




A Touchstone Energy Cooperative 

P.O. Box 990 • 1201 Lexington Road • Nicholasville, Kentucky 40340-0990
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APR 24 2008

PUBLIC SERVICE
COMMISSION

April 24, 2008

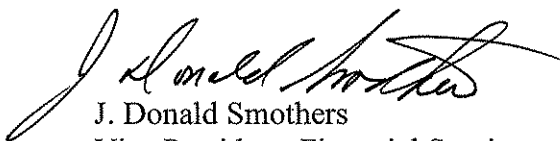
Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort Kentucky 40601

Dear Ms. Stumbo,

We are filing an original and ten (10) copies of information as requested by the Public Service Commission's first data request concerning Case No. 2008-00011. This request relates to the application by Blue Grass Energy Cooperative Corporation to increase its retail rates.

If you have any questions, please contact me at (859) 885-2118. As always, your continued assistance and cooperation is appreciated.

Sincerely,



J. Donald Smothers
Vice President, Financial Services

CC: Attorney General
Leigh and Troy Roach

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 24 2008

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF)
ADJUSTMENT OF RATES)
OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION)

NO. 2008 - 00011

PETITION FOR CONFIDENTIALITY

Blue Grass Energy Cooperative Corporation petitions the Public Service Commission for confidential treatment of Exhibits 23 and 28 of petitioner's application for rate adjustment and "First Data Request" and that any further references to salary and wage information about employees of Blue Grass Energy be kept confidential. (807 KAR 5:001, Section 7).

The confidential material is excluded under the provisions of KRS 61.878(1)(a) and KRS 61.878 (1)(c)(1), as follows:

KRS 61.878(1)(a) excludes from inspection and disclosure of "information of a personal nature where the public disclosure thereof would constitute a clearly unwarranted invasion of personal privacy".

KRS 61.878 (1)(c)(1) excludes "records confidentially disclosed to an agency or required to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records."

The information in Exhibits 23 and 28 of the application for rate adjustment and "First Data Request" includes the salaries and wages earned by employees of the cooperative. This information and any future references by date requests and otherwise should be kept confidential and personal nature as protected by KRS 61.878(1)(a) and KRS 61.878(1)(c)(1).

WHEREFORE, BLUE GRASS ENERGY COOPERATIVE CORPORATION petitions pursuant to 807 KAR 5:001, Section 7 for the PCS to treat as confidential all information regarding employee wages and salaries contained in Exhibits 23 and 28 of its Application for Rate Adjustment, "First Data Request" and in any other filings or documents containing such information. A copy of the confidential material notated but visible is filed, together with ten (10) copies of the material redacted.

A copy of this petition has been served upon the Office of the Kentucky Attorney General.

Dated: April 24, 2008.

A handwritten signature in cursive script that reads "Howard Downing". The signature is written in black ink and is positioned above a horizontal line.

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

CERTIFICATE OF SERVICE

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

Original and Twelve Copies

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

Copy

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

Leigh and Troy Roach
115 Prestwick Drive
Georgetown, KY 40324

This 24th day of April, 2008.



ATTORNEY FOR BLUE GRASS ENERGY
COOPERATIVE CORPORATION

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

The detailed income statement, statement of cash flows and the balance sheet are shown as Exhibit V of the Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

The rate of return on net investment rate base is shown as Exhibit K and L of the Application.

Exhibit 3
page 1 of 1
Witness: Jim Adkins

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

The TIER and DSC are shown as Exhibit K and L of the Application.

Exhibit 4
page 1 of 1
Witness: Don Smothers

Blue Grass Energy
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The KAEC Statistical Comparison is shown as Exhibit 19 of Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

The capital structure is shown as Exhibit Z of the Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Item 6. a.

The outstanding debt is shown as Exhibit 5 of the Application.

Item 6. b.

The short term debt is shown as Exhibit 5 of the Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Trial balance is shown as Exhibit Y of the Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Balance sheet compared to prior year is shown as Exhibit W of Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Income statement compared to prior year is shown as Exhibit X of Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Blue Grass has no plant held for future use.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Blue Grass does not have non-utility property.

Exhibit 12
page 1 of 1
Witness: Donald Smothers

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Blue Grass has no jurisdictional plant or expense allocations that are required.

Exhibit 13
page 1 of 1
Witness: Dan Brewer

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Bylaws and bylaw changes is shown as Exhibit U of Application.

Blue Grass Energy
Case No. 2008-00011
First Data Request of Commission Staff

Equity Management plan is attached. The plan was last adopted on September 14, 2004.
There have been no changes made, or proposed since that time.

Capital Credits were paid as follows:

	General	Estates	Total
2007	\$0	\$91,133	\$91,133
2006	\$0	\$94,836	\$94,836
2005	\$0	\$75,465	\$75,465
2004	\$1,164,583	\$122,480	\$1,287,063
2003	\$1,124,842	\$149,393	\$1,274,235
2002	\$1,301,631	\$215,877	\$1,517,508
Prior Years	<u>\$6,288,514</u>	<u>\$2,865,679</u>	<u>\$9,154,193</u>
Total	<u>\$9,879,570</u>	<u>\$3,614,863</u>	<u>\$13,494,433</u>

BLUE GRASS ENERGY COOPERATIVE CORPORATION

POLICY NO. 2-5

EQUITY MANAGEMENT

I. OBJECTIVE

The objective of this policy is to develop an equity management plan that will:

1. Assure the financial integrity of Blue Grass Energy at all times so it can provide high quality service on a consistent basis to the members.
2. Establish a means whereby members will receive electric service at cost and as a result clearly see the benefits of receiving service from their Cooperative as compared to other type utilities.
3. Develop an approach to long-range financial planning that will ensure the Cooperative will meet all of the financial requirements, including:
 - a) Provide adequate working capital.
 - b) Provide adequate funds for debt service.
 - c) Provide adequate funds to maintain all facilities at the highest operational level consistent with sound management.
 - d) Provide funds for additions to plant.
 - e) Provide funds for Capital Credit Retirement Program.
 - f) Provide for adequate levels of TIER and DSC.

II. POLICY CONTENT

A. The policy of Blue Grass Energy shall be:

1. To achieve and maintain an equity level of 30% or more as a percent of total assets.
2. Return Capital Credits to estates as stated in Policy no. 2-2. Capital credit payments to the estates of deceased members will continue to be paid upon written request of a representative of the estate.

3. Achieve and maintain a TIER of at least 1.25 or more from operations on an annual basis.

B. All payments of general and special Capital Credit refunds may be authorized annually in a method, basis, and priority as approved by the Board of Directors as stated in Policy no. 2-2.

III. RESPONSIBILITY

The discretionary powers of such Capital Credit payments shall remain with the Board of Directors of Blue Grass Energy as stated within the Bylaws (Article VII, Section 2), and this policy shall not diminish that right.

Adopted: January 1, 2002

Approved: E. A. Gilbert, Chairman

Amended: September 17, 2002
September 16, 2004

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

A copy of the Board policy for attorney compensation and the audit agreement are attached.

Legal

The attorneys are paid a monthly retainer for work performed during the month to include attending the monthly Board of Directors meeting. Expenses are also paid for attending legal seminars for Cooperative business. The attorneys also charge for legal work performed in addition to attending monthly board meetings.

Other legal services are provided as needed.

Accounting and Auditing

Attached is a copy of the audit agreement for the latest audit as of April 30, 2007, which was performed by Alan Zumstein, CPA.

BLUE GRASS ENERGY COOPERATIVE CORPORATION

POLICY NO. 1-3

FUNCTIONS AND COMPENSATION OF ATTORNEYS

I. OBJECTIVES

- A. To establish the policy governing the employment, selection, and use of the Attorney(s) as legal consultant(s) for Blue Grass Energy.
- B. To define the relationships existing between employed Attorney(s) as legal consultants, the Board of Directors, and the President/CEO.
- C. To encourage the Attorney(s) as legal consultant(s) of Blue Grass Energy to attend national, regional, and state legal meetings that will enable them to develop, improve, and make a significant contribution to the Cooperative.

II. POLICY CONTENT

The Board of Directors of Blue Grass Energy recognizes, establishes, and maintains, the following authorities and relationship relative to the employment, selection, and use of the Attorney(s) as legal consultants:

1. Relationships

- a) The Attorney(s) will have a direct reporting relationship to the Board of Directors in all areas relative to legal entity with a corresponding responsibility for functional reporting relationship to the President/CEO; in all areas concerned, specifically with operating management, the Attorney will recognize a reporting relationship to the President/CEO with a corresponding responsibility for a functional reporting relationship to the Board of Directors.
- b) The Attorney(s) selected to represent Blue Grass Energy will be available at all regular and special meetings of the Board of Directors and at the annual membership meeting to review and render opinions on current and potential legal difficulties which may be inherent in present or proposed Bylaws, policies, and actions.
- c) The Attorney(s) will be responsible for providing legal services on specific problems when requested and for representing the Blue Grass Energy before courts and commissions when such representation is deemed necessary by the Board of Directors and/or the President/CEO; a bill will be submitted for such

services and approved by the President/CEO.

- d) Attendance by the Attorney(s) at meetings other than the regular and special Board meetings, committee meetings, and Blue Grass Energy annual meetings, shall require Board approval.

2. Compensation

- a) Compensation for services provided by the Blue Grass Energy Attorney(s) shall be as specified in the contract between the Attorney(s) and Blue Grass Energy.
- b) The Attorney(s) will receive travel expenses and necessary expenses associated with attendance at approved meetings as provided for the Board of Directors in Board Policy 1-2.

III. RESPONSIBILITY

The President/CEO shall be responsible to the Board to furnish advice and counsel to the Board Committees or the regularly constituted full Board Membership on the employment, selection, and use of the attorney(s) as legal consultants; this responsibility includes adequate provision in the annual operating budget.

Adopted: January 1, 2002

Approved: E. A. Gilbert, Chairman

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147

MEMBER:

- AMERICAN INSTITUTE OF CPA'S
- INDIANA SOCIETY OF CPA'S
- KENTUCKY SOCIETY OF CPA'S
- AICPA DIVISION FOR FIRMS
- TENNESSEE STATE BOARD OF ACCOUNTANCY

April 23, 2007

Dan Brewer, President & CEO
Blue Grass Energy Cooperative
Nicholasville, Kentucky 40340

Dear Mr. Brewer:

This will confirm our understanding of the arrangements for my audit of the financial statements for the year ended April 30, 2007

I will audit the Cooperative's balance sheet as of April 30, 2007, and the related statements of revenue and patronage capital and cash flows for the year then ended.

The objective of the audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit will be conducted in accordance with U.S. generally accepted auditing standards and will include test of your accounting records and other procedures I consider necessary to enable me to express such an opinion. If my opinion is other than unqualified, I will discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or are unable to forma or have not formed an opinion, I may decline to express an opinion or to issue a report as a result of this engagement.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical evidence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, and financial institutions. I will also request written representations from your attorney as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of my audit, I will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, I will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (a) errors, (b) fraudulent reporting, (c) misappropriation of assets, or (d) violations of laws or governmental regulations that are attributable to the Cooperative or to acts by management or employees acting on behalf of the Cooperative.

- The audit is being performed as a requirement of RUS security instrument and any violation of RUS audit requirements shall place the RUS borrower in technical default of the RUS security instrument.

Because an audit is designed to provide reasonable, but not absolute, assurance and because I will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, I will inform you of any material errors that come to my attention, and I will inform you of any fraudulent financial reporting or misappropriation of assets that comes to my attention. I will also inform you of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I was not engaged as auditor.

My audit will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify reportable conditions, that is, significant deficiencies in the design or operation of internal control. However, during the audit, if I become aware of such reportable conditions, I will communicate them to you.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statement of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles. You are also responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services I provide; and for evaluation the adequacy and results of those services and accepting responsibility for them.

You are responsible for making all financial records and related information available to me and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to me in the management representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing me about all known or suspected fraud affecting the company involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Cooperative complies with applicable laws and regulations.

In accordance with the requirements of the Rural Utilities Service (RUS), I assure you of the following:

- The audit is being performed as a requirement of RUS security instrument and any violation of RUS audit requirements shall place the RUS borrower in technical default of the RUS security instrument.
- The Auditor's Report will be signed by Alan M. Zumstein, CPA, a certified public accountant in good professional standing with the state licensing board.

- I will comply with generally accepted government auditing standards, the rules and regulations of professional conduct promulgated by the accountancy board of the state of Kentucky and the Code of Professional Ethics of the American Institute of CPAs.
- I am independent as defined and interpreted by the Professional Ethics Division of the AICPA and as defined by 7 CFR 1773.4 (b).
- I belong to an approved peer review program (Private Companies Practice Section) and have received an unqualified opinion within three years of the "as of" date of the audit.
- The audit will be performed and the Auditor's Report, report on compliance, report on internal controls and management letter will be performed in accordance with requirements of RUS, will comply with generally accepted auditing standards and will be submitted to the Board of Directors within three months of the "as of" audit date.
- Audit work papers will be made available to RUS, Office of Inspector General (OIG) and the General Accounting Office (GAO). RUS, OIG or GAO may photocopy all audit and compliance workpapers as requested.
- I will disclose all disallowance's resulting from testing performed as set forth in 7 CFR 1773.40 and will follow the requirements of reporting irregularities and illegal acts outlined in 7 CFR 1773.7.
- I will report audit findings to the Board of Directors as required by 7 CFR 1773.25.

My audit is subject to the inherent risk that material errors and irregularities, including fraud or defalcations, if they exist, will not be detected. However, I will inform you of irregularities that come to my attention.

Fees for these services will be \$8,900. Invoices will be submitted as work progresses, and are payable on presentation. Should any situation arise that would materially increase this fee, I will, of course, notify you.

If this letter correctly expresses your understanding of these arrangements, please indicate your approval by signing the enclosed copy and returning to me. I have also included a Certification of Debarment and Suspension and my last peer review report and letter of comment, as required for audits of RUS borrowers.

Sincerely,



Alan M. Zumstein, CPA

Approved:

By: 

Date: 4/26/07

Exhibit 16
page 1 of 1
Witness: Donald Smothers

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Director policies, fees and compensation is shown in Exhibit 10 of Application.

Exhibit 17
page 1 of 1
Witness: Donald Smothers

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Annual meeting information is shown in Exhibit P of the Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Item 18.

- a. Customer class amount of change and percent in Exhibit G and J of Application.
- b. Change distributed to rate charge in Exhibit G and J of Application.
- c. Demand charge change in Cost of Service Study, Exhibit R of Application.
- d. Customer charge change in Cost of Service Study, Exhibit R of Application.
- e. Reconciliation of fuel adjustment as Exhibit 14 of Application.
- f. Reconciliation of Environmental Surcharge as Exhibit 14 of Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Item 19 a. through f.

Rate schedule information shown as Exhibit J to this Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

	<u>2007</u>		<u>2006</u>	
	<u>Billing</u> <u>Demand</u>	<u>Total</u> <u>kwh</u>	<u>Billing</u> <u>Demand</u>	<u>Total</u> <u>kwh</u>
January	301,282	127,736,659	231,567	112,782,528
February	312,698	138,451,422	268,885	112,815,585
March	232,595	101,276,873	239,373	105,517,701
April	215,393	93,314,878	162,587	81,174,150
May	209,502	93,930,964	213,024	86,818,455
June	204,791	103,737,642	220,275	95,406,201
July	233,674	108,950,750	236,513	113,993,890
August	260,576	129,569,709	248,251	116,774,878
September	234,988	100,401,020	170,017	82,106,008
October	211,167	90,424,594	191,997	91,281,368
November	235,578	100,699,228	229,055	98,722,910
December	250,885	122,612,479	292,632	118,199,402
Total	<u>2,903,129</u>	<u>1,311,106,218</u>	<u>2,704,176</u>	<u>1,215,593,076</u>

All power was purchased from East Kentucky Power Cooperative. No estimates were used.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

The test year capitalization is shown as Exhibit 20 of the Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Item 22 a. and b.

- a. Salaries and wages for the test year and three preceding years is shown in Exhibit 1 of the Application.
- b. The percentage increase for the test year and 5 preceding years is shown in Exhibit 1 of the Application.

Blue Grass Energy
Case No. 2008 - 00011
First Data Request of Commission Staff

Item 23.

- a. The regular hours worked during the test year are shown in Exhibit 1 of the Application.
- b. The overtime hours worked during the test year are shown in Exhibit 1 of the Application.
- c. and d. are attached.

Blue Grass Energy
Case No. 2008-00011
Employee Earnings and Hours
December 31, 2007

Exhibit 23 d
page 1 of 5
Witness: Donald Smothers

	Employee Number	Wage Rate 18-Mar-2008	Percent Increase 18-Mar-2008	Reason for increase
Salary Employees				
1	1107	52.49	5.00%	Promotion to CFO
1	1108	39.87	4.51%	
1	1109	102.50	4.00%	
1	1110	63.30	8.00%	Promote Executive VP
1	1111	46.03	4.00%	
1	1113	30.96	3.72%	
1	1200	45.72	4.00%	
1	1203	45.13	4.49%	
1	1250	40.31	4.48%	
1	1400	42.32	8.51%	Step raise
1	1450	48.36	4.61%	
1	1550	19.16	0.00%	New employee
1	2219	35.34	0.00%	
1	2250	24.69	0.00%	Top of scale
1	2503	30.91	4.00%	
1	2505	45.08	7.00%	Promotion
1	3310	31.69	3.87%	
1	3311	29.61	7.67%	
1	3313	27.07	3.48%	
1	3320	36.73	5.00%	
1	3321	37.32	3.01%	
1	3322	31.79	7.87%	
1	3324	27.07	3.52%	
1	3326	42.37	6.99%	
1	3402	33.18	0.00%	Promotion 01/02/07
1	3405	27.07	3.44%	
1	3407	24.02	-31.88%	
1	3511	27.02	0.00%	Changed positions
1	3513	41.49	4.51%	Promotion
1	4500	31.19	3.01%	
1	4501	32.47	0.00%	Top of scale
1	4516	27.18	7.01%	

32 Subtotal Salaried employees

Blue Grass Energy
Case No. 2008-00011
Employee Earnings and Hours
December 31, 2007

Witness: Donald Smothers

	Employee Number	Wage Rate 18-Mar-2008	Percent Increase 18-Mar-2008	Reason for increase
Hourly Employees				
1	1500	23.60	3.37%	
1	2205	22.33	6.54%	
1	2208	19.62	5.14%	Step increase
1	2209	27.84	3.00%	Promotion
1	2211	23.81	2.50%	
1	2214	22.66	3.52%	
1	2215	19.28	3.99%	
1	2216	27.07	6.16%	
1	2224	17.28	2.13%	
1	2232	17.24	4.48%	
1	2239	19.46	6.92%	
1	2243	18.59	8.02%	Step increases
1	2244	15.29	4.87%	Step increase
1	2246	14.23	0.00%	
1	2247	14.23	0.00%	
1	2408	15.71	4.11%	Step increase
1	2424	17.53	5.60%	Job re-evaluation
1	2502	26.34	3.54%	Promotion
1	2504	28.68	3.02%	Promotion
1	2515	17.15	4.76%	Job re-evaluation
1	2522	14.23	2.60%	Step increase
1	2601	17.28	3.04%	
1	2602	26.19	5.99%	
1	2607	19.02	3.48%	
1	2609	15.12	3.00%	Promotion
1	2652	14.78	2.78%	Step increase
1	3308	18.38	2.51%	
1	3314	27.07	3.56%	
1	3315	24.90	2.98%	
1	3319	20.84	3.99%	
1	3323	27.41	3.01%	
1	3328	20.35	6.16%	
1	3330	24.90	2.98%	

Blue Grass Energy
Case No. 2008-00011
Employee Earnings and Hours
December 31, 2007

Witness: Donald Smothers

	Employee Number	Wage Rate 18-Mar-2008	Percent Increase 18-Mar-2008	Reason for increase
1	3341	19.41	6.47%	
1	3342	19.15	6.69%	
1	3343	17.43	0.00%	
1	3345	22.96	2.50%	
1	3357	25.70	4.51%	
1	3358	28.65	2.98%	
1	3360	25.90	2.49%	
1	3361	26.22	4.01%	
1	3362	26.01	4.00%	
1	3363	24.90	2.55%	
1	3364	24.90	2.55%	
1	3365	24.90	2.77%	
1	3404	20.34	12.50%	Promotion
1	3408	25.72	3.54%	Promotion
1	3411	24.90	3.32%	
1	3412	24.02	0.00%	
1	3413	18.08	0.00%	
1	3500	25.32	2.51%	
1	3501	25.64	2.52%	
1	3502	24.90	4.71%	
1	3504	19.81	0.00%	Reclassification of job
1	3506	24.90	2.43%	
1	3507	25.50	3.53%	
1	3512	27.72	3.01%	
1	3514	25.13	4.49%	
1	3516	24.90	6.78%	
1	3520	14.82	0.00%	
1	3521	21.92	0.00%	
1	4000	27.07	3.24%	Promotion
1	4001	19.55	0.00%	Top of pay scale
1	4004	17.66	2.50%	
1	4005	17.98	2.63%	
1	4007	14.06	5.24%	
1	4009	18.78	4.33%	
1	4010	16.32	0.00%	

Blue Grass Energy
Case No. 2008-00011
Employee Earnings and Hours
December 31, 2007

Exhibit 23 d
page 4 of 3
Witness: Donald Smothers

	Employee Number	Wage Rate 18-Mar-2008	Percent Increase 18-Mar-2008	Reason for increase
1	4502	21.21	0.00%	
1	4505	27.74	3.01%	
1	4506	24.00	6.71%	
1	4508	21.11	7.32%	
1	4513	17.28	2.19%	
1	4514	24.00	6.71%	
1	4517	12.98	3.51%	
1	4520	25.32	2.51%	
1	4522	25.07	2.49%	
1	4523	27.74	3.01%	
1	4524	25.79	3.53%	
1	4525	23.81	4.02%	
1	4527	17.15	9.51%	
1	4528	23.99	5.73%	

82 Subtotal hourly employees

Summer and Part Time Employees:

1	2430	9.42	0.00%
1	2431	9.10	0.00%
1	2432	9.42	0.00%
1	2528	9.42	0.00%
1	2530	9.42	0.00%
1	4300	9.42	0.00%
1	4302	5.85	0.00%

7 Subtotal summer

Retirees:

1	1103
1	1300
1	2245
1	2427
1	2518
1	2610

Blue Grass Energy
Case No. 2008-00011
Employee Earnings and Hours
December 31, 2007

Exhibit 23 d
page 3 of 5

Witness: Donald Smothers

Employee	Wage	Percent	
Number	Rate	Increase	
	<u>18-Mar-2008</u>	<u>18-Mar-2008</u>	<u>Reason for increase</u>
1	3305		
1	3308		
1	3409		
1	3519		
10	Subtotal retirees		
131	Total		

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Item 24 a. and b.

Payroll tax information is shown as Exhibit 2 of this Application.

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Item 25 a. and b.

The schedule of franchise taxes paid in shown in Exhibit 4 of the Application.

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Electric plant inservice is shown in Exhibit 3 of the Application.

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Employee benefits are shown in Exhibit 20 of the Application.

Exhibit 28
page 1 of 1
Witness: Don Smothers

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Compensation of Executive officers is attached.

Witness: Don Smothers

Blue Grass Energy
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Compensation of Executive Officers

	<u>Salary</u>	Test Year Percent of <u>Increase</u>	<u>Date</u>	Employees Who <u>Report</u>
President & CEO	\$205,005	5.1%	3/3/2007	all
Senior VP & COO	\$121,909	8.0%	3/3/2007	95
VP, Finance & CFO	\$103,979	6.0%	3/3/2007	7
VP, Customer Services	\$87,630	13.4%	12/3/2007	3
VP, Member Services	\$96,158	4.5%	3/3/2007	5
VP. Engineering	\$91,437	4.5%	3/3/2007	5

	<u>Salary</u>	First Preceding Year Percent of <u>Increase</u>	<u>Date</u>
President & CEO	\$195,000	7.1%	3/1/2006
Senior VP & COO	\$112,882	7.5%	3/4/2006
VP, Finance & CFO	\$98,092	5.5%	3/4/2006
VP, Customer Services	\$77,272	7.5%	3/4/2006
VP, Member Services	\$92,019	4.6%	12/30/2006
VP. Engineering	\$87,506	4.5%	3/4/2006

	<u>Salary</u>	Second Preceding Year Percent of <u>Increase</u>	<u>Date</u>
President & CEO	\$182,000.0	8.9%	3/7/2005
Senior VP & COO	\$104,998.0	5.0%	3/7/2005
VP, Finance & CFO	\$92,976.0	5.0%	3/7/2005
VP, Customer Services	\$71,885.0	8.0%	3/7/2005
VP, Member Services	\$88,005.0	0.0%	6/26/2006
VP. Engineering	\$83,741.0	4.0%	3/7/2005

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Detail is shown in Exhibit 11, pages 8 and 9 of 17.

Account 913- Advertising Expenses

Line No.	Item (a)	Sales or Promotional Advertising (b)	Institutional Advertising (c)	Conservation Advertising (d)	Rate Case (e)	Other (f)	Total (g)
1.	Newspaper					1,485	1,485
2.	Magazines and other					20,177	20,177
3.	Television					7,367	7,367
4.	Radio						0
5.	Direct Mail						0
6.	Sales Aids						0
7.	Labor and benefits					16,121	16,121
8.	Total	0	0	0	0	45,150	45,150
9.	Amount assigned to KY retail						

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Account 930 - Miscellaneous General Expenses

Line No. _____	Item (a)	Amount (b)
1.	Industry association dues	195,039
2.	Stockholder and debt servicing expenses	
3.	Institutional advertising	
4.	Conservation advertising	
5.	Rate department load studies	
6.	Director's fees and expenses	244,300
7.	Dues and subscriptions	
8.	Miscellaneous	104,055
9.	Kentucky Living magazine	245,366
10.	Total	788,760
11.	Amount assigned to KY retail	

The breakdown for Account No. 930, Miscellaneous General Expenses is shown in Exhibits 10 and 11 of the Application. The amounts by subaccount are as follows:

Account 930.10, General advertising	246,146
Account 930.20, Miscellaneous general	103,275
Account 930.30, Director expenses	244,300
Account 930.40, Dues	195,039
	<u>788,760</u>

Blue Grass Energy
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Account 426 - Other Income Deductions

Line No.	Item (a)	Amount (b)
1	Donations	3,851
2	Civic activities	
3	Political activities	
4	Other	2,229,685
5	Total	2,233,536

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Name and mailing address for each director.

E.A. "Ned" Gilbert East Kentucky representative	792 Richmond Road	Berea, KY 40403
Jody Hughes	1167 Goshen Road	Lawenceburg, KY 40342
Richard Crutcher	2074 Graefneburg Road	Lawenceburg, KY 40342
Zeb Blankenship	137 Deer Crossing	Nicholasville, KY 40356
Danny Britt	229 Boone Way	Richmond, KY 40475
Gary Keller	101 K-Leigh Drive	Harrodsburg, KY 40330
Brad Marshall	7531 Ky Hwy 392	Cynthiana, KY 41031
Dennis Moneyhon	521 Morford Road	Foster, KY 41043
Jane Smith	751 Avenstoke Road	Waddy, KY 40076
Paul Tucker	6840 Ky Hwy 32W	Sadieville, KY 40370

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Analysis of Director compensation is shown in Exhibit 10 of Application. Directors are not paid by Blue Grass for attending East Kentucky's board meetings, nor does Blue Grass pay for a director's spouse expenses.

Blue Grass Energy
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First Data Request of Commission Staff
Professional Services

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<u>Line Number</u>	<u>Item</u>	<u>Rate Case</u>	<u>Annual Audit</u>	<u>Other</u>	<u>Total</u>
1	Legal			89,706	89,706
2	Engineering				0
3	Accounting		8,900	20,750	29,650
4	Other			66,948	66,948
5	Total	0	8,900	177,404	186,304

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35. Rate case costs.

a. There have been no costs incurred to date.

b. The estimate for r Shown as Exhibit 8 of this Application.

c. All cost are included as Item 34 a. of this response, with monthly updates being submitted at the time the monthly reports are prepared.

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Item 36, Advance of loan funds.

Blue Grass Energy has received \$12,000,000 loan funds on the current loan as of April 2008. The funds were used to reduce the amount of short term debt outstanding.

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Item 37

Depreciation expenses are shown in Exhibit 3, page 2 of the Application.



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First Data Request of Commission Staff

Item 38, Depreciation rates

- a. N/A
- b. A depreciation study has been prepared and has been submitted with this Application in Exhibit 3.

Blue Grass Energy Cooperative
Case No. 2008-00011
Depreciation Guideline Curve
December 31, 2007

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<u>Year</u> <u>Ended</u>	<u>Distribution</u> <u>Plant in</u> <u>Service</u>	<u>Accumulated</u> <u>Deprec</u> <u>for</u> <u>Distribution</u>	<u>Reserve</u> <u>Ratio</u>	<u>Ratio of Current</u> <u>Distribution Plant</u> <u>to Distribution</u> <u>Plant 10 Years Prior</u>
2007	63,058,263	13,075,631	20.74%	1.83
2006	59,451,341	11,662,562	19.62%	1.81
2005	54,860,933	10,441,991	19.03%	1.75
2004	50,686,141	9,208,504	18.17%	1.73
2003	48,581,161	7,944,824	16.35%	1.73
1997	34,469,259	6,102,375	17.70%	
1996	32,897,721	5,991,225	18.21%	
1995	31,264,971	5,708,752	18.26%	
1994	29,348,251	5,502,712	18.75%	
1993	28,055,578	5,114,874	18.23%	

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All charitable and political contributions are recorded in Account 426. An analysis of that account is shown as Exhibit 8 of the Application.

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Blue Grass does not engage in lobbying activities, therefore, there are no expenses to report.

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Item 42. Blue Grass' treatment of pension costs.

All eligible employees of Blue Grass participate in the NRECA Retirement and Security Program, which is a defined benefit pension plan qualified under Section 401 of the Internal Revenue Code.

Blue Grass makes contributions to the plan based on billings by NRECA. Contributions to the Program equal to the amounts accrued for pension expense.

Pension costs are reported the same for financial reporting and rate making purposes.

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The details of Blue Grass' financial reporting and rate-making treatment of SFAS No. 106 are as follows:

- a. SFAS 106 was adopted as of January 1, 1994.
- b. The accounting entry to recognize SFAS 106 as is shown in Exhibit 6 of the Application.
- c. The actuarial study is included with Exhibit 6 of the Application.

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SFAS 112 does not apply to Blue Grass.

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As of the date of this response, there are no known events that have occurred after the test year end that would have a material effect on net operating income, rate base, and cost of capital.

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Blue Grass does not have any current labor contracts in effect.

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Blue Grass does not have an investment in subsidiaries or joint ventures.

a. through e. N/A

Blue Grass Energy
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Blue Grass does not have an investment in subsidiaries or joint ventures, therefore, there are no dividends or income to report.

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- a. Non-operating activiteis of Blue Grass are shown in Exhibit 12 of the Application., along with the associated dollar amount.
- b. No.
- c. n/a
- d. No.