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Bluegrass Gas Sales, Inc.
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Commonwealth of Kentucky
Public Service Commission

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David L. Armstrong
Chairman

James Gardner
Vice-Chairman

John W. Clay
Commissioner

September 16, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2008-00359
Bluegrass Gas Sales, Inc.

I, Stephanie Stumbo, 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 16, 2008.

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Executive Director

SS/tw
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST)
RECOVERY FILING OF) CASE NO. 2008-00359
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 29, 2008, Bluegrass filed its proposed GCA to be effective October 1, 2008.

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 \$11.1759 per Mcf, which is a decrease of \$3.0046 per Mcf from its previous EGC of \$14.1805.
3. Bluegrass's notice sets out no current quarter Refund Adjustment.
4. Bluegrass's notice sets out a current quarter Actual Adjustment ("AA") of \$.2055 per Mcf. Bluegrass's total AA is \$.7355 per Mcf, which is an increase of \$.2776 per Mcf from its previous total AA.

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.

5. Bluegrass's notice sets out a current quarter Balance Adjustment ("BA") of \$.0518 per Mcf. Bluegrass's total BA is \$.3113 per Mcf, which is an increase of \$.0032 per Mcf from its previous total BA.

6. Bluegrass's GCA is \$12.2227 per Mcf, which is a decrease of \$2.7238 per Mcf from its previous rate of \$14.9465.

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, 2008.

IT IS THEREFORE ORDERED that:

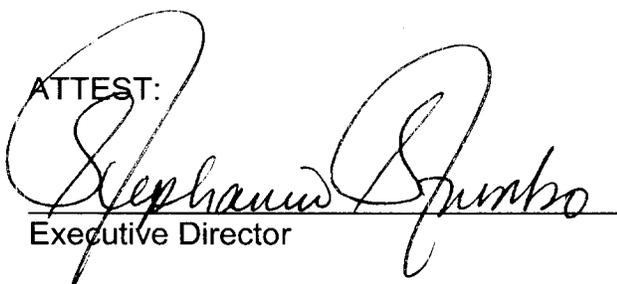
1. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after October 1, 2008.

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.

Done at Frankfort, Kentucky, this 16th day of September, 2008.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00359 DATED SEPTEMBER 16, 2008

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	\$12.2227	\$16.8364