

**PSC No. 1 Gas**  
**Valley Energy, Inc.**  
 Initial Effective Date January 1, 2004

Statement Type: GAC  
 Statement No. 3  
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**VALLEY ENERGY, INC.**  
**Statement of Gas Adjustment Charge**  
**EFFECTIVE: January 1, 2004**

Applicable to Service Classifications No. 1, 4, 5 of P.S.C. No. 1 Gas  
 Calculated on December 19, 2003 using supplier rates forecasted to be in effect on January 1, 2004  
 (Per Mcf)

	<u>S.C. No. 1</u>	<u>S. C. No. 4</u>	<u>S. C. No. 5</u>
<b><u>Average Cost of Gas</u></b>			
The average cost of gas (as defined on General Information Rule 14.C of P.S.C. No. 1 determined on December 19, 2003 by applying the rates and charges of the Company's gas suppliers which are or will be in effect on the date the gas cost adjustment becomes effective to the quantities of gas supplied, except that for service on an interruptible basis, to the Company during the 12 months ended December 19, 2003	\$8.4797		\$10.4976
<b><u>Commodity cost of Gas</u></b>			
The average commodity cost of gas (as defined on General Information Leaf No. 8H, P.S.C. No. 1-Gas) determined on December 19, 2003 by applying the rates and charges of the Company's gas suppliers which are or will be in effect on the date the gas cost adjustment becomes effective to the quantities of gas supplied to the Company during the 12 months ended December 19, 2003.		\$8.4577	\$8.4577
<b><u>Base Cost of Gas</u></b>			
The base cost of gas for determining the gas cost adjustment	\$3.0000	\$2.5000	
<b><u>Difference</u></b>	\$5.4797	\$5.9577	\$2.0399
<b><u>Difference</u></b>			
Difference multiplied by the tax factor of adjustment of 1.034	\$5.6660		
Difference multiplied by the tax factor of adjustment of 1.039		\$6.1901	\$2.1093
Annual Surcharge Adjustment	(\$0.4081)	\$0.9181	\$0.00
<b>Gas Adjustment Charge:</b>	\$5.2579	\$7.1082	\$2.1093

Issue Date: December 19, 2003

Issued By: Marjorie Johnston, Vice President & Treasurer