

Application of Blue Grass Energy Cooperative Corporation
For an Adjustment of Rates
Case No. 2014-00339
Attorney General's Initial Requests for Information

1. Please reference the Blue Grass Energy ["BGE"] application generally. Please provide all tables and exhibits referenced in or supporting the application and testimony in their native electronic format (i.e. Microsoft Word, Microsoft Excel), with data including formulae in all cells and rows fully intact and fully accessible.
 - a. Please provide all relevant and supporting worksheets in electronic format with data including formulae in all cells and rows fully intact and fully accessible.
2. Provide all invoices from outside experts, consultants, and legal counsel related to the current rate case. Please provide these on an ongoing basis.
3. Provide board of directors meeting minutes for every BOD meeting between January 2008 and September, 2014 where rates were discussed.
4. Please provide copies of any and all documents, agendas, meeting notices, and/or annual reports relating to or distributed at any and all annual meetings of the members of the cooperative between 2010 and 2014, which address or otherwise discuss the need for a rate adjustment.
5. Please provide copies of any and all documents, correspondence, newsletters, and/or annual reports mailed or provided electronically to the members of the cooperative between 2010 and 2014, which address or otherwise discuss the need for a rate adjustment.
6. Reference Application, paragraph 1. For each of the 23 counties where BGE operates, provide the median and average income, the average BGE bill during the test period, and the average bill should the proposed rates go into effect.
7. Has BGE conducted a study to compare the Company's salary, benefits, and raises per employee with the standard salary, benefits, and raises by the workforce in the counties which it services, including but not limited to the following counties: Anderson, Garrard, Madison, Robertson, Woodford, Bourbon, Harrison, Mercer, Scott, Bracken, Henry, Nelson, Shelby, Estill, Jackson, Nicholas, Spenser, Fayette, Jessamine, Pendleton, and Washington county? If so, please provide copies of all such studies.
8. Please reference BGE's application, paragraph 5. Please confirm that it is an accurate statement that BGE is requesting "this rate adjustment in order to meet the terms of the mortgage agreement..."
 - a. Provide specific examples and explain in detail how BGE is not currently meeting the mortgage agreement requirements, if any exist.
 - b. According to the application, BGE has to maintain a Net TIER of 1.25 and an OTIER of 1.10 based on an average of two of the three most current years. Please

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provide BGE's Net TIER for 2014, 2013, 2012, 2011, and 2010 and explain how the Net TIER is calculated.

- c. Per the information provided, BGE has maintained its TIER, Net TIER, and OTIER well above the mortgage mandatory requirements, so why is BGE asserting that it is filing for a rate increase to meet the terms of the mortgage agreement?
9. Reference Exhibit G. Provide the percentage increase each class received as a result of the last rate case before the PSC.
 10. Reference Exhibit H-1, page 3. Please explain how much of the \$2,452,901 revenue request increase does the increased customer charge constitute?
 - a. What percentage does the customer charge constitute of the \$2,452,901 revenue increase?
 11. Reference Exhibit H-1, pages 3-4.
 - a. Provide a clear and detailed breakdown of the \$129,304 increase in revenue requirements for wages and salaries.
 - b. Provide a clear and detailed breakdown of the \$22,760 increase in payroll taxes.
 - c. Provide a clear and detailed breakdown of the \$134,874 increase in revenue requirements for depreciation expense.
 - d. Provide a clear and detailed breakdown of the \$482,472 increase in revenue requirements for interest expense.
 - e. Provide a clear and detailed breakdown of the \$103,186 increase in revenue requirements for R&S Retirement.
 - f. Provide a clear and detailed breakdown of the \$16,889 increase in revenue requirements for property taxes.
 - g. Provide a clear and detailed breakdown of the \$30,000 increase in revenue requirements for rate case expense.
 - h. Provide a clear and detailed breakdown of the \$7,776,965 increase in revenue requirements for GTCCs.
 - i. Provide a clear and detailed breakdown of the \$29,130 decrease in revenue requirements for professional fees.

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- j. Provide a clear and detailed breakdown of the \$2,987 decrease in revenue requirements for donations.
 - k. Provide a clear and detailed breakdown of the \$17,612 decrease in revenue requirements for director fees.
 - l. Provide a clear and detailed breakdown of the \$75,550 decrease in revenue requirements for miscellaneous expenses.
 - m. Provide a clear and detailed breakdown of the \$17,885 decrease in revenue requirements for CATV Rate Revenue.
 - n. Provide a clear and detailed breakdown of the \$76,995 decrease in revenue requirements for nonrecurring charge revenue.
 - o. Provide a clear and detailed breakdown of the \$86,517 decrease in revenue requirements for year-end customer adjustment.
 - p. Provide a clear and detailed breakdown of the \$229,194 decrease in revenue requirements for normalization of purchased power.
 - q. Provide a clear and detailed breakdown of the \$112,225 decrease in revenue requirements for normalization of base rate revenue.
12. Reference Exhibit H-1, page 5. Why was the date of September 25, 2014 chosen to pick the FFB ten year rate BGE intends to use?
- a. Why didn't BGE obtain a more recent interest rate before filing the application in November 2014? For example the FFB ten year interest rate hovered around 2.31% (2.24% approximate FFB quarterly rate) in November 2014, which is lower than the proposed rate from September 2014.
 - b. What was the average FFB ten year rate during the test period?
 - c. Please provide an archive of all FFB rates for 2014, 2013, and 2012.
 - d. Does BGE admit that the FFB ten year interest rate on January 16, 2015 was 1.77% (1.72% approximate FFB quarterly rate)? If so, please explain how BGE can assert that interest rates will only rise in the future? If not, please explain why not.

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13. Please reference the application generally. Provide a detailed breakdown and summary of all of BGE's loans, as well as the current interest rate, principal, variable or fixed, current interest payment, current principal payment, etc.
14. Please reference the application generally. Provide the average interest rate/cost of debt that BGE has paid for each of the last ten (10) years.
15. Reference Exhibit H-1, page 5, Q9 where it states that "the adjustment for interest expense has been developed in a manner that is slightly different than the standard normalization approach."
 - a. Explain in detail what approach BGE used for the adjustment of interest expense and how it is different than the standard normalization approach.
 - b. Explain why BGE did not use the standard normalization approach.
 - c. Please explain in detail why BGE should obtain an increase in rates based upon a non-existent interest rate that BGE does not currently pay.
 - d. Please advise why BGE does not wait until the interest rates are actually raised, and then request the additional monies as a rate increase instead of attempting to guess as to what the interest increase may be in the future.
 - e. If BGE currently has an extremely low rate on its cost of debt, then should the ratepayers not benefit from this by paying lower rates?
16. Reference Exhibit H-1, page 5, Q9. Confirm that BGE is using the standard normalization approach for interest expense adjustment on all loans (i.e. using the actual interest rates of the loans), except for the Federal Financing Bank loans that have variable interest.
17. Reference Exhibit H-1, page 5, Q9. Provide all data and information upon which BGE relied in forming the conclusion that it is appropriate to use a longer term interest rate for the FFB loans.
18. Reference Exhibit H-1, page 5, Q9. Explain when BGE plans to refinance the variable rate interest loans.
19. Please provide any and all citations to base rate cases utilizing a historic test year in which the rate approved by the Kentucky PSC for a jurisdictional electric cooperative were premised upon an assumption that longer term interest rates will be higher than those existing during the preparation of the application. Please explain your answer.
20. Please provide any and all citation to prior base rate cases in which the rate approved by the Kentucky PSC for a jurisdictional electric cooperative used the "different"

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normalization of interest approach that BGE uses in this application? Please explain your answer.

21. Please reference the application generally and provide what BGE's rate increase request would be if the normal approach were taken to interest expense adjustment which used the actual interest rates of the loans?
22. Reference Exhibit H-1, page 6, R10. Provide a chart with BGE's proposed allocations and percentage increases compared to the recommendations in the COSS. This chart should compare the applied for allocations with the recommended allocations in the COSS.
23. Provide any documents, reports, or calculations supporting that were used to prepare the Cost of Service Study.
24. Reference Exhibit H-1, page 8, R14. Why is BGE proposing to consolidate the lighting offerings? Please explain the reasoning in full detail.
25. Reference Exhibit H-1, page 7, R11 and Exhibit H-2, page 2, A6. Verify that phase 1 means the year immediately following the PSC's approval of rates and phase 2 is the second year following rate approval. If this is incorrect, please clarify the meaning of phase 1 and phase 2.
26. Reference Exhibit H-2, page 2, A6.
 - a. Please provide a copy of the KAEC Statistical Analysis cited in the answer.
 - b. Please explain if BGE has conferred with the EKPC distribution coops that have a lower average expense per customer to determine how to bring BGE's costs down further.
 - c. What is the "need" that requires BGE to move member related costs to the customer charge, thus more than doubling the customer charge over two years and completely rejecting the notion of gradualism?
 - d. Does BGE agree that by placing a large percentage of the rate increase upon the customer charge it will prevent its customers from having the ability to reduce their bills through less energy usage?
27. Reference Exhibit H-2, page 2, A7. If there is no benefit derived by BGE, then why shift the customer related cost from energy charge to customer charge?
 - a. How does shifting the majority of the customer cost from the energy charge to the customer charge "minimize the financial impact, on an annual basis, to individual member within each rate class" when the proposed plan would completely

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remove the easiest way for customers to control their electric expense – conserving energy and reducing usage?

- b. Reference testimony stating “[w]e will also be offering an optional rate for Residential members which would allow an additional rate offering to our membership given the consideration that Blue Grass Energy already offers several energy efficiency and demand response programs.” Explain in detail what the optional rate for Residential members will entail and how it is designated on the tariff sheets.
28. Reference Exhibit H-2, pages 2-3, A7. How does removing any monetary incentive to conserve energy assist members with energy efficiency efforts in managing their monthly electric bill? Please explain this statement generally, as it is contradictory.
29. Reference Exhibit H-2, pages 3, A8. Why did BGE decide to use the twelve months ending December 31, 2013 as the test year?
 - a. Why not use the twelve months ending December 31, 2014?
30. Reference Exhibit I. Provide the same information for the proposed \$20.00 customer charge in an identical format.
31. Reference Exhibit K. For all pages in exhibit K, provide the information for calendar year 2013 and 2014.
32. Reference exhibit L. Provide the information for calendar years 2014, 2013, 2012.
33. Reference exhibit N, page 5. Please explain the influx of an additional cash and cash equivalents of approximately \$3,000,000 from 2013 to 2014.
34. Reference Exhibit N, page 12. Please explain the increase of approximately \$11,000,000 in patronage capitol from 2013 to 2014.
 - a. Has this patronage capitol been distributed to the members? If not, why not?
 - b. What level of patronage capitol is required by BGE?
35. Reference Exhibit N, page 6. Please explain the approximately \$6,000,000 in cost of power.
 - a. If this is due to fuel costs, please explain if this expense is recovered through an FAC?
36. Reference Exhibit N, page 7. Please verify that the 3,785 and 7,507 net change in memberships is 3,785 and 7,507 additional customers.

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37. Reference Exhibit N, page 13.
 - a. Verify that BGE has not refinanced its RUS loans since 2006. Please explain why BGE has not refinanced its RUS loans since 2006?
 - b. Please provide a narrative explaining the increase from 2013 to 2014 in total comprehensive income of approximately \$1,000,000.
38. Reference Exhibit P, page 1. Please provide detailed breakdowns of the costs for each meeting in the years 2014, 2013, 2012, 2011, and 2010.
39. Reference Exhibit R, pages 26-27. Provide percentage of total kWh used by each class.
40. Reference Exhibit R, pages 34-35. Why have classes LP1, B-2, and G-1 not been allocated any of the rate increase?
41. Reference exhibit S, pages 1-2. Provide the information on pages 1-2 for the calendar year 2014.
42. Reference exhibit S, page 1. Explain what the \$131,252 depreciation being adjusted and added to the test year represents.
 - a. Please also explain what the \$131,252 depreciation being adjusted and subtracted from the test year represents.
43. Reference exhibit S, page 1. Explain what the \$5,930,670 depreciation being adjusted and subtracted to both lines of patronage capital represents, and why it is being deducted.
44. Reference exhibit S, page 4. Provide a breakdown of Christmas bonuses that were given to all employees for the past five (5) years.
 - a. Please also explain if the Christmas bonuses have been removed for ratemaking purposes.
 - b. Provide a breakdown of all general bonuses that have been given to all employees for the past five (5) years, and advise if the bonuses, if any, have been removed for ratemaking purposes.
45. Reference exhibit S, page 4. Provide a breakdown of donations that were given for the past five (5) years.
46. Reference exhibit V. Provide this information for calendar year 2014 and 2011.
47. Reference exhibit Z. Provide this information for calendar year 2014.

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48. Reference Exhibit 1, page 1 of the Application that refers to payroll adjustments.
 - a. Please confirm that all employees have received continuous and systematic pay raises since 2010.
 - b. Please provide the pay raises BGE provided in 2008 and 2009, when the economic recession began.
 - c. Please explain why continued pay raises between 2.5% and 3% have been given continuously and systemacially given since 2010?
49. Reference Exhibit 1, page 3 of the Application.
 - a. Please provide a list of each BGE salaried employee's job title with salary, including all benefits, bonuses, etc.
 - b. Please provide a list of each BGE hourly employee's job title with salary, including all benefits, bonuses, etc.
 - c. Please provide a list of each BGE BOD's salary, including all benefits, bonuses, etc.
 - d. Please provide a list of each BGE officer's salary, including all benefits, bonuses, etc.
50. Reference exhibit 11. Explain what the advertising expenses were used for and why BGE should recover these costs.
51. Reference exhibit 17. Provide this information for calendar year 2014.
52. Reference BGE response to PSC RFI 1-18. Please provide the information contained on pages 2-3 for the year 2014.
53. Reference BGE response to PSC RFI 1-19. Please provide the information contained on page 2 for the year 2014.
54. Reference BGE response to PSC RFI 1-21. Please provide the information contained on page 2 for the year 2014.
55. Reference BGE response to PSC RFI 1-27. Please provide the information contained on pages 1-2 for the year 2014.
56. Provide copies of all studies BGE conducted addressing the impact that the proposed rate design will have on the elderly, low income, fixed income and home bound segments of its ratepayer base. Please provide detailed information for each specified group.

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57. Does BGE anticipate any changes in any existing contracts as a result of the new rates it seeks to implement in this filing (e.g., engineering, information technology, maintenance, etc.)? If so, please identify each such change.
58. Does BGE maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to BGE's officers, members of its Board, its employees, its independent contractors or consultants? If yes:
- a. Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and
 - b. Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.
59. Does BGE have any anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.
60. Does BGE employ the relatives, by blood or marriage, of:
- a. Any BGE board member;
 - b. Any BGE officer;
 - c. Any BGE contractor;
 - d. Any BGE consultant; and/or
 - e. Any other BGE employee?
 - f. If so, please provide specific details.
61. Please provide a schedule listing all CWIP projects, if any, included in the rate base. For each project, provide the scheduled completion date, projected cost at completion, and identify any and all PSC orders allowing BGE to include CWIP in the rate base.
62. Please reference Exhibit 8, p. 1 of the Application and clarify what the monthly retainer fee is for the attorney, if any, and how services are billed since certain language has been stricken.