




Blue Grass Energy

A Touchstone Energy[®] Cooperative 

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**Administrative Case No. 2012-00428
First Data Request by Attorney General**

IN THE MATTER OF:
CONSIDERATION OF THE IMPLEMENTATION OF SMART GRID
AND SMART METER TECHNOLOGIES

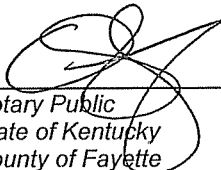
March 19, 2013

CERTIFICATION

Robert Chris Brewer, state that I am the Vice President of Power Delivery at Blue Grass Energy Cooperative Corp., and I have personal knowledge of the prepared responses to the questions from the Commission Staff and the Attorney General in Case No. 2012-00428 dated February 27, 2013, and that the responses are true and correct, to the best of my knowledge, after a reasonable inquiry.


Robert C. Brewer, VP of Power Delivery
Blue Grass Energy Cooperative Corp.

Subscribed and sworn to before me by Robert Chris Brewer, this 19 day of March, 2013.


Notary Public
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405077

My Commission Expires: 9-18-13

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Blue Grass Energy

1. Since the Commission initiated Consideration of *the New Federal Standards of the Energy Independence and Security Act of 2007*, Administrative Case No. 2008-00408, has the company changed its position regarding Smart Grid? If so, how?

Response: Blue Grass Energy references the response to AG Request #1 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

2. Are the technologies pertaining to the implementation of Smart Grid definitely known and proven
- a. If yes, explain in detail every aspect from the use of each technology from the company to the end-user.
 - b. If not, explain in detail what technologies are already advancing/improving as well as those that are envisioned on the immediate time horizon.

Response: Some are and some aren't. PLC and mesh network communications to distribution automation devices and meter are a proven technology. This is used for most smart grid communications. Cellular data communications is also proven and is being pursued for smart grid communications, but it has not been proven to be a cost effective solution and one with high reliability.

Witness: Ken Cooper

Blue Grass Energy

3. In light of recent catastrophic storms over the past ten years (for example, the various ice storms, tornadoes, and strong winds), which electric companies have experienced, and for which the company may ultimately have sought regulatory assets, can the company affirmatively state that its basic infrastructure, including all of its generation, transmission and distribution facilities, have proven to be reliable 24 hours a day, seven days a week, 365 days a year? If not, for each and every storm that it affected the utility in excess of two days, please provide the following:

a. The number of days before the company's last ratepayer's electricity was restored for each storm.

Response: In the past 9 years Blue Grass Energy has experienced four catastrophic storms where some customers experienced power outages lasting longer than two days. 2003 out for 10 days and 12 hours; 2004 out for 7 days and 6 hours; 2009 out for 10 days and 9 hours; and 2012 out for 2 days and 20 hours.

b. The average number of days, or hours if applicable, that the average ratepayer's outage lasted for each storm.

Response: The only event that we have sufficient data to provide an answer for is the 2012 event which the customers had an average outage length of 13.97 hours. As with many storms some customers experienced multiple outages during this event.

c. The average financial loss for the average ratepayer for each storm, if known.

Response: Unknown.

Witness: Ken Cooper

Blue Grass Energy

4. Does the company agree with the Attorney General that electricity is not considered a luxury service but a necessary commodity of modern life? If not, why not?

Response: Blue Grass Energy references the response to AG Request # 4 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

5. Does the company agree that the fundamental reliability of its electrical grid – i.e., the delivery of electricity to the end-user 24/7/365 – is paramount to the end-user's ability to monitor and/or conserve his/her demand or electricity consumption? If not, why not?

Response: Blue Grass Energy references the response to AG Request #5 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

6. Please state whether the company is aware of any cybersecurity breaches effecting the electric and gas industries that have either occurred in the United States or internationally. If the answer is in the affirmative, please explain the details of the breaches without exposing information that is not already in the public domain.

Response: Cybersecurity attacks have affected utilities in the US. These attacks have mainly caused problems with computer systems that provide customer service and/or aid in power restoration. I am not aware of any attacks that caused wide spread power outages although the threat is there and I do believe it is possible.

Witness: Ken Cooper

Blue Grass Energy

7. Please confirm that the company is aware that the prior United States Secretary of Defense Leon Panetta, in speaking on the vulnerability of the nation's electric grid with the consequential safety and security concerns that ensue, warned the Senate Appropriations Committee on Defense that the risk to the United States could even be considered the equivalent of a "digital Pearl Harbor."
- a. Is this a concern of the vulnerability of the nation's electric grid shared by the company? If not, why not?

Response: Yes Blue Grass Energy does share the concern about the vulnerability of the nation's electric grid.

Witness: Chris Brewer

Blue Grass Energy

8. With regard to cybersecurity in general, can the company unequivocally confirm that its system reliability is not vulnerable to a cybersecurity attack? If not, what could be the consequences? Please explain in detail as much as possible for the following:

- a. The company, and
- b. The company's ratepayers.

Response: I cannot unequivocally say that reliability is not vulnerable to a CS attack. Systems are in place to lessen the risk and provide protection from attack. These things include internet firewall with intrusion prevention/detection along with critical system network isolation strategies. Critical data is encrypted following PCI compliance along with Red Flag rules and procedures are in place to mitigate the access to sensitive customer information.

Witness: Ken Cooper

Blue Grass Energy

9. Please provide the names of the standards, protocols or policies which the company observes and/or implements in its maintaining its system reliability from cybersecurity threats.

Response: PCI compliance and FTC Red Flag rules.

Witness: Ken Cooper

Blue Grass Energy

10. Please provide copies of standards, protocols or policies which the company observes and/or implements in its maintaining its system reliability from cybersecurity threats.

Response: Copies of the FTC Red Flag Rules and the PCI compliance are available at the following links:

<http://www.ftc.gov/os/fedreg/2007/november/071109redflags.pdf>

http://en.wikipedia.org/wiki/PCI_DSS

Paper copies have not been provided due to the significant length of the documents.

Witness: Ken Cooper

Blue Grass Energy

11. With regard to cybersecurity in general, can the company unequivocally confirm that its ratepayers' privacy of data cannot be compromised or otherwise divulged to any individual or entity not associated with the company, or a qualified third-party which has issues a non-disclosure statement or the ratepayers? If not, what could be the consequences? Please explain in detail as much as possible for the following:

a. The company, and

Response: PCI compliance and FTC Red Flag rules insure the protection of customer's privacy and data. These rules and procedures are in place to mitigate the risk of compromised data. Non-disclosure and confidentiality agreements are signed by all qualified third parties.

b. The company's ratepayers.

Response: Same answer as A.

Witness: Ken Cooper

Blue Grass Energy

12. If a qualified third-party that has agreed to a non-disclosure statement and obtains ratepayers' private information, what guarantees exist that the information will not be disclosed, whether intentionally or unintentionally?

Response: Non-disclosure agreements and confidentially agreements are signed by all contractors with access to systems that could contain sensitive data. Although this data could be accessible, PCI compliance and encryption strategies prevent access to these third parties.

Witness: Ken Cooper

Blue Grass Energy

13. Please provide the names of the standards, protocols or policies which the company observes and/or implements in its maintain its ratepayers' privacy data from cybersecurity threats.

Response: PCI compliance and FTC Red Flag rules.

Witness: Ken Cooper

Blue Grass Energy

14. Please provide copies of the standards, protocols or policies which the company observes and/or implements in its maintaining its ratepayers' privacy data from cybersecurity threats.

Response: Copies of the FTC Red Flag Rules and the PCI compliance are available at the following links:

<http://www.ftc.gov/os/fedreg/2007/november/071109redflags.pdf>

http://en.wikipedia.org/wiki/PCI_DSS

Paper copies have not been provided due to the significant length of the documents.

Witness: Ken Cooper

Blue Grass Energy

15. Given the vulnerability of the electric grid to cyberattacks, describe what analog (non-digital) means the company will have in place to insure reliability, including but not limited to the maintenance of legacy systems.

Response: Digital systems are all interconnected with analog legacy systems and devices for remote control and monitoring. These systems without remote access will operate independent of digital control. These devices also have manual override as backup to remote access and automatic independent control.

Witness: Ken Cooper

Blue Grass Energy

16. What are the company's estimated costs to invest in order to fully implement Smart Grid?
- a. Do any cost estimates include results of any modeling that may show the degree of exposure to the following risks: (a) hacking; (b) electronic magnetic pulses (EMPs, whether related to solar flares or otherwise); and/or (c) weather events? If so, provide a list of the modeling software used to produce any estimates, the scenarios and sensitivities examined, and any and all such results.

Response: Blue Grass Energy references the response to AG Request #16 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

17. Please explain in detail what benefits, if any, the company expects its ratepayers to realize because of Smart Grid?
- a. Does the company believe that societal benefits are to be considered in evaluating benefits? If so, detail those societal benefits and how they may be used in evaluations? If not, why not?

Response: Blue Grass Energy references the response to AG Request #17 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

18. Would the company agree to strict limits and/or caps on ratepayers costs? If not, why not?

Response: Blue Grass Energy references the response to AG Request #18 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

19. Would the company agree to allow ratepayers to opt-out of smart meter deployment? If not, why not?

Response: Blue Grass Energy references the response to AG request #19 submitted by EKPC and adopts that response as its own for this request and we would like add the following response in addition:

Based upon our history, members have not had a problem with smart meters. As a matter of fact, most welcome the additional information that these meters can provide, such as daily readings to help them manage their electricity usage.

Witness: Chris Brewer and Barry Drury

Blue Grass Energy

20. Can the company quantify measurable and significant benefits that the ratepayers will realize, including monetary quantification of net savings (if any) to ratepayers?

Response: Blue Grass Energy references the response to AG Request #20 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

21. Please explain in detail what detriments, if any, the company expects its ratepayers to realize because of Smart Grid? Include in the explanation both new costs as well as stranded costs.

Response: Blue Grass Energy references the response to AG Request #21 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

22. What are the company's estimated costs which the company expects the ratepayers to realize?

Response: Blue Grass Energy references the response to AG Request #22 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

23. What are the company's estimated costs which the company expects its shareholders, if any, to realize? Include in the explanation both new costs as well as stranded costs.

Response: Blue Grass Energy references the response to AG Request #23 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

24. Does the company agree that its costs to invest and implement Smart Grid will be different than other utility companies? If not, why not?

Response: Blue Grass Energy references the response to AG Request #24 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

25. Does the company agree that its ratepayers' benefits, whether financial or otherwise, may differ from one utility to another upon implementation of any Smart Grid technology? If not, why not?

Response: Blue Grass Energy references the response to AG Request #25 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

26. Can the company guarantee that the deployment of Smart Grid will not interfere with the regulatory compact whereby the ratepayers will receive safe, adequate and reliable service at fair, just and reasonable costs? If not, why not? Explain in detail.

Response: Blue Grass Energy references the response to AG Request #26 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

27. Answer the above question with the definition of "fair, just and reasonable costs" as being economically feasible for the end-user.

- a. Provide any cost-benefit analysis that the company has run or will run to make the determination of economically feasible to the end-user.

Response: Blue Grass Energy references the response to AG Request #27 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

28. Regarding time of use (TOU) rates, can the company confirm that low-income ratepayers will not be disproportionately affected more than non-low-income customers? If not, why not? (Provide in the answers in any studies, reports, analyses and relevant data.)

Response: Blue Grass Energy cannot confirm or deny that low-income ratepayers will not be disproportionately affected as TOU rates depend on factors such as usage patterns which do not necessarily vary based on a rate payer's income level.

Witness: Chris Brewer

Blue Grass Energy

30. What proposals will the company present to deal with technological impediments to the broad use of Smart Grid, including but not limited to the following:

- a. Low and fixed-income individuals who do not have Internet resources as their home;

Response: This will depend on specific Smart Grid initiatives that are considered in the future and these issues may or may not be an issue at that time. These issues would be one of the variables that would be considered when evaluating a Smart Grid initiative.

- b. Multiple forms of technology used to access information (i.e., analog, cellular, VOIP); and

Response: See the above response to a.

- c. Multiple and proprietary technology and software options in the market that may lead to issues of compatibility?

Response: See the above response to a.

Witness: Chris Brewer

Blue Grass Energy

31. Assume: Full deployment of Smart Grid at the residential ratepayer level consisting of a household with only Energy Star appliances, an HVAC system with at least a 15 SEERS rating, etc. and any smart grid apparatuses/equipment for interconnectivity with the electric provider (including generation, transmission distribution).
- a. Does the company agree that if full deployment of the magnitude described in the above question occurs, the average residential ratepayer could experience significant capital outlay?
 - b. If so, what are the projected costs?
 - c. If no costs are anticipated by the electric provider, why not?

Response: Blue Grass Energy references the response to AG Request #31 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

32. In regard to appliances, such as refrigerators or lighting, does the company agree that in the long run, it is cheaper for the end-user himself/herself to make that capital outlay for the purchase of the appliance or lighting than have the company provide the appliance(s) and build the costs into the company's ratebase which would then include a profit component for the company on an on-going basis?

Response: Blue Grass Energy references the response to AG Request #32 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

33. Confirm that the Smart Grid depends, at least in part, if not exclusively, on telephony (whether landline, fiber optic, wireless or VOIP) at the end-user level for the end-user to participate in his/her altering his/her electricity usage patterns or behaviors.

Response: Smart grid's definition depends on whether telephony for the end user is necessary for them to participate. A smart grid system that control line conditions is independent of the end users telephony.

Witness: Ken Cooper

Blue Grass Energy

34. If the answer to the above question is in the affirmative, confirm that limited access or even complete absence of access to telephony will interfere with, if not prevent, the deployment of the Smart Grid at the end-user level.

Response: See the response to AG Request #33.

Witness: Ken Cooper

Blue Grass Energy

35. If the company intends to install infrastructure/software allowing for the transmission of Smart Grid/Smart Meter data over its distribution/transmission conductors and networks, provide estimates, or actual numbers, for the costs of doing so.

Response: Blue Grass Energy implemented an AMI system capable of daily meter reading of all electric meters in 2005. The cost at that time was approximately \$8 million dollars. This system utilizes power line carrier technology where the power lines are the medium for transmitting and receiving data signals.

Witness: Ken Cooper

Blue Grass Energy

36. Is there a standard communications' protocol that the company will deploy in its Smart Grid that will be interoperable regardless of the communications provider?

a. If not, explain how the company plans on addressing any problems that might arise.

Response: Communications standards vary by vendor and smart grid systems. Communication standards will be addressed at the time of a Smart Grid initiative to lessen interoperability problems.

Witness: Ken Cooper

Blue Grass Energy

37. If improved reliability is the goal of Smart Grid/Smart Meter, would it not be more cost-effective to invest in infrastructure hardening (for example, utilizing protocols and standards developed and implemented by many utilities in hurricane-prone regions)?

Response: Blue Grass Energy references the response to AG Request #37 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

38. Describe the company's plans to avoid obsolescence of Smart Grid/Smart Meter infrastructure (both hardware and software) and any resulting stranded costs. (This question and the subparts should be construed to relate to both the Smart Grid Investment Standard as well as the Smart Grid Information Standard.)
- a. Describe who would pay for stranded costs resulting from obsolescence.
 - b. With regard to the recovery of any obsolete investment, explain the financial accounting that should be used (as in account entry, consideration of depreciation, time period involved, etc.).

Response: Blue Grass Energy references the response to AG Request #38 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

39. With regard to interoperability standards, does the company agree that Smart Grid equipment and technologies as they currently exist, and are certain to evolve in the future, are not a one size fits all approach to the Commonwealth?

Response: Blue Grass Energy references the response to AG Request #39 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

40. Is dynamic pricing strictly defined as TOU?

- a. If not, explain why not.
- b. Is the company requesting that dynamic pricing be voluntary or involuntary, if at all?

Response: Blue Grass Energy references the response to AG Request #40 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

41. Please explain in detail whether the company has any dynamic programs in place in Kentucky.
- a. For each program, provide the number of participants.
 - b. For each program, state whether those participants on aggregate have saved costs on their bills.
 - c. For each program, state whether those participants on aggregate have saved costs on their bills.
 - d. For each program, state whether each participant has saved costs on his/her/its bills. (The question is not intended to request any private identifier information.)

Response: Blue Grass Energy does not have any dynamic programs in place.

Witness: Chris Brewer

Blue Grass Energy

42. Does the company recommend the Commission to formally adopt the EISA 2007 Smart Grid Investment Standard? If not, why not?

Response: Blue Grass Energy references the response to AG Request #42 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

43. Does the company recommend the Commission to formally adopt the EISA 2007 Smart Grid Information Standard? If not, why not?

Response: Blue Grass Energy references the response to AG Request #43 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

44. Does the company recommend issuing an IRP Standard?
- a. If so, what concerns does the company have with a standard, including "priority resource," especially as it relates to cost-effectiveness?
 - b. What concerns does the company have with a standard as it affects CPCN and rate applications?

Response: Blue Grass Energy references the response to AG Request #44 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

45. Does the company agree that any investment in grid modernization infrastructure should be done before deploying TOU rates or dynamic pricing? If not, why not?

Response: Blue Grass Energy references the response to AG Request #45 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

46. Regarding Kentucky Smart Grid Roadmap Initiative (KSGRI), does the company believe that it provides the fundamental basis for the Commonwealth as a whole to proceed with Smart Grid given its lack of incorporating all electric utilities such as municipalities and the TVA, along with its distribution companies? If yes, please explain why. If not, please explain why not.

Response: Blue Grass Energy references the response to AG Request #46 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

47. Does the company believe that the Commonwealth's electric industry is, or will become, so interconnected that all electric entities in any way involved or associated with the generation, transmission and/or distribution of electricity should be included and participate to some degree with Smart Grid if it is to come to fruition? If yes, please explain why. If not, please explain why not.

Response: Blue Grass Energy references the response to AG Request # 47 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

48. Does the company believe that any Smart Grid Investment will trigger a CPCN case? If not, why not?

Response: Blue Grass Energy references the response to AG Request #48 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

49. Does the company believe that Dynamic Pricing should be economically feasible for the end-user and be supported by a cost-benefit analysis?

Response: Blue Grass Energy references the response to AG Request #49 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer

Blue Grass Energy

50. If additional education is contemplated with the deployment of Smart Grid, please explain in detail if known or contemplated.

Response: Blue Grass Energy references the response to AG Request #50 submitted by EKPC and adopts that response as its own.

Witness: Chris Brewer