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April 26, 2007

CERTIFICATE OF SERVICE

RE: Case No. 2007-00158
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 April 26, 2007.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/sh
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY FILING) CASE NO.
OF BLUEGRASS GAS SALES, INC.) 2007-00158

ORDER

On May 31, 1996, 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 April 18, 2007, Bluegrass filed its proposed GCA to be effective for the second quarter of calendar year 2007.²

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

1. Bluegrass's quarterly report includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

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 (Ky. PSC May 31, 1996).

² Bluegrass advises the Commission that it submitted its proposed GCA to the Commission by express mail carrier on or about February 27, 2007. A receipt from this carrier – United Parcel Service – shows that the filing was delivered to and accepted by a Commission employee on February 28, 2007. The Commission has conducted an extensive search of its records and cannot locate the earlier submission.

2. Bluegrass's quarterly report sets out an expected gas cost ("EGC") of \$9.5505 per Mcf, which is a decrease of 24.68 cents per Mcf from its previous EGC of \$9.7973.

3. Bluegrass's quarterly report sets out no current quarter refund adjustment.

4. Bluegrass's quarterly report sets out a current quarter actual adjustment ("AA") of (70.67) cents per Mcf. Bluegrass's total AA is (\$2.7471) per Mcf, which is a decrease of \$1.3249 per Mcf from its previous total AA.

5. Bluegrass's quarterly report sets out a current quarter balance adjustment ("BA") of 1.22 cent per Mcf. Bluegrass's total BA is .4 cent per Mcf, which is an increase of 2.13 cents per Mcf from its previous total BA.

6. Bluegrass's GCA is \$6.8074 per Mcf, which is a decrease of \$1.5504 per Mcf from its previous rate of \$8.3578.

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, 2007.³

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix are approved for billing for service rendered on and after April 1, 2007.

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

³ Bluegrass's "Purchased Gas Cost Adjustment Clause" rate schedule provides that "[t]he GCR shall become effective for billing for service rendered on or after the first day of each calendar quarter." Tariff of Bluegrass Gas Sales, Inc., Original Sheet No. 17.

Done at Frankfort, Kentucky, this 26th day of April, 2007.

By the Commission

ATTEST

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00158 DATED April 26, 2007.

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	\$6.8074	\$11.4211