

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

In the Matter of:

ELECTRONIC APPLICATION OF AN	)	
ALTERNATIVE RATE ADJUSTMENT	)	
FOR BLUE GRASS ENERGY	)	CASE NO. 2025-00103
COOPERATIVE CORPORATION	)	
PURSUANT TO 807 KAR 5:078	)	

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**ATTORNEY GENERAL’S COMMENTS**

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The intervenor, the Attorney General of the Commonwealth of Kentucky, through his office of Rate Intervention (“Attorney General”), submits the following comments to the Public Service Commission (“Commission”) in the above-styled matter.

**STATEMENT OF THE CASE**

Blue Grass Energy Cooperative Corporation (“Blue Grass” or the “Company”), is a not-for-profit, member-owned rural electric distribution cooperative organized under KRS 279, and distributes retail electric power to approximately 64,000 member customers in the Kentucky counties of Anderson, Bourbon, Bracken, Estill, Fayette, Franklin, Garrard, Grant, Harrison, Henry, Jackson, Jessamine, Madison, Mercer, Nelson, Nicholas, Pendleton, Robertson, Scott, Shelby, Spencer, Washington, and Woodford.<sup>1</sup> The Company owns approximately 4,993 miles of distribution line in its service territory.<sup>2</sup> It

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<sup>1</sup> Application, paragraph 1.

<sup>2</sup> Direct Testimony of Michael I. Williams (“Williams Testimony”), at 4.

is an owner-member of East Kentucky Power Cooperative, Inc. ("EKPC"), which provides wholesale electricity to the Company.<sup>3</sup> The Company's last general rate adjustment application was filed in 2014.<sup>4</sup> The Company filed an application for a pass through rate adjustment in 2021.<sup>5</sup> Blue Grass is a utility subject to the rates and service jurisdiction of the Commission.

Blue Grass filed a notice of intent to file an application for an adjustment of rates on April 1, 2025. Subsequently, on May 1, 2025, the Company filed an application seeking an adjustment of rates pursuant to the streamlined procedure pilot program, utilizing a test year that ended on December 31, 2024. The Commission granted intervention to the Attorney General by Order on May 2, 2025. A deficiency order was issued on May 7, 2025, to which the Company filed a response on the same day. The Commission issued an Order on May 8, 2025, which deemed the application filed as of May 7, 2025.

Blue Grass proposes an increase in revenues totaling \$3,186,466, representing a 1.96% increase.<sup>6</sup> The Company requests an increase to the residential and farm monthly customer charge from \$17.10 to \$23.60, or a 38.01% increase. Accompanying this request, the Company proposes lowering the energy charge from .09598 to .09387 per kWh.<sup>7</sup> Per the testimony of John Wolfram, the Company advises that the average monthly bill for residential and farm ratepayers of average usage will increase by \$4.25.<sup>8</sup> Additionally,

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<sup>3</sup> *Id.*

<sup>4</sup> Application, paragraph 6.

<sup>5</sup> Case No. 2021-00105, *Electronic Application of Blue Grass Energy Cooperative Corporation For a Pass-Through of East Kentucky Power Cooperative, Inc. Wholesale Rate Adjustment*. (Ky. PSC April, 1, 2021), Order at 7.

<sup>6</sup> Application, paragraph 7.

<sup>7</sup> Direct Testimony of John Wolfram ("Wolfram Testimony") at 23.

<sup>8</sup> *Id.* at 24.

the Company requests an increase in rates for residential and farm customers using Inclining Block and Time-of-Day tariffs, as well as for the Outdoor Lighting tariff.<sup>9</sup>

Pursuant to the streamlined procedure pilot program, the Attorney General and Commission Staff each propounded one round of discovery to Blue Grass, to which the Company filed responses on June 12, 2025. Following the submission of these comments, the case will stand submitted for a decision on the record on June 25, 2025.

#### **A. Miscellaneous Adjustments to Revenue Requirement**

The Attorney General was given the opportunity to submit one round of data requests to Blue Grass. In a typical non-streamlined rate case, the Attorney General would have had the chance to make supplemental follow-up requests. It does not have the ability here due to the expedited nature of the streamlined procedure. The issues presented below pertain to Blue Grass's response to those initial requests. These are matters that the Attorney General would have followed up on if further questions were permitted.

In Response to AG DR 1-14, Blue Grass disclosed that it currently has five vacant positions. It is normal and customary for a utility, or any business, to have some level of employee vacancy. Revenue requirements supporting vacant positions may be wasteful if staffing does not address the vacancy promptly. Had additional discovery been permitted, the Attorney General would have followed up on the level of recurring vacancies to test whether this issue justified reduction of the revenue requirement.

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<sup>9</sup> Direct Testimony of Lauren Logan (“Logan Testimony”) at 4-5

In Response to AG DR 1-12, Blue Grass noted that it received \$347,000 in FEMA funding at the end of the test year. The Commission should ensure that these funds have been credited appropriately such that ratepayers receive the benefit of these funds and do not pay for the repairs for which those funds are meant to compensate.

## **B. Customer Charge**

As aforementioned, Blue Grass has proposed an increase to its fixed customer charge from \$17.10 per month to \$23.60, which equates to a 38.01% adjustment for its residential and farm ratepayers.

The Attorney General has concerns regarding this sudden increase, which could come as a shock to residential customers. The Commission has always relied upon the principle of gradualism in ratemaking, which mitigates the financial impact of rate increases on customers.<sup>10</sup> The Attorney General respectfully requests the Commission to continue to rely upon the principle of gradualism when awarding any increase to the residential monthly customer charge.

## **Conclusion**

The Attorney General requests that the Commission scrutinize the proposal as detailed above before approving any rate adjustments. Additionally, the Attorney

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<sup>10</sup> Case No. 2014-00396, *In the Matter of Application of Kentucky Power Company for: (1) A General Adjustment of its Rates for Electric Service; (2) An Order Approving its 2014 Environmental Compliance Plan; (2) An Order Approving its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief*, (Ky. PSC June 22, 2014) (“the Commission has long employed the principle of gradualism”); See also Case No. 2000-00080, *In the Matter of: The Application of Louisville Gas & Electric Company to Adjust its Gas Rates and to Increase its Charges for Disconnecting Service, Reconnecting Service and Returned Checks* (Ky. PSC Sept. 27, 2000) (“the Commission is adhering to the rate-making concepts of continuity and gradualism in order to lessen the impact of these increases on the customers that incur these charges.”)

General requests that the rates be adjusted to facilitate the required revenue increase while limiting the increase to the fixed customer charge.

Respectfully submitted,

RUSSELL COLEMAN  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that, on June 20, 2025 an electronic copy of the foregoing was served via the Commission's electronic filing system.

this 20<sup>th</sup> day of June, 2025.

A handwritten signature in blue ink, appearing to read "Thomas John" followed by a stylized flourish.

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Assistant Attorney General