

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BLUEGRASS GAS SALES, INC.)	
_____)	CASE NO. 99-001
ALLEGED VIOLATION OF KRS 278.300)	

O R D E R

Bluegrass Gas Sales, Inc. (Bluegrass) is a Kentucky corporation that engages in the distribution of natural gas to the public for compensation and is, therefore, a utility subject to Commission jurisdiction. KRS 278.010(3)(b).

KRS 278.300(1) provides that [n]o utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized to do so by order of the commission.

On October 27, 1998, Commission Staff issued a report in Case No. 98-305¹ in which it alleged that on April 30, 1998, Bluegrass had executed without prior Commission authorization new evidences of indebtedness to Stock Yards Bank and Trust Company to refinance outstanding debt obligations to Transfinancial Bank. In its response to the Commission Staff Report, Bluegrass did not dispute the issuance of new evidences of indebtedness without prior Commission authorization, but contended

¹ Case No. 98-305, The Application of Bluegrass Gas Sales, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities.

that prior Commission authorization was not required because Bluegrass's new loan amount was less than the total test year outstanding debt.

Having considered the Commission Staff Report and Bluegrass's response thereto and being otherwise sufficiently advised, the Commission finds that prima facie evidence exists that Bluegrass willfully violated KRS 278.300(1).

The Commission, on its own motion, HEREBY ORDERS that:

1. Bluegrass shall appear before the Commission on February 23, 1999 at 10:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of presenting evidence concerning the alleged willful violation of KRS 278.300(1) and of showing cause why it should not be subject to the penalties prescribed in KRS 278.990(1) for this alleged willful violation.

2. The record of Case No. 98-305 is incorporated by reference into the record of this proceeding.

3. Any motion requesting any informal conference with Commission Staff to consider any matter which would aid in the handling or disposition of this proceeding shall be filed with the Commission no later than 20 days from the date of this Order.

4. If Bluegrass does not dispute the allegations and desires to waive its right to a hearing in this matter, it may, no later than 20 days from the date of this Order, file with the Commission notice of such waiver and pay a penalty of \$250. Payment of the penalty shall be made by certified check or money order made payable to Treasurer, Commonwealth of Kentucky, and shall be delivered to Office of General Counsel, Public Service Commission, 730 Schenkel Lane, Frankfort, Kentucky 40602-0615. Upon

submission of such waiver and payment of such penalty, this matter shall be considered closed and this case shall be removed from the Commission s docket.

Done at Frankfort, Kentucky, this 7th day of January, 1999.

By the Commission

ATTEST:

Executive Director