

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE)	
APPLICATION OF THE FUEL)	
ADJUSTMENT CLAUSE OF BLUE)	
GRASS ENERGY COOPERATIVE)	CASE NO. 2006-00512
CORPORATION FROM NOVEMBER 1,)	
2004 TO OCTOBER 31, 2006)	

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission, on December 18, 2006, established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Blue Grass Energy Cooperative Corporation ("Blue Grass") for the 2-year period ended October 31, 2006.

As part of this review, the Commission ordered Blue Grass to submit certain information and an affidavit attesting to its compliance with Administrative Regulation 807 KAR 5:056. Blue Grass has complied with this Order. The Commission further ordered that a public hearing be held in this case but cancelled it when, after publication of notice, no interested party advised the Commission of its intention to attend.

In its April 1, 2007 Order in Case No. 2006-00472,¹ the Commission authorized a \$19.0 million interim rate increase for East Kentucky Power Cooperative, Inc. ("East Kentucky"), Blue Grass's power supplier. On April 11, 2007, Blue Grass filed its revised tariffs reflecting the interim rate increase authorized by the Commission's April 1, 2007

¹ Case No. 2006-00472, General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.

Order in Case No. 2006-00475.² In its June 13, 2007 data request, Commission Staff requested that Blue Grass provide revised tariffs which reflect the effect of its proposed FAC roll-in upon the interim rates filed on April 11, 2007. Blue Grass has complied with that request.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Blue Grass has complied in all material respects with the provisions of Administrative Regulation 807 KAR 5:056.

2. East Kentucky, the wholesale supplier of Blue Grass, has been authorized to transfer (roll-in) a 6.13 mills per kWh increase in the base fuel cost to its base rates.³

3. Blue Grass should be authorized to transfer (roll-in) a 6.47 mills per kWh increase in its base fuel costs to its base rates to reflect, as adjusted for line loss, the transfer of a 6.13 mills per kWh increase in East Kentucky's current base rates. This transfer can best be accomplished by an energy adder to each kWh sold.

4. The rates and charges in Appendix A are fair, just, and reasonable, and reflect the transfer of fuel costs from the FAC to the base rate.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Blue Grass through the FAC for the period November 1, 2004 to October 31, 2006 are approved.

² Case No. 2006-00475, Application of Blue Grass Energy Cooperative Corporation to Pass-Through an Increase of Its Wholesale Power Supplier Pursuant to KRS 278.455(2).

³ Case No. 2006-00508, An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2004 to October 31, 2006.

2. Blue Grass is authorized to transfer to base rates those fuel costs (as adjusted for line-loss) rolled in by East Kentucky from its FAC to its base rates.

3. The rates in Appendix A are approved for service rendered by Blue Grass on and after August 1, 2007, the effective date of East Kentucky's change in rates.

4. Within 20 days of the date of this Order, Blue Grass shall file with the Commission revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 25th day of July, 2007.

By the Commission

ATTEST

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and flourishes, covering the text 'Executive Director'.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00512 DATED JULY 25, 2007

The following rates and charges are prescribed for the customers in the area served by Blue Grass Energy Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE GS-1
RESIDENTIAL, FARM AND NON-FARM

Energy Charge per kWh \$.06835

SCHEDULE GS-2
OFF-PEAK RETAIL MARKETING RATE (ETS)

Energy Charge per kWh \$.04101

SCHEDULE GS-3
RESIDENTIAL FARM AND NON-FARM TIME OF DAY

Energy Charge
On-Peak Energy per kWh \$.08391
Off-Peak Energy per kWh \$.04541

SCHEDULE C-1
COMMERCIAL AND INDUSTRIAL LIGHTING & POWER

Energy Charge per kWh
First 3,000 kWh \$.07272
All Over 3,000 kWh \$.06779

SCHEDULE LP-1
LARGE POWER

Energy Charge per kWh
First 10,000 kWh \$.05723
Next 15,000 kWh \$.05036
Next 50,000 kWh \$.04461
Next 75,000 kWh \$.04225
All Over 150,000 kWh \$.04050

SCHEDULE LP-2
LARGE POWER

Energy Charge per kWh

First	3,500 kWh	\$.05809
Next	6,500 kWh	\$.04960
Next	140,000 kWh	\$.04433
Next	200,000 kWh	\$.04274
Next	400,000 kWh	\$.04179
Next	550,000 kWh	\$.04085
All Over	1,300,000 kWh	\$.03544

SECURITY LIGHTS

Rates Per Light Per Month:

175 Watt	\$	5.64
400 Watt	\$	8.92
100 Watt High Pressure Sodium	\$	5.51
250 Watt High Pressure Sodium	\$	8.37
400 Watt Metal Halide Directional Flood	\$	12.74
400 Watt High Pressure Sodium Directional Flood	\$	13.80
100 Watt High Pressure Sodium-Shoebox Fixture	\$	16.81
100 Watt High Pressure Sodium-Acorn Fixture (Fiberglass Pole)	\$	16.28
100 Watt High Pressure Sodium-Colonial Fixture	\$	13.75
400 Watt High Pressure Sodium-Cobra Head (Aluminum Pole)	\$	20.40

STREET LIGHTING

Rates Per Light Per Month:

70 Watt High Pressure Sodium (Ornamental)	\$	5.50
100 Watt High Pressure Sodium (Ornamental)	\$	7.16
250 Watt High Pressure Sodium (Ornamental)	\$	10.16
70 Watt High Pressure Sodium (Colonial)	\$	8.35
200 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$	12.21
100 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$	8.94
100 Watt High Pressure Sodium-Shoebox Fixture	\$	16.81
100 Watt High Pressure Sodium-Acorn Fixture (Fiberglass Pole)	\$	16.28
100 Watt High Pressure Sodium-Colonial Fixture	\$	13.75
400 Watt High Pressure Sodium-Cobra Head (Aluminum Pole)	\$	20.40

SCHEDULE C-1
LARGE INDUSTRIAL RATE

Energy Charge per kWh	\$.04298
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SCHEDULE C-2
LARGE INDUSTRIAL RATE

Energy Charge per kWh \$.03784

SCHEDULE C-3
LARGE INDUSTRIAL RATE

Energy Charge per kWh \$.03682

SCHEDULE B-1
LARGE INDUSTRIAL RATE

Energy Charge per kWh \$.04319

SCHEDULE B-2
LARGE INDUSTRIAL RATE

Energy Charge per kWh \$.03806

FOX CREEK DISTRICT

SCHEDULE R
RESIDENTIAL

Energy Charge per kWh \$.07286

SCHEDULE C
COMMERCIAL AND SMALL POWER

All Over 30 kWh per Month \$.07729

SCHEDULE L
LARGE POWER SERVICE (50 TO 200 kW)

First 50 kWh per kW of Billing Demand \$.08038
Next 100 kWh per kW of Billing Demand \$.07628
Over 150 kWh per kW of Billing Demand \$.06611

SCHEDULE R2
RESIDENTIAL MARKETING RATE

All kWh per kWh \$.04372

SCHEDULE C1
LARGE INDUSTRIAL RATE (1,000 TO 4,999 kW)

Energy Charge per kWh \$.04278

SCHEDULE C2
LARGE INDUSTRIAL RATE (5,000 TO 9,999 kW)

Energy Charge per kWh \$.03765

SCHEDULE C3
LARGE INDUSTRIAL RATE (OVER 10,000 kW)

Energy Charge per kWh \$.03662

SCHEDULE M
COMMERCIAL AND INDUSTRIAL POWER SERVICE

Energy Charge:

First	425 kWh per kW of Billing Demand	\$.05447
All Over	425 kWh per kW of Billing Demand	\$.04637

SCHEDULE N
INDUSTRIAL AND LARGE COMMERCIAL (OVER 500 kW)

Energy Charge:

First	425 kWh per kW of Billing Demand	\$.05037
All Over	425 kWh per kW of Billing Demand	\$.04227

SCHEDULE B1
LARGE INDUSTRIAL

Energy Charge per kWh \$.04278

SECURITY LIGHTS

Rate per Light per Month

175 Watt Mercury Vapor	\$ 5.64
400 Watt Mercury Vapor	\$ 8.92
100 Watt High Pressure Sodium	\$ 5.51
250 Watt High Pressure Sodium	\$ 8.37
400 Watt Metal Halide Directional Flood	\$ 12.74
400 Watt High Pressure Sodium Directional Flood	\$ 13.80
100 Watt High Pressure Sodium-Shoobox Fixture	\$ 16.81
100 Watt High Pressure Sodium-Acorn Fixture (Fiberglass Pole)	\$ 16.28
100 Watt High Pressure Sodium-Colonial Fixture	\$ 13.75
400 Watt High Pressure Sodium Cobra Head (Aluminum)	\$ 20.40

STREET LIGHTING

Rate per Light per Month

70 Watt High Pressure Sodium (Ornamental)	\$ 5.50
100 Watt High Pressure Sodium (Ornamental)	\$ 7.16
250 Watt High Pressure Sodium (Ornamental)	\$ 10.16
70 Watt High Pressure Sodium (Colonial-15 ft. mounting height)	\$ 8.35
200 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 12.21
100 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 8.94
100 Watt High Pressure Sodium-Shoebox Fixture	\$ 16.81
100 Watt High Pressure Sodium-Acorn Fixture (Fiberglass Pole)	\$ 16.28
100 Watt High Pressure Sodium-Colonial Fixture	\$ 13.75
400 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 20.40

HARRISON DISTRICT

SCHEDULE A (RATE 1)
FARM AND HOME SERVICE

All kWh Used per kWh \$.07451

SCHEDULE A (RATE 1 ETS)
FARM AND HOME SERVICE OFF PEAK RETAIL MARKETING RATE

All kWh Used per kWh \$.04471

RATE 2
COMMERCIAL AND SMALL POWER SERVICE (ZERO TO 50 kW)

All kWh Used per kWh \$.07617

RATE 8
LARGE POWER SERVICE (50 TO 500 kW)

All kWh Used per kWh \$.05091

RATE 8
LARGE POWER SERVICE OVER 500 kW DEMAND (LPR1)

All kWh Used per kWh \$.04832

RATE 8
LARGE POWER SERVICE 1000 TO 4,999 kW DEMAND (LPR 2)

All kWh Used per kWh \$.04745

RATE 8
LARGE POWER SERVICE 5,000 TO 9,999 KW DEMAND (LPR 2)

Energy Charge:

For the first 425 kWh per kW of Billing Demand	\$.04481
All remaining kWh	\$.03709

OUTDOOR LIGHTING SERVICE (SECURITY LIGHTS)

175 Watt	\$ 9.51
400 Watt	\$ 15.39
200 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 12.21
100 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 8.94
100 Watt High Pressure Sodium-Shoebox Fixture	\$ 16.81
100 Watt High Pressure Sodium-Acorn Fixture (Fiberglass Pole)	\$ 16.28
100 Watt High Pressure Sodium-Colonial Fixture	\$ 13.75
400 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 20.37
400 Watt Metal Halide Directional Flood	\$ 12.71
400 Watt High Pressure Sodium Directional Flood	\$ 13.77