

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

**In the Matter of:**

<b>APPLICATION OF BLUE GRASS ENERGY</b>	)	
<b>COOPERATIVE CORPORATION FOR AN</b>	)	<b>CASE NO. 2014-00339</b>
<b>ADJUSTMENT OF RATES</b>	)	

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**JOINT MOTION TO APPROVE STIPULATION,  
SETTLEMENT AGREEMENT AND RECOMMENATION**

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Come now Blue Grass Energy Cooperative Corporation, by and through counsel, and the Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (collectively, "Joint Movants"), and do hereby tender the attached Stipulation, Settlement Agreement and Recommendation ("Stipulation") dated April 13, 2015, to the Kentucky Public Service Commission ("Commission") for its review and consideration. Joint Movants respectfully request that the Commission accept and approve the Stipulation without modification.

This 14<sup>th</sup> day of April, 2015.

**BLUE GRASS ENERGY**



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**OFFICE OF THE ATTORNEY GENERAL OF  
THE COMMONWEALTH OF KENTUCKY,  
BY AND THROUGH HIS OFFICE OF RATE  
INTERVENTION**



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**CERTIFICATE OF SERVICE**

With all parties as signatories to this Motion, the undersigned certifies that no additional service is necessary.

  
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Counsel for Blue Grass Energy

**STIPULATION, SETTLEMENT AGREEMENT AND RECOMMENDATION**

This Stipulation, Settlement Agreement and Recommendation (“Stipulation”) is entered into and effective this 13th day of April, 2015, by and among Blue Grass Energy Cooperative Corporation (“Blue Grass Energy”) and the Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”), in the proceeding involving the above parties, which are the subject of this Stipulation, as set forth below. (Blue Grass Energy and the AG are referred to collectively herein as the “Parties”).

**WITNESSETH:**

**WHEREAS**, Blue Grass Energy filed on September 22, 2014, with the Kentucky Public Service Commission (“Commission”) its Application in *In the Matter of: Application of Blue Grass Energy Cooperative Corporation for an Adjustment of Rates*, and the Commission has established Case No. 2014-00339 (the “Proceeding”);

**WHEREAS**, the AG has been granted intervention by the Commission in this Proceeding;

**WHEREAS**, the Parties have been engaged in discussions concerning various procedural and substantive issues relevant to this Proceeding, including terms and conditions related to the issues pending before the Commission in the Proceeding that might be considered by all Parties to constitute reasonable means of addressing their concerns;

**WHEREAS**, the Parties desire to recommend to the Commission that it enter an Order setting and adopting the terms and conditions that the Parties believe are reasonable as stated herein;

**WHEREAS**, it is understood by all Parties that this Stipulation is an agreement among the Parties concerning all matters at issue in this Proceeding pursuant to 807 KAR 5:001, Section 9(6);

**WHEREAS**, the Parties have spent significant time to reach the terms and conditions that form the basis of this Stipulation;

**WHEREAS**, the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation, viewed in its entirety, is a fair, just and reasonable resolution of all the issues in this Proceeding;

**WHEREAS**, the Parties recognize that this Stipulation constitutes only an agreement among, and a recommendation by, themselves, and that all issues in this Proceeding remain open for consideration by the Commission at a formal hearing in this Proceeding; and

**NOW, THEREFORE**, in consideration of the premises and conditions set forth herein, the Parties hereby stipulate, agree, and recommend as follows:

1. Blue Grass Energy and the AG agree to and recommend an award to Blue Grass Energy of additional annual revenue of \$1,400,000, which is \$1,050,474 less than the amount proposed by Blue Grass Energy in its application. The Parties agree that the difference between the additional annual revenue requested in Blue Grass Energy's application and the amount of the recommended award of additional annual revenue is generally attributable to a reduction in the proposed interest expense adjustment associated with Blue Grass Energy's variable rate loans with the Federal Financing Bank ("FFB"). Specifically, Blue Grass Energy proposed in its application to calculate its interest expense adjustment utilizing a higher interest rate than it currently pays with respect to its FFB variable loans; Blue Grass Energy herein agrees that it shall calculate its interest expense adjustment utilizing the actual interest rate(s) applicable to its FFB variable loans for purposes of this Proceeding.

2. Blue Grass Energy and the AG agree and recommend that the rates as proposed in Blue Grass Energy's application, except for those proposed with respect to rate class GS-1

(Residential and Farm), are fair, just and reasonable and should be implemented immediately upon entry of an Order by the Commission accepting and approving this Stipulation.

3. With respect to rate class GS-1 (Residential and Farm), Blue Grass Energy and the AG agree and recommend that the following three-phase adjustment be accepted and approved by the Commission:

- a. Immediately upon entry of an Order by the Commission accepting and approving this Stipulation, Blue Grass Energy and the AG agree and recommend that: (i) the energy rate per kilowatt hour be set at \$0.08890; and (ii) the customer (or facility) charge be set at \$12.00, each remaining at the specified amount through December 31, 2015;
- b. Beginning January 1, 2016, Blue Grass Energy and the AG agree and recommend that: (i) the energy rate per kilowatt hour be set at \$0.08731; and (ii) the customer (or facility) charge be set at \$14.00, each remaining at the specified amount through December 31, 2016, said change in rates being designed and intended to be revenue neutral;
- c. Beginning January 1, 2017, Blue Grass Energy and the AG agree and recommend that: (i) the energy rate per kilowatt hour be set at \$0.08531; and (ii) the customer (or facility) charge be set at \$16.50, each remaining at the specified amount indefinitely, said change in rates being designed and intended to be revenue neutral.

4. Except as specifically stated otherwise in this Stipulation, the Parties agree that making this Stipulation shall not be deemed in any respect to constitute an admission by any

Party hereto that any computation, formula, allegation, assertion, or contention made by any other Party in this Proceeding is true or valid.

5. The Parties agree that the foregoing terms and conditions represent a fair, just, and reasonable resolution of the issues addressed herein.

6. The Parties agree that, following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission.

7. Each signatory waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Stipulation. The Parties stipulate that, after the date of this Stipulation, they will not otherwise contest Blue Grass Energy's application in this Proceeding, as modified by this Stipulation, during the hearing in this Proceeding, and that they will refrain from cross-examination of all witnesses during the hearing, except insofar as such cross-examination supports the Stipulation or Blue Grass Energy's application subject to the terms and conditions of this Stipulation. Notwithstanding the foregoing provisions of this paragraph, the Parties agree that the AG maintains the right to cross-examine Blue Grass Energy's witnesses if there is any new information presented at a formal hearing before the Commission concerning the Proceeding, or if any information is presented at such a hearing that is contrary to information contained in Blue Grass Energy's application filed in the Proceeding or contrary to information contained in this Stipulation.

8. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation be accepted and fully incorporated into any Order approving Blue Grass Energy's application, as amended by this Stipulation, in this Proceeding.

9. If the Commission issues an Order adopting all of the terms and conditions recommended herein without modification, each of the Parties agrees that it shall file neither an

application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such Order.

10. The Parties agree that if the Commission does not implement all of the terms recommended herein in its final Order in this Proceeding, or if the Commission in its final Order in this Proceeding adds or imposes additional conditions or burdens upon any or all of the Parties that are unacceptable to any or all of the Parties, then, upon written notice by any Party: (a) this Stipulation shall be voidable and may be withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, provided that no Party is precluded from advocating any position contained in this Stipulation; and (b) neither the terms of this Stipulation nor any matters raised during the settlement negotiations shall be binding on any of the Parties to this Stipulation or be construed against any of the Parties.

11. The Parties agree that this Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

12. The Parties agree that this Stipulation shall inure to the benefit of, and be binding upon, the Parties, their successors and assigns.

13. The Parties agree that this Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith, shall be null and void, and shall be deemed to have been merged into this Stipulation.

14. The Parties agree that, for the purpose of this Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.



15. The Parties agree that neither the Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein. This Stipulation shall not have any precedential value in this or any other jurisdiction.

16. The signatories hereto warrant that they have informed, advised, and consulted with the Parties they represent in this Proceeding in regard to the contents and significance of this Stipulation, and based upon the foregoing are authorized to execute this Stipulation on behalf of the Parties they represent.

17. The Parties agree that this Stipulation is a product of negotiation among all Parties, and that no provision of this Stipulation shall be strictly construed in favor of, or against, any Party.

18. The Parties agree that this Stipulation may be executed in multiple counterparts.

19. The Parties agree that time is of the essence and will recommend to the Commission that it accept this Stipulation so that the revenue requirement agreed to herein shall begin to be collected through new rates that are effective as described herein.

**IN WITNESS WHEREOF**, the Parties have hereunto affixed their signatures.

**Blue Grass Energy Cooperative Corporation**

HAVE SEEN AND AGREED:

BY: 

ITS: President/Chief Executive Officer



Mark David Goss, Counsel  
M. Evan Buckley, Counsel

**Office of the Attorney General of the  
Commonwealth of Kentucky, by and through  
his Office of Rate Intervention**

HAVE SEEN AND AGREED:



Angela M. Goad, Assistant Attorney General

Gregory T. Dutton, Assistant Attorney General

Jennifer Black Hans, Assistant Attorney General