



Blue Grass Energy

A Touchstone Energy Cooperative



RECEIVED

FEB 14 2005

PUBLIC SERVICE
COMMISSION

2004-00374

**RESPONSE TO THE
PUBLIC SERVICE COMMISSION'S
SECOND INQUIRY ON
CONSTRUCTION OF NEW
HARRISON DISTRICT BUILDING**

ITEMS INDEXED

- 1 Provide information regarding Blue Grass Energy's headquarters facilities on Lexington Road in Jessamine.
- 2 Explain whether any of Blue Grass Energy's billing function is performed at its headquarters.
- 3 Explain whether Blue Grass Energy compared the size and cost of the proposed district office facilities in Harrison County to the district office facilities of any other electric cooperative in Kentucky.
- 4 Explain whether the purchase of suitable existing commercial facilities was ever considered as an option to building new facilities in Harrison County.
- 5 Explain whether the proposed 3 phase extension associated with Blue Grass Energy's proposal will be constructed within Blue Grass Energy's existing service territory.
- 6 Explain whether it is likely that the entire \$325,000 shown for "Schematic Construction Contingency" included in the Budget Cost Estimation will be spent.
- 7 Has the number of employees working at the Oddville Avenue office building in Cynthiana, Kentucky changed since the merger of Blue Grass Energy and Harrison County Rural Electric Cooperative Corporation?
- 8 Provide a projection of the number of employees that will be working from the proposed district office for each of the next 10 years.
- 9 Provide the average number of bills that are paid monthly, in person, at each Blue Grass Energy office.
- 10 Provide a breakdown by dollar amount of construction expense at each Blue Grass Energy office facility for the prior 3 years and a projection for the upcoming 5 years.

1. Provide the following information regarding Blue Grass Energy's headquarters facilities on Lexington Road in Jessamine County:

a. Square footage of the office building.

17,340

b. Square footage of the warehousing facilities.

20,560

c. Total acreage of the site, including structures, parking and storage.

8.55

d. Total number of employees based at the site. Show separately the total number of employees working in the headquarters building and the total number of employees based at warehousing/line crew facilities.

Our headquarters and warehousing/line crew facilities are combined

Office 41

Warehousing/line crew 17

e. Total square footage of any unutilized space in the headquarters building.

Zero - All of the space at the headquarters facilities is fully utilized.

Witness: Len Parsons

2. Explain whether any of the Blue Grass Energy's billing function is performed at its headquarters.

At the present time delinquent notices are the only billing function being processed at the headquarters facility.

- a. If billing functions are performed at the headquarters, identify whether the billing is for all Blue Grass Energy members, or if billing done at the Lexington Road headquarters is only for pre-merger Blue Grass Energy members.

Delinquent notices are processed at the headquarters facility for all Blue Grass Energy members.

- b. If applicable, provide the number of employees involved in the billing function at the headquarters building.

1 – Delinquent notices are only a portion of this employee's job duties.

Witness: Donald Smothers

3. Explain whether Blue Grass Energy compared the size and cost of the proposed district office facilities in Harrison County to the district office facilities of any other electric cooperatives in Kentucky.

We did visit other Cooperative facilities. However, based on the needs of the new Harrison District Office being quite different from most district offices the due diligence needs assessment was prepared. A detail of this due diligence analysis, as prepared by CDS Associates, was listed as Item 8 of the first data request. Based on CDS Associates recommendation the district office plans were developed. This district office will be fully functional including but not limited to employees performing the following functions:

1. Billing
2. Economic Development
3. Right of Way Maintenance
4. Human Resources
5. Information Technology (IT)
6. Emergency Disaster Operations
7. Operations – line crews
8. Customer Service
9. Member service
10. Warehousing
11. Material

We have all of our major billing functions for the entire Cooperative at the Harrison Office. Economic Development, Right of Way Maintenance, as well as some Human Resources functions are being performed for the entire Cooperative at this facility.

This district office will serve as a backup for all Information Technology (IT) functions and serve as the backup location for the Emergency Disaster Operations Plan of which IT is a significant part. This allows us to be proactive in responding to the Rural Utilities Service (RUS) new Emergency Disaster regulations.

This office will allow for overflow warehousing space supplementing our Headquarters facilities which is at its full capacity. Additional material for all districts will be stored and distributed from this facility.

Witness: Donald Smothers

4. Explain whether the purchase of suitable existing commercial facilities was ever considered as an option to building new facilities in Harrison County.

No. This was discussed with local business leaders and it was determined that no existing facility was suitable.

Witness: Len Parsons

5. Explain whether the proposed 3 phase extension associated with Blue Grass Energy's proposal will be constructed within Blue Grass Energy's existing service territory. If not, does Blue Grass Energy expect any difficulty or opposition to obtaining the necessary rights of way? Explain the response.

The only part of the 3-phase extension that will be out of Blue Grass territory will be located in the industrial park within a platted utility easement. We do not expect any difficulty or opposition to right of way or the 3-phase extension.

Witness: Chris Brewer

6. Refer to Exhibit B of the application. Explain whether it is likely that the entire \$325,000 shown for “Schematic Construction contingency” included in the Budget Cost Estimation will be spent.

We do not anticipate use of the entire “schematic construction contingency” funds. However, based on current escalating cost of materials (steel, concrete, etc.) it is impossible to determine costs of these items until contracts are signed and prices “locked in”.

Witness: Donald Smothers

7. Has the number of employees working at the Oddville Avenue office building in Cynthiana, Kentucky changed since the merger of Blue Grass Energy and Harrison County Rural Electric Cooperative Corporation?

Yes, decreased. On January 1, 2002 the numbers of employees at the Oddville Office was 14. Today the number of employees is 12.

- a. Also explain whether Blue Grass energy believes it is effectively utilizing all available space at the Oddville Avenue facility.

Yes, we are utilizing all functional space.

- b. Explain whether the Oddville Avenue and the New Lair Road facilities have been offered for sale.

No, we are waiting for PSC approval of the new facility. Some community interest has been show, but there has not been any official offers or negotiations.

Witness: Len Parsons

8. Provide a projection of the number of employees that will be working from the proposed district office for each of the next 10 years.

2006	28
2007	28
2008	28
2009	29
2010	29
2011	30
2012	30
2013	31
2014	31
2015	32

Witness: Donald Smothers

9. Provide the average number of bills that are paid monthly, in person, at each Blue Grass Energy office.

The approximately number for each district is:

Nicholasville 5,488

Madison 3,994

Fox Creek 3,379

Harrison 3,964

Witness: Donald Smothers

10. Provide a breakdown by dollar amount of construction expense at each Blue Grass office facility for the prior 3 years and a projection for the upcoming 5 years.

There were not any building plant additions in the previous 3 years and there are no plans for building plant additions for the upcoming 5 years excluding the Harrison office.

Witness: Len Parsons