

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

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. There are no other parties to this case. Valley Gas’s application is now before the Commission for a decision on the merits.

LEGAL STANDARD

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 hearings, 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.”<sup>1</sup> An order can only be unlawful if it violates a state or federal statute or constitutional provision.<sup>2</sup>

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

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<sup>1</sup> *Energy Regulatory Comm’n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

<sup>2</sup> *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).

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 Refund Adjustment (RA).<sup>3</sup> 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:

$$\text{GCR} = \text{ECG} + \text{RA} + \text{ACA}$$

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.<sup>4</sup>

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."<sup>5</sup> 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

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<sup>3</sup> Valley Gas's Tariff at 25-27.

<sup>4</sup> Valley Gas's Tariff at 26.

<sup>5</sup> Valley Gas's Tariff at 25.

available twelve-month period, divided by the corresponding sales volume,” less an adjustment for a 5 percent line loss limiter.<sup>6</sup>

The 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.”<sup>7</sup> 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.”<sup>8</sup> 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.”<sup>9</sup>

#### *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 Commission Orders and KRS 278.160 related to the application of its GCR rate.<sup>10</sup> 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.<sup>11</sup>

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<sup>6</sup> Valley Gas’s Tariff at 26.

<sup>7</sup> Valley Gas’s Tariff at 25.

<sup>8</sup> Valley Gas’s Tariff at 25.

<sup>9</sup> Valley Gas’s Tariff at 25.

<sup>10</sup> 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).

<sup>11</sup> Case No. 2023-00331, Nov. 4, 2024 Order at 11-12.

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.<sup>12</sup> The Commission suspended that rate pursuant to KRS 278.190 for one day to investigate the reasonableness of the rate.<sup>13</sup> 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.<sup>14</sup>

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,<sup>15</sup> and the Commission suspended that rate for one day for further investigation.<sup>16</sup> On July 15, 2024, a Notice of Intent was filed to place the proposed GCR rate into effect.<sup>17</sup>

On September 4, 2025, a final Order was issued in Case No. 2023-00385, directing Valley Gas to update the sheet it used to calculate 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.<sup>18</sup>

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<sup>12</sup> Case No. 2023-00385, *Electronic Purchase Gas Adjustment Filing of Valley Gas, Inc.* (filed Nov. 24, 2023), Application.

<sup>13</sup> Case No. 2023-00385, Dec. 21, 2023 Order at 3.

<sup>14</sup> Case No. 2023-00385 Notification of Intent (filed Dec. 27, 2023).

<sup>15</sup> Case No. 2024-00175, *Electronic Purchase Gas Adjustment Filing of Valley Gas, Inc.* (filed May 30, 2024), Application.

<sup>16</sup> Case No. 2024-00175 (Ky. PSC June 28, 2024) at 3.

<sup>17</sup> Case No. 2023-00385, Sept. 4, 2025 Order at 16 and Exhibit A.

<sup>18</sup> Case No. 2023-00385, Sept. 4, 2025 Order at 16 and Exhibit A.

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.<sup>19</sup>

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.<sup>20</sup> 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.<sup>21</sup>

The final Order in Case No. 2024-00175 indicated the same.<sup>22</sup>

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.<sup>23</sup> The GCR rate consisted of an EGC component of \$4.8018 per MCF, an ACA component of \$0.0777 per MCF, and a RA component of \$0.0000 per MCF.<sup>24</sup> 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.<sup>25</sup> The Commission suspended the rates pursuant to KRS 278.190 for

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<sup>19</sup> Case No. 2023-00385, Sept. 4, 2025 Order at 2.

<sup>20</sup> Case No. 2023-00385, Sept. 4, 2025 Order at 15.

<sup>21</sup> Case No. 2024-0015 Sept. 23, 2025 Order at 2.

<sup>22</sup> Application (filed Nov. 26, 2025).

<sup>23</sup> Application, Schedule 1.

<sup>24</sup> Application, Schedule 1.

<sup>25</sup> Application, 2026 1st Quarter True-up.

one day, and Valley Gas filed notice of its intent to place the rates into effect subject to refund effective January 2, 2026.

On March 17, 2026, the Commission entered a final Order in this matter, Case No. 2023-00385, 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.”<sup>26</sup> 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.<sup>27</sup>

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 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.<sup>28</sup>

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

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<sup>26</sup> Order (Ky. PSC Dec. 23, 2025) at 2.

<sup>27</sup> Notice of Intent (filed Jan. 30, 2026).

<sup>28</sup> Order (Ky. PSC Mar. 27, 2026) at 10.

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.<sup>29</sup>

#### *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 10 months.<sup>30</sup>

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.<sup>31</sup> 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.<sup>32</sup> Valley Gas

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<sup>29</sup> Order (Ky. PSC Mar. 27, 2026) at 11.

<sup>30</sup> Application for Rehearing (filed Apr. 9, 2026) at 12-14.

<sup>31</sup> Application for Rehearing at 13.

<sup>32</sup> Application for Rehearing at 13-14.

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.<sup>33</sup>

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.<sup>34</sup> Under those circumstances, Valley Gas alleged that the period for calculating any over-collection due to the ACA component should begin with April 2024.<sup>35</sup> 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 that any changes adopted by the Commission in the March 17, 2026 Order should be prospective only.<sup>36</sup>

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.<sup>37</sup> Valley Gas asserted that the Commission's final Order modified those methodologies and then improperly applied that modified

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<sup>33</sup> Application for Rehearing at 14.

<sup>34</sup> Application for Rehearing at 14.

<sup>35</sup> Application for Rehearing at 14-15.

<sup>36</sup> Application for Rehearing at 15-17.

<sup>37</sup> Application for Rehearing at 17.

methodology back to January 2024 when calculating the reconciliation.<sup>38</sup> Valley Gas argued that this was inconsistent with the provisions of KRS Chapter 278 and Valley Gas's existing GCR tariff.<sup>39</sup>

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 component based solely upon the ACA for October, November, and December 2025.<sup>40</sup>

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.<sup>41</sup>

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<sup>38</sup> Application for Rehearing at 17.

<sup>39</sup> Application for Rehearing at 17.

<sup>40</sup> Application for Rehearing at 17-18.

<sup>41</sup> Application for Rehearing at 18.

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, because it establishes a rate to be effective April 1, 2026, and does not address the GCR rate for the first quarter of 2026.<sup>42</sup>

### 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 Valley Gas noted, the Commission has previously indicated that modifications to the formula used to calculate such rates constitutes a change in the rate.<sup>43</sup> The Commission 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 modifications 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 modifications are not necessarily inconsistent with Valley Gas's tariff, the tariff is vague regarding the treatment of those amounts. Importantly, Valley Gas presented evidence and orders that potentially support its argument that the Commission previously resolved the ambiguity in its tariff regarding those issues in a different manner, which would tend to support Valley Gas's argument

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<sup>42</sup> Application for Rehearing at 18-19.

<sup>43</sup> 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.

that changing that treatment is a change in the rate. Thus, the Commission finds that rehearing should be granted regarding the prospective treatment of modifications to the GCR rate for the purpose of further reviewing and developing the record on that issue to determine whether and the extent to which modifications in the September 4, 2025 Order in Case No. 2023-00385 and the March 17, 2026 Order issued in this case should be applied prospectively and the effect of that prospective treatment.

While the Commission reserves final judgement regarding the modifications in the September 4, 2025 Order in Case No. 2023-00385 and the March 17, 2026 Order in this case, the Commission notes that there is a possibility based on the evidence and information presented that all or a significant portion of the \$81,123.71 credit calculated in the final Order may be eliminated in the final rehearing order. For that reason, the Commission believes that it is in the best interest of customers and Valley Gas to remove the (\$0.8082) credit from the RA during the pendency of this rehearing, and therefore, finds that the (\$0.8082) credit should be removed from the RA for service rendered on or after May 1, 2026.<sup>44</sup> As discussed further herein, the Commission will determine the amount and appropriate mechanism of any over- or under-recovery based on additional information developed on through this rehearing.

With respect to the other issues raised on rehearing, the Commission finds that Valley Gas's request for rehearing should be granted to obtain additional information before rendering a decision on each issue. The Commission also notes that the granting of the request for reconsideration for the purpose of gathering additional information

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<sup>44</sup> The Commission chose May 1, 2026, as opposed to the date of this Order to align the change in the month to make it easier to identify that effect of that rate.

should not be construed as making a finding on the merits of the rehearing motion as it merely allows for further proceedings to investigate the allegations.

IT IS THEREFORE ORDERED that:

1. Valley Gas's application for rehearing is granted to obtain additional information before rendering a final decision on each issue as discussed herein above.

2. The (\$0.8082) credit approved to be included in the RA component of Valley Gas's GCR rate shall be removed from the GCR rate for service rendered on or after May 1, 2026.

3. Valley Gas shall respond to all requests for information propounded by Commission Staff as provided in those requests.

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

5. This case is reopened and returned to the Commission's docket.

Entered on this 29th day of April, 2026.

PUBLIC SERVICE COMMISSION




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Angie Hutton  
Chair



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Mary Pat Regan  
Commissioner



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Andrew W. Wood  
Commissioner

ATTEST:



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Linda C. Bridwell, PE  
Executive Director

Case No. 2025-00389

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