

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR AN ORDER)	
AND CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY AUTHORIZING APPLICANT TO)	2004-00374
CONSTRUCT A DISTRICT OFFICE BUILDING,)	
SERVICE CENTER AND STORAGE YARDS AT)	
CYNTHIANA, KENTUCKY)	

FIRST DATA REQUEST OF COMMISSION STAFF
TO BLUE GRASS ENERGY COOPERATIVE CORPORATION

Pursuant to 807 KAR 5:001, Commission Staff requests that Blue Grass Energy Cooperative Corporation (“Blue Grass Energy”) file the original and 5 copies of the following information with the Commission within 20 days of the date of this request, with a copy to all parties of record. Each copy of the information 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 witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Blue Grass Energy states in its application, at page 2, that no rate increase will be necessary for the financing and construction of the proposed facilities. However, its

financial forecast as presented in Exhibit A shows that to achieve a Times Interest Earned Ratio ("TIER") of 1.5, Blue Grass Energy will need additional revenue in each year from 2004 through 2009. Explain in detail how Blue Grass Energy intends to obtain this additional revenue if it does not request a rate increase.

a. Explain why Blue Grass Energy believes a 1.50 TIER is a reasonable goal. Include any analysis performed by or for Blue Grass Energy concerning the reasonable TIER goal.

b. In recent electric cooperative rate cases, the cooperatives have proposed and been granted revenue increases based on a 2.00 TIER. Explain why a 2.00 TIER was not utilized in Blue Grass Energy's financial forecast.

c. Indicate when Blue Grass Energy anticipates filing its next general rate case and explain why it believes that will be the time to file.

2. Provide a schedule showing for the following time periods the actual TIER, exclusive of Generation and Transmission Capital Credits ("G&TCCs"), earned by Blue Grass Energy and the amount of additional revenue, if any, that would have been needed in each period for Blue Grass Energy to have achieved a 1.50 TIER:

a. Calendar years 2001, 2002, and 2003.

b. The 12 months ended June 30, 2004.

c. The most recent 12-month period for which financial information is available.

3. Refer to Exhibit A of the application. Provide the workpapers and calculations supporting the results shown in the Financial Comparison.

4. Based on its Statement of Operations for the 12 months ending June 30, 2004, calculate the increase in revenues that would be needed in order for Blue Grass Energy to achieve a 2.00 TIER, exclusive of G&TCCs.

5. Based on the TIER achieved since 2001, is Blue Grass Energy in compliance with the TIER requirements contained in its Rural Utilities Service, Federal Finance Bank, and National Rural Utilities Cooperative Finance Corporation loans? Explain the response.

6. Provide the number of employees currently located at the Oddville Avenue facility and at the New Lair Road facility.

7. Provide the projected total number of employees that will be located at the proposed new facility.

8. Explain how Blue Grass Energy arrived at a square footage requirement for the new facility and provide a copy of any space requirement study that was conducted internally or by a consultant.

9. Explain whether the present operations center site will require any environmental clean-up either after it is abandoned or prior to its sale. Also explain whether an environmental assessment of the site has been performed or if one will have to be performed, and state any known estimate of the cost to perform any clean-up.

10. The existing operations center consists of 3,975 square feet. Explain in detail why additional space is needed and when it will be needed. What is the estimated cost of the needed addition if it is constructed adjacent to the existing structure?

11. During a field visit to the operations center on November 5, 2004, no employees were at the center even though the gate and doors were open. Explain whether security is needed at this office.

12. Blue Grass Energy considered the option of renovating its existing office and operation facilities at an estimated cost of \$1,758,000 and leaving the operations center at its current location. Explain this option in detail.

13. Has Blue Grass Energy considered the option of demolishing its existing building and constructing a new office building?

a. If yes, provide a floor diagram of the new building.

b. If no, what would this option cost?

14. Blue Grass Energy's proposed construction is estimated to cost \$3,000,000.

a. Does this estimate include the \$220,000 cost to purchase 11 acres?

b. Provide a detailed estimate of the cost to extend Blue Grass Energy's 3-phase lines to serve the proposed district office building and explain how the estimated cost was derived.

c. Is the cost to extend electric service to the new office building included in the total estimated cost of \$3,000,000?



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED December 1, 2004

cc: All Parties

Case No. 2004-00374