

**BLUEGRASS GAS SALES**

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AUG 24 2016

Public Service  
Commission

August 23, 2016

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

RE: Gas Cost Adjustment request

Case No. 2016-00309

Dear Mr. Derouen:

Enclosed is the Quarterly Report of Gas Cost Recovery Rate Calculation for the quarter ended June 30, 2016 for Bluegrass Gas Sales, Inc. referenced above. Please find the complete report that is enclosed with this letter.

Please call me if you have any questions.

Sincerely,



Mark H. O'Brien

Enclosure

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AUG 24 2016

PUBLIC SERVICE  
COMMISSION

BLUEGRASS GAS SALES, INC.

Case Number

QUARTERLY REPORT OF GAS COST  
RECOVERY RATE CALCULATION

DATE FILED: August 23, 2016

DATE RATES TO BE EFFECTIVE: October 1, 2016

REPORTING PERIOD IS CALENDAR QUARTER ENDED: June 30, 2016

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      | \$4.6723        |
| + Refund Adjustment (RA)       | \$/Mcf      | \$0.0000        |
| + Actual Adjustment (AA)       | \$/Mcf      | (\$0.5970)      |
| + Balance Adjustment (BA)      | \$/Mcf      | (\$0.1046)      |
| = Gas Cost Recovery Rate (GCR) | \$/Mcf      | <u>\$3.9707</u> |

GCR to be effective for service rendered from October 1, 2016 to December 31, 2016

A. Expected Gas Cost Calculation

|  |        |                 |
|--|--------|-----------------|
| Total Expected Gas Cost (from Schedule II) | \$     | \$229,126       |
| / Sales for 12 months ended June 30, 2017  | Mcf    | 49,039          |
| = Expected Gas Cost (EGC)                  | \$/Mcf | <u>\$4.6723</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 | \$ (0.0048)       |
| + Previous Quarter Actual Adjustment                      | \$/Mcf | \$ (0.2333)       |
| + Second Previous Quarter Actual Adjustment               | \$/Mcf | \$ (0.3441)       |
| + Third Previous Quarter Actual Adjustment                | \$/Mcf | \$ (0.0148)       |
| = Actual Adjustment (AA)                                  | \$/Mcf | <u>(\$0.5970)</u> |

D. Balance Adjustment Calculation

|   |        |                   |
|---|--------|-------------------|
| Balance Adjustment for the Reporting Period (from Schedule V) | \$/Mcf | \$ (0.0667)       |
| + Previous Quarter Reported Balance Adjustment                | \$/Mcf | \$ (0.0182)       |
| + Second Previous Quarter Reported Balance Adjustment         | \$/Mcf | \$ (0.0150)       |
| + Third Previous Quarter Reported Balance Adjustment          | \$/Mcf | \$ (0.0047)       |
| = Balance Adjustment (BA)                                     | \$/Mcf | <u>(\$0.1046)</u> |

SCHEDULE II  
EXPECTED GAS COST

Projected Purchases for 12 months ended: June 30, 2017

| <u>Supplier</u>   | <u>Dth</u>    | <u>Btu<br/>Factor</u> | <u>Mcf</u>    | <u>Rate</u> | <u>Cost</u>      |
|-------------------|---------------|-----------------------|---------------|-------------|------------------|
| Home Office, Inc. | 51,705        | 1.028                 | 50,297        | \$4.5555    | \$229,126        |
|                   | 0             |                       | 0             |             | \$0              |
|                   | 0             |                       | 0             |             | \$0              |
|                   | 0             |                       | 0             |             | \$0              |
|                   | 0             |                       | 0             |             | \$0              |
|                   | 0             |                       | 0             |             | \$0              |
|                   | 0             |                       | 0             |             | \$0              |
|                   | 0             |                       | 0             |             | \$0              |
|                   | 0             |                       | 0             |             | \$0              |
| Totals            | <u>51,705</u> |                       | <u>50,297</u> |             | <u>\$229,126</u> |

|  | <u>Unit</u> | <u>Amount</u>    |
|--|-------------|------------------|
| Projected purchases for 12 months ended June 30, 2017      | Mcf         | 50,297           |
| - Projected sales for 12 months ended June 30, 2017        | Mcf         | <u>49,039</u>    |
| = Projected line loss for 12 months ended June 30, 2017    |             | <u>1,257</u>     |
| <br>   |             |                  |
| Total expected cost of purchases                           | \$          | \$229,126        |
| / Mcf purchases  | Mcf         | <u>50,297</u>    |
| = Average expected cost per Mcf                            | \$/Mcf      | \$4.5555         |
| x Allowable Mcf purchases (not to exceed 95% of Mcf sales) | Mcf         | <u>50,297</u>    |
| = Total Expected Gas Cost (to Schedule I, part A)          | \$          | <u>\$229,126</u> |

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

For the 3 month period ended: June 30, 2016

| <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 June 30, 2016                                   | Mcf         | <u>49,039</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: June 30, 2016

| <u>Particulars</u>  | <u>Unit</u> | <u>Month 1</u><br>(Apr) | <u>Month 2</u><br>(May) | <u>Month 3</u><br>(June) |
|---|-------------|-------------------------|-------------------------|--------------------------|
| Total supply volume purchased   | Mcf         | 2,789                   | 1,468                   | 966                      |
| Total cost of volumes purchased                                       | \$          | \$9,278                 | \$6,521                 | \$3,425                  |
| / Total sales (may not be less than<br>95% of supply volumes)         | Mcf         | 2,719                   | 1,431                   | 942                      |
| = Unit cost of gas  | \$/Mcf      | 3.4123                  | 4.5570                  | 3.6359                   |
| - EGC in effect for month   | \$/Mcf      | \$3.8211                | \$3.8211                | \$3.8211                 |
| = Difference [(over)/under-recovery]                                  | \$/Mcf      | (\$0.4088)              | \$0.7359                | (\$0.1852)               |
| x Actual sales during month   | Mcf         | 2,719                   | 1,431                   | 942                      |
| = Monthly cost difference   | \$          | (\$1,112)               | \$1,053                 | (\$174)                  |
| <br>  |             |                         |                         |                          |
| Total cost difference (Month 1+2+3)                                   | \$          | (\$233)                 |                         |                          |
| / Sales for 12 months ended June 30, 2016                             | Mcf         | 49,039                  |                         |                          |
| Actual Adjustment for the reporting period<br>(to Schedule I, part C) | \$/Mcf      | (\$0.0048)              |                         |                          |

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended: June 30, 2016

| <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   | \$          | (\$31,121)    |
| <b>Less:</b> Dollar amount resulting from the AA of (0.5680) \$/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 49,039 Mcf during the 12 month period the AA was in effect | \$          | (\$27,854)    |
| <b>Equals:</b> Balance Adjustment of the AA   | \$          | (\$3,267)     |
| (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     | \$          | \$0           |
| <b>Equals:</b> Balance Adjustment of the RA   | \$          | \$0           |
| (3) Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR  | \$          | (\$55)        |
| <b>Less:</b> Dollar amount resulting from the BA of (0.0010) \$/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 49,039 Mcf during the 12 month period the BA was in effect | \$          | (\$49)        |
| <b>Equals:</b> Balance Adjustment of the BA   | \$          | (\$6)         |
| Total Balance Adjustment Amount (1) + (2) + (3)   | \$          | (\$3,273)     |
| <b>Divide:</b> Sales for 12 months ended June 30, 2016  | Mcf         | 49,039        |
| <b>Equals:</b> Balance Adjustment for the reporting period (to Schedule I, part D)  | \$/Mcf      | (\$0.0667)    |