual issues surrounding those true ups, the Commission finds that it would be inefficient and not in the interest of Valley Gas's customers to continue litigating this issue to resolve such an immaterial difference. Thus, the Commission finds that Valley Gas's proposed ACA component of $0.0777 per Mcf based on an under recovery of $2,598.14 is reasonable to true up any period through September 2025, and therefore, that component of the ACA should have applied from January 1, 2026, through December 31, 2026, whereas the $(0.8082) per

[51] The Commission notes that Valley Gas's GCR tariff, among other things, allows for the true up of past ACA components in future ACA components, which would not be possible until the ACA components are removed from rates. The tariff also contemplates the true up of actual cost costs and contemplates periodic filings to accomplish that goal. Thus, while the GCR rate is occasionally treated as a specific rate, often as a best practice, the mechanism clearly establishes a formula and allows for true ups to may allow for corrections of past errors, depending on the circumstances.

[52] The Commission used Valley Gas's filings in this case to estimate a true up from July 2023 through September 2025 using the old methodology where appropriate, and that calculation resulted in an under recovery of about $1,712.57.

Mcf credit included the RA pursuant to the March 17, 2026 Order should not have applied during any period.

Valley Gas indicated that it did not object to the ACA component, truing up October 2025 through December 2025 in the amount of $0.2265 per Mcf based on an under recovery of $7,839.84 and expected annual sales of 34,617.50 Mcf. Valley Gas similarly did not indicate any objection to the EGC component of $4.7377 per Mcf established in the March 17, 2026 Order for rates effect April 1, 2026. Thus, the GCR rate from April 1, 2026, should have been $5.0419 per Mcf consisting of a $4.7377 per Mcf EGC component and a total ACA component of $0.3042 per Mcf, including a $0.0777 per Mcf ACA component truing up the period prior to September 2025 and the $0.2265 per Mcf ACA component truing up the period from October 2025 through December 2025.

However, pursuant to the Commission's March 17, 2026 Order, the $0.0777 per Mcf ACA component was removed from Valley Gas's GCR for rates effective April 1, 2026 and the $(0.8082) per Mcf credit was applied through the RA from April 1, 2026, until it was removed from rates on April 30, 2026, pursuant to the April 29, 2026 Order on rehearing. To the extent that the $0.0777 per Mcf ACA component was not charged from April 1, 2026, to present, Valley Gas indicated that it did not object to a proposal raised in Staff's First Rehearing Requests to assume that it was in fact charged and then make a corresponding adjustment to the EGC charged in that period when the EGC for that period is trued up. Valley Gas similarly indicated that it did not object to assuming that the $(0.8082) per Mcf RA credit did not apply in April 2026 and then making a corresponding adjustment reducing the EGC during that period by $0.8082 per Mcf to the extent the RA was charged from April 1, 2026, through April 30, 2026.

The Commission agrees the methodologies discussed in the last paragraph provide a reasonable means for getting Valley Gas's GCR back on track in future filings as quickly as possible, because the true ups will start being reflected in rates with the next two GCR filings truing up the EGCs for the periods from April 1, 2026, through June 30, 2026, and July 1, 2026, through September 30, 2026. However, the Commission notes that there are some questions regarding what rate was actually charged, particularly in April 2026,[53] which will need to be resolved when calculating the EGC true ups. Thus, to the extent that the $0.0777 per Mcf ACA component was not charged for service from April 1, 2026, to present, the Commission finds that Valley Gas should assume that it was charged and then make a corresponding adjustment to the EGC charged in that period when the EGCs for that period are trued up, and to the extent that the $(0.8082) per Mcf credit was charged for service from April 1, 2026, to April 30, 2026, Valley Gas should assume that the $(0.8082) per Mcf credit was not charged and should make a corresponding adjustment to the EGC for service to which the credit was applied when the EGCs for that period are trued up.[54] However, the Commission further finds that when

[53] Pursuant to the March 17, 2026 Order and the April 29, 2026 Order, the $0.0777 ACA component should not have been charged from April 1, 2026, and the RA credit should have been charged from April 1, 2026, to April 30, 2026. Further, in responding to questions regarding how to address those charges, Valley Gas responded as if they were removed or added to the GCR consistent with the orders. *See* Valley Gas's Response to Staff's First Rehearing Request, Items 2, 4, and 5. However, when specifically asked what customers were charged and when, Valley Gas gave a somewhat vague response that appears to indicate the RA credit was not charged in April 2026 and that the $0.0777 was charged in April 2026. *See* Valley Gas's Response to Staff's First Rehearing Request, Item 8 (indicating that the total gas charge in April 2026 was the same as that in February and March 2026).

[54] For instance, assuming the approved EGC of $4.7377 per Mcf was charged for service from April 1, 2026, to April 30, 2026, that the $(0.8082) per Mcf credit was applied during that period, and that the $0.0777 per Mcf ACA component was charged during that period, Valley Gas, when calculating the ACA true up for April 2026 through June 2026, would use an EGC for April 2026 of $3.8518 per Mcf ($4.7377 - $0.0777 - $0.8082) and an EGC for May and June 2026 of $4.6600 per Mcf ($4.7377 - $0.0777). Though, if the evidence shows that a different EGC was actually charged during those periods or that other assumptions regarding what rates were charged, turn out to be inaccurate, then it would affect the amounts used to calculate the future true ups.

proposing those true ups that Valley Gas should specifically identify the GCR rates, including each component thereof, that were charged during the relevant periods to facilitate the Commission's review of the true up calculations.

The Commission also notes Valley Gas did not charge $0.0777 per Mcf ACA component in January 2026 due to the suspension of the rate to be effective January 1, 2026. Rather, Valley Gas charged a GCR rate of $5.1132 per Mcf in January 2026, which consisted of an EGC component of $4.0923 per Mcf and a total ACA of $1.0209 per Mcf. However, pursuant to Valley Gas's own filings, the total ACA in January 2026 should have consisted of only the $0.0777 per Mcf ACA component. Thus, including the $1.0209 per Mcf ACA in the January 2026 GCR charges will potentially result in an over recovery of the ACA in January 2026 that will not be true up as part of the First Quarter EGC true up.

The Commission finds that the potential over recovery of the ACA in January 2026 should be addressed in a future true up of the $0.0777 per Mcf ACA component. Specifically, the $0.0777 per Mcf charge, which should have been the only ACA component in place in January 2026, is supposed to be in place for a year in order to true up the $2,598.14 under recovery as discussed above. However, it is possible for an ACA component to recover more or less than it should have. Most GCR tariffs include a specific "Balancing Adjustment" component to account for such over or under recoveries, which are generally calculated by multiplying the ACA component rate by the sales during the period it was in effect and then comparing the amount collected against the amount that was previously intended to be collected or credited as part of the trued up to determine the over or under collection of the ACA.[55] While Valley Gas's tariff does not include a specific "Balancing Adjustment" component, Valley Gas's tariff allows for over or under recoveries of previous ACAs to be trued up in future ACA calculations.[56] Thus, the Commission finds that Valley Gas should true up the ACA component charged in January 2026 along with a broader true up of the $0.0777 per Mcf component as part of the GCR filing to be effective April 1, 2027 by multiplying the $1.0209 per Mcf ACA charge by the sales to which it applied for January 2026, if any, and the $0.0777 per Mcf ACA component by the sales to which it applied for February 2026 through December 2026, including for the periods it was assumed to have applied as discussed above, and comparing the resulting recovery to the $2,598.14 intended to be collected to determine the over or under recovery. The resulting over or under recovery should then be included as part of the ACA component to be effective April 1, 2027, through March 31, 2028, along with any over or under recovery of the ECG to be included in that ACA component.

With the changes reflected above, the GCR rate from April 1, 2026, should have been $5.0419 per Mcf consisting of a $4.7377 per Mcf EGC component and a total ACA component of $0.3042 per Mcf, including a $0.0777 per Mcf ACA component truing up the period prior to September 2025 and the $0.2265 per Mcf ACA component truing up the period from October 2025 through December 2025. However, pursuant to Valley

[55] The BA is used to true-up the AA, RA, and BA adjustments that ended in the quarter preceding the filing of the GCR report based on differences in actual sales that occurred during the year they were in effect and the sales used to calculate the adjustment. However, recognizing the adjustment is trued-up over a year such that the total BA is made up of four quarterly BAs. Some gas cost adjustment tariffs for the smaller Kentucky LDCs do not have the BA as a part of the calculation of the GCR rate. The BA compensates for any under or over collections that have occurred as a result of prior adjustments. For some LDCs the differences are minimal and have chosen to opt out of using the BA.

[56] Valley Gas's Tariff at 25.

Gas's GCR tariff, a new quarter began on July 1, 2026, such that a third ACA component truing up any over or under recovery from January 2026 through March 2026 should have been added to Valley Gas's GCR, and to the extent necessary, the EGC component should have been updated.

As noted above, in response to requests for information in this case, Valley Gas provided an EGC component for the Third Quarter of 2026 in the amount of $4.6809 per Mcf and Valley Gas calculated an ACA component in response to requests for information truing up the EGC for January 2026 through March 2026 in the amount of $2.5033 per Mcf.[57] Additionally, on June 10, 2026, in Case No. 2026-00149, Valley Gas proposed a new GCR rate of $7.4107 per Mcf to be effective July 1, 2026.[58] The $7.4107 per Mcf GCR rate proposed in Case No. 2026-00149, consisted of a proposed EGC of $4.6809 per Mcf, like that proposed in this case, and a total ACA component of $2.7298 per Mcf, consisting of the $0.2265 per Mcf ACA component established by the Commission truing up the period from October 2025 through December 2025 and the $2.5033 per Mcf ACA component Valley Gas proposed in response to requests for information in this case truing up the period from January 2026 through March 2026.[59]

The Commission finds Valley Gas's proposed EGC component of $4.6809 per Mcf, which is a decrease of $0.0568 per Mcf from the previous EGC of $4.7377 per Mcf, is

[57] Valley Gas's Response to Staff's First Rehearing Request, Item 5.

[58] Valley Gas proposed an effective date of July 1, 2026, in Case No. 2026-00149. However, Valley Gas did not file the GCR report 30 days prior to the proposed effective date pursuant to KRS 278.180 or its existing tariff.

[59] Case No. 2026-00149, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed June 10, 2026), 3rd Quarter Pricing Adjust Calculations at 8-9.

appropriate. However, there are two corrections that need to be made to Valley Gas's proposed GCR rate in Case No. 2026-00149.

First, consistent with the discussion above, the total ACA component should include $0.0777 per Mcf ACA component, and therefore, should be increased by that amount. Second, in calculating the "current quarter" ACA component of $2.5033 per Mcf, i.e. the ACA component that should true up the EGCs charged from January 2026 through March 2026, Valley Gas incorrectly excluded the EGCs that were charged in January, February, and March 2026. Because the applicable EGCs were omitted, the calculation did not determine the difference between the actual unit cost of gas and the EGCs for those months. Instead, the calculated difference was simply the unit cost of gas. Valley Gas multiplied this amount by its actual sales for each month, resulting in an overstatement of gas costs and, therefore, an overstatement of the amount it under recovered during the January through March 2026 period.

As indicated in the final Order in Case No. 2026-00149, the Commission finds that Valley Gas's calculation of the Current Quarter ACA component is unreasonable and should be corrected by including the applicable EGCs for January, February, and March 2026 and recalculating the difference between the actual unit cost of gas and the EGCs in effect for each month. Based on the corrected calculation, the Commission determined a current quarter ACA component of $0.2594 per Mcf and a total ACA of $0.5636 per Mcf.

With the corrections to the ACA discussed above, the resulting GCR rate is $5.2445 per Mcf, an increase of $0.2026 per Mcf from the previous GCR rate of $4.9642 per Mcf that was corrected in the Commission's April 29, 2026 rehearing Order. Thus, as directed in the final Order in Case No. 2026-00149 and discussed above, the Commission finds that a GCR rate of $5.2445 per Mcf should be approved.

As discussed above, the Commission notes that the $5.2445 per Mcf rate consists of the following components:

1. Current EGC Component:	$4.6809 per Mcf
2. Current Quarter ACA Component:	$0.2594 per Mcf
3. Previous Quarter ACA Component:	$0.2265 per Mcf
4. Second Previous Quarter ACA Component:	$0.0777 per Mcf
5. Third Previous Quarter ACA Component:	$0.0000 per Mcf

To facilitate future GCR filings, the Commission notes that the Current Quarter ACA should be utilized in calculating the GCR rate through June 2027 consistent with the final Order in Case No. 2026-00149;[60] the Previous Quarter ACA should be utilized in calculating the GCR rate through March 2027; and the Second Previous Quarter ACA should be utilized in calculating the GCR rate through December 2026. The establishment of those GCR rate components, in this case and in Case No. 2026-00149 with respect to the Current Quarter, the explanation of how true ups should be calculated herein, and the true ups permitted by the GCR mechanism[61] resolve all issues raised on rehearing and should provide a path forward for regular GCR filings by Valley Gas.

IT IS THEREFORE ORDERED that:

1. Valley Gas's application for rehearing is granted as discussed herein.

[60] Case No. 2026-00149, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC July 10, 2026), Order.

[61] This would potentially included future true ups of the ACAs established herein, to the extent necessary, through future ACAs pursuant to the tariff language authorizing such true ups.

2. The changes regarding the treatment of storage and Mago in the September 4, 2025 Order in Case No. 2023-00385 and the March 17, 2026 Order in this case shall be applied prospectively.

3. Valley Gas's proposed true up of an under recovery for July 2025 through September 2025 in the amount of $2,598.14 is reasonable to true up of gas costs through September 2025.

4. The Second Previous Quarter ACA in the amount of $0.0777 per Mcf shall be utilized in calculating the GCR rate through December 2026 to true up gas costs through September 2025.

5. The Previous Quarter ACA in the amount of $0.2265 per Mcf shall be utilized in calculating the GCR rate through March 2027 to true up gas costs from October 2025 through December 2025.

6. The Current Quarter ACA in the amount of $0.2594 per Mcf shall be utilized in calculating the GCR rate through June 2027 consistent with the final Order in Case No. 2026-00149 to true up the EGCs from January 2026 through March 2026.

7. To the extent that the $0.0777 per Mcf ACA component was not charged for service from April 1, 2026 to when the new GCR rate is placed in effect in Case No. 2026-00149, Valley Gas shall assume that the $0.0777 per Mcf ACA component was charged and then make a corresponding adjustment reducing the EGC charged in the relevant period when the EGC or EGCs for that period are trued up.[62]

[62] If the ACA component was not charged for a portion of a month (the beginning of July 2026, for instance), then the EGC may be adjusted on a pro-rata basis.

8. To the extent that an ACA component of $1.0209 per Mcf was charged in January 2026 instead of the $0.0777 per Mcf ACA component that should have been charged, Valley Gas shall account for that incorrect charge in a future true up of the $0.0777 per Mcf ACA component to be calculated for rates effective April 2027, truing up that ACA component after it falls off consistent with language in the tariff as discussed above.

9. To the extent the $(0.8082) per Mcf credit previously included in the RA was applied to service from April 1, 2026, to April 30, 2026, Valley Gas shall assume that the $(0.8082) per Mcf credit was not applied and shall make a corresponding adjustment reducing the EGC for service to which the credit was applied when the EGC for that period is trued up.

10. When proposing true ups in Valley Gas's next three quarterly GCR filings, Valley Gas shall specifically identify the GCR rates, including each component thereof, that were charged from January 1, 2026, through the date of filing and the dates on which each was charged to facilitate the Commission's review of the true up calculations.

11. A new GCR rate of $5.2445 per Mcf is approved as discussed in the final Order in Case No. 2026-00149 issued on the date of this Order.[63]

12. The remainder of the March 17, 2026 Order not in conflict with this Order shall remain in effect.

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

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[63] Case No. 2026-00149, July 10, 2026 Order.

Entered on this 10th day of July, 2026.

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