

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

1. Provide in comparative form, a detailed income statement, a statement of cash flows, and a balance sheet for the test year and the 12-month period immediately preceding the test year.

Response:

Please see Exhibit V of the Application.

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

2. Provide Blue Grass Energy's rate of return on net investment rate base for the test year and five preceding calendar years. Include the data used to calculate each return.

Response:

Please see Exhibits K, L and N of the Application.

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

3. Provide Blue Grass Energy's times interest earned ratio and debt service coverage ratio as calculated by the Rural Utilities Service ("RUS"), for the test year and the five preceding calendar years. Include the data used to calculate each ratio.

Response:

Please see Exhibits K, L and N of the Application.

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

4. Provide Kentucky's Electric Cooperatives Operating Expense and Statistical Comparisons for the most recent 2 years available.

Response:

Please see Exhibit 17 of the Application.

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

5. Provide Blue Grass Energy's capital structure at the end of each of the periods shown in Format 5.

Response:

Please see Exhibit Z of the Application.

Blue Grass Energy Cooperative Corporation
Case No. 2014-00229
Response to Commission Staff's First Request for Information

- 6a. List all outstanding issues of long-term debt as of the end of the latest calendar year and the end of the test period together with the related information as shown in Format 6a. A separate schedule is to be provided for each time period. Report in column (k) of Format 6a, Schedule 2, the actual dollar amount of debt cost for the test year. Compute the actual and annualized composite debt cost rates and report them in Column (j) of Format 6a, Schedule 2.

Response:

Please see Exhibit 4 of the Application.

- 6b. Provide an analysis of end-of-period short-term debt and a calculation of the average and end-of-period cost rates as shown in Format 6b.

Response:

Please see Exhibit 4 of the Application.

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

7. Provide a trial balance as of the last day of the test year showing account number, subaccount number, account title, subaccount title, and amount. The trial balance shall include all asset, liability, capital, income, and expense accounts used by Blue Grass Energy. All income statement accounts should show activity for 12 months. Show the balance in each control account and all underlying subaccounts per company books.

Response:

Please see Exhibit Y of the Application.

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

8. Provide the following:

- a. A schedule as shown in Format 8, comparing the balances for each balance sheet account or subaccount included in Blue Grass Energy's chart of accounts for each month of the test year, to the same month of the 12-month period immediately preceding the test year.

Response:

Please see Exhibit W of the Application.

- b. A schedule, as shown in Format 8, comparing each income statement account or subaccount included in Blue Grass Energy's chart of account for each month of the test year to the same month of the 12-month period immediately preceding the test year. The amounts should reflect the income or expense activity of each month, rather than the cumulative balances as of the end of the particular month.

Response:

Please see Exhibit X of the Application.

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

9. Provide the following information for each item of the electric property or plant held for future use at the end of the test year.
- a. Description of property.
 - b. Location
 - c. Date purchased
 - d. Cost.
 - e. Estimated date to be placed in service.
 - f. Brief description of intended use.
 - g. Current status of each project.

Response:

Blue Grass Energy does not have property held for future use.

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

10. List all non-utility property, related property taxes, and the accounts where amounts are recorded for the test period. Include a description of the property, the date purchased, and the cost.

Response

Blue Grass Energy does not have non-utility property.

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

11. Provide all studies, including all applicable work papers, which are the basis of jurisdictional plant allocations and expense account allocations.

Response:

Not applicable.

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

12. Provide Blue Grass Energy's current bylaws. Indicate any changes to the bylaws since Cumberland Valley's most recent general rate case.

Response:

Please see Exhibit U of the Application.

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

13. Provide Blue Grass Energy's equity management plan. Indicate when the current plan was adopted and identify any changes made in the plan since the year utilized as the test year in Blue Grass Energy's last rate case. Provide a 5-year analysis of the amount of capital credits refunded to members under the plan and indicate the amounts related to general retirements and special retirements (i.e., estates of deceased patrons).

Response:

Please see Exhibit 19 of the Application.

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

14. Provide Blue Grass Energy's written policies on the compensation of its attorneys, auditors, and all other professional service providers. Include a schedule of fees, per diems, and other compensation in effect during the test year. Include all agreements, contracts, memoranda of understanding, and any other documentation that explains the nature and type of reimbursement paid for professional services. Indicate if any changes occurred during the test year, the effective date of these changes, and the reason for these changes.

Response:

Please see Exhibit 8 of the Application.

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

15. Provide Blue Grass Energy's policies specifying the compensation of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicate the effective date and the reason for the changes.

Response:

Please see Exhibit 9 of the Application and below:

The per diem was changed November 2013 and the chairman monthly fee was changed July 2013. The change was due to our responsibility to maintain and recruit the most qualified candidates for Director from our membership. The fees have not been changed since 1994 or earlier. 1994 is the most current data in our current accounts payable SEDC data base.

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

16. Provide the date, time, and a general description of the activities at the most recent annual members' meeting. Indicate the number of new board members elected. For the most recent meeting and the five previous annual members' meetings, provide the number of members in attendance, the number of members voting for new board members, and the total cost of the annual meeting.

Response:

Please see Exhibit P of the Application.

A new board member was appointed to complete the term of a deceased director December 2013.

Blue Grass Cooperative Corporation
Case No. 2014-00339
Response to Commission Staff's First Request for Information

17. Provide the following:

- a. A schedule showing, by customer class (i.e., residential, commercial, industrial, etc.) the amount and percent of any proposed increase or decrease in revenue distributed to each class. Provide a detailed explanation of the methodology or basis used to allocate the requested increase or decrease in revenue to each of the respective customer classes.

Response:

Please see Exhibits J and G of the Application.

- b. A schedule showing how the increase or decrease in (a) above was further distributed to each rate charge (i.e., customer or facility charge, kWh charge, etc.). Explain in detail the methodology or basis used to allocate the increase or decrease.

Response:

Please see Exhibit R of the Application

- c. If the rate schedule contains a demand charge, describe in detail how the proposed demand charge was determined. Provide all calculations, assumptions, workpapers, methodologies, etc. used in the development of the proposed demand charge.

Response:

Please see Exhibit R of the Application.

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

- d. If the rate schedule contains a monthly customer charge, describe in detail how the proposed customer charge was determined. Provide all calculations, assumptions, workpapers, methodologies, etc. used in the development of the proposed customer charge.

Response:

Please see Exhibit R of the Application.

- e. A reconciliation of the Fuel Adjustment Clause ("FAC") revenue and expense for the test year. The net result of this adjustment should remove all FAC revenue and expense from test-year revenue and expense.

Response:

Please see Exhibit J of the Application.

- f. A reconciliation of the Environmental Surcharge ("ES") revenue and expense for the test year. The net result of this adjustment should remove all ES revenue and expense from test-year revenue and expense.

Response:

Please see Exhibit J of the Application.

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

18. For each rate schedule (rate class), provide the following information for the test year:
- a. Number of customers.
 - b. Kilowatt-hour sales.
 - c. Rate schedule's percent of Blue Grass Energy's total kilowatt-hour sales.
 - d. Monthly peak KW demands for the rate schedule.
 - e. Total revenue collected.
 - f. Rate schedule's percent of Blue Grass Energy's total revenues.

Response:

Please see pages 2-3 of this response.

BLUE GRASS ENERGY COOPERATIVE

CASE NO. 2014-00339

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Rate		Year End	Energy Sales	Percentage	Total	Percentage
Schedule	Title	Number	kWh	of Energy Sales	Revenue	of
		Customers		kWh		Total Revenue
GS-1	Residential and Farm	52,931	793,939,806	64.31%	85,775,304	68.36%
GS-1	Residential and Farm TOD	38	437,447	0.04%	\$41,574	0.03%
SC-1	General Service (0-100 KW)	2,554	70,405,905	5.70%	\$8,849,666	7.05%
SC-2	General Service (0-100 KW TOD)	43	659,159	0.05%	\$86,371	0.07%
LP-1	Large Power (under 500KW)	57	37,501,047	3.04%	\$3,374,983	2.69%
LP-2	Large Power (over 500KW)	24	80,741,257	6.54%	\$6,453,388	5.14%
B-2	Large Industrial Rate	5	198,304,474	16.06%	\$12,911,527	10.29%
G-1	Large Industrial	1	43,361,268	3.51%	\$5,878,513	4.69%
	Outdoor Lights	172	9,008,707	0.73%	\$2,090,272	1.67%
	Envirowatts		271,800	0.02%	\$7,678	0.01%
	Total	55,825	1,234,630,870	100.0%	125,469,277	100.00%

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

19. Provide a schedule of purchased power costs for the test year and the 12-month period immediately preceding the test year, by vendor, separated into demand and energy components. Include kW and kWh purchased. Indicate any estimates used and explain their use in detail.

Response:

Please see page 2 of this response.

BLUE GRASS ENERGY COOPERATIVE

CASE NO. 2014-00339

PURCHASED POWER INFORMATION FOR 2012 & 2013

2013	Demand kW	Energy kWh	Purchased Power
January	299,406	137,153,134	\$ 9,591,108
February	298,688	121,033,013	8,736,886
March	273,220	128,877,729	8,884,876
April	214,760	92,500,644	6,801,105
May	203,903	92,689,064	7,011,163
June	234,206	104,479,647	7,997,172
July	231,552	104,519,298	8,046,272
August	221,015	104,720,608	7,920,848
September	236,500	97,125,863	6,936,877
October	209,705	95,129,884	6,389,906
November	267,192	114,951,923	8,078,387
December	284,699	135,679,513	9,675,741
	2,974,846	1,328,860,320	\$ 96,070,341
2012	Demand kW	Energy kWh	Purchased Power
January	278,360	127,412,251	9,150,121
February	257,890	110,835,958	7,765,407
March	225,318	90,005,441	6,246,002
April	171,740	81,610,959	5,331,802
May	219,570	94,571,520	6,600,906
June	257,954	101,716,572	7,425,247
July	254,665	121,799,263	8,405,763
August	236,939	108,635,503	7,533,608
September	209,435	87,388,777	6,386,983
October	192,620	86,544,230	6,261,222
November	243,939	101,912,075	7,844,516
December	246,940	119,384,776	9,051,500
	2,795,370	1,231,817,325	88,003,077

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

20. Describe how the test-year capitalization rate was determined. If differing rates were used for specific expenses (i.e., payroll, transportation clearing accounts, depreciation, etc.), indicate the rate and how it was determined. Indicate all proposed charges to the test-year capitalization rate and how they were determined.

Response:

Please see Exhibit 18 of the Application.

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

21. Provide the following:

- a. A schedule of salaries and wages for the test year and each of the 3 calendar years preceding the test year as shown in Format 21a. For each time period, provide the amount of overtime pay.

Response:

Please see Exhibit 1 of the Application and page 2 of this response.

- b. A schedule showing the percentage of increase in salaries and wages for both union and non-union employees for the test year and the five preceding calendar years.

Response:

Please see Exhibit 1 of the Application.

Blue Grass Energy
Case No. 2014-00339
December 31, 2013

Analysis of Salaries and Wages
For the calendar years 2010 through 2012
and the test year

Line No.	Item (a)	Twelve Months Ended						Test year 2013	
		2010		2011		2012		2013	
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)	Amount (l)	% (m)
1	Wages charged to expense:								
2	Distribution Expense	\$1,685,354	5%	\$1,743,724	3%	\$1,881,672	8%	\$1,774,163	-6%
3	Customer accounts expense	\$883,360	4%	\$888,402	1%	\$841,644	-5%	\$819,397	-3%
4	Customer service and information	\$595,594	5%	\$631,510	6%	\$583,437	-8%	\$539,211	-8%
5	Sales Expense								
6	Administrative and general expense								
	(a) Administrative and general expense	\$1,099,937	-1%	\$1,196,124	9%	\$1,139,375	-5%	\$1,148,959	1%
	(b) Office supplies and expense								
	(c) Outside services employed								
	(d) Property insurance								
	(e) Injuries and damages								
	(f) Employees hospitalization and ben	\$617,290	15%	\$589,758	-4%	\$722,704	23%	\$641,791	-11%
	(g) Retirement and security								
	(h) Miscellaneous and general	\$24,080	44%	\$17,600	-27%	\$17,867	2%	\$11,162	-38%
	(i) Maintenance of general plant	\$42,537	-14%	\$34,288	-19%	\$29,557	-14%	\$22,750	-23%
7	Total Administrative and general expense L6 (a) to L6 (i)	\$1,783,844	4%	\$1,837,770	3%	\$1,909,503	4%	\$1,824,662	-4%
8	Charged to clearing and others	\$691,506	3%	\$759,309	10%	\$731,368	-4%	\$712,038	-3%
9	Total salaries and wages charge to expense and other L2 to L6 + L7 + L8	\$5,639,658	4%	\$5,860,715	4%	\$5,947,624	1%	\$5,669,471	-5%
10	Wages capitalized	\$1,639,070	-16%	\$1,600,190	-2%	\$1,591,405	-1%	\$1,608,916	1%
11	Total salaries and wages	\$7,278,728	-1%	\$7,460,905	3%	\$7,539,029	1%	\$7,278,387	-3%
12	Ratio of salaries and wages charged to expense to total wages L9 / L11	77%		79%		79%		78%	
13	Ratio of salaries and wages capitalized to total wages L10 / L11	23%		21%		21%		22%	
14	Overtime wages	\$380,123	-41%	\$395,250	4%	\$513,138	30%	\$434,925	-15%
15	Overtime hours	9,936		9,943		12,710		10,483	

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

22. Provide the following payroll information for each employee:

- a. The actual regular hours worked during the test year.

Response:

Please see Exhibit 1 of the Application.

- b. The actual overtime hours worked during the test year.

Response:

Please see Exhibit 1 of the Application.

- c. The test year end wage rate for each employee and the date of the last increase.

Response:

Please see Exhibit 1 of the Application.

- d. A calculation of the percent of increase granted during the test year.

Response:

Please see Exhibit 1 of the Application.

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

e. The annual percentage of increase granted for both salaried and hourly employees for 2009 to 2014. The information shall identify all the employees as either salaried or hourly, and also as either full-time, part-time, or temporary. Employee numbers or other identifiers may be used instead of employee names. Include an explanation of how the overtime pay rate is determined. All employees terminated during the test year shall be identified (along with the month in which the termination occurred), as well as those employees who replaced terminated employees or were otherwise added to the payroll during the test year. If Cumberland Valley has more than 100 employees, the above information may be provided by employee classification.

Response:

Employee No.	%	2009	2010	2011	2012	2013	2014	H/S	F/P
1107		3.5%	3.0%	4.0%	3.0%	2.5%	2.6%	S	F
1108		4.0%	2.8%	3.5%	2.9%	3.0%	2.5%	S	F
1109		4.0%	5.0%					S	F
1110		3.0%	16.4%	21.2%	6.0%	8.5%	8.7%	S	F
1111		3.0%	2.9%	3.3%	3.5%	3.0%	3.1%	S	F
1113		4.0%	2.7%	3.5%	3.0%	2.4%		S	F
1200		3.0%	2.9%	3.3%	3.0%	2.5%	3.3%	S	F
1203		3.0%	2.9%	3.3%	3.1%	3.5%	3.0%	S	F
1250		2.5%	6.5%	5.1%	3.0%	2.0%	3.0%	S	F
1400		7.0%	5.7%	3.3%	3.1%	3.0%	2.7%	S	F
1450		3.0%	3.0%	3.0%				S	F
1500		3.0%	2.6%	5.8%	5.8%	2.8%	2.5%	H	F
1550		7.5%	6.2%					H	F
1551		4.5%						H	F
1552					2.4%	3.2%	5.0%	S	F
1555							3.0%	S	F
1556							2.0%	H	F
2205		6.6%	6.1%	6.5%	3.8%	2.8%	2.5%	H	F
2208		5.0%	4.5%	5.9%	2.3%	2.5%	2.1%	H	F
2209		2.8%	2.0%	2.5%	2.4%	2.4%	2.4%	H	F

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

2211	2.0%	2.0%	2.5%	2.2%	2.0%	1.5%	H	F
2214	2.7%	2.6%	0.0%	1.8%	2.0%	1.6%	H	F
2215	3.5%	5.0%	5.0%	5.9%	2.5%	2.1%	H	F
2216	3.0%	2.7%	3.5%	2.6%	2.9%	11.7%	S	F
2224	0.0%	1.5%	2.0%	2.5%			H	F
2232	3.2%	2.6%	2.8%	2.0%	2.0%	1.8%	H	F
2239	6.7%	6.2%	6.6%	6.0%	3.2%	4.4%	H	F
2243	5.0%	4.0%	4.0%	5.0%			H	F
2244	6.4%	5.9%	4.5%	-10.7%			H	F
2246	5.2%	6.1%	5.9%	5.5%	2.6%	6.0%	H	F
2247	5.0%	6.0%	2.5%	3.5%	2.5%	1.5%	H	F
2250			2.5%	1.9%	2.2%	1.8%	S	H
2408	6.4%	6.0%	5.4%	2.5%	2.0%	1.8%	H	F
2424	6.6%	6.2%	6.4%	5.8%	3.0%	5.9%	H	F
2434	2.9%	0.5%					H	P
2435		2.9%	1.5%				H	P
2436		2.9%	0.5%	1.0%	0.5%		H	P
2437		2.9%					H	P
2502	4.0%	2.7%	5.4%	2.6%	2.9%	2.7%	H	F
2503	7.0%	2.8%	3.5%	3.0%	2.7%	5.0%	S	F
2504	2.8%						H	F
2505	4.0%	3.0%	4.0%	3.0%	2.5%	2.9%	S	F
2515	3.8%	1.5%	0.0%	0.0%	2.5%	2.3%	H	F
2522	5.3%	4.0%					H	F
2534		2.9%	0.5%				H	P
2539			59.7%	2.3%	2.6%	6.5%	H	F
2543						1.3%	H	P
2555				1.0%	0.5%		H	P
2601	2.5%	3.5%	4.4%	2.0%	1.8%	4.0%	H	F
2602	3.3%	2.7%	3.5%	2.6%	2.9%	2.7%	S	F
2609	12.7%	11.9%	3.4%	18.1%	5.6%	3.5%	H	F
2652	3.0%	3.3%	5.9%	0.0%	2.6%	1.5%	H	F
2700						5.0%	S	F
3308	2.8%	2.0%	2.5%	1.5%	1.5%	1.5%	H	F
3310	3.0%	2.7%	3.6%	2.8%	3.0%	3.0%	S	F
3311	3.0%	2.9%	4.0%	2.5%	2.5%	2.4%	S	F
3313	3.0%	2.7%	3.5%	2.6%	6.0%	2.7%	S	F
3314	7.3%	6.8%	3.5%	2.7%	2.9%	-5.8%	H	F
3315	11.2%	6.9%	3.5%	2.6%	2.9%	2.7%	H	F

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

3319	5.0%	5.0%	6.0%	2.8%	3.2%	4.0%	H	F
3320	5.0%	6.6%	5.5%	2.7%	3.0%	3.6%	S	F
3321	4.0%	3.0%	4.0%	2.5%	2.5%	2.5%	S	F
3322	6.5%	6.3%	4.1%	2.9%	2.5%	3.0%	S	F
3323	7.0%	6.1%	3.2%	2.7%	2.9%	2.9%	H	F
3324	3.0%	0.0%	6.3%	2.6%	2.9%	2.0%	S	F
3326	0.0%	2.8%	3.5%	3.0%	3.0%	2.5%	S	F
3328	5.6%	2.7%	3.3%	2.3%	2.5%	2.1%	H	F
3330	7.6%	4.1%	4.0%	4.9%	2.0%	0.0%	H	F
3341	9.8%	3.1%	7.0%	6.5%	3.3%	5.0%	H	F
3342	7.0%	5.3%	5.7%	0.0%	3.0%	0.0%	H	F
3344	10.0%						H	F
3345	2.7%	2.3%	3.4%	2.4%	2.7%	2.3%	H	F
3357	3.5%	1.5%	3.5%	3.0%	-2.0%		H	F
3358	7.1%	6.1%	2.7%	2.3%	2.4%	2.3%	H	F
3360	7.3%	6.2%					H	F
3361	3.9%	2.8%	4.0%	13.2%	2.9%	5.9%	S	F
3362	10.8%	7.7%	3.5%	2.7%	2.9%	2.9%	H	F
3364	7.6%	6.9%	3.5%	2.6%	2.9%	2.7%	H	F
3365	7.6%	6.9%	3.5%	2.6%	2.9%	2.7%	H	F
3366	6.4%	6.9%	4.2%	6.7%	3.4%	6.5%	H	F
3367			2.8%	6.4%	2.6%	6.5%	H	F
3402	3.0%	3.0%	2.8%	4.5%	3.5%	4.0%	S	F
3404	8.4%	4.1%	6.0%	6.0%	3.4%	6.5%	H	F
3405	3.0%	2.7%	3.5%				H	F
3407	4.0%	3.0%	4.0%	2.7%	2.5%	2.5%	S	F
3408	8.4%	6.8%	3.6%	2.8%	3.4%	6.5%	H	F
3411	7.6%	6.9%	3.5%	2.6%	2.9%		H	F
3412	9.6%	6.9%					H	F
3413	16.9%	11.0%	7.1%	6.6%	3.4%	6.5%	H	F
3501	7.3%	4.1%	3.5%	2.6%	4.4%	2.8%	H	F
3502	3.0%	2.6%	3.5%	2.5%	2.8%	2.5%	H	F
3506	7.5%	6.8%	3.5%	2.6%	2.9%	2.7%	H	F
3507	7.3%	6.8%	3.6%	3.3%	3.5%	6.5%	H	F
3511	0.0%	0.0%	0.0%	0.0%			H	F
3512	7.1%	6.1%	2.8%	2.5%			H	F
3513	4.0%	2.8%	0.0%	2.9%	2.5%	3.0%	S	F
3514	6.1%	2.7%	3.5%	3.0%	2.9%	3.8%	H	F
3516	7.6%	6.9%	3.5%	2.6%	2.9%	2.7%	H	F

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

3520	3.0%	12.2%	12.8%	21.5%	3.4%	6.5%	H	F
3522	22.5%	3.4%	6.7%	6.1%	3.0%	6.5%	H	F
3523		5.7%	9.9%	12.1%	12.3%	21.7%	H	F
3524		8.3%	13.0%	11.8%	21.7%	5.9%	H	F
3525		4.4%	6.1%	5.7%	2.6%	6.5%	H	F
3526						12.3%	H	F
3600		4.2%	6.7%	6.1%	3.0%	0.0%	H	F
4000	3.0%	2.7%	3.5%	2.6%	2.9%	2.7%	H	F
4001		2.0%	2.5%	1.9%	1.8%	1.5%	H	F
4004	2.8%	2.0%	2.5%	1.7%	1.6%	1.5%	H	F
4005	2.7%	2.0%	2.5%	1.5%	1.5%	1.5%	H	F
4007	3.2%	2.7%	3.0%	1.5%	1.3%	1.5%	H	F
4009	6.4%	6.0%	0.0%	4.0%	3.0%	6.0%	H	F
4010		4.5%	4.8%	2.0%	2.0%	1.8%	H	F
4300	2.9%	2.9%	0.5%	1.0%	0.5%	1.3%	H	P
4305	10.7%						H	P
4500	2.8%	2.0%	2.8%	2.3%	2.4%	2.4%	S	F
4502		3.8%	6.7%	5.6%	2.8%	3.0%	H	F
4505	2.7%	4.2%	4.0%	2.7%	-10.0%	1.8%	H	F
4506	11.0%	7.2%	3.8%	2.6%	2.9%	2.7%	H	F
4508	11.5%	10.5%	6.8%	6.4%	3.4%	5.1%	H	F
4513	3.0%	2.2%	2.8%	2.0%	2.0%	1.8%	H	F
4514	11.0%	7.5%	3.5%	2.6%	2.9%	2.7%	H	F
4516	4.0%	2.0%	3.0%	2.4%	2.9%	2.7%	S	F
4520	7.3%	7.1%	2.5%	2.4%	2.4%	2.7%	H	F
4522	2.8%	2.2%	3.5%	2.5%	2.8%	2.5%	H	F
4523	7.3%	6.1%	2.8%	2.5%	2.4%	2.6%	H	F
4524	7.3%	7.4%	6.7%	4.1%	2.9%	2.9%	H	F
4525	8.6%	8.8%	5.4%	-7.6%	1.8%	4.6%	H	F
4528	9.6%	6.9%	4.5%	2.6%	3.4%		H	F
4529	13.1%	12.2%	12.8%	21.1%	3.2%	6.5%	H	F

EMPLOYEES WHO LEFT DURING TEST
YEAR

3512	MARCH
3357	AUGUST
2224	SEPTEMBER
4528	OCTOBER

EMPLOYEES HIRED TO
REPLACE

3526
2248
1556

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

NEW EMPLOYEES
1555 AUGUST
2700 DECEMBER

Blue Grass Energy
Case No. 2014-00339
Response to Commission Staff's First Request for Information

23. Provide the following payroll tax information:

- a. The base wages and salaries used to calculate the taxes, with an explanation of how the base wages and salaries were determined.

Response:

Please see Exhibit 2 of the Application.

- b. The tax rates in effect at test-year-end.

Response:

Please see Exhibit 2 of the Application.

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

24. Provide the following tax data for the test year:

- a. A schedule of franchise fees paid to cities, towns or municipalities during the test year, including the basis of these fees.

Response:

Please see Exhibit 6 of the Application.

- b. An analysis of operating taxes imposed by Kentucky as shown in Format 24b.

Response:

Please see Exhibit 6 of the Application.

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

25. Provide a statement of electric plant in service, per company books, for the test year. This data shall be presented as shown in Format 25.

Response:

Please see Exhibit 3 of the Application.

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

26. Provide a schedule of all employee benefits available to Blue Grass Energy's employees. Include the number of employees at test-year-end covered under each benefit, the test year end actual cost of each benefit, the amount of the cost capitalized, the amount of the cost expensed, and the account numbers in which the capitalized or expensed costs were recorded.

Response:

Please see Exhibit 1 and Exhibit 18 of the Application.

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

27. Provide a schedule reflecting the salaries and other compensation of each executive officer for the test year and 2 preceding calendar years. Include the percentage annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer, and to whom each executive officer reports. Also, for employees elected to executive officer status during the test year, provide the salaries, for the test year, for those persons whom they replaced.

Response:

Job Title	Salaries	% Inc.	Effective Date	Responsible for	Report to
<u>President/CEO</u>	\$237,512	8.5%	3/14/13	103	Board of Directors
	\$212,724	6.0%	3/17/12		
	\$137,598	21.2%	3/17/11		

Promoted to President/CEO 3/17/11 replacing previous President/CEO \$235,000

The President/CEO is responsibility for the overall operations of Blue Grass Energy including the financial well-being of the cooperative and providing services to the members of the cooperative i.e. reliable electricity, excellent member service and communications to members. In additions, he is responsible for making sure the workforce is trained/educated.

<u>VP Financial Services/CFO</u>	\$132,849	2.5%	3/2/13	11	President/CEO
	\$129,450	3.0%	3/3/12		
	\$125,153	4.0%	2/28/11		

The responsibilities of the VP, Financial Services/CEO include the finances of the cooperative, accounts payable, payroll and billing.

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

<u>VP Power Delivery</u>	\$111,928	2.5%	3/2/13	21	President/CEO
	\$110,157	2.5%	3/3/12		
	\$106,583	3.0%	2/28/11		

The responsibilities of the VP, Power Delivery include the reliability of our system, information technology and construction and right of way contractors.

<u>VP Corporate Services</u>	\$114,119	2.5%	3/2/13	4	President/CEO
	\$109,179	3.0%	3/3/12		
	\$104,144	4.0%	2/28/11		

The responsibilities of the VP, Corporate Services include human resources, benefits and safety programs.

<u>VP Energy Solutions</u>	\$111,974	3.0%	3/2/13	9	President/CEO
	\$107,829	3.5%	3/3/12		
	\$103,856	3.1%	2/28/11		

The responsibilities of the VP, Energy Solutions include marketing, communications and assisting members with energy efficiency questions and concerns.

<u>VP Member Services</u>	\$111,075	3.0%	3/2/13	16	President/CEO
	\$107,809	3.1%	3/3/12		
	\$104,256	3.3%	2/28/11		

The responsibilities of the VP, Member Services include ensuring the member needs are met. This includes receiving payments and responding to inquiries.

<u>VP Operations</u>	\$116,691	3.0%	3/2/13	40	President/CEO
	\$112,821	3.5%	3/3/12		
	\$108,436	3.3%	2/28/11		

The responsibilities of the VP, Operations include the outside workforce, ensuring member's needs are met in the areas of new service, upgrade to service, reliability, etc.

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

28. Provide a detailed analysis of advertising expenditures during the test year. Include a breakdown of Account No. 913, Advertising Expenses, as shown in Format 29, and show any advertising expenditures included in other expense accounts. Specify the purpose and expected benefit of each expenditure.

Response:

Please see Exhibit 10 of the Application pages 8 - 10.

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

29. Provide an analysis of Account No. 930, Miscellaneous General Expenses, for the test year. Include a complete breakdown of this account as shown in Format 29. Include all detailed workpapers supporting this analysis. At a minimum, the workpapers shall show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and a brief description of each expenditure. Detailed analysis is not required for amounts less than \$100 provided the items are grouped by classes as shown in Format 29.

Response:

Please see Exhibit 10 of the Application pages 2 – 5.

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

30. Provide an analysis of Account No. 426, Other Income Deductions, for the test period. This analysis shall show a complete breakdown of this account as shown in Format 31, and further provide all detailed supporting workpapers. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure. Detailed analysis is not required for amounts of less than \$250 provided the items are grouped by classes as shown in Format 30.

Response:

Please see Exhibit 7 of the Application.

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

31. Provide the name and personal mailing address of each member of Blue Grass Energy's board of directors. Identify the members who represent the cooperative on the board of directors of East Kentucky Power Cooperative, Inc. ("East Kentucky"). If, during the course of these proceedings, any changes occur in board membership, update your response to this request.

Response:

Please see Exhibit 9 of the Application.

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

32. Provide a detailed analysis of the total compensation paid to each member of the board of directors during the test year, including all fees, fringe benefits, and expenses, with a description of the type of meetings, seminars, etc. attended by each member. Identify any compensation to Blue Grass Energy's board of directors for serving on East Kentucky's board of directors. Do any of the listed expenses in this analysis include the costs for a director's spouse? If yes, list expenses for the director's spouses separately.

Response:

Please see Exhibit 9 of the Application.

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

33. Provide a detailed analysis of expenses incurred during the test year for professional services, as shown in Format 33. Include detailed workpapers supporting this analysis which show the payee, dollar amount, reference (i.e., voucher no. etc.), account charged, hourly rates and time charged to the utility according to each invoice, and a brief description of the service provided. Identify all rate case work by case number.

Response:

Please see Exhibit 8 of the Application.

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

34. Provide the following information concerning the costs for the preparation of this case:
- a. A detailed schedule of costs incurred to date. Include the date of the transaction, check number or other document reference, the vendor, amount, a description of the services performed, and the account number in which the expenditure was recorded. Indicate any costs incurred for this case during the test year. Include copies of invoices received from the vendors. Also include itemized estimate of the total cost to be incurred, a detailed explanation of how the estimate was determined, and all supporting workpapers and calculation.

Response:

Please see Exhibit 11 of the Application.

- b. Monthly updates of the actual costs incurred during the course of this proceeding, in the manner prescribed above.

Response:

Blue Grass Energy will provide updates as each months activity is available.

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

35. Provide the estimated dates for draw downs of unadvanced loan funds at test-year-end and the proposed uses of these funds.

Response:

Estimated dates for draw downs of unadvanced loan funds and the proposed use of the funds are:

- | | |
|------------------|-------------|
| 1. December 2014 | \$5,000,000 |
| 2. April 2015 | \$5,000,000 |

These funds will be used to replenish general funds to continue the work plan.

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

36. Provide a list of depreciation expenses using Format 36.

Response:

Please see Exhibit 3 of the Application.

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

37. Are the depreciation rates reflected in this filing identical to those most recently approved by the Commission?
- a. If yes, identify the case in which they were approved.
 - b. If not, provide the depreciation study that supports the rates reflected in this filing.

Response:

Yes. Blue Grass Energy's depreciation rates were approved in Case No. 2008-00011.

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

38. Provide information for plotting the depreciation guideline curves in accordance with RUS Bulletin 183-1, as shown in Format 38.

Response:

Please see page 2 of the response.

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2014-00339

Data for Depreciation Guideline Curve
RUS Bulletin 183+1

Test Year Ended	Distribution Plan in Service (a)	Accumulated Provision for Depreciation Distribution Plant (b)	Reserve Ratio ©=(b)/(a)	Ratio of Current Distribution Plant to Distribution Plant Ten Years Prior (d)
2013	202,713,184	58,385,667	28.80%	1.34
2012	195,789,859	53,467,559	27.31%	1.32
2011	189,137,510	48,014,939	25.39%	1.27
2010	182,767,870	42,749,435	23.39%	1.13
2009	172,874,880	39,796,857	23.02%	1.12
2003	120,308,089	25,917,457	21.54%	
2002	114,658,171	23,803,589	20.76%	
2001	109,220,067	21,886,402	20.04%	
2000	100,425,687	20,772,500	20.68%	
1999	94,102,012	19,404,178	20.62%	

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

39. Provide a listing, with descriptions, of all activities, initiatives, or programs undertaken or continued by Blue Grass since its last general rate case or the period from the start of the calendar year 2009 through the end of the proposed test period ending December 31, 2013, whichever is less, for the purpose of minimizing costs or improving the efficiency of its operations and maintenance activities.

Response:

Since our last general rate case we have undertaken the following initiatives to minimize cost and improve efficiencies of our operations and maintenance activities.

1. Since 2009 to present we have decreased the number of employees from 115 to 103. These reductions are the result of retirements and position eliminations. The work load has been redistributed to other employees or contracted. These reductions reflect approximately \$910,000 in annual labor savings that is the result of retirements, eliminations or contracted.
2. In reducing the number of employees we have increase the number of members to employee from 485 in 2009 to 526 in 2013. Based on the KAEC Statistical Analysis, this ranks Blue Grass Energy 2nd in the state of 23 Coops and 2nd in the EKPC group of 16.
3. This also reduced our average cost per consumer based on the KAEC statistical report from \$320 in 2010 to \$307 in 2013. This is a 4.2% reduction in our cost per member since 2010 the EKPC group on average increased 5.0%. This reflects an estimated \$13 saving per Member since 2010. Based on the average members during this period of 55,272 a total estimated savings over this period is of \$719,000. This savings is detailed as follows:

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

<u>Department</u>	<u>2010</u>	<u>Ranking</u>	<u>EKPC 16 Coop Avg</u>	<u>2013</u>	<u>Ranking</u>	<u>EKPC 16 Coop Avg</u>
O & M	\$ 159	11th	\$ 175	\$ 159	13th	\$ 187
Consumer Acctg.	\$ 54	12th	\$ 60	\$ 51	4th	\$ 58
Consumer Info.	\$ 30	1st	\$ 13	\$ 18	4th	\$ 13
Adm. & Gen.	\$ 77	7th	\$ 71	\$ 79	12th	\$ 78
Total	\$ 320	7th	\$ 319	\$ 307	12th	\$ 336
% Change				-4.2%		5.0%

4. Savings are also reflected in efficiencies in the following benefits:
 - a. Medical premiums for employees have actually decreased 0.2% since 2008 due to a decrease in the number of employees, an increase in deductibles and an increase in the employee Contribution.
 - b. R & S Retirement since 2010 has only increased 0.4% due to a decrease in the number of employees and the prepayment of the RS fund that decreased the system cost 25% from 30.83% to 23.16%.
5. Right of Way maintenance expense increased on 2.8% annually from 2009 to 2013 while maintaining the appropriate level of our trimming schedule.
6. Informational advertising expenses decreased 35% since 2009.
7. Travel expenses decreased 35% since 2009.
8. Director expenses decreased 17.4% since 2009. The number of directors decreased from 10 to 8.
9. New technologies were implemented to offset the decrease in the number of employees and to improve efficiencies as follows:
 - a. Prepay metering program.

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

- b. Payments online.
- c. Payments by phone.
- d. Mobile Data Processing.
- e. Improved outage reporting.
- f. Outage texting.
- g. Blue Grass Energy App.
- h. Management of Peak KW.
- i. Social medial interactions.

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

40. For each charitable and political contribution (in cash or services), provide the amount, recipient, and specific account charged.

Response:

Please see Exhibit 7 of the Application.

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

41. Describe Blue Grass Energy's lobbying activities and provide a schedule showing the name and salary of each lobbyist; all company-paid or reimbursed expenses or allowances; and the account charged for all personnel for whom a principal function is lobbying, on the local, state, or national level. Indicate whether the lobbyist is an employee or an independent contractor. If any amounts are allocated, show a calculation of the factor used to allocate each amount.

Response:

Blue Grass Energy does not engage in lobbying activities.

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

42. Provide complete details of the financial reporting and rate-making treatment of Blue Grass Energy's pension costs.

Response:

Please see Exhibit 5 of the Application.

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

43. Provide complete details of Blue Grass Energy's financial reporting and rate-making treatment of Statement of Financial Accounting Standard ("SFAS") No. 106,"Postretirement Benefits Other Than Pensions," including;

a. The date Blue Grass Energy adopted or plans to adopt SFAS No. 106.

Response:

Please see Exhibit 21 of the Application.

b. All accounting entries made or to be made at the date of adoption.

Response:

Please see Exhibit 21 of the Application.

c. All actuarial studies and other documents used to determine the level of SFAS No. 106 cost recorded or to be recorded by Blue Grass Energy.

Response:

Please see Exhibit 21 of the Application.

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

44. Provide complete details of Cumberland Valley's financial reporting and rate-making treatment of Statement of Financial Accounting Standard ("SFAS") No. 112,"Postemployment Benefits," including;
- a. The date Blue Grass Energy adopted or plans to adopt SFAS No. 112.
 - b. All accounting entries made or to be made at the date of adoption.
 - c. All actuarial studies and other documents used to determine the level of SFAS No. 112 cost recorded or to be recorded by Blue Grass Energy.

Response:

SFAS No. 112 does not apply to Blue Grass Energy.

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

45. Provide complete details of Blue Grass Energy's financial reporting and ratemaking treatment of SFAS No. 143, "Accounting for Asset Retirement Obligations."
- a. The date Blue Grass Energy adopted the SFAS/.
 - b. All accounting entries made at the date of adoption.
 - c. All studies and other documents used to determine the level of SFAS No. 143 cost recorded by Blue Grass Energy.
 - d. A schedule comparing the depreciation rates utilized by Blue Grass Energy prior to and after adoption of SFAS No. 143. The schedule should identify the assets corresponding to the affected depreciation rates.

Response:

SFAS No. 143 does not apply to Blue Grass Energy.

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

46. Provide complete details of Blue Grass Energy's financial reporting and ratemaking treatment of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."
- a. The date Blue Grass Energy adopted SFAS No. 158.
 - b. All accounting entries made at the date of adoption.
 - c. All studies and other documents used to determine the level of SFAS No. 158 cost recorded by Blue Grass Energy.

Response:

Please see Exhibit 21 of the Application.

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

47. Provide any information as soon as it is known, describing any events occurring after test year that would have a material effect on net operating income, rate base, and cost of capital that is not incorporated in the filed testimony and exhibits.

Response:

None are known at this time.

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

48. Provide all current labor contracts and the most recent contracts in effect prior to the current contracts.

Response:

This does not apply to Blue Grass Energy.

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

49. Regarding demand-side management, conservation, and energy efficiency programs, provide the following:

a. A list of all programs currently offered by Blue Grass Energy;

Response:

1. Direct Load Control Simple Saver Program
2. Energy Audits
3. Button-up
4. Button-up w/air seal
5. Heat pump
6. Tune ups
7. TSE home
8. Dual Fuel
9. Industrial Compressed Air
10. Commercial Adv. Lighting
11. Compact fluorescents

b. The total cost incurred for these programs during the test year and in each of the three most recent calendar years; and

Response:

2013	\$ 202,541
2012	\$ 128,406
2011	\$ 125,680

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

- c. The total demand and energy reductions realized through these programs during the test year and in each of the three most recent calendar years.

Response:

Per EKPC	MWH SAVED	MW
2013	5,396.810	14.826
2012	2,064.769	3.947
2011	1,041.210	0.674

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

50. Provide separate schedules, for the test year and the 12-month period immediately preceding the test year that show the following information regarding Blue Grass Energy's investments in subsidiaries and joint ventures:
- a. Name of subsidiary or joint venture.
 - b. Date of initial investment.
 - c. Amount and type of investment.
 - d. Balance sheet and income statement. Where only internal statements are prepared, furnish copies of these.
 - e. Name of officers of each of the subsidiaries or joint ventures, officer's annual compensation, and portion of compensation charged to the subsidiary or joint venture. Indicate the position that each officer holds with Blue Grass Energy and the compensation received from Blue Grass Energy.

Response:

Blue Grass Energy does not have a subsidiary or joint venture.

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

51. Provide separate schedules showing all dividends or income of any type received by Blue Grass Energy from its subsidiaries or joint ventures for the test year and the 3 years proceeding the test year. Indicate how this income is reflected in the reports filed with the Commission and any reports to Blue Grass Energy's member customers.

Response:

Not applicable.

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

52. Concerning non-regulated activities:

- a. Is Blue Grass Energy engaged in any non-regulated activities? If yes, provide a detailed description of each non-regulated activity.
- b. Is Blue Grass Energy engaged in any non-regulated activities through an affiliate? If yes, provide the name of each affiliate and the non-regulated activity in which it is engaged.
- c. Identify each service agreement with each affiliate and indicate whether the service agreement is on file with the Commission. Provide a copy of each service agreement not already on file with the Commission.
- d. Has Blue Grass Energy loaned money or property to any affiliate? If yes, describe in detail what was loaned, the terms of the loan, and the name of the affiliate.

Response:

Blue Grass Energy does not have non-regulated or affiliate activities.