

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 30 2008  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

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

APPLICANT'S RESPONSES TO  
ATTORNEY GENERAL'S SUPPLEMENTAL REQUESTS FOR INFORMATION

The applicant, Blue Grass Energy Cooperative Corporation, makes the following responses to the "Attorney General's Supplemental Requests for Information," as follows:

1. The witnesses who are prepared to answer questions concerning each request are J. Donald Smothers and Jim Adkins.
2. J. Donald Smothers, Vice - President of Blue Grass Energy Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and Exhibits are attached hereto and incorporated by reference herein.

  
HOWARD DOWNING  
109 South First Street  
Nicholasville, KY 40356  
Attorney for Blue Grass Energy  
Cooperative Corporation  
Telephone: 859-885-4619

The undersigned, J. Donald Smothers as Vice President of Blue Grass Energy Cooperative Corporation, being first duly sworn, states that the responses herein are true and accurate to the best


of my knowledge, information and belief formed after a reasonable inquiry.

Dated: June 30, 2008.

BLUE GRASS ENERGY COOPERATIVE CORPORATION

By:   
J. DONALD SMOTHERS  
VICE - PRESIDENT

Subscribed, sworn to and acknowledged before me by J. Donald Smothers, as Vice -  
President of Blue Grass Energy Cooperative Corporation on behalf of said Corporation this 30<sup>th</sup> day  
of June, 2008.

  
NOTARY PUBLIC, KENTUCKY STATE AT LARGE  
My Commission Expires: April 1, 2009.

**CERTIFICATE OF SERVICE**

The undersigned counsel certifies that the foregoing motion has been served upon the following:

Original and Seven Copies

Ms. Stephanie Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Copy

Hon. Lawrence W. Cook  
Assistant Attorney General  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

Leigh and Troy Roach  
115 Prestwick Drive  
Georgetown, KY 40324

This 30<sup>th</sup> day of June, 2008.

  
ATTORNEY FOR BLUE GRASS ENERGY  
COOPERATIVE CORPORATION



Blue Grass Energy Cooperative  
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1. Is the import of the response to PSC-2-30 that the originally proposed adjusted test year depreciation reserve balance of \$38,424,441 shown on Exhibit S, page 1 and Exhibit K, page 2 should be corrected to \$40,022,780 (\$39,049,560 + \$973,220)? If not, explain what the end result of the response to PSC-2-30 should be.

**Response**

Yes.



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2. With regard to the response to AG-1-2, please provide the following information:

a. What is the 13-month average prepaid PSC assessment balance for the test year?

**Response**

\$57,152

b. If these prepaid PSC assessments are not included in the claimed 13-month average test year prepayment balance of \$596,352, explain where (account number and title) they are reflected.

**Response**

Account No. 186.00, Miscellaneous deferred debits

c. What represents the test year Prepayments - Other balance in account 16520 (e.g., the 12/07 balance of \$58,002)?

**Response**

This is used for prepaid dues to KAEC and NRECA.

Prepaid NRECA dues	41,082
Prepaid KAEC dues	16,920
	<u>58,002</u>





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3. As evidenced from Exhibit H-1, page 6, a major reason for the requested rate increase in this case is due to "A substantial increase in the use of short-term debt funding due to the E44 loan not being available." In this regard, please provide the following information:
- a. Now that the E44 RUS loan has become available to BECC for an amount of \$12 million in April 2008, only 4 months after the end of the test year, would BECC agree that it is relevant to recognize this major event for ratemaking purposes in this case. If not, explain why not.

**Response**

Blue Grass agrees that events after the test year should be considered, however, just having a major event occur after the test year does not necessitate that it be recognized for ratemaking purposes.

- b. If the response to part (a) above is in the affirmative, would BECC agree that the updated annualized cost of long-term debt of \$4,290,139, shown in the response to PSC-2-37, which incorporates the impact of the new \$12 million RUS loan, should be used for ratemaking purposes in this case? If not, explain why not.

**Response**

See response to b. above.

- c. At which date in April 2008 did the \$12 million RUS loan funds become available to Blue Grass?

**Response**

April 10, 2008

- d. Explain how the \$12 million funds from E44 RUS loan have been used by BECC and what the resulting current, or anticipated, short term debt balance is for BECC.

**Response**

See Third Data Request of Commission, Item 11(a) thru (c).

- e. Given that the \$12 million funds from E44 loan became available to BECC in April 2008 and given the requested rate increase of approximately \$7.8 million, explain whether BECC still believes it is appropriate to reflect 50% of the actual test year short term debt interest for ratemaking purposes in this case. If so, explain why. If not, provide the impact on the currently requested "Other" interest expense of \$320,408 shown on Exhibit S, page 2 and in the response to AG-1-32.

**Response**

See Third Data Request of Commission, Item 11(a) thru (c).



**BLUE GRASS ENERGY COOPERATIVE  
CASE NO. 2008-0011**

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

4. With regard to the response to PSC-2-33(f), please provide the following information:

a. What is the current status of the Pole Treatment Program in 2008?

The 2008 contract has been signed and it will be implemented later this summer.

b. Will this Pole Treatment Program be recurring annually or does it represent a program that is only implemented periodically, but not annually.

Annually

c. What are the account 593.00 expenses for the first 5 months of 2008?

\$592,836.



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CASE NO. 2008-0011**

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

5. With regard to the response to PSC-2-22(h), please explain when the conversion to the 811 system was started; when did it end; and what is the current status of the conversion?

We converted to 811 in the fall 2007. It did not end and is an ongoing service.



**BLUE GRASS ENERGY COOPERATIVE  
CASE NO. 2008-0011**

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

6. With regard to the test year expense of \$214,334 for account 598.00, provide the corresponding actual expenses for each year from 2003 through 2006 and explain why the test year amount is so much higher than the expenses for the prior 4 years.

2003	\$165,983
2004	\$133,402
2005	\$140,517
2006	\$177,063

The test year was higher because more labor, benefits and transportation cost was charged to the account due to more emphasis placed on maintenance of the system to improve reliability.





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**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

7. With regard to the test year expense of \$42,102 for account 595.00, provide the corresponding actual expenses for each year 2003 through 2006 and explain why the test year amount is so much higher than the expenses for the prior 4 years.

2003	\$11,650
2004	\$22,156
2005	\$26,261
2006	\$34,600

The test year was higher because more labor, benefits and transportation cost was charged to the account due to more emphasis placed on maintenance of the system to improve reliability.



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CASE NO. 2008-0011**

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

8. With regard to the response to PSC-2-33(i), please provide the following information:
  - a. Confirm that the 2007 test year still includes 6 months of account 902. Meter reading expenses incurred prior to the June 2007 implementation of the AMR system.  
  
The last check paid to Specialized Technical Services (STS) for meter reading was check #51010 dated June 15, 2007. After that we utilized the AMR system for all districts.
  - b. Since the 4 month 2008 expense of \$25,510 reflects the full impact of the AMR implementation, would BECC agree that the annualization of this expense amount (annual expense of \$76,530) would be more representative of the future ongoing account 902.00 expenses than the \$126,639 actual test year expenses which still include 6-month worth of pre-AMR expenses? If you do not agree, explain your disagreement.  
  
Yes.
  - c. Provide the actual account 902.00 expenses for the first 5 months of 2008.  
  
\$26,328.



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CASE NO. 2008-0011**

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

9. With regard to the response to PSC-2-33(j), please provide the following information:

a. Describe the nature and purpose of the EKPC partner plus incentives.

These were matching funds from EKPC to support energy efficiency programs.

b. Explain why Blue Grass did not receive any EKPC partners plus incentives in 2007 and explain whether such incentives have not ceased to exist or whether additional incentives may be received in the future.

Blue Grass received \$124,372 less incentives in 2007 than in 2006. EKPC reduced the incentive payments to the Distribution Cooperatives in 2007 and has eliminated Partners Plus incentives for 2008 and the future at this time.

c. Provide the dollar amounts of EKPC partner plus incentives received by BECC in 2006, 2005, 2004, and 2003, as well as for the first 5 months of 2008.

2003	\$216,652
2004	\$318,494
2005	\$258,849
2006	\$286,053
2008	No incentives



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10. As shown on Exhibit 9, pp. 1-2, BECC's proposed test year professional fees include \$12,769 for legal fees associated with the Tindle Site issue. In this regard, please provide the following information:
- a. Confirm that BECC in this case has proposed to remove for ratemaking purposes \$297,000 worth of expenses associated with the Tindle Site issue, as shown on Exhibit 8.

**Response**

Yes.

- b. Given the position described in response to part (a) above, explain why it would be appropriate to include other Tindle Site issue expenses, such as the \$12,769 test year legal expenses, for ratemaking purposes in this case.

**Response**

The \$297,000 were the fines that were levied against Blue Grass. These were removed for ratemaking purposes. The legal expenses are considered an ongoing expense to defend, and comply, with environmental and other issues. It is anticipated that environmental issues will continue, if not escalate in future years.

- c. Provide all other Tindle Site issue related expenses, other than the \$297,000 and \$12,769 expenses referenced in parts (a) and (b) above, that are included in the test year expenses and indicate in which account.

**Response**

No additional costs.





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**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

10. Please explain the \$200 Park Donation expense on Exhibit 11, page 16, line 25.

This was a donation to Anderson-Dean Community Park allowing Blue Grass to use the location for our Annual Meeting site.



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CASE NO. 2008-0011**

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

12. With regard to the response to AG-1-23, provide a further breakdown for all expense items making up the \$7,512 for Publications and the \$2,558 for Miscellaneous.

Publications:

Loss Control Professional	\$ 53.00
National Compensation Survey & Benefits	\$ 842.70
Jessamine Journal	\$ 28.62
Electric Cooperative	\$ 381.60
Legal Report Service	\$ 328.60
Personnel Pointer	\$ 206.70
Georgetown News	\$ 143.10
Lexington Herald Leader	\$ 481.96
M. Lee Smith Publishing	\$ 485.21
Autocad Subscription	\$ 476.67
Home Energy Magazine	\$ 68.90
The State Journal	\$ 189.39
The Richmond Register	\$ 127.20
Dodge Reports	\$ 610.10
Cynthiana Democrat	\$ 63.60
2008 National Code Books	\$1,082.90
Currin Energy Page	\$ 196.10
Safety & Protection	\$ 57.99
Tennessee Valley PPA	\$ 565.00
Dale Hammond Limited Books	<u>\$1,123.10</u>
Total	\$7,512.44

Miscellaneous:

Shreading Disposal	\$ 200.00
Credit card late fees	\$ 59.97
Photo supplies	\$ 56.45
IEEE Expenses	\$2,106.82
Safety Training refreshments	<u>\$ 134.89</u>
Total	\$2,558.13



**BLUE GRASS ENERGY COOPERATIVE  
CASE NO. 2008-0011**

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

13. With regard to the response to PSC-2-33(m), please provide the following information:

- a. What portion of the total expense of \$465,863 was for the installation of new tile and carpet. In addition, explain, whether this expense item is an annual recurring item.

The maintenance to replace tile and carpet was \$26,242 . Based on the age of the buildings at 2 of the other districts we could have similar maintenance expense. They will be checked and maintenance performed accordingly.

- b. What portion of the total expense of \$465,863 was for the maintenance performed on the geothermal system. In additions, explain whether this expense item is an annual recurring item.

See PSC 3<sup>rd</sup> data request item No. 17.



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14. The response to AG-1-38 shows that from January 2007 through April 2008, BECC averaged 3.6 summer/part-time employees. However, for ratemaking purposes BECC has assumed 7 summer/part-time employees, as shown on Exhibit 1, page 5. In this regard, please provide the following information:

- a. Explain why BECC has assumed 7 summer/part-time employees given that during the test year it averaged 3.6 employees and currently it only has 3 summer/part-time employees.

**Response**

Blue Grass presently uses 3 to 4 summer employees that college students to perform and assist during summer months. In addition, each district, Fox Creek, Harrison and Madison use temporary employees to fill-in during peak times of the month, and also when employees are on vacation or other scheduled leave. The response to AG-1-38 omitted these temporary positions that each of the districts utilize.

- b. What would the pro forma summer/part-time employee wages be based on the assumption of 3.6 employees rather than the total wages of \$27,156 based on the assumption of 7.0 employees?

**Response**

The pro forma adjustment of 3.6 rather than 7.0 employees would assume that the difference (7.0 minus 3.6 = 3.4) would be full-time and would use 2,080 hours in the normalized adjustment. As such, the adjustment as filed with the application accurately reflects the use of temporary and summer employment.