




# Blue Grass Energy

A Touchstone Energy Cooperative 

2009-00224

P.O. Box 990 • 1201 Lexington Road • Nicholasville, Kentucky 40340-0990  
Phone: 888-546-4243 • Fax: 859-885-2854 • www.bgenergy.com

May 28, 2009

**RECEIVED**

Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
P O Box 615  
Frankfort Kentucky 40602

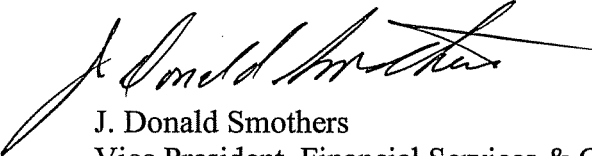
MAY 28 2009  
PUBLIC SERVICE  
COMMISSION

Dear Mr. Derouen,

We are filing an original and ten (10) copies of a new GS-3 Residential and Farm Time of Day rate. We are requesting Commission approval. The tariff and supporting documentation are attached. Currently, there are no customers on our current GS-3 Residential and Farm Time of Day rate of which we are withdrawing.

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 & CFO

**CLASSIFICATION OF SERVICE**

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**GS-3 (Residential and Farm Time-of-Day Rate)**

**APPLICABLE**

Entire Territory Served

**AVAILABILITY**

Available to all consumers eligible for the Tariff GS-1, Residential and Farm. The capacity on individual motors served under this schedule may not exceed ten (10) horsepower. Consumer must remain on this rate schedule for one (1) year. This rate is not available for the direct load control credits.

**TYPE OF SERVICE**

Single-phase, 60 cycles, at available secondary voltage.

**RATES:**

(N)

Customer Charge	\$15.00 per meter, per month
<u>Energy Charge per kWh</u>	
<u>On-peak energy</u>	<u>\$0.15817</u>
<u>Off-peak energy</u>	<u>\$0.06067</u>

**On-Peak Hours and Off-Peak Hours**  
**Local Prevailing Time**

On-peak hours are applicable to weekdays only. All weekend hours are off-peak hours.

<u>Months</u>	<u>On-Peak Hours</u>	<u>Off-Peak Hours</u>
<u>May through September</u>	<u>10:00 a.m. to 10:00 p.m.</u>	<u>10:00 p.m. to 10:00 a.m.</u>
<u>October through April</u>	<u>7:00 a.m. to 12:00 noon</u> <u>5:00 p.m. to 10:00 p.m.</u>	<u>10:00 p.m. to 7:00 a.m.</u> <u>12:00 noon to 5:00 p.m.</u>

**FUEL ADJUSTMENT CLAUSE**

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by and amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

**MINIMUM MONTHLY CHARGES**

The minimum monthly charge under this tariff shall be the customer charge.

**DELAY PAYMENT CHARGE**

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

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DATE OF ISSUE: June 1, 2009

DATE EFFECTIVE: July 1, 2009

ISSUED BY: \_\_\_\_\_ TITLE: Vice President & CFO  
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky  
in Case No.: \_\_\_\_\_ Dated: \_\_\_\_\_

**BLUE GRASS ENERGY COOPERATIVE**

**DEVELOPMENT OF A RESIDENTIAL TIME-OF-DAY RATE**

**PREPARED TESTIMONY OF JAMES R. ADKINS**

Q1. State your name and business address.

A1. I am James R. Adkins and my business address is 1041 Chasewood Way, Lexington, KY 40513-1731.

Q2. What has been your role in the development of this residential time-of-day ("TOD") rate?

A2. My role in this application has been to assist Blue Grass Energy Cooperative ("BGE") in its development.

Q3. What is your professional experience in the area of electric utility rate-making?

A3. I have spent the last thirty-one plus years dealing with electric utility rates. I was employed by EKPC as its Pricing Manager for almost twenty-five years. I spent a little over one year with the Prime Group, LLC and I have been self-employed for the last six plus years. Prior to my electric utility career, I was employed in the finance and accounting areas of the medical care field for close to eight years. I also served in the U.S. Army as an infantryman in the Republic of Vietnam in the late 1960s.

Q4. What is your educational background?

A4. I received a Bachelors Degree in Commerce with a major

in banking and finance in 1971 and a Masters of Science in Accounting in 1976. Both of my degrees were granted by the University of Kentucky. Since then, I have attended several seminars, conferences and courses on rate-making as well as making presentations at many conferences and seminars of electric utility rate-making, cost of service, and rate design.

Q5. Have you ever appeared as a witness before this Commission?

A5. I have appeared as a witness before this Commission many times in rate applications, applications for certificates public convenience and necessity, fuel adjustment clause hearings, and administrative cases. I have testified on the behalf of East Kentucky Power Cooperative ("EKPC") and for all of EKPC's member cooperatives and for other distribution cooperatives.

Q6. What is the purpose of the proposed TOD rate of BGE?

A6. BGE has developed this optional TOD rate to allow members a choice in electric rates with the potential to reduce their electric bill. The purpose of the proposed TOD rate is to present a more definitive TOD rate design. By a more definitive rate design, I mean one that has a real incentive in its on-peak energy rate design as well as in its off-peak energy rate design. The current TOD rate has an on-peak energy rate of \$0.10028, an off-peak energy rate of \$0.06139

and a customer charge of \$9.36. The on-peak and off-peak hours are the same hours as EKPC's on-peak and off-peak hours. EKPC's current on-peak hours are provided below:

May through September	10 am - 10 pm EST
October through April	7 am - 12 noon 5 pm - 10 pm

With the current TOD rate and the current on-peak hours, BGE feels that no incentive exists for a consumer to take a serious look at this rate. However, BGE is proposing a significant change to the rate design and the on-peak hours.

- Q7. What is BGE proposing in this new TOD rate that is significant?
- A7. BGE is proposing four (4) significant elements to the proposed rate design.
- The off-peak energy rate is set at a lower amount and in this proposal; it is \$.05000 per kWh.
  - The on-peak energy contains a real penalty by setting it at an amount of \$0.14750 per kWh.
  - The on-peak hours have been limited to eight hours in both the winter season and the summer season with the months for each season coinciding with EKPC's seasons.
  - The weekends are considered completely off-peak with the net effect of only 40 hours a week of on-peak time.

- The proposed customer charge is set at \$15.00 to minimize the risk that BGE might have with free loaders. Less distribution costs are required to be collected from the energy rate.

Q8. Please explain the basis for the development of this proposal?

A8. The rates developed in this proposal are based on the test year used in BGE's last rate case in 2007-00011 which is 2007. The billing analysis and data from the cost of service study in that rate case has been updated for the current retail rates of BGE and the current wholesale rates of EKPC. Additionally, the final rates have been updated to include BGE's proposed FAC rolling of \$0.01067 per kWh. Pages 1 and 2 of Exhibit B provide this information.

Q9. What else did BGE need to develop these rates?

A9. BGE determined that it also needed the energy usage for each month of the test year for the residential rate class. The data needed was the amount of energy used at each hour of the day for each month of the test year. This load data has been developed and provided by EKPC. This information has been broken down into weekday load data and weekend load data. Exhibit C provides this load information.

Q10. What did BGE do with this load data?

A10. BGE looked at the information and felt that it would not be unreasonable to reduce the number of on-peak hours during both the summer season as well as the winter season. It was decided to reduce EKPC's on-peak hours in the winter season by one hour for each on-peak period during that season. Additionally, both Saturday and Sunday are both off-peak. The net effect on hours is a reduction in on-peak hours during the winter season from 70 hours per week to 40 hours per week. For the summer season, the on-peak hours have been reduced by four hours and Saturday and Sunday are both off-peak. The net effect on hours for the summer season is a reduction from 84 hours per week to 40 hours per week.

Q11. Does BGE have some risk in these proposed changes?

A11. Some risks does exist for BGE with a reduction in its on-peak hours. The primary risk is associated with a wholesale billing peak that might occur in those hours that are on-peak hours for EKPC but off-peak hours for BGE. BGE has looked at EKPC's billing peaks for a ten year period and it is very unlikely that one may happen in this situation. BGE feels that it is worth the risk in order that it may provide a rate design that has some real incentives to shift load from on-peak to off-peak periods.

Q12. What is the initial expected acceptance of this proposed rate?

A12. Some time may exist before a member might take advantage of this rate design and the initial ones that take it may not have to shift load to reduce their bill ("free riders"). However, over time, members that are not free riders will see that some potential exists for them to reduce their electric bill.

Q13. Will other distribution cooperatives served by EKPC develop rates that might be similar to this TOD proposal.

A13. These other cooperatives have interests similar to BGE in developing a meaningful TOD rate. Some may develop a rate very similar to BGE's proposal in this filing. I believe that this rate has some potential.

Q14. Does this conclude your testimony?

A14. This concludes my testimony.



Affiant, James R. Adkins, states that the answers given by him in the foregoing questions are true and correct to the best of his knowledge and belief.

James R. Adkins  
James R. Adkins

Subscribed and sworn to before me by the affiant, James R. Adkins, this 26 day of May, 2009

My Commission expires June 6, 2009.

Jane d. Smith  
Notary Public, State of Kentucky at Large

**Blue Grass Energy**

**Billing Analysis  
Test Year Ending December 31, 2007**

**GS-1, Residential, Farm and Non-Farm**

<u>Description</u>	Billing Determinants	Proposed	
		Rates	Revenues
Customer Charge	619,307	\$9.36	\$5,796,714
Energy charge per kWh	805,422,653	\$0.08189	65,956,061
Billing adjustments			0
Total from base rates			\$71,752,775

**GS-2, Off-Peak Marketing (ETS)**

<u>Description</u>	Billing Determinants	Proposed	
		Rates	Revenues
Energy charge	2,822,755	\$0.04913	138,682
Billing adjustments			0
Total from base rates			\$138,682
Total Energy	808,245,408		

**Blue Grass Energy**

**Statement of Operations  
Test Year Ending December 31, 2007**

	<u>Residential Rates</u>	<u>ETS Rate</u>	<u>Combined</u>
Revenue from Rates	71,752,775	138,682	71,891,457
Wholesale			-
Generation	11,292,442		11,292,442
Distribution Substation	961,739		961,739
Total Wholesale Demand	12,254,182		12,254,182
Wholesale Energy Costs	36,717,122	101,383	36,818,505
Total Wholesale Costs	48,971,304	101,383	49,072,687
Gross Margin	22,781,471	37,299	22,818,770
Distribution Demand Costs			
Lines	5,411,771		5,411,771
Transformers	1,240,979		1,240,979
Total Distribution Demand	6,652,750		6,652,750
Distri			
Lines	4,573,393		4,573,393
Transformers	429,344		429,344
Services	3,043,630	3,203	3,046,833
Meters	1,841,750	12,922	1,854,673
Consumer Services	4,838,273	23,364	4,861,637
Lighting			
Total Distribution Consumer	14,726,390	39,489	14,765,880
Total Distribution Costs	21,379,141	39,489	21,418,630
Operating Margin	1,402,330	(2,191)	1,400,140
Other Revenue	2,314,726	1,625	2,316,351
Net Margin	3,717,056	(566)	3,716,491

**Blue Grass Energy**

**Development of Time-of-Day Rates  
Test Year Ending December 31, 2007**

On-Peak kWh		227,792,479
Off-Peak kWh		580,452,929
Total kWh		<u>808,245,408</u>
Revenue from Rates		\$ 71,891,456.53
Less Revenue from Customer Charge		
Proposed Customer Charge	\$ 15.00	
Number of Customer Charges	619,307	9,289,605
Revenue Required from Energy		<u>62,601,852</u>
Off-Peak Energy Revenue		
Proposed Off-Peak Energy Rate	\$ 0.05000	
Off-Peak Energy	580,452,929	29,022,646
Required Revenue from On-Peak Energy Rate		<u>33,579,205</u>
On-Peak kwh		227,792,479
On-Peak Energy Rate		<u>0.147411386</u>



**BLUE GRASS ENERGY COOPERATIVE**

**FOR 2007 RESIDENTIAL RATE CLASS HOURLY ENERGY USAGE BY  
WEEKDAY AND WEEKENDS**

<u>Time</u>	<u>October</u>		<u>November</u>		<u>December</u>		<u>Total</u>	
	<u>Wkday</u>	<u>Wkend</u>	<u>Wkday</u>	<u>Wkend</u>	<u>Wkday</u>	<u>Wkend</u>	<u>Wkday</u>	<u>Wkend</u>
1	1,073,938	397,450	1,525,465	689,818	2,029,190	926,831	12,239,859	5,201,687
2	1,011,955	362,267	1,467,473	669,293	1,944,792	868,904	11,881,544	4,983,608
3	1,009,196	360,693	1,469,224	686,586	1,943,893	856,183	12,019,611	5,002,590
4	1,055,344	363,949	1,530,024	710,828	1,990,818	877,119	12,383,242	5,131,390
5	1,201,287	379,410	1,625,748	731,847	2,072,027	901,699	13,154,070	5,278,174
6	1,425,574	387,294	1,839,381	777,685	2,181,806	930,015	14,764,118	5,476,582
7	1,567,032	447,236	2,111,014	800,152	2,448,872	987,949	16,226,656	5,815,125
8	1,467,264	545,710	2,185,604	888,558	2,560,588	1,104,967	16,140,290	6,480,903
9	1,476,738	615,467	2,047,047	956,488	2,495,814	1,202,630	15,384,136	6,997,337
10	1,478,666	621,246	1,951,372	919,024	2,445,762	1,269,479	14,789,589	6,983,347
11	1,494,515	634,951	1,851,430	814,357	2,336,889	1,241,513	14,186,725	6,690,381
12	1,511,480	642,502	1,727,528	749,275	2,215,615	1,194,675	13,489,214	6,385,501
13	1,512,310	629,633	1,622,611	703,311	2,119,976	1,169,803	13,113,380	6,249,070
14	1,549,969	644,091	1,553,212	646,871	1,994,322	1,133,149	12,792,300	6,104,698
15	1,634,210	680,037	1,546,349	646,710	1,969,155	1,089,161	12,751,070	5,981,595
16	1,809,325	690,410	1,597,419	625,107	1,986,155	1,091,410	13,193,068	5,926,902
17	1,900,729	711,704	1,765,475	682,825	2,130,778	1,131,404	14,058,559	6,093,761
18	1,917,680	722,903	2,012,629	720,265	2,419,280	1,182,425	15,156,796	6,265,880
19	1,953,698	726,184	2,202,156	778,834	2,574,425	1,199,438	16,110,426	6,494,837
20	1,983,231	704,095	2,231,968	770,639	2,583,865	1,208,737	16,612,949	6,624,147
21	1,891,871	658,151	2,224,351	789,107	2,599,454	1,185,275	16,623,305	6,567,402
22	1,674,721	596,197	2,109,281	746,552	2,513,765	1,179,653	15,768,662	6,329,962
23	1,375,142	516,738	1,963,434	684,500	2,334,233	1,110,881	14,316,229	5,887,708
24	1,157,334	439,563	1,786,466	643,117	2,121,635	1,021,156	13,025,456	5,444,527
						<b>Subtotals</b>	340,181,255	144,397,113
						<b>Total</b>		484,578,368



**BLUE GRASS ENERGY COOPERATIVE**

**FOR 2007 RESIDENTIAL RATE CLASS HOURLY ENERGY USAGE BY  
WEEKDAY AND WEEKENDS**

<u>Time</u>	<u>September</u>		<u>Total</u>		
	<u>Wkday</u>	<u>Wkend</u>	<u>Wkday</u>	<u>Wkend</u>	
1	1,071,819	547,852	6,723,287	2,700,821	
2	988,298	491,382	6,083,839	2,430,383	
3	948,265	478,783	5,806,963	2,295,975	
4	943,351	472,947	5,631,452	2,233,661	
5	1,035,025	473,262	6,067,238	2,216,330	
6	1,209,150	474,679	6,908,199	2,200,962	
7	1,265,515	530,890	7,127,669	2,521,625	
8	1,178,127	631,966	7,216,660	2,998,438	
9	1,288,495	741,956	7,971,270	3,492,870	
10	1,401,418	798,592	8,792,591	3,849,200	
11	1,512,623	845,355	9,660,213	4,154,381	
12	1,634,917	912,452	10,528,740	4,478,046	
13	1,776,599	959,525	11,218,967	4,705,678	
14	1,920,798	1,000,532	11,841,544	4,937,509	
15	2,083,859	1,045,104	12,505,215	5,101,033	
16	2,291,144	1,090,979	13,389,649	5,290,402	
17	2,375,397	1,132,670	13,941,733	5,407,640	
18	2,346,150	1,109,992	13,885,581	5,339,074	
19	2,234,483	1,049,075	13,367,078	5,046,465	
20	2,136,302	1,010,656	12,638,496	4,817,387	
21	2,038,649	960,367	12,199,248	4,664,075	
22	1,769,900	853,353	11,215,867	4,332,824	
23	1,443,172	740,541	9,278,579	3,636,093	
24	1,215,265	623,617	7,763,444	3,052,645	
			<b>Subtotals</b>	<b>231,763,523</b>	<b>91,903,517</b>
			<b>Total</b>		<b>323,667,040</b>