

Blue Grass Energy Cooperative Corporation
Case No. 2014-00339
Commission Staff's Third Request for Information

1. Refer to Exhibit 2 of the application regarding payroll taxes. On page 1, the state unemployment wage rate for 2014 is 1.05 percent, plus a .22 percent surcharge. Also refer to the last column under state unemployment on pages 2 and 3 where the rate listed for unemployment taxes is 1.22 percent.

a. Explain why the 1.22 percent state unemployment wage is being used in the calculation.

RESPONSE:

1.22 is the correct amount. The 1.05 should have been 1.00 plus .22 percent surcharge for 2014.

b. Is the .22 percent surcharge rate only in effect for 2014?

RESPONSE:

Yes.

c. What is the surcharge rate for 2015?

RESPONSE:

0.21%

d. Confirm that 1.22 percent is the correct rate. If not, provide a corrected Exhibit 2.

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RESPONSE:

1.22 is the correct rate.

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2. Refer to Exhibit 3 of the application regarding depreciation. Also refer to page 2 of Schedule 3 in Case No. 2008-00011.¹ In the instant case, account numbers 370, 392, 393, 397, and 398 have different depreciation rates than those approved in Case No. 2008-00011.
 - a. Confirm that the proposed rates listed on Schedule 3, page 2, in Case No. 2008-00011 are the rates approved by the Commission.

RESPONSE:

In reference to Account Number 370, Blue Grass is using the rate approved in Case No. 2008-00011 in regards to the depreciation of AMI meters. Please see page 2, Schedule 3 in Case No. 2008-00011.

In reference to Account No. 392, the rate contained on page 2, Schedule 3 in this instant case is a composite rate for Account 392.

In reference to Account 393, 397, and 398, the composite depreciation rate used is based on the composition of the items in that account at the end of the test year.

- b. Identify the authority for using rates in the instant case that differ from those approved in Case No. 2008-00011.

¹ Case No. 2008-00011, The Application of Blue Grass Energy Cooperative Corporation for an Adjustment in its Electric Rates (Ky. PSC, Aug. 28, 2008).

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RESPONSE:

Based on the responses provided in the response to Item a above, Blue Grass feels that is in compliance with the rates approved by the Commission in Case No. 2008-00011.

- c. Provide an updated Exhibit 3 with the depreciation rates approved in Case No. 2008-00011.

RESPONSE:

Blue Grass feels that an updated Exhibit 3 is not required as the approved rates were used.

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3. Refer to Exhibit 10 of the application regarding miscellaneous expenses. The last paragraph on page 1 states that \$11,354 has been removed for ratemaking purposes.

a. Confirm that the statement should reference the amount of \$75,550.

RESPONSE:

It is confirmed that the amount should be \$75,550.

b. Refer to the last column on pages 8 through 10. Explain the meaning of the symbols "I" and "c."

RESPONSE:

The "L" at the top of the column is for Legend. Letters in the column are to identify the content of the ads as follows:

S = Safety

C = Conservation and energy efficiency

I = Informational

X = Sponsorship and those that should be removed for rate making purposes

c. Refer to lines 121, 122, 123, and 124 on page 10. These entries have a 2014 date. Explain why 2014 expenses are included in the test year ending December 31, 2013.

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RESPONSE:

Those dates related to check payment dates while the actual expense was incurred in 2013. These expenses are not 2014 expenses.

- d. Provide the correct amount to remove from miscellaneous expenses for ratemaking purposes.

RESPONSE:

\$75,550.

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4. Refer to Exhibit 14 of the application.
- a. The total cost for substation equipment is shown as \$719,750. Provide the exact cost to date spent on substation equipment for the purpose of making remote disconnections and reconnections. Include in the response amounts for each of the categories listed under the heading "Hardware at substation" shown on Exhibit 14.

RESPONSE:

We have not spent any extra cost on substation equipment for the purpose of making remote disconnections and reconnections. The cost justification in Exhibit 14 of the application should not have included the Hardware at substation because it was already a cost included for the AMR metering system.

- b. Explain how much of the amount has been collected from the associated remote disconnect and reconnect charges.

RESPONSE:

Approximately \$10,800.

- c. Explain whether the substation equipment shown is also used for Blue Grass's prepay metering program.

RESPONSE:

Yes this substation equipment is used for the prepay metering program.

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- d. Explain why 60 months was chosen as the amortization period.

RESPONSE:

This was recommended by the manufacturer of the equipment.

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5. In the cost justification provided in Case No. 2007-00031,² the case in which Blue Grass's remote disconnect charge was initially approved, Blue Grass originally proposed to include substation equipment in the calculation of the fee,³ but later removed amounts for substation equipment.⁴ Explain why it is reasonable to include the substation equipment costs in the calculation of its remote disconnect and reconnect charges in this case.

RESPONSE:

Since the substation equipment was an embedded cost already, we elected to remove it in the prior filing and should remove it now from the exhibit 14 calculation. This is the reason we requested the service fee to be \$25.00 instead of \$30.00.

² Case No. 2007-00031, Application of Blue Grass Energy Cooperative Corporation for an Adjustment of Rates (Ky. PSC Mar. 20, 2007).

³ See Exhibit 2 of Blue Grass's application in Case No. 2007-00031.

⁴ See Item 1 of Blue Grass's response dated February 21, 2007 in Case No 2007-00031.

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6. Provide separately the number of remote disconnections and remote reconnections by year, since the remote disconnect and reconnect charges were approved, and indicate how many were associated with prepay program customers.

RESPONSE:

No. of remote disconnections and remote reconnections by year

Year	Disconnections	Reconnections
2008	180	144
2009	204	164
2010	264	176
2011	360	180
2012	324	243
2013	360	180

These were not associated with our Prepayment program.

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7.

- a. Provide a discussion of Blue Grass's experience with its Prepay Metering Program, which was approved in Case No. 2012-00260.⁵ The explanation should include the information required to be file in the Commission's Order in Case No. 2014-00045⁶ for both 2013 and 2014.

RESPONSE:

The prepayment metering program is a great billing and payment option for the member who desires to have the ability to pay as they go, whenever they want. It also allows them to monitor their usage on a daily basis if they desire. We have a high number of members selecting this option, approximately 25% of new memberships. The total number of active prepay accounts at the end of 2013 were 1,285. That has increased to 1,505 at the end of 2014.

We have some that have disconnected from prepay:

<u>Reason</u>	<u>2013</u>	<u>2014</u>
Lack of payment	51	265
Switched to post pay	13	37
Moved or voluntarily left	177	716

⁵ Case No. 2012-00260, Application of Blue Grass Energy Cooperative Corporation for Approval of a Prepay Metering Program (Ky. PSC Aug. 10, 2012).

⁶ Case No. 2014-00045, Request of Blue Grass Energy Cooperative Corporation for Relief of the Filing Requirements for the Prepay Meter Program (Ky. PSC Mar. 6, 2014).

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No. of prepay disconnected and reconnected by month

<u>Month</u>	<u>2013</u>	<u>2014</u>
January	172	743
February	136	654
March	177	579
April	163	534
May	204	609
June	295	778
July	414	799
August	453	778
September	369	703
October	507	775
November	573	789
December	813	1087

There is a continuing increase in the number of prepay members that allow their meter to disconnect or go to a pending disconnect status on a regular basis before they pay to have it to automatically reconnect.

- b. If the number of participants for 2013 is 1,285, as indicated in the information filed with Blue Grass's 2013 Annual Report, explain the 9,123 billing determinants shown for Customer Charge, Prepay in Exhibit J, page 1, of the 2013 Application, which would seem to indicate approximately 760 prepay customers.

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RESPONSE:

The billing determinants are the accumulated sum of the participants per month not the number of participants.

- c. State whether Blue Grass continues to believe its \$8.75 prepay customer charge is the appropriate charge to recover its prepay cost based on its experience of customer participation and cost recovery for the program.

RESPONSE:

Yes.

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8. Refer to the response to item 6 of Staffs Second Request for information ("Staffs Second Request).

a. Has Blue Grass contacted the Federal Financing Bank ("FFB") for a quote on interest rates for various terms?

RESPONSE:

Yes, we receive a daily interest rate quote.

b. Does Blue Grass plan to contact the FFB for a quote on interest rates for various terms?

RESPONSE:

See a above.

c. What was the FFB interest rate for a seven-year term as of September 25, 2014?

RESPONSE:

2.23%

d. What is the current FFB interest rate for a seven-year term?

RESPONSE:

As of February 20, 2015, the FFB interest rate for a seven-year term is 1.87%.

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- e. Provide an updated interest calculation for the FFB loans based on the current FFB interest rate on a seven-year loan.

RESPONSE:

\$889,665

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9. Refer to the response to Item 19 of Staff's Second Request, page 2 of Exhibit X, Account 42610 - Donations, Exhibit 7 of the application, and the response to Item 45 of the Attorney General's Initial Request for Information ("AG's Initial Request"). On Exhibit X, Account 42610-Donations has a zero balance. Exhibit 7 lists a number of unallowable donations as well as a \$247,000 balance. Item 45 of the AG's Initial Request lists \$8,630.15 in donations in Account 912.30 - Membership Services/Public Relations. Provide an explanation for these discrepancies, a revised Exhibit 7 that identifies all unallowable donations, and the correct amount of donations that should be disallowed for ratemaking purposes.

RESPONSE:

Exhibit 7 of the application for account 42600 was erroneously labeled. Donations are included in account 91230 communications and public relations. The account balance for 91230 was 247,481.46. This was mostly labor, benefits and transportation cost. The donations amount in this account was \$8,630.15 which was stated in the AG initial data request correctly. Attached is a detail of these donations which should be disallowed for rate making purposes.

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1 Rem 9
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SO	TR	TRACT	ITEM	ID	DEPT	WH	BH	DATE	CR/JOB/REC/TSK FU/VER/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
AP	1	232.10	MEMB	08	30		13	02/01/13	VN	8164	500.00	.00	SPONSORSHIP/TESS CO CHAMBER DINN
AP	1	232.10	MEMB	08	30		725	02/12/13	VN	15976	200.00	.00	DONATION/AUCTION-TIONS CLUB-HDO
AP	1	232.10	MEMB	08	30		13	04/12/13	VN	14150	50.00	.00	PROJECT GRAD/HARRISON
AP	1	232.10	MEMB	08	30		13	04/12/13	VN	13069	50.00	.00	PROJECT GRAD/SCOTT
AP	1	232.10	MEMB	08	30		13	04/12/13	VN	13073	50.00	.00	PROJECT GRAD/NICHOLAS
AP	1	232.10	MEMB	08	30		13	04/12/13	VN	18366	50.00	.00	PROJECT GRAD/BAREA
AP	1	232.10	MEMB	08	30		13	04/12/13	VN	13070	50.00	.00	PROJECT GRAD/PENDLETON
AP	1	232.10	MEMB	08	30		13	04/12/13	VN	16124	50.00	.00	PROJECT GRAD/MSHS
AP	1	232.10	MEMB	08	30		13	04/12/13	VN	13071	50.00	.00	PROJECT GRAD/BOURBON
AP	1	232.10	MEMB	08	30		725	04/18/13	VN	15028	300.00	.00	WOODFORD/REALITY STORE-T SHIRTS
JE	40	913.00	MEMB	08	15		2101	04/30/13	V	M-31	45.00	.00	SPONSORSHIPS
AP	1	232.10	MEMB	08	13		13	05/07/13	VN	8164	400.00	.00	GOLF OUTFITTING/BALL
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	19296	125.00	.00	REGISTRATION FEES/BREWER
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	19296	125.00	.00	REGISTRATION FEES/SMOTHERS
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	19296	125.00	.00	REGISTRATION FEES/HALL
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	19296	125.00	.00	REGISTRATION FEES/GRUB
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	13499	85.00	.00	KAED GOLF REGISTRATION/BREWER
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	15499	85.00	.00	KAED GOLF REGISTRATION/HALL
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	15499	85.00	.00	KAED GOLF REGISTRATION/FARMER
AP	1	232.10	MEMB	08	30		13	05/22/13	VN	15499	85.00	.00	KAED GOLF REGISTRATION/GRUB
AP	1	232.10	MEMB	08	30		13	05/23/13	VN	15310	320.00	.00	TEAM OF 4 PLAYERS/HOSPICE OF THE BLUE
AP	1	232.10	MEMB	08	30		13	05/23/13	VN	15310	125.00	.00	HOLE SPONSOR/HOSPICE OF THE BLUE
AP	1	232.10	MEMB	08	20		13	06/26/13	VN	17961	100.00	.00	HOLE SPONSORSHIP
AP	1	232.10	MEMB	08	30		13	07/10/13	VN	9293	150.00	.00	HOLE SPONSOR-ANNUAL GOLF SCRAMBL
AP	1	232.10	MEMB	08	30		13	07/10/13	VN	19358	52.50	.00	SAFETY ED MATERIALS
AP	1	232.10	MEMB	08	30		13	07/10/13	VN	13544	50.00	.00	SUPPORT FOR COMMUNITY PROGRAMS
AP	1	232.10	MEMB	08	30		13	07/10/13	VN	19361	125.00	.00	HOLE SPONSOR & FOURDSOME GOLF SCR
AP	1	232.10	MEMB	08	30		13	07/11/13	VN	16358	50.00	.00	SHOP WITH A COP
AP	1	232.10	MEMB	08	30		13	08/07/13	VN	19297	640.00	.00	T-SHIRTS
AP	1	236.50	MEMB	08	30		13	08/07/13	VN	19297	38.40	.00	T-SHIRTS
AP	1	232.10	MEMB	08	30		13	08/28/13	VN	60	625.00	.00	2013 HONOR FILGETH/C LEE & STILLIV
JE	40	913.00	MEMB	08	50		2101	08/31/13	V	M-31	300.00	.00	SPONSORSHIPS
AP	1	232.10	MEMB	08	30		13	08/31/13	VN	11368	250.00	.00	SILVER SPONSOR/SPONSORREAD FESTIV
AP	1	232.10	MEMB	08	30		13	09/10/13	VN	18355	250.00	.00	DONATION/PITCHING MACHINE
AP	1	232.10	MEMB	08	30		13	12/01/13	VN	19162	330.00	.00	2 TEACHERS WORKSHOP
AP	1	232.10	MEMB	08	30		13	12/01/13	VN	19162	495.00	.00	TEACHERS WORKSHOP
AP	1	232.10	MEMB	08	30		13	12/19/13	VN	181	43.20	.00	DOOR PRIZE/ANDERSON CHAMBER
JE	40	912.40	MEMB	08	50		2101	12/31/13	V	M-35	87.00	.00	SPONSORSHIPS

NUMBER OF RECORDS FOUND - 38

TOTAL QTY .00
 TOTAL DEBIT 6,666.10
 TOTAL CREDIT .00
 NET BALANCE 6,666.10

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ACCOUNT ANALYSIS
 FOR ACCT: 912.30 COMMUNICATIONS/PUBLIC RELATIONS
 DATE RANGE FROM 01/01/13 TO 12/31/13

PAGE 1
 RUN DATE 01/23/15 04:44 PM

SO	TR	TR	BA	CT	ITEM	ID	DEPT	WH	BE	DATE	CR/	JOB/	REC/	T/SK	QTY	DEBIT	CREDIT	DESCRIPTION
AP	1	232.10	MEMB	02	15	725	01/01/13	VN						181	.00	-8.48	.00	PRIZES/BOURBON MIDDLE SCHOOL
AP	49	0.00	MEMB	02	15	2101	01/02/13	V						M-03	.00	.00	.00	DONATIONS
AP	1	232.10	MEMB	02	50	13	02/07/13	VN						117	.00	500.00	.00	2013 LEADERSHIP KY CONTRIBUTION
AP	1	232.10	MEMB	02	50	723	07/26/13	VN						9326	.00	700.00	.00	DONATION/E A GILBERT
AP	1	232.10	MEMB	02	20	13	10/09/13	VN						19068	.00	100.00	.00	SPONSOR/SPECIAL OLYMPICS KY-MDO
AP	1	232.10	MEMB	02	30	13	12/20/13	VN						19546	.00	664.05	.00	ELECTRIC RANGE COST-FOOD LAB

NUMBER OF RECORDS FOUND - 6

TOTAL QTY .00
 TOTAL DEBIT 1,972.53
 TOTAL CREDIT 8.48-
 NET BALANCE 1,964.05

666.10
 8,630.15

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10. Refer to the response to Item 27.b. of the AG's Initial Request. State whether Blue Grass is proposing to withdraw proposed tariff Sheet No. 5a, GS-2 (Residential and Farm Inclining Block) that was filed with its application.

RESPONSE:

No, Blue Grass is not withdrawing the proposed tariff Sheet No. 5a, GS-2 (Residential and Farm Inclining Block). The response to Item 27.b of the AG's Initial Request was in error.

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11. Provide an explanation for proposed tariff Sheet No. 12a, LP-1 (Large Power 101 KW to 500 KW - Time of Day Rate) ("LP-1 Time of Day"), including how the proposed rates were developed.

RESPONSE:

The time of day (TOD) on and off peak hours follows the on and off peak hours of EKPC. The off peak rate was determined by about a \$.02 adder to the wholesale rate for a \$.6500/kWh off peak rate. The total revenue from the off peak rate usage was then determined. Next, the on peak rate was backed out based on subtracting the off peak revenue from the total kWh revenue and maintaining a revenue neutral basis.

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12. Provide a revised Exhibit J including the proposed LP-1 Time of Day rates, along with support for the expected level of participation reflected in the billing determinants used.

RESPONSE:

There are no historical participants to add to the LP-1 Time of Day rates so there is no revision of Exhibit J.