

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)
FILING OF BLUEGRASS GAS SALES, INC.) CASE NO. 94-433-D

O R D E R

On May 31, 1996, in Case No. 94-433, the Commission approved certain rates for Bluegrass Gas Sales, Inc. ("Bluegrass") and provided by tariff for their further adjustment on a quarterly basis in accordance with its approved gas cost adjustment ("GCA") clause.

On May 30, 1997, Bluegrass filed its quarterly GCA filing to be effective July 1, 1997, and to remain in effect until October 1, 1997.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Bluegrass' notice of May 30, 1997 proposed revised rates designed to pass on to its customers its expected wholesale decrease in gas costs. Bluegrass' proposed expected gas cost ("EGC") is \$4.1455 per Mcf.
2. Bluegrass' notice of May 30, 1997 set out no current quarter refund adjustment.
3. Bluegrass' notice of May 30, 1997 set out a current quarter actual adjustment ("AA") of 21.10 cents per Mcf to recoup undercollections of January, February, and March 1997 gas cost from its customers. Bluegrass calculated its underrecovery based on the gas cost recovery rate ("GCR") in effect during the three month period rather than using the

EGC rate of \$4.4043 which was in effect. Correcting for this results in an AA for the current quarter of 21.68 cents per Mcf. The total AA of 76.76 cents per Mcf includes the current as well as the previous quarter AAs, and reflects a correction to set out the previous quarter AA at 53.23 cents per Mcf instead of 55.08 cents per Mcf .

4. Bluegrass' corrected GCR is \$4.9131 per Mcf, 50.81 cents per Mcf more than the previously authorized rate.

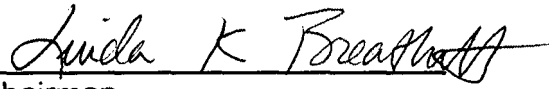
5. Bluegrass' adjustment in rates contained in the Appendix to this Order is fair, just, and reasonable, in the public interest, and should be approved for service rendered on and after July 1, 1997.


IT IS THEREFORE ORDERED that:

1. The rates proposed by Bluegrass are denied.
2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable, and are effective for service rendered on and after July 1, 1997.
3. Within 30 days of the date of this Order, Bluegrass shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 1st day of July, 1997.

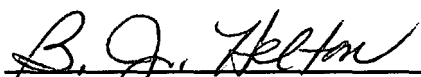
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 94-433-D DATED JULY 1, 1997

The following rates and charges are prescribed for the customers served by Bluegrass Gas Sales, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf (Minimum Bill)	\$3.1203	\$4.9131	\$8.0334