




Blue Grass Energy

A Touchstone Energy Cooperative 

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March 9, 2015 donalds@bgenergy.com

Attorney General
Attn: Rate Intervention
1024 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601

Re: Application of Blue Grass Energy Cooperative
 Corporation for an Adjustment of Rates
 Case No. 2014-00339

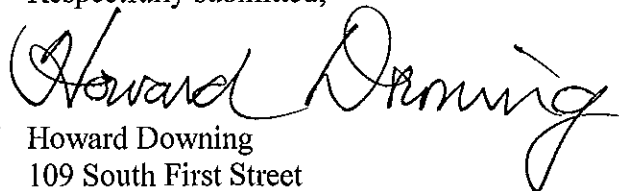
Please find enclosed the responses to the Attorney General's Supplemental Requests for Information dated March 4, 2015.

The documents filed electronically with the Public Service Commission's for this case are a true representation of the original provided. The documents filed are as follows:

Cover Letter: BGE_Read1st_AGDR3_030915.pdf
Application: BGE_R_AGDR3_030915.pdf

Please contact me at should you have any questions regarding this filing.

Respectfully submitted,



Howard Downing
109 South First Street
Nicholasville, Kentucky 40356
859-885-4619
hdowning@windstream.net
Attorney for Blue Grass Energy Cooperative Corporation

Enclosure
CC: Public Service Commission

The undersigned, Donald Smothers, as Vice President Financial Services and CFO, being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: March 9, 2015

BLUE GRASS ENERGY COOPERATIVE
CORPORATION

By: Donald Smothers
DONALD SMOTHERS, VICE PRESIDENT
FINANCIAL SERVICES AND CFO

Subscribed, sworn to, and acknowledged before me by Donald Smothers, as Vice President Financial Services and CFO for Blue Grass Energy Cooperative Corporation on behalf of said Corporation this 9 day of March, 2015.

Allison R. Maeter 527583
Notary Public, Kentucky State At Large

My Commission Expires: 2/5/19

The undersigned, James R. Adkins, as Consultant for Blue Grass Energy Cooperative Corporation being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: March 9, 2015

By: James R. Adkins
JAMES R. ADKINS, CONSULTANT

Subscribed, sworn to, and acknowledged before me by James R. Adkins, as Consultant for Blue Grass Energy Cooperative Corporation on behalf of said Corporation this 9 day of March, 2015.

Alvin R. Mates 527583
Notary Public, Kentucky State At Large

My Commission Expires: 2/5/2019

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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

**SUPPLEMENTAL MOTION OF BLUE GRASS ENERGY COOPERATIVE
CORPORATION FOR CONFIDENTIAL TREATMENT OF MATERIAL UNDER
807 KAR 5:001 SECTION 13 AND KRS 61.878**

Blue Grass Energy Cooperative Corporation (“BGE”) moves the Kentucky Public Service Commission pursuant to 807 KAR 5:001, Section 13 and KRS 61.878 to grant confidential protection for material provided in movant’s responses to Question 8 of Attorney General’s “Clarification Questions on the Supplemental Responses” which applies to Item 27 of “Response of Attorney General Second Request for Information” (AG Item 27). BGE has a pending Motion for Confidential Treatment Responses to AG Item 27.

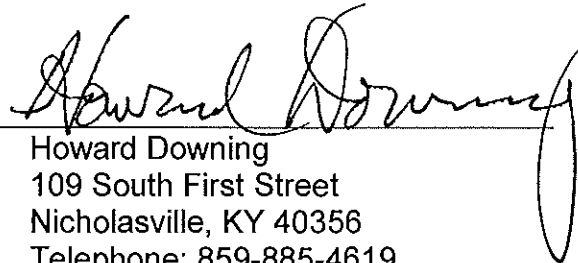
**SPECIFIC GROUNDS PURSUANT TO KRS 61.878
FOR CLASSIFICATION OF MATERIAL AS CONFIDENTIAL**

BGE adopts and incorporates by reference herein the specific grounds for confidentiality protection based upon KRS 61.878(1)(a) (unwarranted invasion of personal privacy) and KRS 61.878(1)(c)(1) (generally recognized as confidential permitting unfair commercial advantage to competitors) and the supporting discussion and legal arguments supporting confidential treatment of responses to AG Item 27. This Motion for Confidentiality applies to the BGE response to Question 8 of the AG’s “Clarification Questions on the Supplemental Responses” in reference to AG Item 27.

CONCLUSION

1. BGE requests confidential treatment of all response material for AG Clarification Question 8 related to AG Item 27 as set forth above.
2. The requested time period for the material to be treated as confidential is indefinite. This period of time should avoid any violation of personal privacy and prevent any proprietary and business disadvantage from revealing the wage bonus compensation payments and plans of BGE.
3. Attached are ten (10) copies of the material in paper medium with request for confidential treatment of all the response to AG Clarification Question 8 related to AG Item 27 and, in a separate sealed envelope marked "CONFIDENTIAL", one (1) copy of the material in paper medium being response to AG Clarification Question 8 related to AG Item 27 which discloses confidential material.

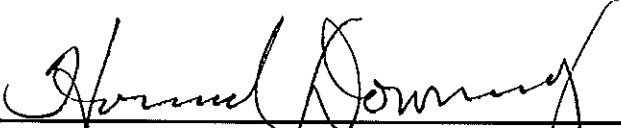
Dated: March 9, 2015.



Howard Downing
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Attorney for Blue Grass Energy
Cooperative Corporation

CERTIFICATE

This is to certify that the electronic filing of "Supplemental Motion of Blue Grass Energy Cooperative Corporation for Confidential Treatment of Material under 807 KAR 5:00 Section 13 and KRS 61.878" is a true and accurate copy of the same document being filed in paper medium, that the electronic filing has been transmitted to the Public Service Commission on March 9, 2015, that there are no parties that the Commission has excused from participation by electronic means in this proceeding, that an original in paper medium of the Motion and a copy of the material for which confidentiality is requested sealed in an opaque envelope are being delivered to the Commission on March 9, 2015 and that a true copy of the Motion has been mailed to Hon. Angela M. Goad, Assistant Attorney General, Utility & Rate Office, 1024 Capital Center Drive, Suite 200, Frankfort, KY 40601-8204 this 9th day of March, 2015.



ATTORNEY FOR BLUE GRASS ENERGY
COOPERATIVE CORPORATION

Howard Downing Law Office

From: "Goad, Angela (KYOAG)" <Angela.Goad@ky.gov>
To: <hhdwning@windstream.net>
Sent: Wednesday, March 04, 2015 3:18 PM
Attach: Clarification on Supplemental Responses by BGE.doc
Subject: Attorney General's Clarification on Supplemental Responses by BGE.doc
Hello Attorney Downing,

Thank you for taking my phone call. Please find the attached clarification questions that the Attorney General's Office has on the supplemental data responses that BGE provided. I would appreciate the answers by Monday if possible. As I advised on the telephone, at this time the Attorney General plans on filing Comments in lieu of testimony and not asking the PSC for a hearing. However, if the PSC does conduct a hearing on its own then the Attorney General reserves the right to attend. Thank you for your time and please let me know as soon as possible.

Angela M. Goad

Assistant Attorney General
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Public Service Litigation Branch
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NOTICE OF CONFIDENTIALITY

This message is intended only for the use of the individual or entity to which it is addressed and may contain confidential information that is legally privileged and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, you are notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify this office by telephone and return this message to the Office of the Attorney General immediately. Thank you.

Under Kentucky Rule of Evidence 503, this communication is confidential and not intended to be disclosed to third persons other than those to whom disclosure is made in furtherance of the rendition of professional legal services to or on behalf of the Office of the Attorney General.

Blue Grass Energy Clarification Questions on the Supplemental Responses

1. Please reference the Company's response to AG 2-1. 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.
2. Please reference the Company's response to AG 2-2. 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 form 2/28/11 and 3/2/13.
3. Please reference the Company's response to AG 2-6. 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 AG 2-8, 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.
4. Please reference the Company's response to AG 2-13. 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.
5. Please reference the Company's response to AG 2-14. 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.
6. Please reference AG 2-21. 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.
7. Please reference AG 2-22. 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 BGE did not mean to state that the first step would be implemented June 1, 2015, and the second step June 1, 2016?

8. Please reference the Confidential Company response to Ag 2-27. Please advise why 2009 is not available. Also, please provide the Company's policy and procedure on awarding Christmas and Regular bonuses. For example, how does the Company choose who receives Christmas/Regular bonuses, are the bonuses given to everyone, how is the amount of bonus determined, etc.
 - a. Are the Christmas and Regular bonuses removed in the application to increase rates for ratemaking purposes?