

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY	)	
COOPERATIVE CORPORATION AND HARRISON	)	
COUNTY RURAL ELECTRIC COOPERATIVE	)	CASE NO.
CORPORATION FOR AN ORDER APPROVING	)	2001-246
CONSOLIDATION OF THE TWO NAMED RURAL	)	
ELECTRIC COOPERATIVES AND REDUCTION OF	)	
RESIDENTIAL RATES OF HARRISON RECC	)	

FIRST DATA REQUEST OF COMMISSION STAFF TO  
BLUE GRASS ENERGY COOPERATIVE CORPORATION AND  
HARRISON COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Blue Grass Energy Cooperative Corporation (“Blue Grass”) and Harrison County Rural Electric Cooperative Corporation (“Harrison”) are requested, pursuant to 807 KAR 5:001, to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before September 11, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Provide the results of the mail ballot for each cooperative.

2. Provide a schedule listing the costs incurred to date by each cooperative concerning the proposed consolidation. The schedule should include at a minimum the date of each transaction, the vendor, the amount, and a description of the cost. Detailed analysis is not required for amounts of less than \$250 provided the items are grouped by class or type of cost.

3. Refer to the Application, Exhibit A, page 2, section 6. The Consolidation Agreement states, "All directors on the new consolidated cooperative, not currently having twenty (20) years of service on either the BGEC or the HEC board, will receive twenty (20) years of vested interest and receive all benefits available to the directors as provided by the policies in effect at that time."

a. Provide an explanation of the vested interest referenced in the Consolidation Agreement.

b. Provide an explanation of the benefits that will be available to the directors. If not known, provide detailed examples of the benefits that may be available to the directors.

c. For each director listed on page 2 of the Consolidation Agreement, provide the number of years of service that director has on either Blue Grass's or Harrison's board of directors.

d. Provide a detailed explanation of how providing all the directors with 20 years of vested interest and benefits will benefit the consolidated company.

e. Provide an estimate of how much this will cost the cooperative annually.

4. Refer to the Application, Exhibit A, page 3, section 9. Provide the following information for Blue Grass and Harrison concerning capital credits:

a. The policies and bylaw requirements applicable to the payment of capital credits.

b. The equity management plan and capital credit rotation policy.

c. The payment of capital credits for the last 4 calendar years.

Designate whether the payments were a general retirement or rotation, payment to deceased members' estates, or other retirement.

5. Refer to the Application, Exhibit A, page 4, section 14. This section of the Consolidation Agreement states that the residential rates of Harrison will be reduced by 2 percent and that it is the objective of the consolidated cooperative to provide rate parity for all its members within 9 years from the effective date of the consolidation. Provide a schedule showing the proposed rate reductions over the 9-year period that will allow Harrison to achieve parity with Blue Grass's rates.

6. Refer to the Application, Exhibit A, page 4, section 15. This section of the Consolidation Agreement states the objective of refunding capital credits to Harrison members in such a manner that the normal rotation of capital credits will be the same for all members of the consolidated cooperative within 3 years from the effective date of the consolidation.

a. Provide the current estimate of the total amount to be refunded to Harrison members under this provision of the Consolidation Agreement.

b. Describe how the amount to be refunded will be financed.

7. Refer to the Application, the Testimony of Ken Carpenter.

a. Provide copies of the analysis prepared by the National Rural Utilities Cooperative Finance Corporation (“CFC”), as referenced on page 2 of 7.

b. Provide copies of the long-range financial forecast prepared by the Rural Utilities Service (“RUS”), as referenced on page 2 of 7.

c. Concerning the four Harrison directors who will retire, as referenced on page 4 of 7, describe any additional compensation or benefits that will be paid to these directors by Harrison in conjunction with their voluntary retirement.

d. Did the Harrison board of directors unanimously support the proposed consolidation? If not, provide the results of the board’s vote on consolidation.

8. Refer to the Application, the Testimony of Dan Brewer.

a. Did Blue Grass commission any other studies or analyses, with the exception of the Consolidation Study performed by Mark Harper (“Harper Study”), concerning the possible consolidation with Harrison? If yes, provide copies of those additional studies or analyses.

b. Did the Blue Grass board of directors unanimously support the proposed consolidation? If not, provide the results of the board’s vote on consolidation.

9. Provide the following information concerning the directors’ fees and expenses:

a. The total of directors’ fees and expenses paid by Blue Grass for the 12 months ending July 31, 2001. Separate this total between per diems, meeting fees and expenses, insurance coverage, and other expenses. This information should be provided in total, rather than for each director separately.

b. The total of directors' fees and expenses paid by Harrison for the 12 months ending July 31, 2001. Separate this total between per diems, meeting fees and expenses, insurance coverage, and other expenses. This information should be provided in total, rather than for each director separately.

c. The total of directors' fees and expenses paid by Harrison for the 12 months ending July 31, 2001, for the four directors who anticipate retiring if the consolidation is approved. Separate this total between per diems, meeting fees and expenses, insurance coverage, and other expenses. This information should be provided in total, rather than for each director separately.

10. Refer to the Application, the Carpenter Testimony, page 5 of 7 and the Brewer Testimony, page 4 of 5. Mr. Carpenter states that a special early retirement program will be offered to employees of both cooperatives after the affirmative vote of the members. Mr. Brewer states that the boards of directors of Blue Grass and Harrison have approved a special early retirement program to be offered to employees prior to the consolidation.

a. Indicate which statement is correct concerning a special early retirement program for employees.

b. If a special early retirement program has been approved for the two cooperatives, provide the following information:

(1) A description of the program, including all terms, conditions, and eligibility requirements.

(2) Blue Grass's and Harrison's best estimates of how many employees are eligible for the program and the number of employees who will participate in the program.

(3) The estimated cost of the program to each cooperative. Separate the estimated cost into those amounts that would be paid in the first year from costs which would be incurred over several years.

(4) Indicate when the respective boards of directors approved the program.

11. Refer to the Application, the Testimony of Mark Harper, page 7 of 10. Describe the concessions or incentives either the RUS or CFC offers to cooperatives that consolidate.

12. Refer to the Application, Exhibit B, the Fact Sheet section. Provide an updated version of the Fact Sheet, using information for the 12 months ended June 30, 2001. If this information is not readily available, base the updated Fact Sheet on calendar year 2000 information.

13. Refer to the Application, Exhibit B, the Fact Sheet section. For each of the topics listed below, explain how Blue Grass and Harrison anticipate resolving the differences between their respective cooperatives once consolidation takes place.

- a. Page 2 – Payment of capital credits to deceased estates.
- b. Page 3 – Service bureau computer billing.
- c. Page 3 – Election of directors by district or at-large.
- d. Page 3 – Consulting Engineering Firm.
- e. Page 4 – Retirement plan multiplier.

- f. Page 4 – Health benefit plan insurer.
- g. Page 4 – Retired employees covered by health benefit plan.
- h. Page 4 – Retirees health benefit premium paid by cooperative.
- i. Page 4 – Directors’ health benefit premium paid by cooperative.
- j. Page 4 – Retired directors’ health benefit premium paid by cooperative.
- k. Page 4 – Health benefit plan deductible.
- l. Page 4 – Vision coverage offered.
- m. Page 5 – Directors’ life insurance premium paid by cooperative.
- n. Page 5 – Life insurance offered to attorney.
- o. Page 5 – Attorney’s life insurance premium paid by cooperative.

14. For clarification, state whether or not the proposed 2 percent rate reduction for Harrison is included in the Harper Study.

15. Refer to the Application, Exhibit B, the “Run #1 Adjustments to Combined Financial Forecast.” If Blue Grass and Harrison have adopted a special early retirement program, describe the effects such a program would have on the analysis shown on pages 1 through 3, 5, and 6. To the extent possible, estimate the financial impact the special early retirement program would have on the forecasted savings.

16. Refer to the Application, Exhibit B, the “Run #1 Adjustments to Combined Financial Forecast,” page 3. Explain in detail the line item titled “Construct new District Office and sell existing property.” Include with this explanation why a new district office has been planned and what property is anticipated to be sold.

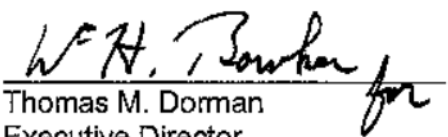
17. Refer to the Application, Exhibit B, the “Future Personnel Adjustments” section.

a. The printout for Harrison shows an approximate consumer growth rate of 2.0 percent. Explain the basis for the estimated growth rate in Harrison’s consumers.

b. The printout for Blue Grass shows an approximate consumer growth rate of 2.6 percent to 3.0 percent. Explain the basis for the estimated growth rate in Blue Grass’s consumers.

18. Refer to the Application, Exhibit B, the “Combined Harrison EC & Blue Grass EC – Adjusted Run #1” printout. Using the estimated annual rate reduction for Harrison of \$216,280, recalculate the Times Interest Earned Ratios and the Debt Service Coverage ratios for the 2000-2009 period.

19. Refer to the Application, Exhibit C, Farm and Home Service Schedule A Rate 1 and Farm and Home Service Off Peak Retail Marketing Rate 1 ETS. Provide the basis for the proposed rates. Include any workpapers.

  
Thomas M. Dorman  
Executive Director  
Public Service Commission  
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P. O. Box 615  
Frankfort, Kentucky 40602

DATED August 27, 2001

cc: All Parties