

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR AN)	CASE NO.
ADJUSTMENT OF ITS SECURITY DEPOSIT)	2010-00185
AND CABLE TELEVISION ATTACHMENT)	
RATES)	

O R D E R

On June 1, 2010, Blue Grass Energy Cooperative Corporation (“Blue Grass”) filed its application requesting revisions to its cable television (“CATV”) attachment tariff and its residential customer security deposit tariff. By Order dated July 28, 2010, the Commission suspended the proposed rates for five months, up to and including January 7, 2011. The Kentucky Cable Telecommunications Association (“KCTA”) was granted full intervention by Order of June 24, 2010.

On June 18, 2010, KCTA filed a Motion to dismiss the rate application on the basis that it amounted to single-issue rate-making. On July 6, 2010, Blue Grass filed its Response in Opposition to KCTA’s Motion to Dismiss; thereafter, KCTA filed its Reply.

KCTA argues that the application filed by Blue Grass fails to provide the thorough financial information needed by the Commission to determine the revenue requirements based on the aggregate costs and demands of the utility. KCTA also argues that Blue Grass fails to quantify any increases in operating costs and investment in plant assets to justify an increase in cable rates. Further, KCTA claims that, even if Blue Grass had quantified those costs, it has not explained why it would be appropriate to put all of the

rate increase on its cable customers or to raise its CATV rates based on a few increased costs without a complete analysis of its financial picture.

KCTA argues that what Blue Grass is attempting to do here amounts to single-issue rate-making, which this Commission has previously rejected. Single-issue rate-making means establishing rates based on one or a few expenses or revenue sources without consideration of potential offsets of changes in the expenses or revenues.

In response, Blue Grass cites the Commission's decision in Case No. 2005-00330,¹ an earlier Blue Grass case involving an application to increase CATV attachment rates. There, the Commission determined that, since Blue Grass was seeking to adjust a recurring rate, its application was required to be filed pursuant to the general rate application requirements of 807 KAR 5:001, Section 10.

Blue Grass filed its application here pursuant to 807 KAR 5:001, Section 10, the regulatory provision applicable to general rate cases.

The issue of single-issue rate-making in the context of revising CATV rates has previously been addressed in a case involving Jackson Purchase Energy Corporation ("Jackson Purchase").² There, Ballard Rural Telephone Cooperative Corporation ("Ballard") and KCTA were granted full intervention. Ballard moved to dismiss the Jackson Purchase application on the grounds that it violated the general rule against single-issue rate-making. Ballard argued that the Commission could not determine

¹ Case No. 2005-00330, Application of Blue Grass Energy Cooperative Corporation to Adjust Its CATV Attachment Charges (Ky. PSC Jan. 9, 2006).

² Case No. 2004-00319, Application of Jackson Purchase Energy Corporation for Adjustment in Existing Cable Television Attachment Rates (Ky. PSC Sept. 14, 2005).

whether the proposed CATV rates were just and reasonable “in isolation.”³ Ballard argued that, since Jackson Purchase did not apply for a general rate case, the Commission should dismiss the case. Jackson Purchase responded that it did not seek to increase revenues “in isolation”⁴ and that its application included an Adjusted Income Statement that provided the Commission with the company’s total financial picture.

In that case, the Commission found that Jackson Purchase had filed its application pursuant to the filing requirements of a general rate case as set forth in 807 KAR 5:001, Section 10, and that, as permitted in that regulation, the Commission granted Jackson Purchase permission to deviate from certain filing requirements but required the filing of an income statement and balance sheet to permit review of the utility’s financial condition. The Commission concluded that it had not engaged in single-issue rate-making.

The formula for determining the appropriate CATV rates was established by the Commission in Administrative Case No. 251.⁵ All of the detailed accounting and financial information required by 807 KAR 5:001, Section 10, is not necessary for a determination of the reasonableness of Blue Grass’s proposed CATV rates in accordance with the formula established by the Commission in Administrative Case No. 251. In this matter, Blue Grass has filed in its application all of the accounting and financial information necessary to determine an appropriate CATV rate.

³ Id. at 8.

⁴ Id. at 9.

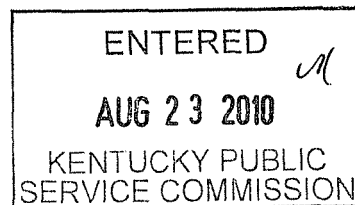
⁵ Administrative Case No. 251, The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments (Ky. PSC Sept. 17, 1982) (replacing in its entirety the Order of August 12, 1982).

Based on the motion to dismiss filed by KCTA, the response of Blue Grass, and the reply of KCTA, and being otherwise sufficiently advised, the Commission finds that:

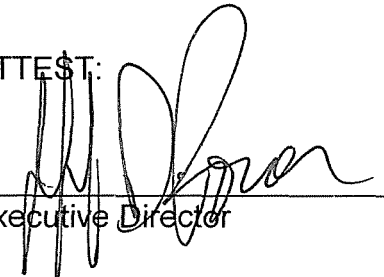
1. The application of Blue Grass was filed pursuant to the filing requirements applicable in general rate cases, 807 KAR 5:001, Section 10.
2. The applicable rates and charges for determining CATV attachments are set forth in Administrative Case No. 251.
3. The detailed accounting and financial information required pursuant to 807 KAR 5:001, Section 10, is not necessary for a determination of the reasonableness of proposed CATV rates established by the Commission in Administrative Case No. 251.
4. In its application, Blue Grass has filed all of the accounting and financial information necessary for the Commission to determine an appropriate CATV rate.
5. The Commission will not consider the proposed CATV rates of Blue Grass "in isolation," which would result in single-issue rate-making.

IT IS HEREBY ORDERED that the Motion of KCTA to dismiss the application is denied.

By the Commission



ATTEST:


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