COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

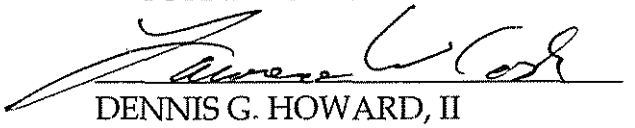
In the Matter of:

APLICATION OF BLUE GRASS ENERGY COOPERATIVE CORPORATION FOR AN ADJUSTMENT OF RATES	)))	Case No. 2008-00011

ATTORNEY GENERAL'S PRE-FILED TESTIMONY

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and files the following testimony in the above-styled matter.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL



DENNIS G. HOWARD, II
LAWRENCE W. COOK
PAUL D. ADAMS
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315

Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Stephanie Stumbo, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Daniel W. Brewer
President and CEO
Blue Grass Energy Cooperative Corp.
P. O. Box 990
Nicholasville, KY 40340-0990

Hon. Howard Downing
Attorney at Law
109 S. 1st St.
Nicholasville, KY 40356

Leigh and Troy Roach
115 Prestwick Dr.
Georgetown, KY 40324

this 16th day of July, 2008

Assistant Attorney General

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF BLUE GRASS ENERGY COOPERATIVE CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2008-00011

PREPARED DIRECT TESTIMONY AND SCHEDULES

OF

GLENN A. WATKINS

ON BEHALF OF THE

KENTUCKY OFFICE OF THE ATTORNEY GENERAL

JULY 16, 2008

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Glenn A. Watkins. My business address is James Center III, 1051 East Cary Street, Suite 601, Richmond, VA 23219.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a Principal and Senior Economist with Technical Associates, Inc., which is an economic and financial consulting firm with offices in Richmond, Virginia.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Office of Rate Intervention of the Kentucky Office of Attorney General ("OAG").

Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS.

A. Except for a six month period during 1987 in which I was employed by Old Dominion Electric Cooperative as its forecasting and rate economist, I have been employed by Technical Associates continuously since 1980.

During my career at Technical Associates, I have conducted marginal and embedded cost of service, rate design, cost of capital, and load forecasting studies involving numerous electric, gas, water/wastewater, and telephone utilities, and have provided expert testimony in Alabama, Arizona, Georgia, Maine, Maryland, Massachusetts, Michigan, New Jersey, Illinois, Pennsylvania, Vermont, Virginia, South Carolina, Washington, and West Virginia. I hold an M.B.A. and B.S. in economics from Virginia Commonwealth University. I am a member of several professional organization as well as a Certified Rate of Return Analyst. A more complete description of my education and experience is provided in my Schedule GAW_1 to my testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. Technical Associates has been retained by the OAG to evaluate the accuracy and reasonableness of Blue Grass Energy Cooperative Corporations ("Blue Grass" or "Company") class cost of service study (CCOSS), proposed distribution of revenues by class, and residential rate designs sponsored by James R. Adkins. The purpose of my

testimony, therefore, is to comment on Blue Grass' proposals on these issues and to present my findings and recommendations based on the results of the studies I have undertaken on behalf of the OAG.

Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

A. As a result of mergers, Blue Grass' current tariffs consist of three separate geographically differential rate schedules and charges for: (1) the Nicholasville & Madison Districts; (2) the Fox Creek District; and, (3) the Harrison District. The Company proposes to merge the geographic rates into cooperative-wide tariffs. As a result of this proposed rate consolidation, rate design is somewhat more complicated in this case than typically encountered. I do not object to the proposed rate consolidation in this case.

With regards to class cost of service, I have some disagreements with Mr. Adkins' procedures and findings. However, the results of my CCOSS are not dissimilar from that of Mr. Adkins. The following is a comparison of class Times Interest Earned Ratios (TIER) at current rates on a consolidated rate schedule basis:

	TIER @ Current Rates	
Class	Blue Grass (Adkins)	OAG (Watkins)
Residential	0.18	0.23
Off-Peak Marketing	-1.67	-1.77
Commercial & Small Power (<100KW)	-1.57	-1.62
Large Power (101-500KW)	5.05	3.47
Large Power (>500KW)	7.34	3.78
Large Industrial (B-1)	6.61	5.19
Large Industrial (B-2)	2.28	1.63
Outdoor Lighting	-0.03	0.07
Total Company	0.35	0.35

In my opinion, CCOSS results should serve as one of many tools in establishing class revenue responsibility. Other, important considerations include gradualism, rate continuity, the proposed customer impacts due to rate consolidation, and fairness. In this regard, I recommend that the Large Power and Large Industrial classes receive 50% of

the system-wide percentage increase authorized by the Commission and other classes receive an equal percentage increase sufficient to recover the remaining revenue requirement.

With regards to Residential rate design, Mr. Adkins proposes a monthly customer charge of $12.00. This rate is clearly excessive and violates prudent ratemaking principles. I recommend a Residential customer charge of $8.75.

The off-peak marketing rate is a supplemental rate offered only to Residential (including farm) customers. It is my understanding that this rate has traditionally been set at 60% of the Residential energy rate. Based on the costs to provide this off-peak service, I recommend that the 60% ratio be increased slightly. In the alternative, should the 60% ratio be maintained, a revenue shortfall will likely exist for this class and this shortfall should be recovered from the normal Residential energy charge.

Class Cost of Service

Q. PLEASE EXPLAIN THE CONCEPT OF A CLASS COST OF SERVICE STUDY (CCOSS).

A. There are two general types of cost of service studies used for public utility ratemaking: marginal cost studies and embedded, fully allocated cost studies. Blue Grass has utilized a traditional embedded cost of service concept in this case for purposes of establishing its overall retail revenue requirement, as well as for its CCOSS.

Embedded cost of service studies are often referred to as fully allocated cost studies. This is because the vast majority of a public utility's plant investment serves all customers such that the majority of expenses are incurred in a joint manner, and cannot be specifically attributed to any individual customer or group of customers. To the extent that certain costs can be specifically attributed to a particular customer (or group of customers), these costs are directly assigned in a CCOSS. However, the vast majority of the Company's plant and expenses are incurred jointly to serve all (or most) customers. These joint costs are then allocated to rate classes.

It is generally recognized that to the extent possible, joint costs should be allocated to classes based on the concept of cost causation; i.e., costs are allocated based

on specific factors that cause costs to be incurred by the utility. Although cost analysts generally strive to abide by the concept of cost causation to the greatest extent practical, some costs (particularly overhead costs), cannot be attributed to specific exogenous factors and must be subjectively assigned or allocated to rate classes. With regard to those costs that can be attributed to a specific factor, cost of service experts often disagree as to what is the most cost causative factor; e.g., peak demand, energy usage, number of customers, etc.

Q. HOW SHOULD CCOSS RESULTS BE USED IN THE RATEMAKING PROCESS?

A. Although there are certain principles used by all cost of service analysts, there are often significant disagreements on the specific factors that drive costs. These disagreements can and do arise as a result of the quality of data and the level of detail available from financial records. Moreover, there are often fundamental differences in opinions regarding cost causation factors that should be considered to properly allocate costs to rate schedules or customer classes. Additionally, and as mentioned earlier, cost causation factors cannot be realistically ascribed to many costs such that subjective decisions are required.

In these regards, two different cost studies conducted for the same utility and time period can, and often do, yield different results. As such, regulators should consider CCOSS results as one of many tools in assigning revenue responsibility.

Q. PLEASE EXPLAIN HOW YOU PROCEEDED WITH YOUR ANALYSIS OF BLUE GRASS' ELECTRIC CCOSS.

A. The process which I conducted my analysis in this case was identical to how I evaluate all CCOSS. First, I reviewed the structure and organization of the Company's CCOSS presented by witness James R. Adkins in Exhibit R of Volume 1 of the Company's Application. Once the basic structure was understood, I reviewed the accuracy and completeness of the primary drivers (allocators) used to assign costs to rate schedules and classes. Next, I reviewed Mr. Adkins' selection of allocators used to allocate specific rate base, revenue and expense accounts. I then verified the accuracy of

the Company's CCOSS model by reviewing Mr. Adkins' Computer Model and corroborating his results using my own CCOSS model. Finally, I adjusted certain aspects of the Company's study to better reflect cost causation and cost incidence by rate schedule and customer class.

Q. DID YOU FIND THE COMPANY'S ELECTRIC CCOSS TO BE MATHEMATICALLY ACCURATE?

A. Yes. Perhaps the most fundamental requirement of an embedded CCOSS is that the sum of the parts (customer classes) must equal the whole (system). This is true with respect to the allocation of financial accounts, as well as the various allocation factors.

Although I was unable to exactly replicate Mr. Adkins' results, I am confident that his model is mathematically accurate.

Q. PLEASE EXPLAIN WHY YOU WERE UNABLE TO EXACTLY REPLICATE MR. ADKINS' CCOSS RESULTS.

A. Mr. Adkins' CCOSS structure and procedures are not typical of those normally used for public utilities. Whereas, it is a common place to functionalize and classify plant and expenses, specific accounts are ultimately allocated to customer classes. This is not the case under Mr. Adkins' approach in that aggregated costs that are classified by Mr. Adkins are allocated to individual classes. As a result of these aggregations, it was not possible to allocate specific accounts to customer classes and exactly replicate Mr. Adkins' results. Although most rate base and expense allocations could be exactly replicated, minor differences exist for certain expenses. For these expenses in which an exact replication was not possible (using the more traditional procedure of allocating specific accounts to customers classes), I was able to verify that Mr. Adkins' calculations were mathematically correct.

Q. HAVE YOU CONDUCTED AN INDEPENDENT CCOSS USING A MORE TRADITIONAL STRUCTURE AND PROCEDURES?

A. Yes. My CCOSS study is presented in Schedule GAW_2.

Q. EARLIER YOU INDICATED THAT YOUR CCOSS RESULTS ARE NOT MATERIALLY DIFFERENT FROM THOSE OBTAINED BY MR. ADKINS. PLEASE EXPLAIN THE DIFFERENCES BETWEEN YOUR STUDY AND THAT CONDUCTED BY MR. ADKINS.

A. The differences in our two studies are limited to two areas: (1) the classification of distribution plant and expenses between customer-related and demand-related; and, (2) the different subjective decisions on how to allocate specific costs.

Q. HOW HAS THE COMPANY ASSIGNED DISTRIBUTION COSTS TO RATE SCHEDULES AND CUSTOMER CLASSES?

A. Mr. Adkins has allocated Distribution plant and expenses partially on the basis of number of customers and partially on the basis of peak demand. To recognize the diversity of localized demands throughout the Company's distribution system, Mr. Adkins has allocated the demand-related portion of Distribution plant on the basis of class non-coincident peak ("NCP") demands.

However, there is often controversy regarding the portion of Distribution plant that should be allocated on number of customers and the portion that should be allocated on NCP demand. This separation between customer-related and demand-related Distribution plant is referred to as the classification of Distribution plant.

Q. *PLEASE EXPLAIN THE TERM "CLASSIFICATION OF DISTRIBUTION PLANT."*

A. In the broadest sense, an embedded CCOSS is undertaken using a three-tiered approach. First, costs are functionalized as Production, Transmission, Distribution, General, and/or Customer. These functionalized costs are then classified as energy, demand, or customer-related. Finally, classified costs are then allocated to individual classes. With respect to the classification of Distribution plant, it is generally recognized that there are no energy-related costs. That is, the distribution system is designed to meet localized peak demands. However, largely as a result of differences in customer densities throughout a utility's service area, electric utility Distribution plant often is classified as partially demand-related and partially customer-related.

Q. WHY IS THE CLASSIFICATION OF DISTRIBUTION PLANT IMPORTANT IN CCOSS ANALYSES?

A. The classification of Distribution plant may be the single most important factor affecting class rates of return. To illustrate the importance of this issue, consider the Residential class: whereas this class may account for only 40% to 50% of peak demand, it is responsible for about 90% of the number of customers. Therefore, given the level of investment associated with Distribution plant, wide variations in class rates of return can result from different customer/demand classifications.

Q. WHY ARE THE DIFFERENCES IN CUSTOMER DENSITIES IMPORTANT IN THE ASSIGNMENT OF DISTRIBUTION COSTS TO INDIVIDUAL CLASSES?

A. Possibly the best way to answer this question is by way of example. Consider two different electric utilities: one utility with urban, suburban, and rural service areas and one with mainly urban customers. With respect to the utility with a rural service area, many miles of conductors and associated plant must be installed in order to serve the demands of relatively few customers. Conversely, many more customers are served on a per mile basis for the urban utility. For the urban utility, it may be fair and reasonable to allocate Distribution plant solely on the basis of peak demands. However, with respect to the utility with a rural service area, such an allocation may be unfair if some classes are located mainly in urban or suburban areas, while other classes of customers are located in urban, suburban, and rural areas. As a result, many utilities classify Distribution plant as partially demand-related and partially customer-related. In this manner, a portion of Distribution plant is allocated based on a peak demand, and a portion allocated based on number of customers.

Q. MR. WATKINS, MANY UTILITIES ARE COMPRISED OF A PARTIALLY RURAL SERVICE AREA THAT SERVES MAINLY RESIDENTIAL CUSTOMERS, YET THE MAJORITY OF ITS CUSTOMERS ARE SERVED IN MORE DENSELY POPULATED PORTIONS OF THE SERVICE AREA. UNDER THESE CIRCUMSTANCES, IS IT FAIR TO THE MORE URBAN/SUBURBAN RESIDENTIAL CUSTOMERS TO HAVE SOLE COST RESPONSIBILITY FOR THE RURAL CUSTOMERS?

A. Perhaps not, and this is a common and legitimate rationale for not assigning any costs responsibility based on number of customers. In other words, urban/suburban residential customers can legitimately argue that they should not bear the full burden of the rural customers and this cost responsibility should be shared by all customer classes since all customers reap the other economies of scale benefits from the overall system.

Q. HOW DOES ONE DETERMINE HOW MUCH DISTRIBUTION PLANT SHOULD BE CLASSIFIED AS DEMAND-RELATED AND HOW MUCH AS CUSTOMER-RELATED?

A. Once the decision is made that Distribution plant should be allocated considering both peak demand and number of customers, there are two generally accepted methods for determining the portions or percentages that should be allocated on each basis. These two methods are known as the minimum size and zero-intercept approaches. Under both methods, a study is conducted for each plant account within the distribution system. That is, each account is studied and assigned its own customer and demand components.

The minimum size method rests on the premise that the minimum, or smallest size, installed equipment makes up the distribution network to connect customers to the distribution system, and that all larger sizes of equipment serve peak demands. In practice, the cost per unit of the smallest sized installed equipment is determined. This minimum cost per unit is then multiplied by the total number units in the system to arrive at a total customer amount. The total customer amount is then divided by the total cost for the account to determine the customer percentage. Obviously, one minus the customer percentage equals the demand percentage.

The zero-intercept method is similar to the minimum size method, except for the determination of the minimum cost per unit. The zero-intercept method recognizes that even the smallest installed piece of equipment has a demand component, because it too is designed and installed to meet the peak load placed on that equipment. The zero-intercept method attempts to arrive at the "theoretical" cost of a piece of plant or equipment capable of carrying zero load. This is accomplished using statistical regression techniques whereby the per unit costs of various sizes of equipment are determined and a best fitting line is fitted into an equation form. The point at which the fitted line intersects the cost axis at zero size is called the zero-intercept. The zero-intercept cost then serves as the minimum, or zero size, cost per unit.

Q. IS ONE METHOD PREFERRED OVER THE OTHER?

A. In general, I prefer to use the zero-intercept method when possible and appropriate. However, as with most aspects of ratemaking where there is not a universally accepted formula, each approach has its advantages and disadvantages. The major criticisms I have regarding the minimum size method is that this method tends to overstate the customer percentage because even the smallest installed size is used to meet some level of peak demand. The primary weakness of the zero-intercept method is that more data and a good working knowledge of statistical regression analyses are required.

Q. *HOW APPROPRIATE IS EITHER METHOD FROM A DESIGN OR OPERATIONAL PERSPECTIVE?*

A. First and foremost, the classification of Distribution plant as partially customer-related and partially demand-related results from the view that the allocation of these plant items based solely on peak demands would not be equitable to some classes. I emphasize this point, because many analysts "lose sight of the forest for the trees". When classifying individual accounts within Distribution plant, analysts sometimes ignore (or do not understand) how a distribution system is designed and connected.

There are three major factors the analyst should keep in mind when classifying Distribution plant. First, there are often alternatives across plant and equipment. For example, the need for a particular transformer may be eliminated if a larger size

conductor is used. Alternatively, fewer and smaller poles may be required if lighter conductors are used. Second, and more importantly, is the fact that purchasing economies are usually present. For example, there are dozens of various types of overhead conductors manufactured. However, due to purchasing economies, a utility may only purchase a few different sizes of conductor. This may result in some "over capacity", yet, the total installed cost is less than if every segment of the system is optimally designed. Third, most components of the distribution system are somewhat oversized for other reasons such as safety, reliability, and growth uncertainty.

Although, these factors are reflective of how distribution systems are actually designed and installed, neither the minimum size nor the zero-intercept method accounts for these factors. In fact, the presence of these three factors can seriously skew the results of either method. If the weakness is not captured or recognized, inequitable class allocations may result.

Q. HAVE YOU ACCEPTED THE PREMISE THAT DISTRIBUTION PLANT SHOULD BE CLASSIFIED AS PARTIALLY DEMAND-RELATED AND PARTIALLY CUSTOMER-RELATED FOR BLUE GRASS?

A. Yes. Given the rural nature of Blue Grass' service area such a classification is reasonable for Blue Grass.

Q. PLEASE EXPLAIN YOUR DIFFERENCES WITH MR. ADKINS AS THEY RELATED TO THE CLASSIFICATION OF DISTRIBUTION PLANT AND EXPENSES.

A. First, it should be noted that both Mr. Adkins and I were hampered with far less than perfect data. I do not mean this as a criticism of the Company or Mr. Adkins, but rather to note the reality of limited and imperfect data. Data quality is of critical importance to the CCOSS analyst, particularly in terms of distribution plant classifications. Blue Grass' limited data is the result of its acquisition of other cooperatives as well as the reality that its books and records are not as detailed as some major investor owned electric utility. As a result, both Mr. Adkins' and my classification analyses suffer from a lack of data and both analyses required subjective decisions.

The following is a comparison of Mr. Adkins' and my distribution plant classifications:

Plant	Plant Account	Percentage Customer-Related Adkins	Watkins
362	Station Equipment	36.98%	0.00%
364	Poles	36.98%	25.09%
365	Overhead Conductors	36.98%	25.09%
367	Underground Conductors	36.98%	25.09%
368	Line Transformers	22.11%	22.11%

As can be seen above, Mr. Adkins classified station equipment as partially customer-related based on his classification of poles and conductors. Due to the location of this equipment in the distribution system, as well as its operating characteristics, it is generally recognized that Station Equipment is 100% demand-related. As such, I have classified and allocated Station Equipment based on peak demands only. With regards to Account No. 364, Poles there are only three observable data points. This lack of detailed data prevents any credible analyses for this account. As a result, I have utilized the same customer percentage for Poles as used for Overhead Conductors. Given the lack of detailed credible data this surrogate is reasonable since Poles serve as support for Overhead Conductors.

With respect to Overhead Conductors, Mr. Adkins' zero-intercept analysis resulted in a negative zero-intercept. As a result, Mr. Adkins utilized his regression model to "predict" the cost of a minimum size conductor with a capacity of 180 amperes. I have several concerns over Mr. Adkins' approach including the use of a "predicted" value for a minimum size conductor, the fact that a smaller conductor than 180 amperes is available and utilized by Blue Grass, and that Mr. Adkins' improper assumption that all other non-designated Overhead Conductor investment is 100% demand-related.[1] In contrast to Mr. Adkins, I estimated the customer percentage of Overhead Conductors using a true zero-intercept analysis. For modeling purposes, the functional form that best

[1] Of the $36.48 million of Overhead Conductor investment only $20.55 million has footage (length of conductor) known or associated. As a result, the remaining $15.93 million was effectively assumed to be 100% demand-related in Mr. Adkins calculations.

fit the data was a semi-logarithmic function in the form $Y = ab^x$, where Y equals unit cost per foot and x equals the ampere capacity of conductors. My zero-intercept analyses resulted in a customer percentage of 25.09%. With respect to Account 365, Line Transformers, I found Mr. Adkins' 22.11% customer classifications reasonable and accepted his analysis.

As indicated earlier in my testimony, there are numerous data limitations that prevented both Mr. Adkins and me from conducting more complete and rigorous distribution plant classification analyses. Because both Mr. Adkins and my CCOSS produce similar and results, I see no need to further discuss what amounts to an academic exercise.

There are also some differences between Mr. Adkins and me in our selection of allocators for specific costs. As mentioned earlier Mr. Adkins did not allocate specific rate base and expense accounts to individual classes. Rather, Mr. Adkins allocated aggregated costs based on his various classification. As a result, it is not possible to provide an apples to apples comparison of my selected allocators to those used by Mr. Adkins. I have allocated each rate base and expense account to individual customer classes based on industry accepted practices. It should be noted that I find Mr. Adkins allocators and customer weightings reasonable and have accepted without modification all of his allocators. The allocator I used for each account is shown in the detailed output of my CCOSS and provided in my Schedule GAW_2.

Class Revenue Distribution

Q. PLEASE PROVIDE A SUMMARY OF MR. ADKINS' PROPOSED CLASS REVENUE DISTRIBUTION.

A. Blue Grass' Application requests a TIER earnings ratio of 2.0. This requested TIER, coupled with various proposed accounting adjustments, results in a requested overall increase in revenues of $7.838 million. In addition to the $7.838 million increase requested, Blue Grass is also requesting the full consolidation of its various rate schedules. Currently, Blue Grass' specific rates are separated into three service areas and are the result of stand-alone rates that were established prior to Blue Grass' acquisition of

other Cooperatives. In this case, Blue Grass proposes to consolidate the three service area rates into unified Cooperative-wide rates. Because there are significant differences in the current service area rate structures, this rate consolidation in, and of itself, will cause material changes to individual customer bills; i.e., even without an increase in overall revenue requirement, some customers would incur significant increases to their electric bills while others would realize decreases.

Mr. Adkins' proposed class revenue distribution first consolidates all three service areas into a Cooperative wide rate structure. He then assigns a zero revenue increase to the Large Industrial classes (since his cost study shows these classes are above the requested TIER level of 2.0). In other words, even though Mr. Adkins' cost study would indicate that rate reductions are warranted for the Large Industrial classes from a cost of service perspective, he proposes no change in revenue for the Large Industrial classes.[2]

Mr. Adkins increases the Residential, Off-Peak Marketing, and Outdoor Lighting classes to a level that will achieve a TIER of 2.0 based on his CCOSS results; i.e., he sets these classes at his calculated full cost of service. Finally, Mr. Adkins increases the Commercial and Small Industrial class as a residual in order to collect the requested overall revenue increase. A summary of Mr. Adkins' proposed class revenue distribution is provided below:

Blue Grass Proposed Increase

Class	Amount ($Millions)	Percent Increase In Rate Revenue
Residential	$6.792	11.2%
Off-Peak Marketing	0.010	7.8%
Comm. & Small Ind.	0.564	12.9%
Large Power (100-500KW)	0.000	0.0%
Large Power (>500KW)	0.000	0.0%
Large Industrial (B-1)	0.000	0.0%
Large Industrial (B-2)	0.000	0.0%
Outdoor Lighting	0.472	34.2%
Total Company	$7.838	9.0%

[2] However, due to rate consolidation, certain industrial customers may realize a decrease in their electric bills while others may be faced with an increase.

Virtually every public utility cost of service study requires a myriad of assumptions, approximations, and informed judgments. As such, many experts consider cost of service and rate design as much an art as a science. Furthermore, embedded class cost of service studies do not attempt to address other important ratemaking considerations such as value of service, equity and fairness, system economies of scale, price elasticity, ability to pay, conservation initiatives, or socio-economic circumstances unique to particular customers. In this regard, I concur with the wisdom of most experts and regulators and am of the opinion that class cost of service results should serve only as a guide in establishing class revenue responsibility.

Considering the fact that the proposed rate consolidation alone (which I do not oppose) will create significant change to some individual customers bills, Mr. Adkins' proposed class revenue distribution attempts to accomplish too much in one rate case.[3] Therefore, in recognition of gradualism, rate continuity, fairness and cost of service, I recommend that all customer classes share somewhat in the proposed overall revenue increase. Recognizing that the Large Industrial classes profit contributions tend to be higher than other classes, I recommend that these classes incur an increase of one-half (50%) of the system-wide percentage increase, and that all other classes revenue responsibility be increased by an equal percentage to achieve the overall revenue requirement. My recommended class revenue distribution recognizes cost of service results and at the same time adheres to the principle of gradualism and rate continuity.

The following are my recommended consolidated class increases at the Company's overall proposed increase of $7.853 million:

[3] Customers in the Nicholasville, Madison, and Harrison Districts' last rate change was in the mid 1980's, while the Fox Creek District customers were last changed in 1993.

TAI Proposed Class Increase

Class	Amount ($Millions)	Percent Increase In Rate Revenue
Residential	$6.322	10.41%
Off-Peak Marketing	0.013	10.41%
Comm. & Small Ind.	0.455	10.41%
Large Power (100-500KW)	0.176	4.51%
Large Power (>500KW)	0.216	4.51%
Large Industrial (B-1)	0.055	4.51%
Large Industrial (B-2)	0.473	4.51%
Outdoor Lighting	0.144	10.41%
Total Company	$7.853	9.03%

The above method and approach should be utilized regardless of overall increase approved; i.e., the Large Power and Large Industrial classes receive 50% of the system-wide percentage increase and all other classes receive an equal percentage increase on a residual basis and calculated to recover the revenue requirement.

Rate Design

Q. PLEASE EXPLAIN MR. ADKINS' PROPOSED RESIDENTIAL RATE DESIGN.

A. Mr. Adkins proposes a consolidated Residential monthly customer charge of $12.00. This compares with current customer charges of $5.44 (Rate GS-1: Nicholasville and Madison); $5.53 (Rate R: Fox Creek); and, $9.10 (Rate A: Harrison). Similarly, Mr. Adkins proposes to consolidate the energy charges into a flat Cooperative-wide energy charge.

Q. DO YOU AGREE WITH MR. ADKINS RESIDENTIAL RATE DESIGN?

A. No. Mr. Adkins proposed customer charge is increased on a "cost" basis and violates reasonable gradualism practices. For example, the largest district customers (Nicholasville and Madison) would sustain a 117% increase in their fixed monthly customer charge under Mr. Adkins proposal.

Q. HAVE YOU CONDUCTED ANY QUANTITATIVE ANALYSIS TO ASSIST IN DETERMINING A REASONABLE CUSTOMER CHARGE?

A. Yes. An accepted approach used to determine the reasonableness of customer charges is an analysis of direct customer-related costs. That is, an analysis of those rate base and expense items that are directly related to individual customer connections to the system and those required for billing and record keeping.

Q. HAVE YOU CONDUCTED SUCH AN ANALYSIS?

A. Yes. I have conducted a direct customer cost analysis that indicates a Residential customer cost of approximately $8.75.[4] The details of my direct customer cost analysis are provided in my Schedule GAW_3. As indicated, I have included Blue Grass' investment in services and meters and provided for the depreciation expense and return (TIER) for these rate base items. In addition, my direct customer cost analysis includes the costs of meters operations and maintenance, meter reading, and customer records and collections. As indicated in my Schedule GAW_3, the Residential customer cost ranges from $8.72 to $8.75.

Q. MR. WATKINS, WHAT CUSTOMER CHARGE DO YOU RECOMMEND IN THIS CASE?

A. Considering the unequal impacts on customer charges due to the proposed rate consolidation, the desire to avoid rate shock to small usage customers, the current Blue Grass' customer charges, the approved customer charges for similar Kentucky electric utilities, and TAI's customer cost analysis, a customer charge of no more than $8.75 is recommended.

Q. MR. WATKINS, HAVE YOU UNDERTAKEN ANY ANALYSES OF THE IMPACT OF YOUR PROPOSED RESIDENTIAL RATE DESIGN?

A. Yes, I have. Schedule GAW_4 to my direct testimony presents comparisons of Residential bills under current rates and my proposed rates utilizing the Company's proposed overall $7.838 million increase in revenue requirement. Schedule GAW_4

[4] This cost varies by a few cents across districts.

shows typical comparisons separated by the three Districts proposed to be consolidated by Blue Grass. Under my recommended Residential rate design, and at an average usage level of 1,300 kwh, the bill increases would be 14.8% for the Nicholasville & Madison District, 8.0% for the Fox Creek District, and 2.1% for the Harrison District. These increases compare with the increases under the Company's proposed rate design, respectively, of 15.6%, 8.7% and 2.9% at 1,300 kwh.

Q. PLEASE BRIEFLY EXPLAIN THE OFF-PEAK MARKETING RATE.

A. The off-peak marketing rate is only available to residential customers and must be used for pre-approved equipment loads during off-peak hours. As such, the off-peak market rate requires separate metering equipment for each customer.

It is my understanding that this off-peak market rate has been traditionally priced at 60% of the normal residential energy (kwh) charge.

Q. DO YOU HAVE ANY COMMENTS REGARDING THE OFF-PEAK MARKETING RATE?

A. Yes. Based on Mr. Adkins' and my CCOSS, it appears that the current 40% discount may be too large considering the Coop's on-peak and off-peak purchased power costs. As such, the Off-Peak Marketing rate should be increased to about 63% to 65% of the regular Residential energy charge. However, I will defer to Mr. Adkins on the appropriateness of the off-peak marketing rate in this case. It should be noted that if the current 60% rate (40% discount) is maintained, a slight revenue shortfall will likely result for this class. Under this circumstance, I recommend that the Residential class be responsible for any off-peak marketing revenue shortfall.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes.

BACKGROUND & EXPERIENCE PROFILE

GLENN A. WATKINS

VICE PRESIDENT/SENIOR ECONOMIST
TECHNICAL ASSOCIATES, INC.

EDUCATION

1982 - 1988	M.B.A., Virginia Commonwealth University, Richmond, Virginia
1980 - 1982	B.S., Economics; Virginia Commonwealth University
1976 - 1980	A.A., Economics; Richard Bland College of The College of William and Mary, Petersburg, Virginia

POSITIONS

Jul. 1995-Present	Vice President/Senior Economist, Technical Associates, Inc.
Mar. 1993-1995	Vice President/Senior Economist, C. W. Amos of Virginia
Apr. 1990-Mar. 1993	Principal/Senior Economist, Technical Associates, Inc.
Aug. 1987-Apr. 1990	Staff Economist, Technical Associates, Inc., Richmond, Virginia
Feb. 1987-Aug. 1987	Economist, Old Dominion Electric Cooperative, Richmond, Virginia
May 1984-Jan. 1987	Staff Economist, Technical Associates, Inc.
May 1982-May 1984	Economic Analyst, Technical Associates, Inc.
Sep. 1980-May 1982	Research Assistant, Technical Associates, Inc.

EXPERIENCE

I. Public Utility Regulation

A. Costing Studies -- Conducted, and presented as expert testimony, numerous embedded and marginal cost of service studies. Cost studies have been conducted for electric, gas, telecommunications, water, and wastewater utilities. Analyses and issues have included the evaluation and development of alternative cost allocation methods with particular emphasis on ratemaking implications of distribution plant classification and capacity cost allocation methodologies. Distribution plant classifications have been conducted using the minimum system and zero-intercept methods. Capacity cost allocations have been evaluated using virtually every recognized method of allocating demand related costs (e.g., single and multiple coincident peaks, non-coincident peaks, probability of loss of load, average and excess, and peak and average).

Embedded and marginal cost studies have been analyzed with respect to the seasonal and diurnal distribution of system energy and demand costs, as well as cost effective approaches to incorporating energy and demand losses for rate design purposes. Economic dispatch models have been evaluated to determine long range capacity requirements as well as system marginal energy costs for ratemaking purposes.

B. Rate Design Studies -- Analyzed, designed and provided expert testimony relating to rate structures for all retail rate classes, employing embedded and marginal cost studies. These rate structures have included flat rates, declining block rates, inverted block rates, hours use of demand blocking, lighting rates, and interruptible rates. Economic development and special industrial rates have been developed in recognition of the competitive environment for specific customers. Assessed alternative time differentiated rates with diurnal and seasonal pricing structures. Applied Ramsey (Inverse Elasticity) Pricing to marginal costs in order to adjust for embedded revenue requirement constraints.

GLENN A. WATKINS

C. Forecasting and System Profile Studies -- Development of long range energy (Kwh or Mcf) and demand forecasts for rural electric cooperatives and investor owned utilities. Analysis of electric plant operating characteristics for the determination of the most efficient dispatch of generating units on a system-wide basis. Factors analyzed include system load requirements, unit generating capacities, planned and unplanned outages, marginal energy costs, long term purchased capacity and energy costs, and short term power interchange agreements.

D. Cost of Capital Studies -- Analyzed and provided expert testimony on the costs of capital and proper capital structures for ratemaking purposes, for electric, gas, telephone, water, and wastewater utilities. Costs of capital have been applied to both actual and hypothetical capital structures. Cost of equity studies have employed comparable earnings, DCF, and CAPM analyses. Econometric analyses of adjustments required to electric utilities cost of equity due to the reduced risks of completing and placing new nuclear generating units into service.

E. Accounting Studies -- Performed and provided expert testimony for numerous accounting studies relating to revenue requirements and cost of service. Assignments have included original cost studies, cost of reproduction new studies, depreciation studies, lead-lag studies, Weather normalization studies, merger and acquisition issues and other rate base and operating income adjustments.

II. Transportation Regulation

A. Oil and Products Pipelines -- Conducted cost of service studies utilizing embedded costs, I.C.C. Valuation, and trended original cost. Development of computer models for cost of service studies utilizing the "Williams" (FERC 154-B) methodology. Performed alternative tariff designs, and dismantlement and restoration studies.

B. Railroads -- Analyses of costing studies using both embedded and marginal cost methodologies. Analyses of market dominance and cross-subsidization, including the implementation of differential pricing and inverse elasticity for various railroad commodities. Analyses of capital and operation costs required to operate "stand alone" railroads. Conducted cost of capital and revenue adequacy studies of railroads.

III. Insurance Studies

Conducted and presented expert testimony relating to market structure, performance, and profitability by line and sub-line of business within specific geographic areas, e.g. by state. These studies have included the determination of rates of return on Statutory Surplus and GAAP Equity by line - by state using the NAIC methodology, and comparison of individual insurance company performance vis a vis industry Country-Wide performance.

Conducted and presented expert testimony relating to rate regulation of workers compensation, automobile, and professional malpractice insurance. These studies have included the determination of a proper profit and contingency factor utilizing an internal rate of return methodology, the development of a fair investment income rate, capital structure, cost of capital.

Other insurance studies have included testimony before the Virginia Legislature regarding proper regulatory structure of Credit Life and P&C insurance; the effects on competition and prices resulting from proposed insurance company mergers, maximum and minimum expense multiplier limits, determination of specific class code rate increase limits (swing limits); and investigation of the reasonableness of NCCI's administrative assigned risk plan and pool expenses.

GLENN A. WATKINS

IV. Anti-Trust and Commercial Business Damage Litigation

Analyses of alleged claims of attempts to monopolize, predatory pricing, unfair trade practices and economic losses. Assignments have involved definitions of relevant market areas(geographic and product) and performance of that market, the pricing and cost allocation practices of manufacturers, and the economic performance of manufacturers' distributors.

Performed and provided expert testimony relating to market impacts involving automobile and truck dealerships, incremental profitability, the present value of damages, diminution in value of business, market and dealer performance, future sales potential, optimal inventory levels, fair allocation of products, financial performance; and business valuations.

MEMBERSHIPS AND CERTIFICATIONS

Member, Association of Energy Engineers (1998)
Certified Rate of Return Analyst, Society of Utility and Regulatory Financial Analysts (1992)
Member, American Water Works Association
National Association of Business Economists
Richmond Association of Business Economists
National Economics Honor Society

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Combined Customer Class

Summary

Combined Rate Scheduels:		Total	Residential & Farm	Off- Peak Marketing Rate	Commercial & Industrial (<100 kw)	Large Power (101-500kw)	Large Power (> 500kw)	Large Industrial B-1	Large Industrial B-2	Outdoor Lights
(1)	Revenue	89,952,863	62,974,661	124,758	4,616,677	3,989,079	4,850,613	1,228,338	10,646,792	1,521,946
(2)	Purchased Power Expense	66,559,954	44,745,767	92,614	3,768,893	2,965,320	4,208,858	1,010,281	9,269,655	498,566
(1)	Operating & Maint. Expense	10,828,549	8,936,981	24,970	659,885	181,507	97,248	34,731	373,141	520,086
(3)	Administrative & General Expenses	3,917,400	3,132,407	6,366	269,920	88,300	51,135	15,564	167,326	186,383
(2)	Depreciation & Miscellaneous Expenses	6,651,110	5,098,257	4,243	532,337	199,215	120,150	34,871	375,162	286,874
(4)	Total Operating Expenses	87,957,012	61,913,412	128,193	5,231,035	3,434,342	4,477,391	1,095,447	10,185,284	1,491,908
(5)	S-T Debt Interest	320,408	241,519	136	26,614	10,537	6,521	1,699	18,279	15,104
(6)	TIER Operating Income: (1) - (4)- (5)	1,675,443	819,730	(3,571)	(640,971)	544,201	366,701	131,192	443,230	14,933
(7)	Traditional Operating Income: (1) - (4)	1,995,851	1,061,249	(3,436)	(614,358)	554,738	373,221	132,891	461,508	30,038
(8)	L-T Debt Interest	4,764,362	3,591,310	2,016	395,738	156,683	96,959	25,263	271,796	224,597
(9)	Net Income: (6) - (8)	(3,088,919)	(2,771,581)	(5,587)	(1,036,709)	387,518	269,741	105,929	171,434	(209,664)
(10)	Rate Base	145,255,151	109,491,316	61,461	12,065,190	4,776,925	2,956,080	770,221	8,286,466	6,847,491
(11)	Return on Rate Base: (7) / (10)	1.37%	0.97%	-5.59%	-5.09%	11.61%	12.63%	17.25%	5.57%	0.44%
(12)	TIER at Current Rates: (6) / (8)	0.35	0.23	-1.77	-1.62	3.47	3.78	5.19	1.63	0.07
(13)	Required operating Income @ 2x TIER: (8) x 2	9,528,725	7,182,620	4,032	791,475	313,366	193,919	50,526	543,591	449,195
(14)	Required Increase @ 2x TIER: (13) - (6)	7,853,281	6,362,891	7,603	1,432,447	(230,835)	(172,782)	(80,666)	100,362	434,261
(15)	Pct Increase in Base Rates @ 2x TIER	9.03%	10.48%	6.16%	32.77%	-5.93%	-3.61%	-6.65%	0.96%	31.41%

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Summary

Sch. GAW_2

Acct No.	Description	Total	Envirowatts	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial	Rate 2 Commercial & Small Power
(1)	Revenue	89,952,863	0	32,444,328	14,057,822	16,472,511	28,397	7,687	88,673	3,168,364	831,602	616,711
(2)	Purchased Power Expense	66,565,654	5,700	23,579,067	10,006,496	11,160,205	22,426	5,707	64,481	2,599,636	644,057	525,199
(1)	Operating & Maint. Expense	10,828,549	0	4,378,817	2,081,801	2,476,364	7,300	1,637	16,033	433,729	124,498	101,658
(3)	Administrative & General Expenses	3,917,400	0	1,530,750	732,707	868,950	1,861	417	4,087	179,639	49,530	40,751
(2)	Depreciation & Miscellaneous Expenses	6,651,110	0	2,482,637	1,199,176	1,416,444	1,241	278	2,725	358,135	95,269	78,932
(4)	*Total Operating Expenses*	87,962,713	5,700	31,971,270	14,020,179	15,921,963	32,827	8,040	87,326	3,571,140	913,355	746,540
(5)	S-T Debt Interest	320,408	0	117,418	56,953	67,148	40	9	87	18,002	4,702	3,910
(6)	TIER Operating Income: (1) - (4)- (5)	1,669,743	(5,700)	355,640	(19,310)	483,400	(4,470)	(362)	1,260	(420,778)	(86,455)	(133,739)
(7)	Traditional Operating Income: (1) - (4)	1,990,151	(5,700)	473,058	37,643	550,548	(4,430)	(353)	1,347	(402,776)	(81,753)	(129,829)
(8)	L-T Debt Interest	4,764,362	0	1,745,967	846,874	998,469	589	132	1,294	267,678	69,920	58,140
(9)	Net Income: (6) - (8)	(3,094,619)	(5,700)	(1,390,327)	(866,185)	(515,069)	(5,059)	(494)	(34)	(688,456)	(156,375)	(191,878)
(10)	Rate Base	145,255,151	0	53,230,766	25,819,374	30,441,176	17,968	4,030	39,463	8,160,940	2,131,697	1,772,553
(11)	Return on Rate Base: (7) / (10)	1.37%		0.89%	0.15%	1.81%	-24.66%	-8.76%	3.41%	-4.94%	-3.84%	-7.32%
(12)	TIER at Current Rates: (6) / (8)	0.35		0.20	-0.02	0.48	-7.58	-2.74	0.97	-1.57	-1.24	-2.30
(13)	Required TIER operating income @ 2x TIER: (8) x 2	9,528,725	0	3,491,933	1,693,749	1,996,938	1,179	264	2,589	535,357	139,839	116,279
(14)	Required Increase @ 2x TIER: (13) - (6)	7,858,982	5,700	3,136,293	1,713,059	1,513,539	5,648	626	1,329	956,135	226,294	250,018

Sch. GAW_2

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Summary

Acct No.	Description	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	O Street Lighting	Lighting Service
(1)	Revenue	3,152,089	255,118	3,653,120	776,457	581,872	421,036	1,228,338	7,901,231	2,745,561	214,081	1,307,866
(2)	Purchased Power Expense	2,395,430	156,963	3,233,716	651,356	412,927	323,786	1,010,281	6,983,714	2,285,941	40,910	457,656
(1)	Operating & Maint. Expense	145,177	10,261	56,535	27,496	26,069	13,217	34,731	288,216	84,925	121,755	398,331
(3)	Administrative & General Expenses	71,018	4,805	29,626	14,526	12,476	6,982	15,564	129,235	38,091	50,193	136,189
(2)	Depreciation & Miscellaneous Expenses	160,697	10,608	69,483	34,221	27,910	16,446	34,871	289,738	85,424	110,266	176,609
(4)	Total Operating Expenses	2,772,322	182,637	3,389,360	727,599	479,383	360,432	1,095,447	7,690,903	2,494,381	323,124	1,168,785
(5)	S-T Debt Interest	8,518	553	3,768	1,859	1,466	894	1,699	14,117	4,162	5,058	10,047
(6)	TIER Operating Income: (1) - (4)- (5)	371,249	71,929	259,992	46,998	101,023	59,710	131,192	196,211	247,018	(114,101)	129,034
(7)	Traditional Operating Income: (1) - (4)	379,767	72,482	263,760	48,858	102,489	60,604	132,891	210,328	251,180	(109,043)	139,081
(8)	L-T Debt Interest	126,662	8,221	56,022	27,648	21,800	13,289	25,263	209,908	61,888	75,209	149,388
(9)	Net Income: (6) - (8)	244,587	63,708	203,971	19,350	79,223	46,421	105,929	(13,697)	185,131	(189,310)	(20,354)
(10)	Rate Base	3,861,642	250,650	1,707,979	842,941	664,632	405,160	770,221	6,399,644	1,886,822	2,292,965	4,554,526
(11)	Return on Rate Base: (7) / (10)	9.83%	28.92%	15.44%	5.80%	15.42%	14.96%	17.25%	3.29%	13.31%	-4.76%	3.05%
(12)	TIER at Current Rates: (6) / (8)	2.93	8.75	4.64	1.70	4.63	4.49	5.19	0.93	3.99	-1.52	0.86
(13)	Required TIER operating Income @ 2x TIER: (8) x 2	253,323	16,443	112,043	55,297	43,600	26,578	50,526	419,816	123,775	150,418	298,777
(14)	Required Increase @ 2x TIER: (13) - (6)	(117,926)	(55,486)	(147,949)	8,299	(57,423)	(33,132)	(80,666)	223,605	(123,243)	264,519	169,742

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Rate Base

Acct No.	Description	Alloc	Total	Envirowatts	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial
360	Land & Land Rights		0									
362	Station Equipment		1,663,354									
	Customer	40	0		0	0	0	0	0	0	0	0
	Demand	24	1,663,354		530,182	264,454	308,000	0	0	0	120,334	29,355
364	Poles, Towers and Fixtures		44,666,314									
	Customer	40	11,206,778		5,269,362	2,472,026	2,958,145	0	0	0	272,185	89,224
	Demand	24	33,459,535		10,664,983	5,319,674	6,195,644	0	0	0	2,420,612	590,497
365	Overhead Conductor		36,480,849									
	Customer	40	9,153,045		4,303,709	2,019,007	2,416,041	0	0	0	222,305	72,873
	Demand	24	27,327,804		8,710,538	4,344,800	5,060,242	0	0	0	1,977,015	482,283
366	Underground Conduit		0									
367	UG Conductor		9,278,853									
	Customer	40	2,328,064		1,094,642	513,532	614,517	0	0	0	56,543	18,535
	Demand	24	6,950,789		2,215,513	1,105,094	1,287,065	0	0	0	502,851	122,668
368	Line Transformers		27,349,503									
	Customer	41	6,047,112		2,803,478	1,315,201	1,573,833	0	0	0	144,812	47,470
	Demand	25	21,302,391		7,911,461	3,946,222	4,596,031	0	0	0	1,795,650	438,040
369	Services	42	23,497,881		10,655,912	4,999,029	5,982,077	6,657	1,493	14,621	1,029,043	337,327
370	Meters	43	6,563,226		3,059,134	1,435,138	1,717,355	12,741	2,858	27,984	158,018	51,799
371	Install. On Consumer Prem.	Dir	3,992,823									
373	Street Ltg & Signal Systems	Dir	2,245,830									
	TOTAL DISTRIBUTION PLANT		155,738,633		57,218,915	27,734,177	32,708,950	19,399	4,351	42,605	8,699,367	2,280,073
	TOTAL GENERAL: PLANT	60	16,899,272		6,208,851	3,009,449	3,549,263	2,105	472	4,623	943,972	247,412
	Total Utility Plant		172,637,905		63,427,766	30,743,625	36,258,213	21,504	4,823	47,228	9,643,340	2,527,485
	Accum. Depreciation	77	39,049,560		14,479,616	7,000,558	8,265,512	4,985	1,118	10,949	2,135,409	566,736
	Net Plant		133,588,345		48,948,150	23,743,067	27,992,701	16,518	3,705	36,279	7,507,930	1,960,748
	CWIP	60	7,831,343		2,877,263	1,394,618	1,644,775	975	219	2,142	437,449	114,654
	Cash Working Capital	62	1,842,338		675,052	327,444	386,052	228	51	500	103,543	27,041
	Materials & Supplies	62	1,396,773		511,792	248,253	292,686	173	39	379	78,501	20,501
	Prepayments	62	596,352		218,510	105,991	124,962	74	17	162	33,516	8,753
	Net Investment Rate Base		145,255,151		53,230,766	25,819,374	30,441,176	17,968	4,030	39,463	8,160,940	2,131,697

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Rate Base

Acct No.	Description	Rate 2 Commercial & Small Power	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
360	Land & Land Rights												
362	Station Equipment												
	Customer	0	0	0	0	0	0	0	0	0	0	0	0
	Demand	24,755	66,662	4,241	31,485	15,446	11,470	7,420	20,048	166,611	49,127	1,184	12,579
364	Poles, Towers and Fixtures												
	Customer	71,174	18,460	1,846	2,666	820	3,897	410	205	1,026	205	12,922	32,203
	Demand	497,967	1,340,947	85,319	633,350	310,701	230,719	149,259	403,286	3,351,502	988,226	23,809	253,042
365	Overhead Conductor												
	Customer	58,131	15,077	1,508	2,178	670	3,183	335	168	838	168	10,554	26,301
	Demand	406,710	1,095,208	69,684	517,283	253,763	188,438	121,906	329,381	2,737,312	807,125	19,446	206,670
366	Underground Conduit												
367	UG Conductor												
	Customer	14,786	3,835	383	554	170	810	85	43	213	43	2,684	6,690
	Demand	103,446	278,565	17,724	131,570	64,544	47,929	31,007	83,778	696,232	205,291	4,946	52,566
368	Line Transformers												
	Customer	37,867	71,216	2,374	7,004	9,196	5,011	4,598	0	0	0	6,875	18,177
	Demand	369,400	994,737	63,291	469,829	230,483	171,151	110,723	0	0	0	17,662	187,711
369	Services	269,086	143,203	14,320	0	0	30,232	0	0	0	0	2,130	12,749
370	Meters	41,320	43,382	4,338	0	0	9,159	0	0	0	0	0	0
371	Install. On Consumer Prem.												3,992,823
373	Street Ltg & Signal Systems											2,245,830	
	TOTAL DISTRIBUTION PLANT	1,894,643	4,071,291	265,029	1,795,920	885,794	701,997	425,742	836,908	6,953,734	2,050,185	2,348,043	4,801,511
	TOTAL GENERAL PLANT	205,589	441,778	28,758	194,876	96,118	76,174	46,197	90,813	754,553	222,467	254,787	521,014
	Total Utility Plant	2,100,231	4,513,069	293,787	1,990,796	981,912	778,171	471,940	927,722	7,708,287	2,272,652	2,602,830	5,322,526
	Accum. Depreciation	469,763	958,216	63,087	418,274	205,796	166,403	98,899	219,907	1,827,166	538,707	488,637	1,129,821
	Net Plant	1,630,468	3,554,853	230,700	1,572,522	776,116	611,768	373,041	707,815	5,881,121	1,733,945	2,114,192	4,192,705
	CWIP	95,272	204,726	13,327	90,308	44,542	35,300	21,409	42,084	349,670	103,094	118,072	241,445
	Cash Working Capital	22,486	49,026	3,182	21,687	10,704	8,437	5,145	9,762	81,107	23,913	29,157	57,822
	Materials & Supplies	17,048	37,169	2,412	16,442	8,115	6,397	3,900	7,401	61,492	18,130	22,106	43,838
	Prepayments	7,279	15,869	1,030	7,020	3,465	2,731	1,665	3,160	26,254	7,741	9,438	18,717
	Net Investment Rate Base	1,772,553	3,861,642	250,650	1,707,979	842,941	664,632	405,160	770,221	6,399,644	1,886,822	2,292,965	4,554,526

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Expenses

Schea... ...AW_2

Acct No.	Description	Alloc	Total	Envirowatts	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial
555	**Total Purchased Power**		66,565,654	5,700	23,579,087	10,006,496	11,160,205	22,426	5,707	64,481	2,599,636	644,057
	O&M Expenses											
580	Operations Supv & Eng	80	253,694		92,096	43,835	52,117	187	42	412	9,336	2,656
582	Station Expense	63	46,443		14,803	7,384	8,600	0	0	0	3,360	820
583	Overhead Line Exp.	64	1,012,044		394,257	189,695	224,451	97	22	214	55,350	15,105
584	Underground Line Exp	64	82,089		31,979	15,387	18,206	8	2	17	4,490	1,225
585	Street Light Expense	Dir	21,000									
586	Meter Expense	43	798,031		371,964	174,500	208,815	1,549	347	3,403	19,214	6,298
587	Customer Installations	Dir	279,937									
588	Misc. Distribution Exp	80	437,309		158,753	75,562	89,837	323	72	710	16,092	4,579
589	Rents		0									
	Total Operations		*2,930,547*	*0*	*1,063,852*	*506,362*	*602,025*	*2,165*	*486*	*4,755*	*107,841*	*30,683*
590	Maint Supv & Eng	81	246,603		94,289	45,367	53,879	26	6	58	13,204	3,602
592	Maint of Station Equip		0									
593	Maint. Overhead Lines	64	3,573,719		1,392,195	669,849	792,579	344	77	754	195,450	53,339
594	Maint of Underground Lines	64	227,213		88,514	42,588	50,391	22	5	48	12,426	3,391
595	Maint Line Transformers	65	42,568		16,677	8,189	9,603	0	0	0	3,020	756
596	Maint of St Lg & Signal Sys	Dir	79,162									
597	Maintenance of Meters	43	29,241		13,629	6,394	7,651	57	13	125	704	231
598	Maint Misc Distrib Plant	81	216,709		82,659	39,867	47,172	23	5	51	11,603	3,165
	Total Distribution Maintenance		*4,415,215*	*0*	*1,688,164*	*812,254*	*961,076*	*472*	*106*	*1,036*	*236,408*	*64,483*
901	Supervision	46	148,474		69,352	32,535	38,933	199	45	437	3,814	1,250
902	Meter Reading Expense	44	128,624		57,934	27,179	32,524	241	54	530	5,985	1,962
903	Cons Recds & Collections	45	1,781,321		834,193	391,346	468,304	2,316	520	5,087	43,090	14,125
904	Uncollectible Accounts	46	360,889		168,571	79,082	94,633	483	108	1,061	9,271	3,039
907&908	Customer Assistance	46	141,619		66,150	31,033	37,136	190	43	416	3,638	1,193
909	Information & Institutional	46	13,703		6,401	3,003	3,593	18	4	40	352	115
910	Misc. Consumer Service	46	42,159		19,692	9,238	11,055	56	13	124	1,083	355
912	Demonstration & Selling Exp	46	819,884		382,967	179,662	214,992	1,098	246	2,411	21,062	6,904
913	Advertising	46	46,115		21,540	10,105	12,092	62	14	136	1,185	388
	Total Customer & Acounting Services		*3,482,788*	*0*	*1,626,801*	*763,184*	*913,263*	*4,664*	*1,046*	*10,242*	*89,480*	*29,332*
	Total Operating & Maintenance Expenses		**10,828,549**	**0**	**4,378,817**	**2,081,801**	**2,476,364**	**7,300**	**1,637**	**16,033**	**433,729**	**124,498**
920	Administrative Salaries	87	2,237,194		904,670	430,103	511,620	1,508	338	3,312	89,609	25,722
921	Office Supplies	87	336,782		136,187	64,747	77,018	227	51	499	13,490	3,872
923	Outside Services	62	186,304		68,264	33,112	39,039	23	5	51	10,471	2,734
924	Property Ins		0		0	0	0	0	0	0	0	0
925	Injuries & Damages		0		0	0	0	0	0	0	0	0
926	Employ Pensions & Benef	87	769		311	148	176	1	0	1	31	9
928	Regulatory Exp	62	92,092		33,744	16,368	19,297	11	3	25	5,176	1,352
929	Duplicate Charges	87	(74,891)		(30,284)	(14,398)	(17,127)	(50)	(11)	(111)	(3,000)	(861)
930	Misc General Exp	62	939,546		344,259	166,988	196,877	116	26	255	52,804	13,790
931	Rents		0		0	0	0	0	0	0	0	0
932	Maintenance of General Plant	60	465,863		171,160	82,962	97,843	58	13	127	26,023	6,820
	Proforma Adjustments	62	(266,259)		(97,580)	(47,323)	(55,793)	(33)	(7)	(72)	(14,964)	(3,908)
	TOTAL A&G EXPENSES		**3,917,400**		**1,530,750**	**732,707**	**868,950**	**1,861**	**417**	**4,087**	**179,639**	**49,630**

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Expenses

Acct No.	Description	Alloc	Total	Envirowatts	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial
403	Deprec. Distribution Plant	89	5,924,377		2,215,642	1,069,762	1,283,817	1,150	258	2,526	317,538	84,629
403	Deprec. Gen Plant & Plt Amort	60	717,402		263,576	127,756	150,672	89	20	196	40,073	10,503
408	Taxes Other Than Income Taxes	62	3,385		1,240	602	709	0	0	1	190	50
426	Miscell. Income Deductions	66	5,945		2,179	1,057	1,246	1	0	2	334	87
TOTAL DEPRECIATION AND MISCELLANEOUS			**6,651,110**	**0**	**2,482,637**	**1,199,176**	**1,416,444**	**1,241**	**278**	**2,725**	**358,135**	**95,269**
427.1	Interest - RUS Constuc	66	1,744,601		639,333	310,106	365,617	216	48	474	98,018	25,603
427.11	Interest - FFB Notes	66	1,719,243		630,040	305,599	360,302	213	48	467	96,593	25,231
427.2	Interest - Other LTD	66	1,300,519		476,593	231,170	272,550	161	36	353	73,068	19,086
TOTAL INTEREST AND LONG TERM DEBT			**4,764,362**		**1,745,967**	**846,874**	**998,469**	**589**	**132**	**1,294**	**267,678**	**69,920**
431	Other Interest Expense	66	320,408		117,418	56,953	67,148	40	9	87	18,002	4,702
Other Income and Credits												
450	Forfeited Discounts	66	1,130,880		414,427	201,016	236,999	140	31	307	63,537	16,596
451	Misc Service Revenue	66	593,207		217,389	105,444	124,319	73	16	161	33,328	8,706
454	Rent from Electric Prop.	66	799,315		292,920	142,080	167,513	99	22	217	44,908	11,730
456.1	Other Electric Revenue	66	62,864		23,038	11,174	13,175	8	2	17	3,532	923
419	Interest Income	66	79,579		29,163	14,145	16,677	10	2	22	4,471	1,168
421	Other	66	0		0	0	0	0	0	0	0	0
424	Other Capital Credits	66	294,591		107,957	52,364	61,738	36	8	80	16,551	4,323
	Total Other Income & Credits		2,960,436	0	1,084,893	526,223	620,420	366	82	804	166,328	43,446
Salaries & Wages:												
	Distribution operations	82	417,144		151,432	72,077	85,694	308	69	677	15,350	4,388
	Distribution Maintenance	83	559,894		214,076	103,002	121,874	60	13	131	29,979	8,177
	Customer Accounts	84	443,114		206,977	97,100	116,194	593	133	1,303	11,385	3,732
	Sales	84	15,657		7,313	3,431	4,106	21	5	46	402	132
	Administrative & General	85	416,212		162,638	77,848	92,323	198	44	434	19,086	5,262
Total Salaries & Wages			*1,852,021*		*742,437*	*353,458*	*420,192*	*1,180*	*265*	*2,592*	*76,202*	*21,671*

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Expenses

Schedule SAW_2

Acct No.	Description	Rate 2 Commercial & Small Power	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	O Street Lighting	Lighting Service
555	**Total Purchased Power**	525,199	2,395,430	156,983	3,233,716	651,356	412,927	323,786	1,010,281	6,983,714	2,285,941	40,910	457,656
	O&M Expenses												
580	Operations Supv & Eng	2,172	3,557	259	1,266	620	647	298	803	6,673	1,968	2,454	32,297
582	Station Expense	691	1,861	118	879	431	320	207	560	4,652	1,372	33	351
583	Overhead Line Exp.	12,452	22,444	1,514	9,521	4,664	3,954	2,241	6,040	50,189	14,797	581	4,457
584	Underground Line Exp	1,010	1,820	123	772	378	321	182	490	4,071	1,200	47	361
585	Street Light Expense											21,000	
586	Meter Expense	5,024	5,275	527	0	0	1,114	0	0	0	0	0	0
587	Customer Installations												279,937
588	Misc. Distribution Exp	3,745	6,131	446	2,182	1,069	1,115	513	1,384	11,504	3,392	4,230	55,672
589	Rents												
	Total Operations	*25,095*	*41,089*	*2,987*	*14,620*	*7,162*	*7,470*	*3,441*	*9,278*	*77,089*	*22,728*	*28,345*	*373,075*
590	Maint Supv & Eng	2,989	5,375	362	2,278	1,116	946	536	1,416	11,762	3,468	5,078	1,064
592	Maint of Station Equip												
593	Maint. Overhead Lines	43,972	79,252	5,347	33,622	16,468	13,963	7,912	21,330	177,226	52,252	2,052	15,737
594	Maint of Underground Lines	2,796	5,039	340	2,138	1,047	888	503	1,356	11,268	3,322	130	1,001
595	Maint Line Transformers	634	1,659	102	742	373	274	179	0	0	0	38	320
596	Maint of St Lg & Signal Sys											79,162	
597	Maintenance of Meters	184	193	19	0	0	41	0	0	0	0	0	0
598	Maint Misc Distrib Plant	2,609	4,724	319	2,002	981	832	471	1,244	10,336	3,047	4,463	935
	Total Distribution Maintenance	*53,164*	*96,243*	*6,489*	*40,781*	*19,985*	*16,943*	*9,602*	*25,346*	*210,593*	*62,089*	*90,923*	*19,058*
901	Supervision	997	334	33	48	15	71	7	5	23	5	106	264
902	Meter Reading Expense	1,565	406	41	59	18	86	9	5	23	5	0	0
903	Cons Recds & Collections	11,268	3,897	390	563	173	823	87	54	271	54	1,364	3,399
904	Uncollectible Accounts	2,424	813	81	117	36	172	18	11	55	11	258	642
907&908	Customer Assistance	951	319	32	46	14	67	7	4	22	4	101	252
909	Information & Institutional	92	31	3	4	1	7	1	0	2	0	10	24
910	Misc. Consumer Service	283	95	9	14	4	20	2	1	6	1	30	75
912	Demonstration & Selling Exp	5,508	1,847	185	267	82	390	41	25	126	25	586	1,459
913	Advertising	310	104	10	15	5	22	2	1	7	1	33	82
	Total Customer & Acounting Services	*23,398*	*7,845*	*785*	*1,133*	*349*	*1,656*	*174*	*107*	*535*	*107*	*2,487*	*6,198*
	Total Operating & Maintenance Expenses	**101,658**	**145,177**	**10,261**	**56,535**	**27,496**	**26,069**	**13,217**	**34,731**	**288,216**	**84,925**	**121,755**	**398,331**
920	Administrative Salaries	21,003	29,994	2,120	11,680	5,681	5,386	2,731	7,175	59,546	17,546	25,155	82,296
921	Office Supplies	3,162	4,515	319	1,758	855	811	411	1,080	8,964	2,641	3,787	12,389
923	Outside Services	2,274	4,958	322	2,193	1,082	853	520	987	8,202	2,418	2,948	5,847
924	Property Ins	0	0	0	0	0	0	0	0	0	0	0	0
925	Injuries & Damages	0	0	0	0	0	0	0	0	0	0	0	0
926	Employ Pensions & Benef	7	10	1	4	2	2	1	2	20	6	9	28
928	Regulatory Exp	1,124	2,451	159	1,084	535	422	257	488	4,054	1,195	1,457	2,890
929	Duplicate Charges	(703)	(1,004)	(71)	(391)	(190)	(180)	(91)	(240)	(1,993)	(587)	(842)	(2,755)
930	Misc General Exp	11,467	25,002	1,623	11,060	5,459	4,303	2,624	4,978	41,363	12,195	14,869	29,488
931	Rents	0	0	0	0	0	0	0	0	0	0	0	0
932	Maintenance of General Plant	5,667	12,179	793	5,372	2,650	2,100	1,274	2,503	20,801	6,133	7,024	14,363
	Proforma Adjustments	(3,250)	(7,085)	(460)	(3,134)	(1,547)	(1,219)	(744)	(1,411)	(11,722)	(3,456)	(4,214)	(8,357)
	TOTAL A&G EXPENSES	**40,761**	**71,018**	**4,805**	**29,626**	**14,526**	**12,476**	**6,982**	**15,564**	**129,235**	**38,091**	**50,193**	**136,189**

Blue Grass Cooperative Corporation

Schedule JAW_2

Attorney General Class Cost of Service

Expenses

Acct No.	Description	Rate 2 Commercial & Small Power	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
403	Deprec. Distribution Plant	70,090	141,694	9,371	61,101	30,086	24,634	14,459	30,966	257,295	75,859	99,302	154,198
403	Deprec. Gen Plant & Plt Amort	8,728	18,754	1,221	8,273	4,080	3,234	1,961	3,855	32,032	9,444	10,816	22,118
408	Taxes Other Than Income Taxes	41	80	6	40	20	16	9	18	149	44	54	106
426	Miscell. Income Deductions	73	158	10	70	35	27	17	32	262	77	94	186
TOTAL DEPRECIATION AND MISCELLANEOUS		**78,932**	**160,697**	**10,608**	**69,483**	**34,221**	**27,910**	**16,446**	**34,871**	**289,738**	**85,424**	**110,266**	**176,609**
427.1	Interest - RUS Constuc	21,289	46,381	3,010	20,514	10,124	7,983	4,866	9,251	76,864	22,662	27,540	54,703
427.11	Interest - FFB Notes	20,980	45,706	2,967	20,216	9,977	7,867	4,795	9,116	75,746	22,332	27,140	53,907
427.2	Interest - Other LTD	15,870	34,575	2,244	15,292	7,547	5,951	3,628	6,896	57,298	16,893	20,530	40,778
TOTAL INTEREST AND LONG TERM DEBT		**58,140**	**126,662**	**8,221**	**56,022**	**27,648**	**21,800**	**13,289**	**25,263**	**209,908**	**61,888**	**75,209**	**149,388**
431	Other Interest Expense	3,910	8,518	553	3,768	1,859	1,466	894	1,699	14,117	4,162	5,058	10,047
Other Income and Credits													
450	Forfeited Discounts	*13,600*	*30,065*	*1,951*	*13,297*	*6,563*	*5,174*	*3,154*	5,997	49,824	14,690	17,852	35,459
451	Misc Service Revenue	7,239	15,771	1,024	6,975	3,442	2,714	1,655	3,146	26,135	7,706	9,364	18,600
454	Rent from Electric Prop.	9,754	21,250	1,379	9,399	4,639	3,657	2,230	4,238	35,216	10,383	12,618	25,063
456.1	Other Electric Revenue	767	1,671	108	739	365	288	175	333	2,770	817	992	1,971
419	Interest Income	971	2,116	137	936	462	364	222	422	3,506	1,034	1,256	2,495
421	Other	0	0	0	0	0	0	0	0	0	0	0	0
424	Other Capital Credits	3,595	7,832	508	3,464	1,710	1,348	822	1,562	12,979	3,827	4,650	9,237
	Total Other Income & Credits	36,126	78,704	5,108	34,810	17,180	13,546	8,258	15,698	130,431	38,455	46,733	92,826
Salaries & Wages:													
	Distribution operations	3,572	5,848	425	2,081	1,019	1,063	490	1,321	10,973	3,235	4,035	53,105
	Distribution Maintenance	6,742	12,205	823	5,171	2,534	2,149	1,218	3,214	26,705	7,874	11,530	2,417
	Customer Accounts	2,977	998	100	144	44	211	22	14	68	14	316	789
	Sales	105	35	4	5	2	7	1	0	2	0	11	28
	Administrative & General	4,330	7,545	511	3,148	1,543	1,326	742	1,654	13,731	4,047	5,333	14,470
Total Salaries & Wages		*17,726*	*26,632*	*1,862*	*10,550*	*5,143*	*4,756*	*2,472*	*6,202*	*51,480*	*15,170*	*21,225*	*70,808*

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Revenue

Scheo. SAW_2

Acct No.	Description	Alloc	Total	Envirowatts	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial
	Rate Revenue at Current Rates	DIF	86,992,427	0	31359435	13531599	15852091	28031	7605	87869	3002036	788156
450	Forfeited Discounts	66	1,130,880		414,427	201,016	236,999	140	31	307	63,537	16,596
451	Misc Service Revenue	66	593,207		217,389	105,444	124,319	73	16	161	33,328	8,706
454	Rent from Electric Prop.	66	799,315		292,920	142,080	167,513	99	22	217	44,908	11,730
456.1	Other Electric Revenue	66	62,864		23,038	11,174	13,175	8	2	17	3,532	923
419	Interest Income	66	79,579		29,163	14,145	16,677	10	2	22	4,471	1,168
421	Other	66	0		0	0	0	0	0	0	0	0
424	Other Capital Credits	66	294,591		107,957	52,364	61,738	36	8	80	16,551	4,323
	Total Other Income & Credits		2,960,436	0	1,084,893	526,223	620,420	366	82	804	166,328	43,446
Total Revenue			89,952,863	0	32,444,328	14,057,822	16,472,511	28,397	7,687	88,673	3,168,364	831,602

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Revenue

Acct No.	Description	Rate 2 Commercial & Small Power	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
	Rate Revenue at Current Rates	580585	3073385	250010	3618310	759277	568326	412778	1212640	7770800	2707106	167348	1215040
450	Forfeited Discounts	13,800	30,065	1,951	13,297	6,563	5,174	3,154	5,997	49,824	14,690	17,852	35,459
451	Misc Service Revenue	7,239	15,771	1,024	6,975	3,442	2,714	1,655	3,146	26,135	7,706	9,364	18,600
454	Rent from Electric Prop.	9,754	21,250	1,379	9,399	4,639	3,657	2,230	4,238	35,216	10,383	12,618	25,063
456.1	Other Electric Revenue	767	1,671	108	739	365	288	175	333	2,770	817	992	1,971
419	Interest Income	971	2,116	137	936	462	364	222	422	3,506	1,034	1,256	2,495
421	Other	0	0	0	0	0	0	0	0	0	0	0	0
424	Other Capital Credits	3,595	7,832	508	3,464	1,710	1,348	822	1,562	12,979	3,827	4,650	9,237
	Total Other Income & Credits	36,126	78,704	5,108	34,810	17,180	13,546	8,258	15,698	130,431	38,455	46,733	92,826
Total Revenue		616,711	3,152,089	255,118	3,653,120	776,457	581,872	421,036	1,228,338	7,901,231	2,745,561	214,081	1,307,866

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocators

Schedule AW_2

	Allocator	Total	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial	Rate 2 Commercial & Small Power
1	Total Energy	1,237,361,259	434,562,009	179,032,252	191,828,392	683,506	173,940	1,965,309	35,732,767	9,104,595	6,314,722
2	Energy per BGC Exclude Mkting	1,230,344,785	434,562,009	174,838,533	191,828,392	0	0	0	35,732,767	9,104,595	6,314,722
3	EKPC Rate E Energy	998,352,385	434,562,009	174,838,533	191,828,392	0	0	0	35,732,767	9,104,595	6,314,722
4	EKPC Rates B&C Energy	231,992,400	0	0	0	0	0	0	0	0	0
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21	EKPC Rate E per Company CP Dem	2,492,151	932,742	465,281	541,890	0	0	0	191,106	45,521	45,163
22	EKPC Rates B&C Per Company CP	347,005	0	0	0	0	0	0	0	0	0
23	Total CP Demand Per Company	2,839,156	932,742	465,281	541,890	0	0	0	191,106	45,521	45,163
24	Total NCP Demand Per Company	3,034,608	967,259	482,467	561,913	0	0	0	219,537	53,555	45,163
25	NCP Demand excluding Lg Ind.	100.0000%	37.14%	18.52%	21.58%	0.00%	0.00%	0.00%	8.43%	2.06%	1.73%
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40	Number of Customers	54,637	25,690	12,052	14,422	0	0	0	1,327	435	347
41	Wght Customers — Transformers	55,413	25,690	12,052	14,422	0	0	0	1,327	435	347
42	Wght Customers — Services	56,650	25,690.00	12,052.00	14,422.00	16.05	3.60	35.25	2,480.89	813.25	648.73
43	Wght Customers — Meters	55,117	25,690.00	12,052.00	14,422.00	107.00	24.00	235.00	1,327.00	435.00	347.00
44	Wght Customers — Meter Reading	57,036	25,690	12,052	14,422	107	24	235	2,654	870	694
45	Wght Customers — Customer Recor	164,574	77,070	36,156	43,266	214	48	470	3,981	1,305	1,041
46	Customer & Accounting Services wgl	1,886,921	881,380	413,483	494,794	2,527	567	5,549	48,474	15,890	12,676
47											

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocators

Schedu. SAW_2

	Allocator	Total	GS-1 *Residential* Farm & Non-Farm	R Residential	A *Farm Home* Service	GS-2 *Off-Peak* Marketing ETS	R2 *Residential* Marketing ETS	Rate 1 *Off-Peak* Marketing ETS	C-1 *Commercial* & Industrial	C *Small* Commercial	Rate 2 *Commercial &* Small Power
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60	Distribution Plant	155,738,633	57,218,915	27,734,177	32,708,950	19,399	4,351	42,605	8,699,367	2,280,073	1,894,643
61	Total Utility Plant	172,637,905	63,427,766	30,743,625	36,258,213	21,504	4,823	47,228	9,643,340	2,527,485	2,100,231
62	Net Plant	133,588,345	48,948,150	23,743,067	27,992,701	16,518	3,705	36,279	7,507,930	1,960,748	1,630,468
63	Station Plant	1,663,354	530,182	264,454	308,000	0	0	0	120,334	29,355	24,755
64	OH & UG Lines + Services Plt	69,257,583	26,980,314	12,981,462	15,359,942	6,657	1,493	14,621	3,787,757	1,033,687	852,159
65	Tranformer Plt	27,349,503	10,714,939	5,261,423	6,169,864	0	0	0	1,940,462	485,511	407,267
66	Rate Base	145,255,151	53,230,766	25,819,374	30,441,176	17,968	4,030	39,463	8,160,940	2,131,697	1,772,553
67	Accts 362 through 367 + 369	142,936,754	54,159,780	26,299,039	30,991,595	6,657	1,493	14,621	8,541,350	2,228,274	1,853,322
68	Acct 362	1,663,354	530,182	264,454	308,000	0	0	0	120,334	29,355	24,755
69	Acct 364	44,666,314	15,934,345	7,791,700	9,153,789	0	0	0	2,692,797	679,721	569,141
70	Acct 365	36,480,849	13,014,247	6,363,808	7,476,283	0	0	0	2,199,320	555,157	464,841
71	Acct 367	9,278,853	3,310,155	1,618,626	1,901,582	0	0	0	559,394	141,203	118,232
72	Acct 368	27,349,503	10,714,939	5,261,423	6,169,864	0	0	0	1,940,462	485,511	407,267
73	Acct 369	23,497,881	10,655,912	4,999,029	5,982,077	6,657	1,493	14,621	1,029,043	337,327	269,086
74	Acct 370	6,563,226	3,059,134	1,435,138	1,717,355	12,741	2,858	27,984	158,018	51,799	41,320
75	Acct 371	3,992,823	0	0	0	0	0	0	0	0	0
76	Acct 373	2,245,830	0	0	0	0	0	0	0	0	0
77	Depreciation Reserve detail	37,448,276	13,885,858	6,713,490	7,926,573	4,781	1,072	10,500	2,047,844	543,497	450,500
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80	Accts 582-587	2,239,543	813,003	386,965	460,072	1,654	371	3,634	82,412	23,448	19,178
81	Accts 592-597	3,951,903	1,511,016	727,020	860,225	422	95	927	211,600	57,716	47,585
82	Distribution Operations Exp	2,930,547	1,063,852	506,362	602,025	2,165	486	4,755	107,841	30,683	25,095
83	Distribution Maint. Exp	4,415,215	1,688,164	812,254	961,076	472	106	1,036	236,408	64,483	53,164
84	Customer & Acct Services Exp	3,482,788	1,626,801	763,184	913,263	4,664	1,046	10,242	89,480	29,332	23,398
85	Administrative & Gen. Exp	3,917,400	1,530,750	732,707	868,950	1,861	417	4,087	179,639	49,530	40,751
86	Total Salaries and Wages	1,852,021	742,437	353,458	420,192	1,180	265	2,592	76,202	21,671	17,726
87	O & M (Excludes A&G)	10,828,549	4,378,817	2,081,801	2,476,364	7,300	1,637	16,033	433,729	124,498	101,658
88	T.Depreciation Expense Detail	7,047,569	2,629,090	1,270,077	1,500,107	1,298	291	2,851	380,009	101,031	83,715
89	Dist Depr Expense Detail	6,043,361	2,260,140	1,091,246	1,289,199	1,173	263	2,576	323,915	86,329	71,498

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocators

Schedu.. JAW_2

	Allocator	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
1	Total Energy	44,482,000	2,822,338	62,053,980	12,690,531	7,516,501	6,295,920	23,328,000	155,679,600	52,984,800	822,482	9,287,615
2	Energy per BGC Exclude Mkting	44,482,000	2,822,338	62,053,980	12,690,531	7,516,501	6,295,920	23,328,000	155,679,600	52,984,800	822,482	9,287,615
3	EKPC Rate E Energy	44,482,000	2,822,338	62,053,980	12,690,531	7,516,501	6,295,920	0	0	0	822,482	9,287,615
4	EKPC Rates B&C Energy	0	0	0	0	0	0	23,328,000	155,679,600	52,984,800	0	0
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21	EKPC Rate E per Company CP Dem	92,336	6,720	110,114	20,794	17,014	10,427	0	0	0	1,122	11,921
22	EKPC Rates B&C Per Company CP	0	0	0	0	0	0	32,146	243,182	71,677	0	0
23	Total CP Demand Per Company	92,336	6,720	110,114	20,794	17,014	10,427	32,146	243,182	71,677	1,122	11,921
24	Total NCP Demand Per Company	121,617	7,738	57,442	28,179	20,925	13,537	36,576	303,964	89,627	2,159	22,950
25	NCP Demand excluding Lg Ind.	4.67%	0.30%	2.21%	1.08%	0.80%	0.52%	0.00%	0.00%	0.00%	0.08%	0.88%
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40	Number of Customers	90	9	13	4	19	2	1	5	1	63	157
41	Wght Customers — Transformers	653	22	64	84	46	42	0	0	0	63	167
42	Wght Customers — Services	345.24	34.52	0.00	0.00	72.88	0.00	0.00	0.00	0.00	5.14	30.74
43	Wght Customers — Meters	364.32	36.43	0.00	0.00	76.91	0.00	0.00	0.00	0.00	0.00	0.00
44	Wght Customers — Meter Reading	180	18	26	8	38	4	2	10	2	0	0
45	Wght Customers — Customer Recor	360	36	52	16	76	8	5	25	5	126	314
46	Customer & Accounting Services wgl	4,250	425	614	189	897	94	58	290	58	1,348	3,358
47												

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocators

Schedu.. SAW_2

	Allocator	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
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60	Distribution Plant	4,071,291	265,029	1,795,920	885,794	701,997	425,742	836,908	6,953,734	2,050,185	2,348,043	4,801,511
61	Total Utility Plant	4,513,069	293,787	1,990,796	981,912	778,171	471,940	927,722	7,708,287	2,272,652	2,602,830	5,322,526
62	Net Plant	3,554,853	230,700	1,572,522	776,116	611,768	373,041	707,815	5,881,121	1,733,945	2,114,192	4,192,705
63	Station Plant	66,662	4,241	31,485	15,446	11,470	7,420	20,048	166,611	49,127	1,184	12,579
64	OH & UG Lines + Services Plt	1,535,887	103,619	651,585	319,147	270,591	153,333	413,369	3,434,595	1,012,627	39,761	304,976
65	Tranformer Plt	1,065,953	65,665	476,834	239,679	176,162	115,320	0	0	0	24,537	205,887
66	Rate Base	3,861,642	250,650	1,707,979	842,941	664,632	405,160	770,221	6,399,644	1,886,822	2,292,965	4,554,526
67	Accts 362 through 367 + 369	4,027,909	260,691	1,795,920	885,794	692,839	425,742	836,908	6,953,734	2,050,185	102,213	808,688
68	Acct 362	66,662	4,241	31,485	15,446	11,470	7,420	20,048	166,611	49,127	1,184	12,579
69	Acct 364	1,359,407	87,165	636,016	311,522	234,616	149,669	403,492	3,352,528	988,431	36,731	285,245
70	Acct 365	1,110,285	71,191	519,461	254,433	191,621	122,241	329,548	2,738,150	807,293	30,000	232,972
71	Acct 367	282,399	18,107	132,124	64,715	48,738	31,092	83,820	696,445	205,334	7,630	59,256
72	Acct 368	1,065,953	65,665	476,834	239,679	176,162	115,320	0	0	0	24,537	205,887
73	Acct 369	143,203	14,320	0	0	30,232	0	0	0	0	2,130	12,749
74	Acct 370	43,382	4,338	0	0	9,159	0	0	0	0	0	0
75	Acct 371	0	0	0	0	0	0	0	0	0	0	3,992,823
76	Acct 373	0	0	0	0	0	0	0	0	0	2,245,830	0
77	Depreciation Reserve detail	918,923	60,500	401,122	197,357	159,580	94,843	210,889	1,752,240	516,616	468,600	1,083,491
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80	Accts 582-587	31,400	2,283	11,173	5,473	5,709	2,630	7,090	58,912	17,369	21,661	285,106
81	Accts 592-597	86,144	5,808	36,502	17,888	15,165	8,595	22,686	188,494	55,574	81,382	17,058
82	Distribution Operations Exp	41,089	2,987	14,620	7,162	7,470	3,441	9,278	77,089	22,728	28,345	373,075
83	Distribution Maint. Exp	96,243	6,489	40,781	19,985	16,943	9,602	25,346	210,593	62,089	90,923	19,058
84	Customer & Acct Services Exp	7,845	785	1,133	349	1,656	174	107	535	107	2,487	6,198
85	Administrative & Gen. Exp	71,018	4,805	29,626	14,526	12,476	6,982	15,564	129,235	38,091	50,193	136,189
86	Total Salaries and Wages	26,632	1,862	10,550	5,143	4,756	2,472	6,202	51,480	15,170	21,225	70,808
87	O & M (Excludes A&G)	145,177	10,261	56,535	27,496	26,069	13,217	34,731	288,216	84,925	121,755	398,331
88	T.Depreciation Expense Detail	170,792	11,268	73,908	36,402	29,655	17,495	36,985	307,301	90,602	116,437	188,255
89	Dist Depr Expense Detail	144,540	9,559	62,328	30,690	25,129	14,749	31,588	262,463	77,382	101,296	157,295

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocation Percentage

	Allocator	Total	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial	Rate 2 Commercial & Small Power
1	Total Energy	100.0000%	35.1201%	14.4689%	15.5030%	0.0552%	0.0141%	0.1588%	2.8878%	0.7358%	0.5103%
2	Energy per BGC Exclude Mkting	100.0000%	35.3203%	14.2105%	15.5914%	0.0000%	0.0000%	0.0000%	2.9043%	0.7400%	0.5132%
3	EKPC Rate E Energy	100.0000%	43.5279%	17.5127%	19.2145%	0.0000%	0.0000%	0.0000%	3.5792%	0.9120%	0.6325%
4	EKPC Rates B&C Energy	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
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21	EKPC Rate E per Company CP Demand	100.0000%	37.4272%	18.6699%	21.7439%	0.0000%	0.0000%	0.0000%	7.6683%	1.8266%	1.8122%
22	EKPC Rates B&C Per Company CP Demand	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
23	Total CP Demand Per Company	100.0000%	32.8528%	16.3880%	19.0863%	0.0000%	0.0000%	0.0000%	6.7311%	1.6033%	1.5907%
24	Total NCP Demand Per Company	100.0000%	31.8743%	15.8988%	18.5168%	0.0000%	0.0000%	0.0000%	7.2344%	1.7648%	1.4883%
25	NCP Demand excluding Lg Ind.	100.0000%	37.1388%	18.5248%	21.5752%	0.0000%	0.0000%	0.0000%	8.4293%	2.0563%	1.7341%
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40	Number of Customers	100.0000%	47.0194%	22.0583%	26.3960%	0.0000%	0.0000%	0.0000%	2.4288%	0.7962%	0.6351%
41	Wght Customers — Transformers	100.0000%	46.3606%	21.7492%	26.0262%	0.0000%	0.0000%	0.0000%	2.3947%	0.7850%	0.6262%
42	Wght Customers — Services	100.0000%	45.3484%	21.2744%	25.4579%	0.0283%	0.0064%	0.0622%	4.3793%	1.4356%	1.1452%
43	Wght Customers — Meters	100.0000%	46.6102%	21.8663%	26.1663%	0.1941%	0.0435%	0.4264%	2.4076%	0.7892%	0.6296%
44	Wght Customers — Meter Reading	100.0000%	45.0417%	21.1305%	25.2858%	0.1876%	0.0421%	0.4120%	4.6532%	1.5254%	1.2168%
45	Wght Customers — Customer Records	100.0000%	46.8300%	21.9694%	26.2897%	0.1300%	0.0292%	0.2856%	2.4190%	0.7930%	0.6325%
46	Customer & Accounting Services wght Cust	100.0000%	46.7099%	21.9131%	26.2223%	0.1339%	0.0300%	0.2941%	2.5690%	0.8421%	0.6718%
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Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocation Percentage

Schedu JAW_2

	Allocator	Total	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial	Rate 2 Commercial & Small Power
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60	Distribution Plant	100.0000%	36.7403%	17.8082%	21.0025%	0.0125%	0.0028%	0.0274%	5.5859%	1.4640%	1.2166%
61	Total Utility Plant	100.0000%	36.7403%	17.8082%	21.0025%	0.0125%	0.0028%	0.0274%	5.5859%	1.4640%	1.2166%
62	Net Plant	100.0000%	36.6410%	17.7733%	20.9544%	0.0124%	0.0028%	0.0272%	5.6202%	1.4678%	1.2205%
63	Station Plant	100.0000%	31.8743%	15.8988%	18.5168%	0.0000%	0.0000%	0.0000%	7.2344%	1.7648%	1.4883%
64	OH & UG Lines + Services Plt	100.0000%	38.9565%	18.7437%	22.1780%	0.0096%	0.0022%	0.0211%	5.4691%	1.4925%	1.2304%
65	Tranformer Plt	100.0000%	39.1778%	19.2377%	22.5593%	0.0000%	0.0000%	0.0000%	7.0951%	1.7752%	1.4891%
66	Rate Base	100.0000%	36.6464%	17.7752%	20.9570%	0.0124%	0.0028%	0.0272%	5.6183%	1.4676%	1.2203%
67	Accts 362 through 367 + 369	100.0000%	37.8907%	18.3991%	21.6820%	0.0047%	0.0010%	0.0102%	5.9756%	1.5589%	1.2966%
68	Acct 362	100.0000%	31.8743%	15.8988%	18.5168%	0.0000%	0.0000%	0.0000%	7.2344%	1.7648%	1.4883%
69	Acct 364	100.0000%	35.6742%	17.4442%	20.4937%	0.0000%	0.0000%	0.0000%	6.0287%	1.5218%	1.2742%
70	Acct 365	100.0000%	35.6742%	17.4442%	20.4937%	0.0000%	0.0000%	0.0000%	6.0287%	1.5218%	1.2742%
71	Acct 367	100.0000%	35.6742%	17.4442%	20.4937%	0.0000%	0.0000%	0.0000%	6.0287%	1.5218%	1.2742%
72	Acct 368	100.0000%	39.1778%	19.2377%	22.5593%	0.0000%	0.0000%	0.0000%	7.0951%	1.7752%	1.4891%
73	Acct 369	100.0000%	45.3484%	21.2744%	25.4579%	0.0283%	0.0064%	0.0622%	4.3793%	1.4356%	1.1452%
74	Acct 370	100.0000%	46.6102%	21.8663%	26.1663%	0.1941%	0.0435%	0.4264%	2.4076%	0.7892%	0.6296%
75	Acct 371	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
76	Acct 373	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
77	Depreciation Reserve detail	100.0000%	37.0801%	17.9274%	21.1667%	0.0128%	0.0029%	0.0280%	5.4685%	1.4513%	1.2030%
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79											
80	Accts 582-587	100.0000%	36.3022%	17.2788%	20.5431%	0.0739%	0.0166%	0.1622%	3.6799%	1.0470%	0.8563%
81	Accts 592-597	100.0000%	38.2351%	18.3967%	21.7674%	0.0107%	0.0024%	0.0235%	5.3544%	1.4605%	1.2041%
82	Distribution Operations Exp	100.0000%	36.3022%	17.2788%	20.5431%	0.0739%	0.0166%	0.1622%	3.6799%	1.0470%	0.8563%
83	Distribution Maint. Exp	100.0000%	38.2351%	18.3967%	21.7674%	0.0107%	0.0024%	0.0235%	5.3544%	1.4605%	1.2041%
84	Customer & Acct Services Exp	100.0000%	46.7097%	21.9130%	26.2222%	0.1339%	0.0300%	0.2941%	2.5692%	0.8422%	0.6718%
85	Administrative & Gen. Exp	100.0000%	39.0757%	18.7039%	22.1818%	0.0475%	0.0107%	0.1043%	4.5857%	1.2644%	1.0403%
86	Total Salaries and Wages	100.0000%	40.0879%	19.0850%	22.6883%	0.0637%	0.0143%	0.1399%	4.1145%	1.1701%	0.9571%
87	O & M (Excludes A&G)	100.0000%	40.4377%	19.2251%	22.8688%	0.0674%	0.0151%	0.1481%	4.0054%	1.1497%	0.9388%
88	T.Depreciation Expense Detail	100.0000%	37.3049%	18.0215%	21.2855%	0.0184%	0.0041%	0.0405%	5.3921%	1.4336%	1.1879%
89	Dist Depr Expense Detail	100.0000%	37.3987%	18.0569%	21.3325%	0.0194%	0.0044%	0.0426%	5.3599%	1.4285%	1.1831%

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocation Percentage

Schedule GAW_2

	Allocator	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
1	Total Energy	3.5949%	0.2281%	5.0150%	1.0256%	0.6075%	0.5088%	1.8853%	12.5816%	4.2821%	0.0665%	0.7506%
2	Energy per BGC Exclude Mkting	3.6154%	0.2294%	5.0436%	1.0315%	0.6109%	0.5117%	1.8961%	12.6533%	4.3065%	0.0668%	0.7549%
3	EKPC Rate E Energy	4.4555%	0.2827%	6.2156%	1.2711%	0.7529%	0.6306%	0.0000%	0.0000%	0.0000%	0.0824%	0.9303%
4	EKPC Rates B&C Energy	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	10.0555%	67.1055%	22.8390%	0.0000%	0.0000%
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12												
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15												
16												
17												
18												
19												
20												
21	EKPC Rate E per Company CP Demand	3.7051%	0.2696%	4.4184%	0.8344%	0.6827%	0.4184%	0.0000%	0.0000%	0.0000%	0.0450%	0.4784%
22	EKPC Rates B&C Per Company CP Demand	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	9.2638%	70.0803%	20.6559%	0.0000%	0.0000%
23	Total CP Demand Per Company	3.2522%	0.2367%	3.8784%	0.7324%	0.5993%	0.3673%	1.1322%	8.5653%	2.5246%	0.0395%	0.4199%
24	Total NCP Demand Per Company	4.0077%	0.2550%	1.8929%	0.9286%	0.6895%	0.4461%	1.2053%	10.0166%	2.9535%	0.0712%	0.7563%
25	NCP Demand excluding Lg Ind.	4.6696%	0.2971%	2.2055%	1.0820%	0.8034%	0.5198%	0.0000%	0.0000%	0.0000%	0.0829%	0.8812%
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30												
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34												
35												
36												
37												
38												
39												
40	Number of Customers	0.1647%	0.0165%	0.0238%	0.0073%	0.0348%	0.0037%	0.0018%	0.0092%	0.0018%	0.1153%	0.2874%
41	Wght Customers — Transformers	1.1777%	0.0393%	0.1158%	0.1521%	0.0829%	0.0760%	0.0000%	0.0000%	0.0000%	0.1137%	0.3006%
42	Wght Customers — Services	0.6094%	0.0609%	0.0000%	0.0000%	0.1287%	0.0000%	0.0000%	0.0000%	0.0000%	0.0091%	0.0543%
43	Wght Customers — Meters	0.6610%	0.0661%	0.0000%	0.0000%	0.1395%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
44	Wght Customers — Meter Reading	0.3156%	0.0316%	0.0456%	0.0140%	0.0666%	0.0070%	0.0035%	0.0175%	0.0035%	0.0000%	0.0000%
45	Wght Customers — Customer Records	0.2187%	0.0219%	0.0316%	0.0097%	0.0462%	0.0049%	0.0030%	0.0152%	0.0030%	0.0766%	0.1908%
46	Customer & Accounting Services wght Cust	0.2252%	0.0225%	0.0325%	0.0100%	0.0476%	0.0050%	0.0031%	0.0153%	0.0031%	0.0714%	0.1780%
47												
48												

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Allocation Percentage

Sched... SAW_2

	Allocator	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
49												
50												
51												
52												
53												
54												
55												
56												
57												
58												
59												
60	Distribution Plant	2.6142%	0.1702%	1.1532%	0.5688%	0.4508%	0.2734%	0.5374%	4.4650%	1.3164%	1.5077%	3.0831%
61	Total Utility Plant	2.6142%	0.1702%	1.1532%	0.5688%	0.4508%	0.2734%	0.5374%	4.4650%	1.3164%	1.5077%	3.0831%
62	Net Plant	2.6611%	0.1727%	1.1771%	0.5810%	0.4580%	0.2792%	0.5298%	4.4024%	1.2980%	1.5826%	3.1385%
63	Station Plant	4.0077%	0.2550%	1.8929%	0.9286%	0.6895%	0.4461%	1.2053%	10.0166%	2.9535%	0.0712%	0.7563%
64	OH & UG Lines + Services Plt	2.2176%	0.1496%	0.9408%	0.4608%	0.3907%	0.2214%	0.5969%	4.9592%	1.4621%	0.0574%	0.4404%
65	Tranformer Plt	3.8975%	0.2401%	1.7435%	0.8764%	0.6441%	0.4217%	0.0000%	0.0000%	0.0000%	0.0897%	0.7528%
66	Rate Base	2.6585%	0.1726%	1.1758%	0.5803%	0.4576%	0.2789%	0.5303%	4.4058%	1.2990%	1.5786%	3.1355%
67	Accts 362 through 367 + 369	2.8180%	0.1824%	1.2564%	0.6197%	0.4847%	0.2979%	0.5855%	4.8649%	1.4343%	0.0715%	0.5658%
68	Acct 362	4.0077%	0.2550%	1.8929%	0.9286%	0.6895%	0.4461%	1.2053%	10.0166%	2.9535%	0.0712%	0.7563%
69	Acct 364	3.0435%	0.1951%	1.4239%	0.6974%	0.5253%	0.3351%	0.9033%	7.5057%	2.2129%	0.0822%	0.6386%
70	Acct 365	3.0435%	0.1951%	1.4239%	0.6974%	0.5253%	0.3351%	0.9033%	7.5057%	2.2129%	0.0822%	0.6386%
71	Acct 367	3.0435%	0.1951%	1.4239%	0.6974%	0.5253%	0.3351%	0.9033%	7.5057%	2.2129%	0.0822%	0.6386%
72	Acct 368	3.8975%	0.2401%	1.7435%	0.8764%	0.6441%	0.4217%	0.0000%	0.0000%	0.0000%	0.0897%	0.7528%
73	Acct 369	0.6094%	0.0609%	0.0000%	0.0000%	0.1287%	0.0000%	0.0000%	0.0000%	0.0000%	0.0091%	0.0543%
74	Acct 370	0.6610%	0.0661%	0.0000%	0.0000%	0.1395%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
75	Acct 371	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	100.0000%
76	Acct 373	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	100.0000%	0.0000%
77	Depreciation Reserve detail	2.4538%	0.1616%	1.0711%	0.5270%	0.4261%	0.2533%	0.5631%	4.6791%	1.3795%	1.2513%	2.8933%
78												
79												
80	Accts 582-587	1.4021%	0.1019%	0.4989%	0.2444%	0.2549%	0.1174%	0.3166%	2.6305%	0.7756%	0.9672%	12.7306%
81	Accts 592-597	2.1798%	0.1470%	0.9237%	0.4526%	0.3837%	0.2175%	0.5741%	4.7697%	1.4063%	2.0593%	0.4316%
82	Distribution Operations Exp	1.4021%	0.1019%	0.4989%	0.2444%	0.2549%	0.1174%	0.3166%	2.6305%	0.7756%	0.9672%	12.7306%
83	Distribution Maint. Exp	2.1798%	0.1470%	0.9237%	0.4526%	0.3837%	0.2175%	0.5741%	4.7697%	1.4063%	2.0593%	0.4316%
84	Customer & Acct Services Exp	0.2253%	0.0225%	0.0325%	0.0100%	0.0476%	0.0050%	0.0031%	0.0153%	0.0031%	0.0714%	0.1780%
85	Administrative & Gen. Exp	1.8129%	0.1227%	0.7563%	0.3708%	0.3185%	0.1782%	0.3973%	3.2990%	0.9724%	1.2813%	3.4765%
86	Total Salaries and Wages	1.4380%	0.1005%	0.5696%	0.2777%	0.2568%	0.1335%	0.3349%	2.7796%	0.8191%	1.1461%	3.8233%
87	O & M (Excludes A&G)	1.3407%	0.0948%	0.5221%	0.2539%	0.2407%	0.1221%	0.3207%	2.6616%	0.7843%	1.1244%	3.6785%
88	T.Depreciation Expense Detail	2.4234%	0.1599%	1.0487%	0.5165%	0.4208%	0.2482%	0.5248%	4.3604%	1.2856%	1.6522%	2.6712%
89	Dist Depr Expense Detail	2.3917%	0.1582%	1.0313%	0.5078%	0.4158%	0.2441%	0.5227%	4.3430%	1.2805%	1.6762%	2.6028%

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Depreciation

Schedule AW_2

Acct No. Description	Alloc	Total	Envirowatts	GS-1 Residential Farm & Non-Farm	R Residential	A Farm Home Service	GS-2 Off-Peak Marketing ETS
Per Books Depr Reserve Per Depr Study, Section 3, page 1.							
362	68	178,111		56,772	28,318	32,981	0
364	69	4,694,648		1,674,778	818,946	962,108	0
365	70	13,007,996		4,640,497	2,269,146	2,665,822	0
367	71	1,684,370		600,885	293,826	345,190	0
368	72	2,843,099		1,113,864	546,948	641,384	0
369	73	6,590,347		2,988,617	1,402,056	1,677,767	1,867
370	74	1,099,572		512,513	240,436	287,717	2,135
371	75	740,527		0	0	0	0
373	76	355,084		0	0	0	0
Gen'l. Plant	60	6,254,522		2,297,933	1,113,815	1,313,604	779
		37,448,276		13,885,858	6,713,490	7,926,573	4,781
Memo: Distribution Plant onlyOnly		31,193,754		11,587,925	5,599,675	6,612,969	4,002
Depreciation Expense w/ new rates per Depr Study, Schedule 3, page 2.							
362	68	69,362		22,109	11,028	12,844	0
364	69	1,473,988		525,833	257,126	302,075	0
365	70	1,477,474		527,077	257,734	302,789	0
367	71	452,808		161,536	78,989	92,797	0
368	72	719,292		281,803	138,375	162,267	0
369	73	1,193,692		541,320	253,951	303,889	338
370	74	430,083		200,463	94,043	112,537	835
371	75	128,968		0	0	0	0
373	76	97,694		0	0	0	0
Gen'l Plant	60	1,004,208		368,950	178,831	210,908	125
		7,047,569		2,629,090	1,270,077	1,500,107	1,298
Distribtion Depr Expense Detail (Excludies Gen'l)		6,043,361	0	2,260,140	1,091,246	1,289,199	1,173

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Depreciation

Schedu... ...AW_2

Acct No. Description	R2 Residential Marketing ETS	Rate 1 Off-Peak Marketing ETS	C-1 Commercial & Industrial	C Small Commercial	Rate 2 Commercial & Small Power	LP-1 Large Power	L Large Power Service (50-	LP-2 Large Power
Per Books Depr Reserve Per Depr Study, Section 3, page 1.								
362	0	0	12,885	3,143	2,651	7,138	454	3,371
364	0	0	283,026	71,442	59,819	142,880	9,161	66,848
365	0	0	784,213	197,952	165,749	395,895	25,385	185,224
367	0	0	101,546	25,632	21,462	51,263	3,287	23,984
368	0	0	201,719	50,471	42,337	110,810	6,826	49,569
369	419	4,101	288,611	94,609	75,469	40,163	4,016	0
370	479	4,688	26,474	8,678	6,923	7,268	727	0
371	0	0	0	0	0	0	0	0
373	0	0	0	0	0	0	0	0
Gen'l. Plant	175	1,711	349,370	91,569	76,090	163,505	10,644	72,125
	1,072	10,500	2,047,844	543,497	450,500	918,923	60,500	401,122
Memo: Distribution Plant onlyOnly	898	8,789	1,698,474	451,928	374,411	755,419	49,857	328,997
Depreciation Expense w/ new rates per Depr Study, Schedule 3, page 2.								
362	0	0	5,018	1,224	1,032	2,780	177	1,313
364	0	0	88,862	22,431	18,782	44,860	2,876	20,989
365	0	0	89,072	22,484	18,826	44,967	2,883	21,038
367	0	0	27,298	6,891	5,770	13,781	884	6,448
368	0	0	51,034	12,769	10,711	28,035	1,727	12,541
369	76	743	52,275	17,136	13,670	7,275	727	0
370	187	1,834	10,355	3,394	2,708	2,843	284	0
371	0	0	0	0	0	0	0	0
373	0	0	0	0	0	0	0	0
Gen'l Plant	28	275	56,094	14,702	12,217	26,252	1,709	11,580
	291	2,851	380,009	101,031	83,715	170,792	11,268	73,908
Distribtion Depr Expense Detail (Excludies Gen'l)	263	2,576	323,915	86,329	71,498	144,540	9,559	62,328

Blue Grass Cooperative Corporation

Attorney General Class Cost of Service

Depreciation

Schedu.. JAW_2

Acct No. Description	N Industrial & Large Power	Rate 8 Large Power Service	LPR1 Large Power Service	B1 Large Industrial Rate	B-2 Large Industrial Rate	LPR2 Large Power	0 Street Lighting	Lighting Service
Per Books Depr Reserve Per Depr Study, Section 3, page 1.								
362	1,654	1,228	795	2,147	17,841	5,261	127	1,347
364	32,742	24,659	15,731	42,409	352,367	103,889	3,861	29,981
365	90,723	68,326	43,588	117,507	976,344	287,857	10,697	83,071
367	11,748	8,847	5,644	15,216	126,424	37,274	1,385	10,757
368	24,916	18,313	11,988	0	0	0	2,551	21,403
369	0	8,479	0	0	0	0	598	3,576
370	0	1,534	0	0	0	0	0	0
371	0	0	0	0	0	0	0	740,527
373	0	0	0	0	0	0	355,084	0
Gen'l. Plant	35,574	28,192	17,098	33,611	279,265	82,336	94,298	192,830
	197,357	159,580	94,843	210,889	1,752,240	516,616	468,600	1,083,491
Memo: Distribution Plant onlyOnly	161,783	131,387	77,745	177,279	1,472,975	434,280	374,302	890,661
Depreciation Expense w/ new rates per Depr Study, Schedule 3, page 2.								
362	644	478	309	836	6,948	2,049	49	525
364	10,280	7,742	4,939	13,315	110,633	32,618	1,212	9,413
365	10,305	7,761	4,951	13,347	110,895	32,695	1,215	9,435
367	3,158	2,378	1,517	4,090	33,986	10,020	372	2,892
368	6,304	4,633	3,033	0	0	0	645	5,415
369	0	1,536	0	0	0	0	108	648
370	0	600	0	0	0	0	0	0
371	0	0	0	0	0	0	0	128,968
373	0	0	0	0	0	0	97,694	0
Gen'l Plant	5,712	4,527	2,745	5,396	44,838	13,220	15,140	30,960
	36,402	29,655	17,495	36,985	307,301	90,602	116,437	188,255
Distribtion Depr Expense Detail (Excludies Gen'l)	30,690	25,129	14,749	31,588	262,463	77,382	101,296	157,295

Blue Grass Cooperative Corporation
Office of the Attorney General
Residential Direct Customer Cost Analysis

Schedule - GAW_3

	(GS-1) Residential Farm & Non-Farm	(R) Residential	(A) Farm Home Service
Rate Base:			
Gross Plant			
Services	10,655,912	4,999,029	5,982,077
Meters	3,059,134	1,435,138	1,717,355
Total Gross Plt	13,715,047	6,434,167	7,699,432
Depr Reserve			
Services	3,116,410	1,462,007	1,749,508
Meters	534,428	250,717	300,020
Total Depr Reserve	3,650,838	1,712,725	2,049,528
Net Rate Base	10,064,209	4,721,442	5,649,904
Expenses:			
586 Meters Oper.	371,964	174,500	208,815
597 Meters Maint.	13,629	6,394	7,651
902 Meter Reading	57,934	27,179	32,524
903 Cust. Records & Collections	834,193	391,346	468,304
Total O & M Expenses	1,277,720	599,419	717,294
Depreciation Expenses:			
Services	530,663	248,951	297,906
Meters	196,516	92,192	110,321
Total Depr Expense	727,178	341,143	408,228
Revenue Requirement:			
O &M Expenses	1,277,720	599,419	717,294
Deprec. Expenses	727,178	341,143	408,228
Required Income	660,211	309,726	370,633
Total Revenue Requirement	2,665,110	1,250,288	1,496,155
Number of Bills	304618	143375	171314
Customer Cost/ mth	$8.75	$8.72	$8.73

Blue Grass Cooperative Corporation

Office of the Attorney General

Schedule GAW_4

Residential Typical Bills

	Nicholasville & Madison Districts				Fox Creek District				Harrison District				
Rate	Current	OAG Proposed	Change $	Percent Change	Current	OAG Proposed	Change $	Percent Change	Current	OAG Proposed	Change $	Percent Change	
Customer/ Mth	$5.44	$8.75	$3.31	60.8%	$5.53	$8.75	$3.22	58.2%	$9.10	$8.75	($0.35)	-3.8%	
Energy/KWH	$0.06835	$0.07652	$0.00817	12.0%	$0.07286	$0.07652	$0.00366	5.0%	$0.07451	$0.07652	$0.00201	2.7%	
Usage (KWH)													
0	$5.44	$8.75	$3.31	60.8%	$5.53	$8.75	$3.22	58.2%	$9.10	$8.75	($0.35)	-3.8%	
100	$12.28	$16.40	$4.13	33.6%	$12.82	$16.40	$3.59	28.0%	$16.55	$16.40	($0.15)	-0.9%	
500	$39.62	$47.01	$7.40	18.7%	$41.96	$47.01	$5.05	12.0%	$46.36	$47.01	$0.66	1.4%	
1000	$73.79	$85.27	$11.48	15.6%	$78.39	$85.27	$6.88	8.8%	$83.61	$85.27	$1.66	2.0%	
1300	$94.30	$108.23	$13.94	14.8%	$100.25	$108.23	$7.98	8.0%	$105.96	$108.23	$2.27	2.1%	Average Use
1500	$107.97	$123.54	$15.57	14.4%	$114.82	$123.54	$8.72	7.6%	$120.87	$123.54	$2.67	2.2%	
1700	$121.64	$138.84	$17.21	14.1%	$129.39	$138.84	$9.45	7.3%	$135.77	$138.84	$3.07	2.3%	
2000	$142.14	$161.80	$19.66	13.8%	$151.25	$161.80	$10.55	7.0%	$158.12	$161.80	$3.68	2.3%	
4000	$278.84	$314.84	$36.00	12.9%	$296.97	$314.84	$17.87	6.0%	$307.14	$314.84	$7.70	2.5%	

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APLICATION OF BLUE GRASS ENERGY	)	
COOPERATIVE CORPORATION FOR	)	Case No. 2008-00011
AN ADJUSTMENT OF RATES	)	

AFFIDAVIT OF GLENN A. WATKINS

Commonwealth of Virginia)
)
)

Glenn A. Watkins, being first duly sworn, states the following: The prepared Pre-Filed Direct Testimony, and the Schedules and Appendix attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, his statements made are true and correct. Further affiant saith not.

Glenn A. Watkins

SUBSCRIBED AND SWORN to before me this 15th day of July, 2008.

NOTARY PUBLIC

My Commission Expires: 03/31/10
Registration No: 270986