

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING) CASE NO. 2009-00091
OF BLUEGRASS GAS SALES, INC.)

O R D E R

On May 31, 1996, in Case No. 1994-00433, the Commission approved rates for Bluegrass Gas Sales, Inc. ("Bluegrass") and provided for their further adjustment on a quarterly basis in accordance with Bluegrass's gas cost adjustment ("GCA") clause.¹

On February 27, 2009, Bluegrass filed its proposed GCA to be effective April 1, 2009.

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

1. Bluegrass's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Bluegrass's notice sets out an expected gas cost ("EGC") of \$6.5285 per Mcf, which is a decrease of \$4.6474 per Mcf from its previous EGC of \$11.1759. The EGC of \$11.1759 was approved for billing for service on and after October 1, 2008. Bluegrass did not file its required quarterly filing with the Commission for service on and after January 1, 2009.
3. Bluegrass's notice sets out no current quarter refund adjustment.

¹ Case No. 1994-00433, The Petition of Bluegrass Gas Sales, Inc. for Approval of a Certificate of Convenience and Necessity to Construct Facilities, Approval of Financing, Approval of Initial Rates and Operation of a Natural Gas Distribution System.

4. Bluegrass's notice sets out a current quarter actual adjustment ("AA") of (\$1.1060) per Mcf for the three-month period ended December 31, 2008. Bluegrass also proposed an AA of (\$.1750) for the three-month period ended September 30, 2008 for the quarter that it failed to file its required GCA. Bluegrass proposed to include the (\$.1750) AA as its previous quarter AA in calculating its total proposed AA of (\$.6327), and divided the over-recovered amount by 12 months of sales, even though only nine months is left for the adjustment. The Commission has provided for the over-recovery of gas cost to be returned through the previous quarter AA by dividing the \$8,668 over-recovery by nine months of sales instead of 12; this will ensure that the customers receive the entire amount by the end of the 12-month period for which Bluegrass failed to file a GCA. When the previous quarter AA expires December 31, 2009, the customers will have had the opportunity to collect the amount owed them and any under/over-recoveries will be collected through the balance adjustment as it would have been otherwise. The previous quarter AA should be (\$.3108) instead of (\$.1750). Bluegrass's total approved AA is (\$.6249) per Mcf, which is a decrease of \$1.3604 per Mcf from its previous total AA of \$.7355. Revisions to the AA calculations are attached as Appendix B.

5. Bluegrass's notice sets out a current quarter balance adjustment ("BA") of \$.0187 per Mcf for the three-month period ended December 31, 2008. Because Bluegrass failed to file its last quarterly adjustment, the AA of (\$.1183) and BA of \$.0239 did not expire from its rates, and will continue to be charged through March 31, 2009. The current quarter BA should therefore be \$0, and Bluegrass should include any under/over-recoveries resulting from the 15 months this adjustment will have been in

effect in its next filing. Bluegrass also proposed a BA of \$.0064 for the three-month period ended September 30, 2008 for the quarter that it failed to file its required GCA. Bluegrass proposed to include the \$.0064 BA as its previous quarter BA in calculating its total proposed BA of \$.2945, and divided the under-recovered amount by 12 months of sales, even though only nine months is left for the adjustment. The Commission has provided for the under-recovery of gas cost to be recovered through the previous quarter BA by dividing the \$317 net under-recovery by nine months of sales instead of 12; this will ensure that the customers return the entire amount by the end of the 12-month period for which Bluegrass failed to file a GCA. When the previous quarter BA expires December 31, 2009, the customers will have had the opportunity to pay the amount owed to Bluegrass and any under/over-recoveries will be collected through the balance adjustment as it would have otherwise. The previous quarter BA should be \$.0114 instead of \$.0064. Bluegrass's total approved BA is \$.2808 per Mcf, which is a decrease of \$.0305 per Mcf from its previous total BA of \$.3113. Revisions to the BA calculations are attached as Appendix B.

6. Bluegrass's GCA is \$6.1844 per Mcf, which is a decrease of \$6.0383 per Mcf from its previous rate of \$12.2227.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by Bluegrass on and after April 1, 2009.

IT IS THEREFORE ORDERED that:

1. Bluegrass's proposed rates are denied.

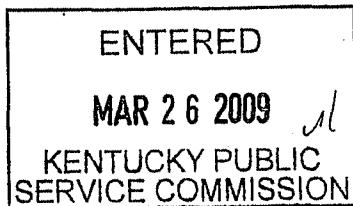
2. The rates in Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after April 1, 2009.

3. Within 20 days of the date of this Order, Bluegrass shall file with the Commission its revised tariffs setting out the rates approved herein.

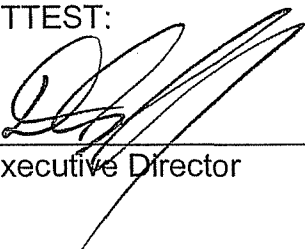
4. In the future, Bluegrass shall file for gas cost adjustments in compliance with its quarterly schedule on file with this Commission.

Done at Frankfort, Kentucky, this

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2009-0091 DATED **MAR 26 2009**

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 the 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)	\$4.6137	\$6.1844	\$10.7981

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2009-00091 DATED **MAR 26 2009**

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$6.5285
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$0.6249)
Balance Adjustment (BA)	\$/Mcf	\$0.2808
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$6.1844

GCR to be effective for service rendered from
April 1, 2009 to June 30, 2009

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$324,197.46
/Sales for the 12 months ended 12/31/09	\$/Mcf	49,659.00
Expected Gas Cost	\$/Mcf	\$6.5285
<u>B. REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	(\$1.1060)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.3108)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.2055
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.5864
=Actual Adjustment (AA)	\$ Mcf	(\$0.6249)
<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0114
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0518
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.2176
=Balance Adjustment (BA)	\$ Mcf	\$0.2808

SCHEDULE IV (2)

ACTUAL ADJUSTMENT

For the 12 month period ended December 31, 2008

Particulars	Unit	July	August	Sept
Total Supply Volumes Purchased	Mcf	542	526	656
Total Cost of Volumes Purchased	\$	\$5,708.00	\$4,127.00	\$5,328.00
/ Total Sales *	Mcf	528.0	512.0	640.0
= Unit Cost of Gas	\$/Mcf	\$10.8106	\$8.0605	\$8.3250
- EGC in Effect for Month	\$/Mcf	\$14.1805	\$14.1805	\$14.1805
= Difference	\$/Mcf	(\$3.3699)	(\$6.1200)	(\$5.8555)
x Actual Sales during Month	Mcf	528.0	512.0	640.0
= Monthly Cost Difference	\$	(\$1,779.30)	(\$3,133.42)	(\$3,747.52)

Total Cost Difference			\$	(\$8,668.00)
/ Sales for 9 months ended	December 31, 2008		Mcf	27,889.0
= Actual Adjustment for the Previous Reporting Period (to Sch IC)				(\$0.3108)

* May not be less than 95% of supply volume

BALANCE ADJUSTMENT

For the 3 month period ended: September 30, 2008

Effective Date	Mcf Sales	Factor	Refunded	Balance
Beginning Balance				(\$2,595)
	49,530	(\$0.0721)	(\$3,571.11)	\$976
				\$1,748
	49,530	\$0.0486	\$2,407.16	(\$659)
Under/(Over) Recovery	\$317			
Mcf Sales for factor	27,889			
BA Factor	\$0.0114			

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