

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF NATURAL GAS)
OF KENTUCKY TO ESTABLISH A DISTRIBUTION) CASE NO. 95-547
TRANSPORTATION SERVICE)

O R D E R

Following the commencement of this proceeding, Natural Gas of Kentucky and Commission Staff entered into negotiations to resolve all disputed issues. On April 25, 1996, they executed a Settlement Agreement, which is appended hereto, and subsequently submitted it for Commission approval.

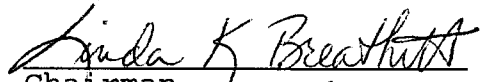
After reviewing the Settlement Agreement and being otherwise sufficiently advised, the Commission finds that the Settlement Agreement is in the public interest, results in a reasonable resolution of this case and should therefore be approved.


IT IS THEREFORE ORDERED that:

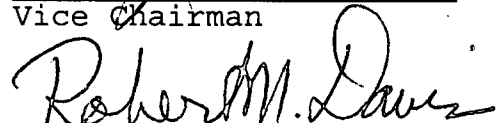
1. The Settlement Agreement, appended hereto, is incorporated into this Order as if fully set forth herein.
2. The terms and conditions set forth in the Settlement Agreement are adopted and approved.

Done at Frankfort, Kentucky, this 6th day of May, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 95-547 DATED MAY 6, 1996

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF NATURAL GAS)
OF KENTUCKY TO ESTABLISH A DISTRIBUTION) CASE NO. 95-547
TRANSPORTATION SERVICE)

SETTLEMENT AGREEMENT

This Agreement is made and entered into this 25th day of April, 1996 by and between the Staff of the Public Service Commission of Kentucky ("Staff") and Natural Gas of Kentucky, Inc. ("Natural Gas").

W I T N E S S E T H

THAT on November 10, 1995, Natural Gas filed its transportation tariff proposing a transportation rate of \$1.91 per Mcf for gas volumes transported on behalf of Bluegrass Gas Sales, Inc.

THAT on December 8, 1995 the Public Service Commission ("Commission") suspended the operation of Natural Gas's tariff pursuant to KRS 278.190 through May 7, 1996.

THAT no person has sought or been granted intervention in this proceeding.

THAT in Order to resolve the issues before the Commission regarding Natural Gas's proposed transportation rate, Natural Gas and Staff have met and agreed to the following:

NOW, THEREFORE, be it resolved that for the purposes of settling this matter:

1. Natural Gas and Staff agree that all outstanding issues raised in this proceeding shall be resolved by this Agreement.

2. Natural Gas and Staff agree that a transportation rate of \$0.65 per Mcf of gas transported on behalf of Bluegrass Gas Sales, Inc. is a reasonable charge for such service effective with service rendered on and after the date this Agreement is approved by the Commission, and is not limited to or based upon any specific methodology or adjustments.

3. This Agreement is reasonable and will result in a fair, just, and reasonable charge for the service to be provided by Natural Gas and should be adopted by the Commission.

4. This Agreement is subject to the approval of the Commission.

5. If the Commission fails to accept and approve this Agreement in its entirety, this proceeding shall go forward and neither the terms of this Agreement nor any other matters raised during negotiations shall be binding on either signatory.

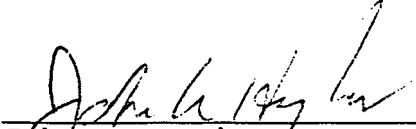
6. If the Commission accepts and adopts this Agreement in its entirety, Natural Gas shall not apply for rehearing nor bring an action for judicial review.

7. This Agreement is submitted for purposes of this case only and is not deemed binding on the signatories hereto in any other proceeding nor is it to be offered or relied upon in any other proceeding involving the signatories.


8. The signatories agree that the foregoing Agreement is reasonable, in the best interest of all concerned, and resolves

the issues presented in this case to the satisfaction of Natural Gas and Staff and urge the Commission to adopt the Agreement in its entirety.

AGREED TO BY:



John N. Hughes
Counsel for Natural Gas of Kentucky



Rebecca W. Goodman
Counsel for Commission Staff