



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
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David L. Armstrong
Chairman

James Gardner
Vice-Chairman

John W. Clay
Commissioner

July 28, 2008

Daniel W. Brewer
President And Ceo
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY 40340-0990

RE: Case No. 2008-00011

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Stephanie Stumbo
Executive Director

SS/rs

Enclosure



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Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

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Honorable Howard Downing
Attorney at Law
109 South First Street
Nicholasville, KY 40356

July 28, 2008

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James Gardner
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Commissioner

Leigh and Troy Roach
115 Prestwick Drive
Georgetown, KY 40324

July 28, 2008

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Executive Director

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

FIRST DATA REQUEST OF COMMISSION STAFF TO
THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 7, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The AG shall make timely amendment to any prior responses if he obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which

the AG fails or refuses to furnish all or part of the requested information, he shall provide a written explanation of the specific grounds for his failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Prepared Direct Testimony and Schedules of Glenn A. Watkins (“Watkins Testimony”) and Schedule – GAW_2 (“GAW_2”).

a. Provide an electronic copy of the cost-of-service study with all formulas intact and unprotected.

b. Provide an explanation of how each allocator is derived and the source of the numbers on pages 12-15 (see subheading “Allocators”).

c. For each of the allocators 41-46, provide the rationale supporting the weights used.

d. Refer to pages 20-22 of GAW_2 (see subheading “Depreciation”). The top portion of these pages states, “Per Depr Study, Section 3, page 1.” Identify where in the Watkins Testimony these numbers are used.

2. Refer to the Watkins Testimony, page 16, and Schedules – GAW_2 and GAW_3.

a. For the Depreciation Reserve, Depreciation Expense, and Required Income line items on schedule GAW__3 ("GAW_3"), provide an explanation of how each number was derived.

b. Meters and services are the only items shown on GAW__3 under Gross Plant which are used in deriving the cost to directly serve residential customers. Items such as distribution lines and transformers are not included. Provide a list of the fixed costs not included in the customer charge calculations on GAW__3 and explain why they were not included.

c. Provide an alternate calculation of the customer charges in GAW__3 that includes accounts 369 (Services) and 370 (Meters), plus appropriate amounts from accounts 364 (Poles, Towers and Fixtures), 365 (Overhead Conductor), 367 (UG Conductor) and 368 (Line Transformers).

d. Mr. Watkins proposes reducing the requested residential customer charge from \$12.00 to \$8.75. If customers try to conserve and use less electricity, a utility's ability to meet its fixed cost obligations may be reduced if relatively more of its fixed costs are recovered via energy charges. Describe the extent to which Mr. Watkins considered this possibility when recommending that relatively greater fixed costs should be recovered through Blue Grass's residential energy charge as opposed to its residential customer charge.

3. Refer to the Watkins Testimony, page 11. Mr. Watkins states that "[d]ue 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." Provide a detailed explanation of this statement.

4. Refer to the Watkins Testimony, page 13, which includes a table labeled "Blue Grass Proposed Increase." Provide the source of and calculations for the class breakdowns in the column headed "Amount" (\$Millions).

5. Refer to the Watkins Testimony, page 14.

a. Mr. Watkins recommends increasing rates for the large power and large industrial classes by amounts equal to 50 percent of the system-wide percentage increase. Given that his cost-of-service study shows these classes providing Times Interest Earned Ratios ("TIER") as low as 1.63 and as high as 5.19 at current rates, explain why Mr. Watkins proposes to increase all four classes by the same percentage and, given these classes' TIERs relative to the requested system-wide TIER of 2.0, explain why the percentage should be 50, as opposed to a smaller percentage.

b. The last sentence on page 14 and the table on page 15 reference a proposed increase of \$7.853 million. Provide the source of this amount.

6. The AG did not file testimony addressing revenue requirements issues. State whether this indicates that the AG does not contest the amount of Blue Grass's requested revenue increase.



Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: July 28, 2008

cc: All Parties