

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of Adjustment of Rates)
of Blue Grass Energy Cooperative)
Corporation)

Case No. 2014-00339

APPLICATION

Blue Grass Energy Cooperative Corporation (herein designated as “Blue Grass Energy”) hereby makes application for an adjustment of rates, as follows:

1. Blue Grass Energy informs the commission that it is engaged in the business of operation of a retail electric distributions system in portions of twenty-three (23) counties in Kentucky and does hereby propose to adjust rates, effective **December 18, 2014** in conformity with the attached schedule. In this proposed adjustment of rates, Blue Grass Energy is proposing to increase its rates by \$2,450,474. [807 KAR 5:0001, Section 14]
2. The name and post office address of the applicant is Blue Grass Energy Cooperative Corporation, PO Box 990 1201 Lexington Road Nicholasville, KY 40340. Blue Grass Energy’s email and web addresses are donalds@bgenergy.com and www.bgenergy.com, respectively. [807 KAR 5:001, Section 14(1)].
3. The Articles of Consolidation for Blue Grass Energy are as identified in Case No. 2011-000246 and Case No. 2008-00011, Application for Adjustment of Rates, are on file with the Commission [807 KAR 5:001, Section 14(2)].
4. The application is supported by a twelve month historical test period ending December 31, 2013 and includes adjustments for known and measurable changes [807 KAR 5:001, Section 16(1)(a)1].
5. Blue Grass Energy states that the reasons the rate adjustment are required pursuant to 807 KAR Section 16(1)(b)1 are as follows:
 - a. Blue Grass Energy’s last filed an increase in rates in Case No. 2008-00011. Since then, Blue Grass Energy has incurred increases in the cost of power, materials, equipment, labor, taxes, interest, and other fixed and variable costs.

- b. The financial condition of Blue Grass Energy has been less than optimal during the test year, and continues on this trend.
 - c. Blue Grass Energy had a Times Interest Earned Ratio (“TIER”) of 3.52X [a TIER of 1.68X excluding G&T capital credits], for the test year ending December 31, 2013 and Operating Times Interest Earned Ratio (“OTIER”) of 1.55. The TIER was 2.75X for calendar year of 2012 [a TIER of 1.46X excluding G&T capital credits] and an OTEIR of 1.30 for the same calendar year. Blue Grass Energy is required under its mortgage agreement to maintain both a Net TIER of 1.25 and an OTIER of 1.10, based on an average of two of the three most current years.
 - d. Blue Grass Energy requests this rate adjustment in order to meet the terms of the mortgage agreement and to maintain its financial stability and integrity.
6. The Board of Directors of Blue Grass Energy at its meeting on **June 6, 2014**, received the current financial condition of Blue Grass Energy and the need for a rate adjustment to maintain the financial stability and integrity of the Cooperative. The Board of Directors adopted a motion directing the administrative staff and consultants to proceed with the necessary application and filings with the Public Service Commission to adjust the rates of Blue Grass Energy. A copy of the motion is attached as Exhibit F.
 7. Blue Grass Energy is neither a limited partnership nor a limited liability company [807 KAR 5:001, Section 14(3) and Section 14(4)].
 8. Blue Grass Energy files with this application a Certificate of Good Standing dates within 60 days of the date of this application and attached as Exhibit A. [807 KAR 5:001, Section 14(2)].
 9. Blue Grass Energy does not conduct business under an assumed name [807 KAR 5:001, Section 16(1)(b)2].
 10. The proposed tariff is attached as Exhibit B in a form that complies with 807 KAR 5:011 with an effective date not less than 30 days from the date of this application [807 KAR 5:001, Section 16(1)(b)3].
 11. The proposed tariff changes, identified in compliance with 807 KAR 5:011, are shown by providing the present and proposed tariffs in comparative form on the same sheet, side by side, or on facing sheets, side by side, as Exhibit C [807 KAR 5:001, Section 16(1)(b)4b].

12. Blue Grass Energy has given notice to its members of the filing of this application in accordance with 807 KAR 5:001, Section 17. A copy of the notice is attached as Exhibit D [807 KAR 5:001, Section 16(1)(b)5]
13. Blue Grass Energy filed with the Commission a written notice of intent to file a rate application at least 30 days prior to filing this application. The notice of intent stated the rate application would be supported by a historical test period and was served upon the Office of the Attorney General (“OAG”), Utility Intervention and Rate Division is shown as Exhibit E [807 KAR 5:001, Section 16(2) and 807 KAR 5:001, Section 16(2)(a) and Section 16(2)(c)].
14. A complete description and qualified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment, including a Revenue Analysis shown as Exhibit J. [807 KAR 5:001, Section (16)(4)(a)].
15. The prepared testimony of each witness supporting the application are attached as Exhibits H [807 KAR 5:001, Section 16(4)(b)].
16. A statement estimating the effect the new rates will have upon the revenues of Blue Grass Energy, including, at a minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increases or decreases and the percentage of the increase or decrease is shown by Exhibit G [807 KAR 5:001, Section 16(4)(d)].
17. The effect upon the average bill for each customer classification to which the proposed rate change will apply is shown by Exhibits I [807 KAR 5:001, Section 16(4)(e)].
18. An analysis of customers’ bills in such detail that revenues from present and proposed rates can be readily determined for each customer class is shown by Exhibit J [807 KAR 5:001, Section 16(4)(g)].
19. A summary of the Cooperative’s determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage or operating ratio, with supporting schedules is shown by Exhibit K [807 KAR 5:001, Section 16(4)(h)].
20. A reconciliation of the rate base and capital used to determine its revenue requirements is shown by Exhibit L [807 KAR 5:001, Section 16(4)(i)].

21. A current chart of accounts is shown by Exhibit M [807 KAR 5:001, Section 16(4)(j)].
22. The independent auditor's report is attached as Exhibit N [807 KAR 5:001, Section 16(4)(k)].
23. The Federal Energy Regulatory Commission or Federal Communications Commission have not audited Blue Grass Energy and no audit reports exist [807 KAR 5:001, Section 16(4)(l)].
24. No Federal Energy Regulatory Commission Form 1 exists for Blue Grass Energy [807 KAR 5:001, Section 16(4)(m)].
25. Blue Grass Energy filed a depreciation study in PSC Case No 2008-00011. 807 KAR 5:001, Section 16(4)(n)].
26. A list of commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of this application are attached as Exhibit O [807 KAR 5:001, Section 16(4)(o)].
27. No stock or bond offerings have been made by Blue Grass Energy [807 KAR 5:001, Section 16(4)(p)].
28. Annual Reports to members for 2013 and 2012 are attached as Exhibit P [807 KAR 5:001, Section 16(4)(q)].
29. The monthly managerial reports providing financial results of operations for the twelve (12) months in the test period are attached as Exhibit Q [807 KAR 5:001, Section 16(4)(r)].
30. No Securities and Exchange Commission Annual Reports exist as to Blue Grass Energy because it is not regulated by that regulated body [807 KAR 5:001, Section 16(4)(s)].
31. Blue Grass Energy had no amounts charged or allocated to it by an affiliate or general or home office and did not pay monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years [807 KAR 5:001, Section 16(4)(t)].
32. A cost of service study based on a methodology generally accepted within the electric industry and based on current and reliable data for the test period is attached as Exhibit R [807 KAR 5:001, Section 16(4)(u)].

33. Blue Grass Energy is not a Local Exchange Carrier or Company as set forth in 807 KAR 5:001, Section 16(4)(v)].
34. A detailed income statement and balance sheet reflecting the impact of all proposed adjustments is attached as Exhibit S [807 KAR 5:001, Section 16(5)(a)].
35. No “proposed pro forma adjustments reflecting plant additions” exist or apply to Blue Grass Energy [807 KAR 5:001, Section 16(5)(b) and Section 16(5)(c)].
36. The operating budget for each month of the period encompassing the pro forma adjustments is attached as Exhibit T [807 KAR 5:001, Section (16)(5)(d)].
37. Additional financial exhibits required by 807 KAR 5:001, Section 16, financial information covering twelve (12) month historical test period ending December 31, 2013, and other information required to be filed is attached by exhibits, as follows:

Exhibit U	By-Laws
Exhibit V	Detailed comparative income statement, statement of cash flows and balance sheet
Exhibit W	Schedule showing monthly comparison of balance sheet accounts from test year to preceding year.
Exhibit X	Monthly comparison on income statement accounts from test year to proceeding year
Exhibit Y	Trail Balance at end of test year
Exhibit Z	Capital structure
Exhibit 1	Adjustments for salaries and wages
Exhibit 2	Adjustments for payroll taxes
Exhibit 3	Adjustment for depreciation
Exhibit 4	Adjustment for long term and short term interest
Exhibit 5	Adjustment for Retirement and Security (R&S)
Exhibit 6	Adjustment for taxes
Exhibit 7	Adjustment for donations
Exhibit 8	Adjustment for professional fees
Exhibit 9	Adjustment for director expenses
Exhibit 10	Adjustment for miscellaneous expenses
Exhibit 11	Adjustment for rate case costs
Exhibit 12	Adjustment for G&T capital credits

Exhibit 13	Adjustment for CATV
Exhibit 14	Adjustment for remote disconnect switch
Exhibit 15	Adjustment for end of year customers
Exhibit 16	Adjustment for normalized revenues
Exhibit 17	KAEC Statistical Comparison
Exhibit 18	Capitalization policies and employee benefits
Exhibit 19	Equity Management Plan
Exhibit 20	Adjustment for purchase power
Exhibit 21	Adjustment for post-retirement benefits
Exhibit 22	Non-Recurring Charges