




Blue Grass Energy

A Touchstone Energy Cooperative 

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

August 28, 2009

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

RECEIVED

AUG 28 2009
PUBLIC SERVICE
COMMISSION

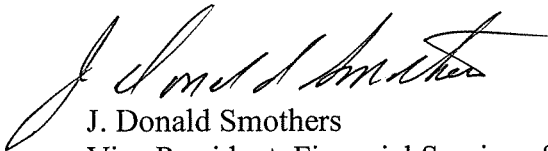
Case No. 2009-00224

Dear Mr. Derouen,

We are filing an original and three (3) copies of the information requested by the Kentucky Public Service Commission in their "initial Date Request of commission staff" dated August 18, 2009. As the person supervising the preparation of the attached responses I certify that these responses are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

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

BLUE GRASS ENERGY COOPERATIVE

CASE NO. 2009-00224

RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF

Question:

Refer to page 3 of the Prepared Testimony of James R. Adkins (“Adkins Testimony”), included as Exhibit A of Blue Grass’s May 28, 2009 filing. Explain in detailed how the proposed GS-3 off-peak energy rate of \$.06067 per kWh was determined.

Response:

The off-peak energy rate initially selected was \$0.05 per kWh which is matched with EKPC’s off-peak energy rate of \$0.038209 for Section E-2 which equates to a rate of \$0.04022 at the retail consumer’s meter after distribution line losses of five percent. The difference of \$0.00978 per kWh is Blue Grass’s maximum markup on off-peak energy sales. The Fuel Adjustment Clause roll-in of \$0.01067 per kWh was added to the five cents kWh or the initial rate since this roll-in was in process at the time of the development of this rate. Blue Grass wanted to make the off-peak energy rate as low as possible to provide as attractive incentive as possible for consumers; to make the on-peak energy as a disincentive for on-peak usage; and to make the ratio between the on-peak and off-peak rates as high as possible.

BLUE GRASS ENERGY COOPERATIVE

CASE NO. 2009-00224

RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF

Blue Grass proposes to increase the customer charge for its GS-9 rate from \$9.36 to \$15.00, as stated on page 4 of the Adkins Testimony.

Question a:

Explain in detail how the amount of the proposed customer charge was determined.

Response a:

Blue Grass chose the \$15.00 customer charge level for several reasons and those reasons are provided below:

1. Blue Grass wishes to recover more of the consumer related costs from the consumer charge;
2. Blue Grass wished to move as much revenue as possible from the resulting energy rates so as to lessen Blue Grass's risk from swings in energy usage by consumers;
3. The \$15.00 charge recovers all but \$0.99 of the consumer related costs to connect a customer to the distribution grid – the consumer related costs for the transformer, for the service drop, for the meter and for the consumer and accounting costs; and
4. The current trend for many cooperatives is to recover more of the consumer-related costs through the customer charge.

BLUE GRASS ENERGY COOPERATIVE

CASE NO. 2009-00224

RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF

Questions b:

Explain whether Blue Grass believes an increase in the customer charge of this magnitude could have an effect upon initial customer acceptance of its proposed tariff.

Response b:

Blue Grass is not sure if the customer charge amount will have an effect upon the initial acceptance by consumers. However, Blue Grass feels that it will not be a deterrent in the long run because consumers do pay much higher fixed rates for land line telephones, cell phones and cable companies for service without regard to any usage factor.

BLUE GRASS ENERGY COOPERATIVE

CASE NO. 2009-00224

RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF

Refer to page 5 of the Adkins Testimony

Question a:

Explain whether Blue Grass started to develop the proposed GS-3 tariff with a goal of reducing the number of on-peak hours to 40 per week or is it coincidental that 40 is the proposed number of on-peak hours.

Response a:

Blue Grass had the initial goal of reducing the number of on-peak hours but no predetermined amount was established. Blue Grass initially felt that it could reduce the number of on-peak hours during the summer season by a reasonable amount and that weekends may be a possibility. However, no decisions were made until the load data associated with the residential rate class was analyzed and reviewed.

Questions b:

Provide the ten-year billing peak data which Blue Grass has reviewed and relied upon in determining that it is “very unlikely” that a wholesale billing peak might occur in hours that are on-peak for its wholesale power supplier, East Kentucky Power Cooperative, Inc., but off-peak for Blue Grass.

Response b: Pages 2 through 4 of this response contains the requested peak information,

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2009-0224**

Item No. 3
Witness: Jim Adkins
Page 2 of 4

RESPONDE TO COMMISSIONS STAFF'S INITIAL DATA REQUEST

EKPC (CP) 1999 - 2008				
Month	Peak Time	Day of Week	Day Type	On-Peak Date
Jan-99	7:30	Tuesday	Wkday	1/5/1999
Feb-99	7:15	Monday	Wkday	2/22/1999
Mar-99	7:15	Thursday	Wkday	3/11/1999
Apr-99	7:15	Tuesday	Wkday	4/13/1999
May-99	17:15	Monday	Wkday	5/17/1999
Jun-99	17:15	Thursday	Wkday	6/10/1999
Jul-99	17:15	Friday	Wkday	7/30/1999
Aug-99	17:15	Tuesday	Wkday	8/17/1999
Sep-99	17:15	Saturday	Wkend	9/4/1999
Oct-99	7:15	Monday	Wkday	10/25/1999
Nov-99	7:15	Tuesday	Wkday	11/30/1999
Dec-99	8:45	Saturday	Wkend	12/25/1999
Jan-00	7:30	Thursday	Wkday	1/27/2000
Feb-00	7:30	Wednesday	Wkday	2/2/2000
Mar-00	7:15	Monday	Wkday	3/13/2000
Apr-00	7:15	Wednesday	Wkday	4/5/2000
May-00	17:15	Wednesday	Wkday	5/31/2000
Jun-00	17:15	Tuesday	Wkday	6/13/2000
Jul-00	17:15	Monday	Wkday	7/10/2000
Aug-00	17:15	Wednesday	Wkday	8/9/2000
Sep-00	17:15	Friday	Wkday	9/1/2000
Oct-00	7:15	Tuesday	Wkday	10/10/2000
Nov-00	7:15	Wednesday	Wkday	11/22/2000
Dec-00	19:45	Tuesday	Wkday	12/19/2000
Jan-01	7:30	Wednesday	Wkday	1/3/2001
Feb-01	8:30	Saturday	Wkend	2/3/2001
Mar-01	7:15	Tuesday	Wkday	3/6/2001
Apr-01	20:00	Tuesday	Wkday	4/17/2001
May-01	20:30	Wednesday	Wkday	5/16/2001
Jun-01	17:15	Tuesday	Wkday	6/19/2001
Jul-01	17:15	Tuesday	Wkday	7/24/2001
Aug-01	17:15	Wednesday	Wkday	8/8/2001
Sep-01	17:15	Thursday	Wkday	9/6/2001
Oct-01	7:15	Monday	Wkday	10/29/2001
Nov-01	7:15	Wednesday	Wkday	11/21/2001
Dec-01	8:45	Monday	Wkday	12/31/2001
Jan-02	7:30	Friday	Wkday	1/4/2002
Feb-02	7:15	Thursday	Wkday	2/28/2002
Mar-02	7:15	Monday	Wkday	3/4/2002
Apr-02	7:15	Friday	Wkday	4/5/2002

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2009-0224**

Item No. 3
Witness: Jim Adkins
Page 3 of 4

RESPONDE TO COMMISSIONS STAFF'S INITIAL DATA REQUEST

EKPC (CP) 1999 - 2008				
Month	Peak Time	Day of Week	Day Type	On-Peak Date
May-02	17:15	Friday	Wkday	5/31/2002
Jun-02	17:30	Monday	Wkday	6/3/2002
Jul-02	17:15	Monday	Wkday	7/29/2002
Aug-02	17:15	Monday	Wkday	8/5/2002
Sep-02	17:15	Tuesday	Wkday	9/3/2002
Oct-02	19:15	Thursday	Wkday	10/3/2002
Nov-02	9:45	Thursday	Wkday	11/28/2002
Dec-02	7:15	Monday	Wkday	12/9/2002
Jan-03	7:30	Monday	Wkday	1/27/2003
Feb-03	8:30	Saturday	Wkend	2/8/2003
Mar-03	7:15	Monday	Wkday	3/10/2003
Apr-03	19:30	Wednesday	Wkday	4/9/2003
May-03	20:30	Monday	Wkday	5/19/2003
Jun-03	17:15	Wednesday	Wkday	6/25/2003
Jul-03	17:30	Monday	Wkday	7/7/2003
Aug-03	17:15	Wednesday	Wkday	8/27/2003
Sep-03	17:15	Monday	Wkday	9/1/2003
Oct-03	7:15	Tuesday	Wkday	10/28/2003
Nov-03	7:15	Tuesday	Wkday	11/25/2003
Dec-03	18:30	Friday	Wkday	12/19/2003
Jan-04	8:30	Saturday	Wkend	1/31/2004
Feb-04	7:15	Monday	Wkday	2/16/2004
Mar-04	7:15	Tuesday	Wkday	3/23/2004
Apr-04	19:45	Tuesday	Wkday	4/13/2004
May-04	17:15	Friday	Wkday	5/21/2004
Jun-04	17:15	Friday	Wkday	6/18/2004
Jul-04	17:15	Tuesday	Wkday	7/13/2004
Aug-04	17:15	Tuesday	Wkday	8/3/2004
Sep-04	17:15	Monday	Wkday	9/6/2004
Oct-04	8:00	Sunday	Wkend	10/17/2004
Nov-04	7:15	Monday	Wkday	11/15/2004
Dec-04	7:30	Monday	Wkday	12/20/2004
Jan-05	7:30	Tuesday	Wkday	1/18/2005
Feb-05	19:15	Thursday	Wkday	2/10/2005
Mar-05	7:15	Thursday	Wkday	3/3/2005
Apr-05	8:30	Sunday	Wkend	4/24/2005
May-05	17:30	Wednesday	Wkday	5/11/2005
Jun-05	17:15	Thursday	Wkday	6/30/2005
Jul-05	17:15	Monday	Wkday	7/25/2005
Aug-05	17:15	Friday	Wkday	8/12/2005

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2009-0224**

Item No. 3
Witness: Jim Adkins
Page 4 of 4

RESPONDE TO COMMISSIONS STAFF'S INITIAL DATA REQUEST

EKPC (CP) 1999 - 2008				
Month	Peak Time	Day of Week	Day Type	On-Peak Date
Sep-05	17:15	Thursday	Wkday	9/22/2005
Oct-05	8:00	Saturday	Wkend	10/29/2005
Nov-05	7:15	Friday	Wkday	11/18/2005
Dec-05	7:30	Tuesday	Wkday	12/20/2005
Jan-06	7:15	Thursday	Wkday	1/26/2006
Feb-06	8:15	Sunday	Wkend	2/19/2006
Mar-06	7:15	Wednesday	Wkday	3/22/2006
Apr-06	7:15	Monday	Wkday	4/10/2006
May-06	17:15	Tuesday	Wkday	5/30/2006
Jun-06	17:15	Wednesday	Wkday	6/21/2006
Jul-06	17:15	Wednesday	Wkday	7/19/2006
Aug-06	17:15	Wednesday	Wkday	8/2/2006
Sep-06	19:45	Monday	Wkday	9/11/2006
Oct-06	7:15	Wednesday	Wkday	10/25/2006
Nov-06	7:15	Tuesday	Wkday	11/21/2006
Dec-06	7:15	Friday	Wkday	12/8/2006
Jan-07	7:15	Wednesday	Wkday	1/31/2007
Feb-07	7:15	Friday	Wkday	2/16/2007
Mar-07	7:15	Monday	Wkday	3/5/2007
Apr-07	7:45	Sunday	Wkend	4/8/2007
May-07	17:15	Tuesday	Wkday	5/29/2007
Jun-07	17:15	Tuesday	Wkday	6/26/2007
Jul-07	17:15	Monday	Wkday	7/9/2007
Aug-07	17:15	Thursday	Wkday	8/9/2007
Sep-07	17:15	Wednesday	Wkday	9/5/2007
Oct-07	17:15	Monday	Wkday	10/8/2007
Nov-07	7:15	Friday	Wkday	11/30/2007
Dec-07	7:15	Tuesday	Wkday	12/18/2007
Jan-08	7:15	Friday	Wkday	1/25/2008
Feb-08	7:15	Monday	Wkday	2/11/2008
Mar-08	7:45	Sunday	Wkend	3/9/2008
Apr-08	7:15	Tuesday	Wkday	4/15/2008
May-08	17:15	Saturday	Wkend	5/31/2008
Jun-08	17:15	Monday	Wkday	6/9/2008
Jul-08	17:30	Tuesday	Wkday	7/29/2008
Aug-08	17:15	Friday	Wkday	8/1/2008
Sep-08	17:15	Wednesday	Wkday	9/3/2008
Oct-08	7:15	Thursday	Wkday	10/30/2008
Nov-08	8:15	Saturday	Wkend	11/22/2008
Dec-08	7:30	Monday	Wkday	12/22/2008

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2009-00224

RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF

Question:

Assume that all customers currently served under Rate Schedule GS-1 switched to the proposed GS-3 Time of Day Rate. If customers consumption patterns remained unchanged, what would be the effect on Blue Grass's revenues?

Response:

With no change in consumption patterns, the revenues for Blue Grass should remain approximately the same as the current GS-1 as this is basis for the development of this proposed Time of Day rate. Listed below are the revenues for the Time of Day rate with current consumption patterns:

	<u>Rate</u>	<u>Billing Units</u>	<u>Revenue</u>
Customer Charge	\$ 15.00	619,307	\$ 9,289,605
Energy Charges			
On-peak kWh	\$ 0.14750	227,792,479	\$ 33,599,391
Off-peak kWh	\$ 0.05000	580,452,929	\$ 29,022,646
			<u>\$ 71,911,642</u>

The amount from the billing analysis for this period is equal to \$71,891,457 with the difference due to rounding. It should be noted that the rates used were the ones developed before the FAC roll-in was considered.

BLUE GRASS ENERGY COOPERATIVE

CASE NO. 2009-00224

5. Are any customers currently served under the existing GS-3 Time of Day rate?
Have any customers been served under this rate within the past five years who are
no longer served under it?

No.

No.

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2009-00224

- 6.
- a. What was the rationale behind Blue Grass's decision to discontinue the GS-2 ETS rate?

Our wholesale supplier, East Kentucky Power, no longer offers the discounted rate to Blue Grass Energy; therefore, Blue Grass no longer offers the ETS program.

- b. How does Blue Grass determine which GS-2 customer will be switched to the GS-3 time of day rate and which GS-2 customer will be switched to the GS-1 Residential and Farm rate?

We are in the process of contacting each GS-2 customer. They have the option to switch to the GS-1 Residential and Farm rate or the GS-3 Time of Day rate. It is their choice.

Witness:
Donald Smothers