

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT	)	CASE NO.
FILING OF VALLEY GAS, INC.	)	2026-00248

ORDER

On August 31, 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 October 1, 2026. Valley Gas's previous GCR rate was approved in Case No. 2026-00149.¹

LEGAL STANDARD

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.²

¹ Case No. 2026-00149, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (Ky. PSC July 10, 2026).

² KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

BACKGROUND

On November 24, 2023, Valley Gas filed its GCR rate report in Case No. 2023-00385, for rates effective January 1, 2024.³ The Commission issued an Order on December 21, 2023, suspending Valley Gas's proposed rates, for one day, to investigate the reasonableness of the proposed rates.⁴ On September 4, 2025, a final Order was issued in Case No. 2023-00385, directing Valley Gas to update the sheet used to calculate the ACA component 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.⁵ 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.⁶

On November 26, 2025, Valley Gas filed its GCR rate report in Case No. 2025-00389 to true up the July through September 2025 period.⁷ The rate report included a proposed GCR rate of \$4.8795 per Mcf that consisted of an EGC and total ACA of \$4.8018 per Mcf and \$0.0777 per Mcf, respectively.⁸ The Commission suspended the proposed rates pursuant to KRS 278.190 for one day, to investigate the reasonableness

³ Case No. 2023-00385, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed Nov. 24, 2023), GCR Rate Report.

⁴ Case No. 2023-00385, Dec. 21, 2023 Order.

⁵ Case No. 2023-00385, Sept. 4, 2025 Order at 12-13.

⁶ Case No. 2023-00385, Sept. 4, 2025 Order at 12.

⁷ Case No. 2025-00389, *Electronic Purchased Gas Adjustment Filing of Valley Gas, Inc.* (filed Nov. 26, 2026), GCR Rate Report.

⁸ Case No. 2025-00389, Nov. 26, 2026 GCR Rate Report at 2.

of the rates.⁹ 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.¹⁰

On March 17, 2026, the Commission issued an Order in Case No. 2025-00389 finding that the modifications made in Case No. 2023-00385 to Valley Gas's calculation of the ACA component should be further modified to correct for injections and withdrawal balances that were being included in the unit cost of gas.¹¹ The Commission, using the modified ACA calculation, found that Valley Gas had over recovered \$81,123.71 for the July 2023 through September 2025 period.¹² The Commission ordered this amount to be refunded to Valley Gas customers over a three-year period through a Refund Adjustment (RA) of (\$0.8082) per Mcf.¹³ The Commission further found that Valley Gas's EGC, ACA, and RA components for the period beginning April 1, 2026 to be \$4.7377 per Mcf, \$0.2265 per Mcf, and (\$0.8082) per Mcf, respectively, resulting in a GCR rate of \$4.1560 per Mcf.¹⁴

However, on April 9, 2026, Valley Gas filed an application for rehearing, claiming various errors in the March 17, 2026 Order in Case No. 2025-00389.¹⁵ Valley Gas argued that the Order assumed that the rates proposed in Case No. 2023-00385 remained subject to refund, when they should have been rendered final.¹⁶ Consequently, the use

⁹ Case No. 2025-00389, Dec. 23, 2025 Order.

¹⁰ Case No. 2025-00389, Jan. 30, 2026 Notice of Intent to Implement Rates.

¹¹ Case No. 2025-00389, Mar. 17, 2026 Order at 6-7.

¹² Case No. 2025-00389, Mar. 17, 2026 Order at 7.

¹³ Case No. 2025-00389, Mar. 17, 2026 Order, ordering paragraph 3.

¹⁴ Case No. 2025-00389, Mar. 17, 2026 Order at 10-11.

¹⁵ Case No. 2025-00389, Apr. 9, 2026 Application for Rehearing.

¹⁶ Case No. 2025-00389, Apr. 9, 2026 Application for Rehearing at 12-13.

of the revised ACA calculation should not have been applied retrospectively. Additionally, Valley Gas contended that the Commission only addressed the GCR rate for the quarter beginning April 1, 2026, and did not address the GCR rate for the first quarter of 2026.¹⁷ On April 29, 2026, the Commission issued an Order that granted rehearing and acknowledged that the modifications to the ACA calculation should only be applied prospectively.¹⁸ Accordingly, the Commission found that the RA of (\$0.8082) per Mcf should be removed from the GCR rate as it was based primarily on a retroactive change in the ACA calculation.¹⁹

On July 10, 2026, the Commission issued a final Order in Case No. 2025-00389.²⁰ Among other things, the Commission's July 10, 2026 final Order stated that, to the extent the (\$0.8082) per Mcf RA was charged for April 2026, Valley Gas should make a corresponding adjustment to the EGC when it is trued up in the GCR filing for rates effective October 1, 2026, i.e. the current proceeding.²¹ Similarly, the Commission stated that, to the extent the \$0.0777 per Mcf ACA component was not charged for service beginning April 1, 2026, Valley Gas should make an adjustment decreasing the EGC component when truing up the EGC.²² However, when the July 10, 2026, Order was issued, there were questions regarding what GCR rate Valley Gas had charged its customers for April, May, and June 2026, so the Commission required Valley Gas to

¹⁷ Case No. 2025-00389, Apr. 9, 2026 Application for Rehearing at 18-19.

¹⁸ Case No. 2025-00389, Apr. 29, 2026 Order at 11.

¹⁹ Case No. 2025-00389, Apr. 29, 2026 Order at 11.

²⁰ Case No. 2025-00389, July 10, 2026 Order.

²¹ Case No. 2025-00389, July 10, 2026 Order 15-16.

²² Case No. 2025-00389, July 10, 2026 Order.

provide evidence of the rates charged during that period and for some time after when making its quarterly filings to allow the true-up to be calculated.

DISCUSSION

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that Valley Gas's report includes revised rates designed to pass on to its customers its expected change in gas costs. Valley Gas's report sets out an Expected Gas Cost (EGC) of \$4.8250 per Mcf, which is an increase of \$0.1441 per Mcf from the previous EGC of \$4.6809 per Mcf. Valley Gas's GCR report sets out no Refund Adjustment. Valley Gas's GCR report sets out a current quarter Actual Cost Adjustment (ACA) of \$0.6409 per Mcf. In calculating its current quarter ACA, Valley Gas erroneously excluded the EGC that was in effect during April, May, and June 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.

As stated above, it was unclear what rates Valley Gas had charged customers for the April 2026 through June 2026 period. However, on September 14, 2026, Valley Gas filed supplemental information into the record of the current proceeding confirming the GCR, EGC, and ACA charged for that period to be \$4.9642 per Mcf, \$4.7377 per Mcf, and \$0.2265 per Mcf, respectively. These rates confirm that the RA of (\$0.8082) per Mcf was not charged for the April 2026 through June 2026 period; accordingly, no adjustment is needed for that component. However, the ACA component of \$0.0777 per Mcf was not included in the rates charged to customers, causing Valley Gas to under recover for the April 2026 through June 2026 period. As a result, when calculating the current quarter

ACA, the EGC of \$4.7377 per Mcf was decreased by \$0.0777 per Mcf to allow Valley Gas to recover that portion of gas costs.²³ Correcting this error results in a revised current quarter ACA of (\$0.2258) per Mcf.

When calculating the revised current quarter ACA component of (\$0.2258) per Mcf, the Commission used the Unit cost of Gas (excluding storage) that was reported in Valley Gas's GCR rate report of \$2.0648 per Mcf, \$4.7296 per Mcf, and \$4.5803 per Mcf, for the months of April, May, and June 2026, respectively.²⁴ However, since Valley Gas excluded the EGC in the current quarter ACA calculation, the EGC rate of \$4.7377 per Mcf was utilized by the Commission when revising the current quarter ACA. Additionally, as discussed above, the ACA component of \$0.0777 per Mcf should have been charged for the months of April through June 2026 but was omitted from the rates charged to customers. As a result, \$0.0777 per Mcf was subtracted from the EGC component of \$4.7377 per Mcf, resulting in an adjusted EGC of \$4.6600 per Mcf. The EGC of \$4.6600 per Mcf was then subtracted from the Unit Cost of Gas, resulting in a cost difference between the EGC and Unit Cost of Gas of (\$2.5952) per Mcf, \$0.0696 per Mcf, and (\$0.0797) per Mcf, for the months of April, May, and June 2026, respectively. These cost differences were then multiplied by the sales for the corresponding months of 3,110.80 Mcf, 1,943.00 Mcf, and 1,589.00 Mcf, respectively. The resulting total cost difference for the months of April, May, and June 2026 of (\$8,064.56) was then divided by the twelve months sales ending June 2026 of 35,717.70 Mcf, resulting in the current quarter ACA of (\$0.2258) per Mcf.

²³ By decreasing the EGC, the calculation effectively allows Valley Gas to collect the \$0.0777 per Mcf ACA component that it should have collected for the April through June 2026 period.

²⁴ Valley Gas's GCR Rate Report (filed Aug. 31, 2026) at 5.

Based on the calculations above, the Commission finds that Valley Gas's GCR rate is \$5.1628 per Mcf, which is a decrease of \$0.0817 per Mcf from the previous GCR rate of \$5.2445 per Mcf. The Commission notes that the \$5.1628 per Mcf rate consists of the following components:

- | | |
|---|--------------------|
| 1. Current EGC Component: | \$4.8250 per Mcf |
| 2. Current Quarter ACA Component: | (\$0.2258) per Mcf |
| 3. Previous Quarter ACA Component: | \$0.2594 per Mcf |
| 4. Second Previous Quarter ACA Component: | \$0.2265 per Mcf |
| 5. Third Previous Quarter ACA Component: | \$0.0777 per Mcf |

The Commission finds that the inputs, resulting components and calculation of Valley Gas's revised GCR rate of \$5.1628 per Mcf to be reasonable. The Commission further finds that the rate consisting of those components and 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 October 1, 2026.

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 October 1, 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 future GCR rate reports.

4. 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 shall be documented in its cover letter to the Commission.

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, revised 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.

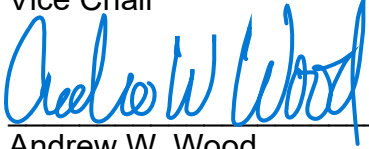
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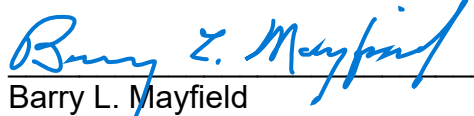
Entered on this 29th day of September, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00248 DATED SEP 29 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:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf	\$3.1821	\$5.1628	\$8.3449

Service List for Case 2026-00248

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