

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-E

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 August 26, 1997, Bluegrass filed its quarterly GCA filing to be effective October 1, 1997, and to remain in effect until January 1, 1998.

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

1. Bluegrass' notice of August 26, 1997 proposed revised rates designed to pass on to its customers its expected wholesale increase in gas costs. Bluegrass' proposed expected gas cost ("EGC") is \$4.2399 per Mcf.
2. Bluegrass' notice of August 26, 1997 set out no current quarter refund adjustment.
3. Bluegrass' notice of August 26, 1997 set out a current quarter actual adjustment ("AA") of (11.43) cents per Mcf to recoup undercollections of April, May, and June 1997 gas cost from its customers. Bluegrass calculated its adjustment based on the actual sales for the twelve months ended June 30, 1997, rather than its expected sales volume of 25,476 Mcf which it used in calculating its EGC. Correcting for this results in an

AA for the current quarter of (5.71) cents per Mcf. The total AA of 70.26 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 21.68 cents per Mcf instead of 76.76 cents per Mcf .

4. Bluegrass' corrected GCR is \$4.9425 per Mcf, 2.94 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 October 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 October 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 October, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 94-433-E DATED OCTOBER 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	\$4.9425	\$8.0628