COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT FILING OF VALLEY GAS, INC.	))	CASE NO. 2026-00149

O R D E R

On June 10, 2026, Valley Gas, Inc. (Valley Gas) filed, in accordance with its Purchased Gas Cost Adjustment (PGA) Tariff, its Gas Cost Recovery (GCR) rate report to be effective July 1, 2026. Valley Gas's previous GCR rate was approved in the Commission's March 17, 2026 Order in Case No. 2025-00389,[1] and subsequently amended by the Commission's April 29, 2026 Order granting rehearing and reopening the case to obtain additional information before rendering a final decision.[2] A final Order in Case No. 2025-00389 granting rehearing is being issued with this Order.

LEGAL STANDARD

Pursuant to KRS 278.180, to alter rates a utility shall comply with the following:

> Except as provided in subsection (2) of this section, no change shall be made by any utility at any rate except upon thirty (30) days' notice to the commission, stating plainly the changes proposed to be made and the time when the changed rates will go into effect. However, the commission may, on its discretion, based upon a showing of good cause in any case, shorten the notice period from thirty (30) days to a period of not less than twenty (20) days. The commission may order a rate change only after giving an identical notice to the utility. The commission may order the utility to give

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[1] Case No. 2025-00389, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc* (Ky. PSC Mar. 17, 2026) Order at 11.

[2] Case No. 2025-00389, Apr. 29, 2026 Order at 11.

> notice of its proposed rate increase to that utility's customers in the manner set forth in its regulations.

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

> In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates, or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.

BACKGROUND

Valley Gas's current PGA Tariff calculates the GCR[3] rate as: Expected Gas Cost (EGC); plus, a supplier Refund Adjustment (RA) component; plus, four quarters of an Actual Cost Adjustment (ACA), equating to a total ACA component.[4] The ACA is made up of four distinct quarters, incorporating a three-month period, which in total equates to a full 12-month period coinciding with the reporting period used in each quarterly GCR rate report. The ACA is used to reconcile the difference between the actual cost of gas

[3] The term Gas Cost Recovery or "GCR" is interchangeable with Gas Cost Adjustment "GCA"; and Purchased Gas Adjustment "PGA". The term Actual Cost Adjustment "ACA" and Actual Adjustment "AA" are also interchangeable terms, and both refer to the true-up component of the GCR. For the sake of consistency, the Commission uses "GCR" in its final Orders unless otherwise stated. The Commission also universally reports the usage rate for natural gas using Mcf.

[4] Valley Gas's Tariff at 25-26.

and the amount recovered from customers through the EGC component.[5] The unit cost of gas represents the average cost of gas purchased during the applicable period. The EGC in effect during each billing period is deducted from the unit cost of gas to determine the portion of gas costs that was under or over recovered. In the event that the EGCs charged are not accounted for in the ACA calculation, it causes the unit cost of gas to be treated as completely unrecovered. By including the applicable EGC in the ACA calculation, it ensures that the ACA only reflects the difference between the actual cost of gas and the costs recovered through the EGC.[6]

Valley Gas's PGA Tariff also establishes a 30-day notice filing period and sets forth the calendar quarters for which each GCR rate, comprised of its respective components, are to be in effect. Valley Gas's PGA Tariff defines calendar quarters to mean each of the three- month periods of (1) January, February, and March; (2) April, May, and June; (3) July, August, and September; (4) October, November, and December.[7]

Case No. 2025-00389

In Case No. 2025-00389, Valley Gas filed its proposed GCR rate report on November 26, 2025, to be effective January 1, 2026.[8] On December 23, 2025, the Commission issued an Order suspending Valley Gas's proposed GCR rate for one day until January 2, 2026, to give the Commission time to investigate Valley Gas's proposed GCR rate, and to allow Valley Gas to begin charging the proposed GCR rates, pending a

[5] Valley Gas's PGA 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." Valley Gas's Tariff at 25.

[6] Valley Gas's Tariff at 25-26.

[7] Valley Gas's Tariff at 27.

[8] Case No. 2025-00389, Nov. 26, 2025 Valley Gas's GCR Rate Report Filing.

final Order and subject to refund, following appropriate written notice to the Commission of its intention to do so as required by KRS 278.190(2).[9] On January 30, 2026, Valley Gas issued a letter stating that it would be placing the proposed rates into effect, subject to refund, for the February billing period.[10]

As a result of Valley Gas placing its rates into effect for the February billing period, January 2026 reflects a different GCR rate and associated components than the remainder of the quarter. For January 2026, the GCR was $5.1132 per Mcf,[11] as placed into effect by Valley Gas with its July 15, 2024, Notice of Intent in Case No. 2024-00175.[12] This GCR consisted of the applicable EGC and ACA components of $4.0923 per Mcf and $1.0209 per Mcf, respectively.[13] Effective for the February 2026 billing period, Valley Gas placed a GCR rate of $4.8795 per Mcf, as proposed in Case No. 2025-00389, into effect pursuant to its January 30, 2026, Notice of Intent.[14] Accordingly, the February and March 2026 billing periods reflect a different EGC and ACA of $4.8018 per Mcf and $0.0777 per Mcf, respectively.[15]

On March 17, 2026, the Commission issued a final Order in Case No. 2025-00389, which found, in part, that a GCR rate of $4.1560 per Mcf was reasonable and approved

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[9] Case No. 2025-00389, Dec. 23, 2025 Order at 1-2.

[10] Case No. 2025-00389, Jan. 30, 2026 Valley Gas's Notice of Rate Implementation.

[11] Case No. 2024-00175, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed May 30, 2024), Valley Gas's GCR Rate Report Filing.

[12] Case No. 2024-00175, July 15, 2024 Valley Gas's Notice of Rate Implementation.

[13] Case No. 2024-00175, May 30, 2024 Valley Gas's GCR Rate Report Filing, Schedule I.

[14] Case No. 2025-00389, Jan. 30, 2026 Valley Gas's Notice of Rate Implementation.

[15] Case No. 2025-00389, Nov. 26, 2025 Valley Gas's GCR Rate Report Filing, Schedule 1.

for service on and after April 1, 2026.[16] The approved GCR rate consisted of an EGC of $4.7377 per Mcf, an ACA of $0.2265 per Mcf, and a RA of ($0.8082) per Mcf.[17] In that proceeding, the Commission utilized a revised ACA calculation[18] to determine the under or over recoveries associated with the period beginning July 2023 through September 2025; the calculated total over recovery was $81,123.71.[19] The Commission divided the alleged over collected amount by Valley Gas's sales for the previous three-year period of 100,377.10 Mcf to spread out the refund to Valley Gas's customers. The Commission found that the resulting ($0.8082) per Mcf credit should be included in the RA component of the GCR.[20]

On April 9, 2026, Valley Gas filed an application for rehearing stating that there were errors in the Commission's March 17, 2026 Order.[21] The Commission issued an Order on April 29, 2026, that found Valley Gas's motion for rehearing should be granted to obtain additional information before rendering a final decision.[22] The Commission further found that the ($0.8082) per Mcf credit, approved to be included in the RA component of Valley Gas's GCR rate, should be removed from the GCR rate for service rendered on or after May, 1, 2026.[23] With the removal of the RA and ACA components,

[16] Case No. 2025-00389, Mar. 17, 2026 Order at 10.

[17] Case No. 2025-00389, Mar. 17, 2026 Order at 10-11.

[18] Case No. 2025-00389, Mar 17, 2026 Order at 7-8 and Appendix B.

[19] Case No. 2025-00389, Mar. 17, 2026 Order at 8-9.

[20] Case No. 2025-00389, Mar. 17, 2026 Order at 10.

[21] Case No. 2025-00389, Apr. 9, 2026 Valley Gas's Application for Rehearing.

[22] Case No. 2025-00389, Apr. 29, 2026, Order at ordering paragraph 1.

[23] Case No. 2025-00389, Apr. 29, 2026, Order at ordering paragraph 2.

Valley Gas's resulting GCR rate was $4.9642 per Mcf,[24] which is currently reflected in its tariff.[25]

In a final rehearing Order in Case No. 2025-00389 issued contemporaneously with this Order, the Commission found that an ACA component of $0.0777 per Mcf calculated to true up gas costs through September 2025 was reasonable, and that that ACA component should have been included in the GCR rate calculation from January 2026 through December 2026. The Commission also noted that the $0.2265 per Mcf ACA component calculated to true up gas costs from October 2025 through December 2025, which the Commission established in the March 17, 2026, Order in Case No. 2025-00389 for rates effective April 2026, should be included in the GCR rate calculation from April 2026 through March 2027. The final rehearing Order in Case No. 2025-00389, among other things, also addressed how Valley Gas should true up or correct rates to the extent the $0.0777 per Mcf ACA component was not charged in periods that it should have been and to the extent that the ($0.8082) per Mcf credit was included in Valley Gas's GCR rate when it should not have been.[26]

DISCUSSION

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that Valley Gas's GCR rate report generally includes revised rates designed to pass on to its customers its expected change in gas costs. Valley Gas's

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[24] Valley Gas's GCR rate as approved in the Commissions March 17, 2026 Order in Case No. 2025-00389 was $4.1560 per Mcf. With the removal of the ($0.8082) per Mcf RA, the GCR increased to $4.9642 per Mcf.

[25] Valley Gas's Tariff, PSC No.1, 123rd Revised No. 1 (effective May 1, 2026).

[26] Case No. 2025-00389, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC July 9, 2026), Order.

report sets out an EGC of $4.6809 per Mcf, which is a decrease of $0.0568 per Mcf from the previous EGC of $4.7377 per Mcf. Valley Gas's report sets out no Refund Adjustment. Valley Gas's report sets out a total ACA component of $2.7298 per Mcf, consisting of $0.2265 per Mcf charge for the Previous Quarter ACA component and $2.5033 per Mcf charge for the Current Quarter ACA component.

However, the Commission finds that the rates proposed by Valley Gas should be denied, because in calculating its Current Quarter ACA, Valley Gas erroneously excluded the EGCs that were in effect during January, February, and March 2026. As a result, the Current Quarter ACA calculation incorrectly treated the entire unit cost of gas as unrecovered rather than recognizing that an EGC was being charged and recovering a portion of the gas costs for each of those months. Correcting this error results in a corrected Current Quarter ACA of $0.2594 per Mcf. Additionally, in its response to Staff's Request for Information in Case No. 2025-00389, Valley Gas confirmed that the ACA of $0.0777 per Mcf it proposed to true up the period from July 2025 to September 2025 should be included in rates effective from January 1, 2026.[27] Further, as noted above, the Commission agreed in its final rehearing Order that that ACA component should be included in the GCR rate from January 2026 through December 2026. Thus, consistent with the final rehearing Order in Case No. 2025-00389, the Commission finds that the ACA component of $0.0777 per Mcf should be included in Valley Gas's GCR calculation in this case as the "Second Previous Quarter ACA". With those corrections, Valley Gas's

[27] Case No. 2025-00389, June 24, 2026 Valley Gas's Response to Commission Staff's First Rehearing Request for Information, Item 2.

total ACA is $0.5636 per Mcf, which is an increase of $0.3371 per Mcf from the previous total ACA of $0.2265 per Mcf.

Based on the calculations above, the Commission finds that Valley Gas's GCR rate is $5.2445 per Mcf, which is an increase of $0.2803 per Mcf from the previous GCR rate of $4.9642 per Mcf. The Commission finds that the inputs, resulting components and calculation of Valley Gas's revised GCR rate of $5.2445 per Mcf to be reasonable. The Commission further finds that the rate set forth in the Appendix to this Order is fair, just and reasonable and shall be approved for service rendered by Valley Gas on and after July 10, 2026. Valley Gas did not provide the 30-day notice required for its rate to be effective July 1, 2026. The Commission finds that Valley Gas should file its quarterly GCR rate reports with the Commission with at least 30 days' notice pursuant to its PGA Tariff so that it may be processed in a timely manner. Failure to file quarterly GCR rate reports in a timely manner in future filings may adversely affect the timely processing of Valley Gas's GCR rate reports.

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, and further notes, consistent with the final rehearing Order in Case No. 2025-00389, that the Previous Quarter ACA and Second Previous Quarter ACA should be utilized in calculating the GCR rate through March 2027 and December 2026, respectively. The Commission further notes that Valley Gas should true up rates in future filings, as described the final rehearing Order in Case No. 2025-00389, to account for the extent to which the $0.0777 per Mcf ACA component was not charged in periods that it should have been and the extent that the ($0.8082) per Mcf credit was included in Valley Gas's GCR rate when it should not have been.[28]

For the purpose of transparency and to maintain a record of information for future use, the Commission finds that Valley Gas shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports. Should Valley Gas purchase sustainable gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Valley Gas are denied.

2. The rates set forth in the Appendix to this Order are approved for service rendered on and after July 10, 2026.

3. Valley Gas shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files its future GCR rate reports.

4. Should Valley Gas purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount shall be documented in its cover letter to the Commission.

[28] Case No. 2025-00389, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC July 9, 2026), 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, revising tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

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

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Entered on this 10th day of July, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry Mayfield by AH w/ permission

Barry L. Mayfield
Commissioner

ATTEST:

Linda C. Bridwell, PE
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00149 DATED JUL 10 2026

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.

RATES:

	Base Rate	Gas Cost Recovery Rate	Total
All Mcf	$3.1821	$5.2445	$8.4266

Service List for 2026-00149

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* Kerry R Kasey
President
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* Denotes served by Email