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September 23, 2005

Mark H. O'Brien
President
Bluegrass Gas Sales, Inc.
P.O. Box 23539
Anchorage, KY 40223-0539

CERTIFICATE OF SERVICE

RE: Case No. 2005-00350
Bluegrass Gas Sales, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on September 23, 2005.

Executive Director

BOD/jc
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST)
RECOVERY FILING OF) CASE NO. 2005-00350
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 August 31, 2005, Bluegrass filed its proposed GCA to be effective October 1, 2005.

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 expected gas cost ("EGC") is \$12.5867 per Mcf, which is \$3.7768 per Mcf more than its previous EGC of \$8.8099.
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, Order dated May 31, 1996.

4. Bluegrass's notice sets out a current quarter actual adjustment ("AA") of .15 cent per Mcf. Bluegrass's notice sets out a total AA of (23.73) cents per Mcf, which is a decrease of 3.32 cents per Mcf from the previous total AA.

5. Bluegrass's notice sets out a current quarter balance adjustment ("BA") of 6.91 cents per Mcf. Bluegrass's notice sets out a total BA of 7.78 cents per Mcf, which is an increase of 5.3 cents per Mcf from the previous total BA.

6. Bluegrass's GCA is \$12.4272 per Mcf, which is \$3.7966 per Mcf more than the previous rate of \$8.6306.

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 October 1, 2005.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after October 1, 2005.

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

Done at Frankfort, Kentucky, this 23rd day of September, 2005.

By the Commission

ATTEST

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00350 DATED September 23, 2005.

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)	\$4.6137	\$12.4272	\$17.0409