

Blue Grass Energy Cooperative Corporation
Case No. 2014-00339
Response to Attorney General Clarification Questions to Supplemental Responses

1. Please reference the company's response to AG2-1. Provide full details as requested, as to the specific nature of employee no 110 receiving pay raises of 3%, 16.4%, 21.2%, 6%, 8.5%, and 8.7% for the years of 2009-2014, and for employee no 2539 with a 59.7% raise, 2.3%, 2.6% and 6.5% for years 2011-2014.

RESPONSE:

Employee No. 110 received a merit increase of 3%. The 16.4% was a promotion from Vice President to Senior Vice President and the 21.2% increase was a promotion to President/CEO. The 6%, 8.5% and 8.7% were merit increases due to the employee performance and salary being below the market value for the position. These increases enabled the employee to progress toward market value.

Employee No. 2539 had a 59.7% increase due to a promotion from part-time to full-time. In addition, the time period included a six-month evaluation and merit increases. The 2.3%, 2.6%, and 6.5% increases were due to the employee's performance and employee's salary being below market value.

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2. Please reference the Company's response to AG2-2. Provide full details as requested as to the specific nature of the President/CEO receiving a raise of 21.2% in 2011, 6% in 2012, and 8.5% in 2013 which resulted in almost a \$100,000 raise in salary in only two years since the effective dates were 2/28/11 and 3/2/13.

RESPONSE:

The employee received a 21.2% increase due to a promotion to President/CEO. The 6% and 8.5% were merit increases due to employee performance and salary being below the market value for the position.

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3. Please reference the Company's response to AG2-6. The Company responded that there are no minutes detailing the board of Directors discussing rates, other than what has been provided. BGE has only provided that Jane Smith moved to approve the resolution stating the intent to file for a rate increase, etc. Are detailed or general BOD minutes not taken? Reference AG2-8, where the company states, "[w]e have been discussing the need for a rate design change with the board for several years during our financial reviews." Please provide the board of directors meeting minutes for every BOD meeting between January 2008 and September 2014 where rates were discussed.

RESPONSE:

We do not have any board meeting minutes that specifically include rate discussion detail. The discussions occurred in general during the financial review section of the board meeting.

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4. Please reference the Company's response to AG2-13. Is any of the customer charge increase attributed to the revenue increase of \$2,452,901 or is that separate from the revenue increase? Please advise how much additional revenue the increased customer charge will provide the Company, when compared to the existing revenue received from the customer charge.

RESPONSE:

None of the customer charge increase is a result of the increase in revenue requirements requested by Blue Grass. Provided below is the revenue from the current customer charge and the proposed customer charges for Rate Schedule GS1 – Residential & Farm.

GS1 - Residential & Farm Revenue from Customer Charges						
		Current		Phase 1		Phase 2
		Rates		Rates		Rates
Customer Charge		\$6,078,526		\$9,370,800		12,494,400
Customer Charge, Prepay		168,593		216,671		262,286
		\$6,247,119		\$9,587,471		\$12,756,686

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5. Please reference the Company's response to AG2-14. Clarify what the response of (55,617) indicates. Does it mean that the interest expense adjustment would only be reduced by \$55,617? Please explain in full detail this response.

RESPONSE:

The (\$55,617) represents a decrease in the interest expense adjustment.

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6. Please reference AG2-21. Provide what the interest expense is if BGE used the normal approach and used actual interest rates of loans versus the interest expense using higher interest rates than what are currently paid. Provide both figures and designate which is actual versus adjusted.

RESPONSE:

Interest Expense Adjustments					
		Actual		Adjustment	Proposed
Proposed Interest Expense		4,219,323		482,472	4,701,795
Traditional Method		4,219,323		(55,617)	4,163,706

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7. Please reference AG2-22. Explain how the first step maintenance increases would affect bills starting with June 1, 2014, even though that would be last year's bills? Then explain how the second step rate increase would take effect this summer on June 1, 2015? Please confirm that BDE did not mean to state that the first step would be implemented June 1, 2015 and the second step June 1, 2016?

RESPONSE:

To clarify the dates, if the PSC approved the first step rate structure change and maintenance increase by June 1, 2015, the first step rate structure change and maintenance increase would affect bills starting with June 1, 2015 bills. If the second step rate structure change (which is revenue neutral) is approved by the PSC effective one year later, then the second step rate structure change would take effect June 1, 2016.


COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION FOR AN) Case No. 2014-00339
ADJUSTMENT OF RATES)

WRITTEN NOTIFICATION OF CONFIDENTIALITY
FOR ENTIRE DOCUMENT - 807 KAR 5:001 SECTION 13(2)(9)(3)(6)

This is to notify that confidential treatment is sought for the entire response to AG Clarification Question 8 related to AG Item 27 attached hereto.



ATTORNEY FOR BLUE GRASS ENERGY
COOPERATIVE CORPORATION

Clarification Question 8
About Item 27

Witness: Donald Smothers

Blue Grass Energy Cooperative Corporation
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Response to Attorney General's Clarification
Questions on Supplemental Responses

NOTE: CONFIDENTIAL TREATMENT IS REQUESTED FOR
ENTIRE 3 PAGES OF RESPONSE TO AG CLARIFICATION
QUESTION 8 RELATED TO AG ITEM 27 ATTACHED
HERETO 807 KAR 5:001 SECTION 13(2)(a)(3)(b)