

BLUEGRASS GAS SALES

May 25, 2006

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PUBLIC SERVICE  
COMMISSION

Ms. Beth A. O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

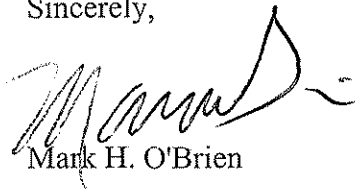
Dear Ms. O'Donnell:

Case No. 2006-00713

Enclosed is the Quarterly Report of Gas Cost Recovery Rate Calculation for the quarter ended March 31, 2006 for Bluegrass Gas Sales, Inc.

Please call me if you have any questions.

Sincerely,

  
Mark H. O'Brien

Enclosure

P. O. Box 23539  
Anchorage, Kentucky 40223

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Fax: 502-228-7016  
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BLUEGRASS GAS SALES, INC.

Case Number

QUARTERLY REPORT OF GAS COST  
RECOVERY RATE CALCULATION

DATE FILED: May 26, 2006

DATE RATES TO BE EFFECTIVE: July 1, 2006

REPORTING PERIOD IS CALENDAR QUARTER ENDED: March 31, 2006

Submitted By: Mark H. O'Brien, President  
BlueGrass Gas Sales, Inc.  
P.O. Box 23539  
Anchorage, KY 40223  
(502)228-9698  
(502)228-7016 fax

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$9.8546
+ Refund Adjustment (RA)	\$/Mcf	\$0.0000
+ Actual Adjustment (AA)	\$/Mcf	(\$0.9050)
+ Balance Adjustment (BA)	\$/Mcf	\$0.0850
= Gas Cost Recovery Rate (GCR)	\$/Mcf	<u>\$9.0346</u>

GCR to be effective for service rendered from July 1, 2006 to September 30, 2006

A. Expected Gas Cost Calculation

Total Expected Gas Cost (from Schedule II)	\$	\$343,444
/ Sales for 12 months ended March 31, 2007	Mcf	34,851
= Expected Gas Cost (EGC)	\$/Mcf	<u>\$9.8546</u>

B. Refund Adjustment Calculation

Supplier Refund Adjustment for reporting period (from Schedule III)	\$/Mcf	\$0.0000
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
= Refund Adjustment (RA)	\$/Mcf	<u>\$0.0000</u>

C. Actual Adjustment Calculation

Actual Adjustment for reporting period (from Schedule IV)	\$/Mcf	\$ (1.5676)
+ Previous Quarter Actual Adjustment	\$/Mcf	0.6182
+ Second Previous Quarter Actual Adjustment	\$/Mcf	0.0429
+ Third Previous Quarter Actual Adjustment	\$/Mcf	0.0015
= Actual Adjustment (AA)	\$/Mcf	<u>(\$0.9050)</u>

D. Balance Adjustment Calculation

Balance Adjustment for the Reporting Period (from Schedule V)	\$/Mcf	\$ 0.0166
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	(0.0091)
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	0.0084
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	0.0691
= Balance Adjustment (BA)	\$/Mcf	<u>\$0.0850</u>

SCHEDULE II

EXPECTED GAS COST

Projected Purchases for 12 months ended March 31, 2007

<u>Supplier</u>	<u>Dth</u>	<u>Btu Factor</u>	<u>Mcf</u>	<u>Rate</u>	<u>Cost</u>
Home Office, Inc.	36,746	1.028	35,745	\$9.6082	\$343,444
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
Totals	<u>36,746</u>		<u>35,745</u>		<u>\$343,444</u>

	<u>Unit</u>	<u>Amount</u>
Projected purchases for 12 months ended March 31, 2007	Mcf	35,745
- Projected sales for 12 months ended March 31, 2007	Mcf	<u>34,851</u>
= Projected line loss for 12 months ended March 31, 2007		<u>894</u>
Total expected cost of purchases	\$	\$343,444
/ Mcf purchases	Mcf	<u>35,745</u>
= Average expected cost per Mcf	\$/Mcf	\$9.6082
x Allowable Mcf purchases (not to exceed 95% of Mcf sales)	Mcf	<u>35,745</u>
= Total Expected Gas Cost (to Schedule I, part A)	\$	<u>\$343,444</u>

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

For the 3 month period ended March 31, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	\$0
+ Interest		<u>\$0</u>
= Refund Adjustment including interest		\$0
/ Sales for 12 months ended March 31, 2006	Mcf	<u>34,851</u>
Supplier Refund Adjustment for the reporting period (to Schedule I, part B)	\$/Mcf	<u><u>\$0.0000</u></u>

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 3 month period ended March 31, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u>	<u>Month 2</u>	<u>Month 3</u>
		(Jan)	(Feb)	(Mar)
Total supply volume purchased	Mcf	4,996	5,592	5,229
Total cost of volumes purchased	\$	\$52,273	\$52,199	\$44,132
/ Total sales (may not be less than 95% of supply volumes)	Mcf	4,871	5,452	5,098
= Unit cost of gas	\$/Mcf	10.7310	9.5744	8.6567
- EGC in effect for month	\$/Mcf	\$13,1790	\$13,1790	\$13,1790
= Difference [(over)/under-recovery]	\$/Mcf	(\$2.4480)	(\$3.6046)	(\$4.5223)
x Actual sales during month	Mcf	4,871	5,452	5,098
= Monthly cost difference	\$	<u>(\$11,925)</u>	<u>(\$19,652)</u>	<u>(\$23,055)</u>
Total cost difference (Month 1+2+3)	\$	(\$54,632)		
/ Sales for 12 months ended March 31, 2006	Mcf	<u>34,851</u>		
Actual Adjustment for the reporting period (to Schedule I, part C)	\$/Mcf	<u>(\$1.5676)</u>		

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended: March 31, 2006

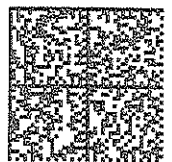
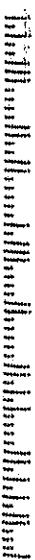
<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
(1) Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$3,943
<b>Less:</b> Dollar amount resulting from the AA of 0.0931 \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 34,851 Mcf during the 12 month period the AA was in effect	\$	<u>\$3,245</u>
<b>Equals:</b> Balance Adjustment of the AA	\$	<u><u>\$698</u></u>
(2) Total supplier refund adjustment including interest used to compute RA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0
<b>Less:</b> Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12 month period the RA was in effect	\$	<u>\$0</u>
<b>Equals:</b> Balance Adjustment of the RA	\$	<u><u>\$0</u></u>
(3) Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	(\$679)
<b>Less:</b> Dollar amount resulting from the BA of (0.0160) \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 34,851 Mcf during the 12 month period the BA was in effect	\$	<u>(\$558)</u>
<b>Equals:</b> Balance Adjustment of the BA	\$	<u><u>(\$121)</u></u>
Total Balance Adjustment Amount (1) + (2) + (3)	\$	\$577
<b>Divide:</b> Sales for 12 months ended March 31, 2007	Mcf	<u>34,851</u>
<b>Equals:</b> Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>\$0.0166</u></u>

P.O. BOX 23539  
ANCHORAGE, KY 40223



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