

HOWARD DOWNING
ATTORNEY AT LAW
109 South First Street
Nicholasville, Kentucky 40356
(859)885-4619 fax (859)885-1127

January 12, 2009

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

JAN 12 2009

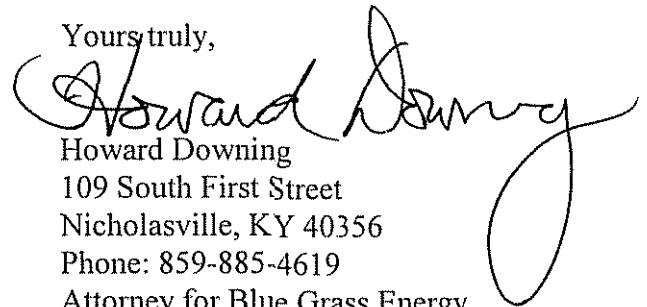
PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2008-00411

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and five copies of the responses of Blue Grass Energy Cooperative Corporation to the Commission Staff's Initial Data Request, dated December 19, 2008.

Yours truly,


Howard Downing
109 South First Street
Nicholasville, KY 40356
Phone: 859-885-4619
Attorney for Blue Grass Energy
Cooperative Corporation

Enclosure:
HD/pb

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION TO)	CASE NO.
PASS-THROUGH AN INCREASE OF ITS)	2008-00411
WHOLESALE POWER SUPPLIER PURSUANT)	
TO KRS 278.455(2))	

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

James C. Lamb, Jr., being duly sworn, states that he has supervised the preparation of the responses of Blue Grass Energy Cooperative Corporation to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

James C. Lamb, Jr.

Subscribed and sworn before me on this 12th day of January, 2009.

Deeann L. Giffen
 Notary Public

My Commission expires: December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION TO)	CASE NO.
PASS-THROUGH AN INCREASE OF ITS)	2008-00411
WHOLESALE POWER SUPPLIER PURSUANT)	
TO KRS 278.455(2))	

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of Blue Grass Energy Cooperative Corporation to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Ann F. Wood

Subscribed and sworn before me on this 9th day of January, 2009.

Deborah S. Duffin
 Notary Public

My Commission expires: December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION TO)	CASE NO.
PASS-THROUGH AN INCREASE OF ITS)	2008-00411
WHOLESALE POWER SUPPLIER PURSUANT)	
TO KRS 278.455(2))	

**RESPONSES TO COMMISSION STAFF'S INITIAL DATA REQUEST
TO BLUE GRASS ENERGY COOPERATIVE CORPORATION
DATED DECEMBER 19, 2008**

—

BLUE GRASS ENERGY COOPERATIVE CORPORATION
PSC CASE NO. 2008-00411
INITIAL DATA REQUEST RESPONSE

COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08
REQUEST 1

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: Blue Grass Energy Cooperative Corporation

Request 1. Provide the workpapers, spreadsheets, etc. which show the calculation of the increase, by individual wholesale rate schedule, in Blue Grass' cost of power from East Kentucky Power Cooperative, Inc. that Blue Grass is proposing to flow through to its customers. Include a brief narrative description of the data being provided.

Response 1. Please see pages 2 and 3 of this response. EKPC multiplied the projected wholesale billing units for all members for the test year by the EKPC existing rates to determine revenue before the rate increase. The revenue increase was then proportioned to EKPC rate classes in order to develop proposed rates. After the proposed wholesale rates were developed, the new rates were applied to the same projected billing units proportionally among all rate classes. These rates were then applied to the projected wholesale billing units of each member system, in order to determine their proportionate share of EKPC's revenue requirements.

Please note that the wholesale increase on pages 2 and 3 totals \$7,423,412, and is higher than the retail increase of \$7,422,036 as filed in the pass-through application dated October 31, 2008 (Exhibit 3, Page 1 of 6). This slight under recovery is a result of rounding.

EKPC
Blue Grass
Rate E
Option 2

Description	Billing Units	Current Rate		Billing Units	Pro Rata Calculated Billings	
		Rate	Calculated Billings		Rate	Calculated Billings
Metering Point Charge All Customers	396	\$ 125.00	\$ 49,500.00	396	\$ 138.00	\$ 54,648.00
Substation charges						
Substation 1,000 - 2,999 kVa	24	\$ 944.00	\$ 22,656.00	24	\$ 1,041.00	\$ 24,984.00
Substation 3,000 - 7,499 kVa	276	\$ 2,373.00	\$ 654,948.00	276	\$ 2,617.00	\$ 722,412.00
Substation 7,500 - 14,999 kVa	96	\$ 2,855.00	\$ 274,080.00	96	\$ 3,149.00	\$ 302,784.00
Substation > 15,000 kVa	396	\$ 4,605.00	\$ 1,823,700.00	396	\$ 5,079.00	\$ 2,011,404.00
						\$ 1,419,516.00

Demand Charge All Kw	2,879,528	\$ 5.22	\$ 15,031,136.16
Energy Charge			
On-Peak (April - July)	194,958,104	\$ 0.042470	\$ 8,279,870.68
Off-Peak (April - July)	141,026,514	\$ 0.034904	\$ 4,922,389.44
On-Peak (Aug - March)	403,562,987	\$ 0.042470	\$ 17,139,320.06
Off-Peak (Aug - March)	409,423,958	\$ 0.034904	\$ 14,290,533.83
	1,148,971,563		\$ 44,632,114.01
	1,148,971,562		\$ 60,999,762.17
Total Base Rates			\$ 8,736,779.77
FAC		\$ 0.007604	\$ 9,498,117.01
ES		13.62%	
Total Billings			\$ 79,234,658.95

Demand Charge All Kw	2,879,528	\$ 5.76	\$ 16,586,081.28
Energy Charge			
On-Peak	598,521,091	\$ 0.046844	\$ 28,037,121.99
Off-Peak	550,450,472	\$ 0.038499	\$ 21,191,792.72
			\$ 49,228,914.71
Total Base Rates			\$ 67,289,159.99
FAC			\$ 8,736,779.77
ES			\$ 9,498,117.01
Total Billings			\$ 85,524,056.76
Increase/(Decrease)			\$ 6,289,397.82
Percent Change			7.94%

EKPC
Blue Grass
Rate B

Description	Current Rate		Pro Rata	
	Billing Units	Rate	Billing Units	Rate
Demand Charge				
Base kW	401,309	\$ 6.22	401,309	\$ 6.86
Excess kW	5,311	\$ 8.65	5,311	\$ 9.54
Interruptible kW	0	\$ -	-	\$ -
Buy-Through \$				
Energy Charge				
All kWh	253,177,363 kWh	\$ 0.033455	253,177,363 kWh	\$ 0.036901
	253,177,363	\$ 8,470,048.68		\$ 9,342,497.87
		\$ 11,012,130.81		\$ 12,146,144.55
FAC		\$ 0.007604		\$ 1,925,160.67
ES		13.62%		\$ 1,762,059.10
Total Billings		\$ 14,699,350.58	Total Billings	\$ 15,833,364.32
			Increase/(Decrease)	\$ 1,134,013.74
			Percent Change	7.71%

—

BLUE GRASS ENERGY COOPERATIVE CORPORATION

PSC CASE NO. 2008-00411

INITIAL DATA REQUEST RESPONSE

COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08

REQUEST 2

RESPONSIBLE PERSON: James C. Lamb, Jr./Ann F. Wood

COMPANY: Blue Grass Energy Cooperative Corporation

Request 2. Refer to Exhibit 3 of the application. The billing analysis shows various rate schedules with escalation percentages applied to the billing determinants. Explain the need for the escalation percentages and provide workpapers, spreadsheets, etc. for the calculation of the percentages, as well as a narrative explanation of how the percentages were determined.

Response 2. Since EKPC is using a forecasted test period, the increase is calculated based on projected billing determinants. In order to appropriately match retail rates to the forecasted test year used for wholesale rates, an escalation factor was used. The escalated data was applied to Residential and Small Commercial classes only due to the wide variance and unpredictable nature of the Large Commercial/Industrial class.

The Attachment shows the escalation percentages calculated by the Resource Planning Department of EKPC and the supporting calculations.

EKPC prepares a load forecast by working jointly with its member systems in preparing their individual load forecasts. Factors considered in preparing the forecasts include national, regional, and local economic performance, appliance saturations and

efficiencies, population and housing trends, service area industrial development, electric price, household income, and weather. Each member system reviews the preliminary forecast for reasonability.

The general steps followed by EKPC in developing its load forecast are summarized as follows:

EKPC subscribes to Global Insight, Inc., in order to analyze regional economic performance. Global Insight provides EKPC projections for population, employment, and income as well as other variables.

EKPC prepares a preliminary forecast for each of its member systems for each classification using monthly data as reported on the Rural Utilities Services (RUS) Form 7, which contains publicly available retail sales data for member systems. These include: residential, seasonal, small commercial, public buildings, large commercial, and other. EKPC's sales to member systems are then determined by adding distribution losses to total retail sales. Seasonal peak demands are determined by applying peak factors for heating, cooling, and water heating to energy.

The supplementary spreadsheets in the Attachment contain the data resulting from the above-described process. The growth rates for energy sales, winter peak demand, and customers are based upon the monthly forecasts for the test period.

Escalation for Blue Grass Energy

Escalation - MWH - Energy	
Time Period	MWH Sales
May 2008 to April 2009	1,251,371
May 2009 to April 2010	1,281,754
Percent change	2.4%

Escalation - MW - Demand	
Time Period	
Winter 2009-2010	347.1
Winter 2010-2011	356.3
Percent change	2.7%

Escalation - Customers - Residential	
Time Period	Average Annual Customers
2009	53,322
2010	54,227
Percent change	1.7%

Escalation - Customers - Small Commercial	
Time Period	Average Annual Customers
2009	2,263
2010	2,317
Percent change	2.4%