

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR AN)	CASE NO.
ADJUSTMENT OF ITS SECURITY DEPOSIT)	2010-00185
AND CABLE TELEVISION ATTACHMENT)	
RATES)	

ORDER

On June 1, 2010, Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") tendered for filing its application proposing revisions to its cable television ("CATV") attachment tariff and its residential customer security deposit tariff. The Application was deemed deficient.

On June 18, 2010, the Kentucky Cable Television Association ("KCTA") filed a Motion to Intervene. By Order of June 24, 2010, the Kentucky Cable Telecommunications Association ("KCTA") was granted full intervention.

The Commission issued an Order on July 28, 2010 finding that Blue Grass Energy had cured the filing deficiencies and deemed its Application accepted as of July 9, 2010. Pursuant to KRS 278.190(2), the Order suspended the effective dates of the proposed rates for five months from August 8, 2010 up to and including January 7, 2011, and set a procedural schedule.

On August 11, 2010, Commission Staff issued an Initial Request for Information to Blue Grass Energy and on August 26, 2010, Blue Grass filed its Response.

On November 24, 2010, Blue Grass Energy and KCTA filed a Settlement Agreement concerning the CATV rates and a Joint Motion to Approve the Settlement Agreement.

A public hearing was conducted in this matter on January 26, 2011. On January 31, 2011, Blue Grass filed responses to the information requested at the hearing, and this case now stands submitted for decision.

THE RESIDENTIAL SECURITY DEPOSIT

807 KAR 5:006 Section 7 (1)(b) addresses security deposits and states:

Equal deposits. The utility may establish an equal deposit amount for each class based on the average bill of customers in that class. Deposit amounts shall not exceed two-twelfths (2/12) of the average bill of customers in the class where bills are rendered monthly, three-twelfths (3/12) where bills are rendered bimonthly, or four-twelfths (4/12) where bills are rendered quarterly.

Blue Grass Energy is currently authorized to charge a residential security deposit of \$175.00. Blue Grass Energy states in its application that an increase in the security deposit is needed to help offset the continued increase in bad debt write-offs.¹ In its August 26, 2010 Response to Commission Staff's Initial Request for Information, Blue Grass Energy stated that in 2008, its bad debt expenses were \$429,810.00 and in 2009 its bad debt expenses were \$590,525.00.²

In its application, Blue Grass Energy provided a residential billing analysis for 2009, the most recent calendar year. For the year, 626,159 residential bills totaling \$82,094,275.75 were issued, resulting in an average monthly bill of \$131.11. Using the

¹ Application, Exhibit F-1, Testimony of J. Donald Smothers, page 1.

² Response of Blue Grass Energy to Commission Staff's Initial Request for Information, filed August 26, 2010, Item 1, page 1 of 1, Response to Item 1(a).

2/12 annual billing average set forth in 807 KAR 5:006 Section 7(1)(b), Blue Grass Energy could justify a residential deposit in an amount not exceeding \$262.22. The proposed residential customer security deposit amount of \$225.00 is within the parameters set forth by 807 KAR 5:006 Section 7(1)(b).

Based on the evidence in the record, the Commission finds that an increase in the residential customer security deposit from \$175.00 to \$225.00 is a fair, just, and reasonable rate and should be approved.

THE CATV ATTACHMENT RATES

Blue Grass proposes revisions to its CATV attachment rates due to increases in operating costs, investments in plant assets, and the rate of return granted in its most recent rate case.³ CATV rates were not adjusted in that case.

The CATV rates agreed to by Blue Grass Energy and KCTA in the November 24, 2010 Settlement Agreement are:

2 party pole	\$ 5.70
3 party pole	\$ 4.72
2 party anchor	\$ 9.80
3 party anchor	\$ 6.47
2 party ground	\$.26
3 party ground	\$.16

The formula for determining the CATV attachment rates has been set out by the Commission in Administrative Case No. 251.⁴ Although the parties did not file the

³ Application, Exhibit F-1, Testimony of J. Donald Smothers, page 2, referring to Case No. 2008-00011, Application of Blue Grass Energy Cooperative Corporation for an Adjustment in its Electric Rates.

⁴ Administrative Case No. 251, In the Matter of: The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments (Ky. PSC Sept. 17, 1982, replacing in its entirety the Order of August 12, 1982).

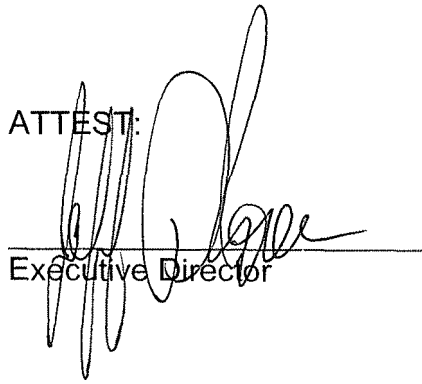
calculations used to arrive at the settlement rates, those rates appear to be reasonable based on the methodology prescribed in Administrative Order No. 251. Based on the evidence in the record, the Commission finds the CATV rates proposed in the Settlement Agreement to be fair, just, and reasonable, and further finds that the rates should be approved.

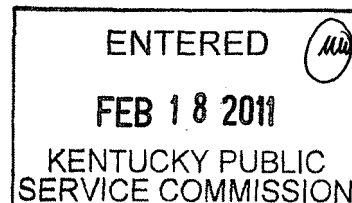
IT IS HEREBY ORDERED that:

1. The residential security deposit rate of \$225.00 for Blue Grass Energy as proposed in its Application is approved for service rendered on and after the date of this Order.
2. The CATV rates proposed by Blue Grass Energy are denied.
3. The provisions in the Settlement Agreement as set forth in Appendix A hereto are approved in their entirety.
4. The Joint Motion to Approve the Settlement Agreement is granted.
5. The CATV rates for Blue Grass Energy as set forth in Appendix B hereto are approved for service rendered on and after the date of this Order.
6. Within 20 days of the date of this Order, Blue Grass Energy shall file its revised tariffs with this Commission setting out the rates authorized herein and reflecting that they were approved pursuant to this Order.

By the Commission

ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00185 DATED FEB 18 2011

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED

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PUBLIC SERVICE
COMMISSION

In the Matter of:

ADJUSTMENT OF SECURITY DEPOSIT)
AND CABLE TELEVISION ATTACHMENT)
TARIFFS FOR BLUE GRASS ENERGY)
COOPERATIVE CORPORATION)

Case No. 2010-00185

SETTLEMENT AGREEMENT

THIS AGREEMENT is made as of the last date executed herein by and between Blue Grass Energy Cooperative Corporation ("Blue Grass") and the Kentucky Cable Telecommunications Association ("KCTA"), collectively "the Parties."

WHEREAS, Blue Grass filed an application to increase its security deposit requirement and its cable television pole attachment charges before the Kentucky Public Service Commission ("KPSC");

WHEREAS, and KCTA intervened on behalf of its members, 118 cable television systems serving Kentucky cable customers, filing a Motion to Dismiss the rate application and alleging that Blue Grass's proposed pole attachment rates constituted single-issue ratemaking which is prohibited;

WHEREAS, Blue Grass has denied KCTA's allegations regarding its proposed pole attachment rates;

WHEREAS, the KPSC has ordered the KCTA to inform the Commission in writing by November 17, 2010, of whether it desires an informal conference to discuss the rate application and whether the necessity of a formal hearing exists;

WHEREAS the Parties desire to settle this dispute without further administrative or judicial action;

NOW THEREFORE, in consideration of the promises and undertakings herein, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, and subject to the approval of this Settlement Agreement by the KPSC, **THE PARTIES DO HEREBY AGREE AS FOLLOWS:**

1. KPSC Approval. This Settlement Agreement is not effective until it is approved by the KPSC. Within five business days after the last Party has executed this Settlement Agreement, KCTA and Blue Grass shall jointly request the KPSC to approve this Settlement with the attached motion. The Parties understand that the Settlement Agreement is not binding upon the KPSC, nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to Blue Grass's rates.

2. Blue Grass Pole Attachment Rates. The Parties agree that the following adjustment to Blue Grass's pole attachment rates is fair and, if approved by the KPSC, would result in the following rates:

2 party pole	\$5.70
3 party pole	\$4.72
2 party anchor	\$9.80
3 party anchor	\$6.47
2 party ground	\$0.26
3 party ground	\$0.16

3. KPSC Approval of Rates And Settlement Agreement. The Parties agree that if the above rates and this Settlement Agreement are adopted in their entirety by the Commission, each of the Parties hereto agree that it shall file neither an application for rehearing with the KPSC nor an appeal of any Order adopting the above rates and this Settlement Agreement in their entirety. If the above rates and this Settlement Agreement are not adopted in their entirety, each party reserves the right to withdraw from the Settlement Agreement and require that the procedures before the KPSC in this captioned matter go forward. In such event the terms of this Settlement Agreement shall not be deemed binding upon the Parties, nor shall the Settlement Agreement be admitted into evidence, or referred to, or relied upon in any manner by any party hereto in any such hearing.

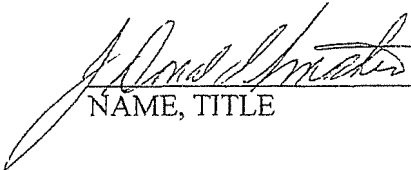
4. Rate Implementation. Within 10 days after the KPSC has approved this Settlement Agreement, Blue Grass shall file tariff revisions that include the agreed upon rates and shall implement those rates as Ordered by the KPSC.

5. KPSC Procedure. The Parties agree that if the KPSC adopts the proposed rates and this Settlement Agreement in their entirety, there will be no need for an informal conference or formal hearing and KCTA will be deemed to have withdrawn all motions and objections in this captioned case.

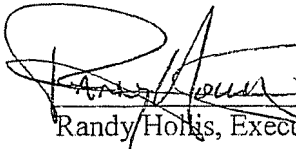
The Parties agree that the foregoing rates and Settlement Agreement are reasonable and in the best interest of all concerned and urge the KPSC to adopt the rates and this Settlement Agreement in their entirety.

This the 23rd day of November, 2010.

Blue Grass Energy Cooperative Corporation

 CFO + Vice President
NAME, TITLE

Kentucky Cable Telecommunications Association

 Executive Director
Randy Hollis, Executive Director

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00185 DATED **FEB 18 2011**

The following rates and charges are prescribed for the customers in the area served by Blue Grass Energy Cooperative Corporation. 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.

CUSTOMER DEPOSITS

Residential customers	\$225.00
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CABLE TELEVISION ATTACHMENT RATE

2 party pole	\$ 5.70
3 party pole	\$ 4.72
2 party anchor	\$ 9.80
3 party anchor	\$ 6.47
2 party ground	\$.26
3 party ground	\$.16

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