

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)
FILING OF BLUEGRASS GAS SALES, INC.) CASE NO. 94-433-K

O R D E R

On May 31, 1996, in Case No. 94-433, the Commission approved certain rates for Bluegrass Gas Sales, Inc. ("Bluegrass") and provided by tariff for their further adjustment on a quarterly basis in accordance with its approved gas cost adjustment ("GCA") clause.

On December 2, 1998, Bluegrass filed its quarterly GCA filing to be effective January 1, 1999, and to remain in effect until April 1, 1999.

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

1. In its notice of December 2, 1998, Bluegrass proposed revised rates designed to pass on to its customers its expected wholesale decrease in gas costs. Bluegrass's proposed expected gas cost ("EGC") is \$3.7842 per Mcf, a decrease of 12.35 cents per Mcf from its previous EGC.
2. Bluegrass's notice of December 2, 1998 set out no current quarter refund adjustment.
3. Bluegrass's notice of December 2, 1998 set out a current quarter actual adjustment ("AA") of (2.51) cents per Mcf to return over-recoveries of July, August, and September gas cost to its customers. The total AA of 17.81 cents per Mcf includes the

current as well as the previous quarter AAs, and represents a decrease of 1.71 cents per Mcf from the previous quarter total AA.

4. Bluegrass's notice of December 2, 1998 set out a proposed balance adjustment ("BA") of 12.98 cents per Mcf to reconcile an over-recovery from expired AAs. In calculating its current BA, Bluegrass did not correctly multiply the expired AA of (5.71) cents per Mcf times sales of 19,658 Mcf. Correcting for this produces a BA of 1.54 cents per Mcf. The total BA of (19.99) cents per Mcf includes the current as well as the previous quarters' BA, and is 1.54 cents per Mcf more than the previous quarter total BA.

5. Bluegrass's GCR is \$3.7624 per Mcf, 12.52 cents per Mcf less than the previously authorized rate of \$3.8876.

6. Bluegrass's corrected adjustment in rates contained in the Appendix to this Order is fair, just, and reasonable, in the public interest, and should be approved for service rendered on and after January 1, 1999.


IT IS THEREFORE ORDERED that:

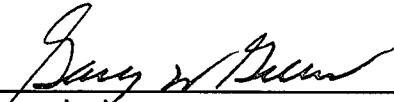
1. The rates proposed by Bluegrass are denied.
2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable, and are effective for service rendered on and after January 1, 1999.
3. Within 30 days of the date of this Order, Bluegrass shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 17th day of December, 1998.

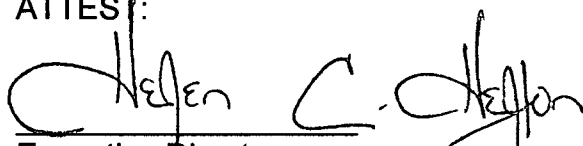
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 94-433-K DATED DECEMBER 17, 1998

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 this 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)	\$3.1203	\$3.7624	\$6.8827