



A Touchstone Energy Cooperative 

CASE NO. 2010-00046

P.O. Box 990 • 1201 Lexington Road • Nicholasville, Kentucky 40340-0990  
Phone: 888-546-4243 • Fax: 859-885-2854 • www.bgenergy.com

January 29, 2010

Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
P O Box 615  
Frankfort Kentucky 40602

RECEIVED

JAN 29 2010

PUBLIC SERVICE  
COMMISSION

Dear Mr. Derouen,

We are filing an original and 10 copies requesting approval of a change in our security deposit tariff by the Kentucky Public Service Commission. We are increasing the residential deposit from \$175.00 to \$225.00 (Exhibit 1). Due to a general rate increase implemented September 2008 and a pass-through rate increase from our wholesale supplier, East Kentucky Power, implemented April 2009 an increase in the deposit is needed to help offset the continued increase in bad debts (Exhibit 2). The new deposit amount remains within the 2/12 average bill requirement as required by the Kentucky Public Service Commission as stated in 807 KAR 5:006, (b) (Exhibit 4). A copy of a revised tariff is included (Exhibit 3).

If you have any questions, please contact me at (859) 885-2118. As always, your continued assistance and cooperation is appreciated.

Thank you,

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Donald Smothers".

J. Donald Smothers  
Vice President Financial Services & CFO

2. Residential billing analysis December 2009 (rate 11) and calculation of the deposit:

Energy Revenue	\$70,549,183.77
Fuel Adjustment	\$ 2,399,215.14
Lights	\$ 1,423,539.28
Environmental Surcharge (other amt. 3)	\$ 4,814,100.48
Subtotal	\$79,186,038.67
Local Tax (school)	\$ 2,373,676.78
Franchise Tax	\$ 534,560.30
Total Billing	\$82,094,275.75
Total Bills	626,159
Average Monthly Bill	\$ 131.11
2/12 annual billing average	\$ 262.22
Current Deposit	\$ <u>175.00</u>
Recommended Deposit	\$ <u>225.00</u>

Total Monthly bills for 2009:

January	52,251
February	52,481
March	52,100
April	51,982
May	51,968
June	52,314
July	52,288
August	52,123
September	52,038
October	52,125
November	52,324
December	<u>52,165</u>
Total	<u>626,159</u>

PRG. RATEREGS	KENTUCKY	REVENUE REPORT	BILL MOVR 12/09	RUN DATE 12/31/09 05:44 PM				
BLUE GRASS ENERGY		REGISTER DATE 12/09	11	PAGE 1				
		RATE THIS YEAR	NET/MONTH	YTD	% CHG	LAST YEAR	YTD	% CHG
ENERGY	6874671.73	10878.44-	6863793.89	70549183.77	.09	6911708.39	42924948.52	1.64
FUEL	808827.20-	1272.46	805984.74-	2359215.14	.33	1312174.54	4560430.23	.52
DEMAND	.00	.00	.00	1423539.28	.08	115342.59	669594.16	2.12
LIGHTS	124212.84	942.81-	.00	.00	.00	.00	.00	.00
INVESTMENT	.00	.00	.00	.00	.00	.00	.00	.00
RENTAL/EQUIPMENT	.00	.00	.00	21205.00-	.00	.00	50570.85-	1.50
LM CREDITS	.00	.00	.00	76248.75-	.07	6213.28-	53440.68	1.52
INTEREST	5989.68-	.00	5989.68-	81501.42	.04	4626.04		
CONTRACT	3302.76	.00	3302.76					
TOTAL ****	6187970.45	10598.79-	6177371.66	74355985.86	.08	8337638.28	48157842.74	1.54
STATE TAX	37.02	.00	37.02	863.42	.04	249.32-	8811.13	.30
LOCAL TAX	194350.75	317.75-	194033.00	2373676.78	.08	262174.91	1509551.49	1.57
FRANCHISE TAX	38603.79	23.71-	38580.08	534560.30	.07	51663.67	475812.96	1.12
OTHER TAX	.00	.00	.00	18.02-	.00	582.46	191.87	.09
TOTAL ****	232991.56	341.46-	232650.10	2909082.48	.07	314171.72	1988367.45	1.46
PENALTY	.00	83702.55	83702.55	536809.96	.15	92808.43	730785.66	.73
REOCUR CHARGES	648.35		648.35	7486.75	.08	618.28	7097.66	1.05
MISC CHARGES	525.00		525.00	8439.29	.05	175.00	4915.55	1.71
OTHER CHARGES	2206.00		2206.00	19897.22	.11	938.68	20158.95	.98
OTHER AMT 1	.00	4.80-	4.80-	7.39-	.44	5.66	129.15-	.05
OTHER AMT 3	291578.15	542.31-	291035.84	4814100.48	.05	404774.31	2198927.74	2.18
TOTAL ****	294957.50	547.11-	294410.39	4849916.35	.06	406511.93	2230970.75	2.17
ANCILLARY SERVICES	.00		.00					
MEMBERSHIPS	2745.00		2745.00	2279.83	1.20	622.50	9470.17	.24
DEPOSITS	8281.05		8281.05	37096.43-	.22	160.00	24424.00	1.51
OTHER DEFS	.00		.00	525.00-	.00	175.00	1080.00	.48
TOTAL ****	11026.05		11026.05	35341.60-	.31	957.50	34974.17	1.01
GRAND TOTAL ****	6726945.56	72215.19	6799160.75	82616453.05	.08	9158087.86	53142940.77	1.55

1. Bad Debt to Revenue Ratio:

Year	Revenue	Bad Debt	Ratio
2005	\$ 85,349,220	\$248,693	.29%
2006	\$ 89,360,905	\$386,622	.43%
2007	\$ 98,994,564	\$355,319	.36%
2008	\$108,898,100	\$429,810	.39%
2009	\$108,652,287	\$590,525	.54%

**BLUE GRASS ENERGY  
COOPERATIVE CORPORATION**

For Entire Territory Served  
P.S.C. KY No. 1  
Original SHEET NO 4  
CANCELLING P.S.C.NO.       
     SHEET NO.     

**RULES AND REGULATIONS**

government. A locked entrance, dog or other problem may prevent the meter reader from reading the meter at times. The reading may then be estimated, based on the electricity previously used. When the reading is estimated, it will be noted on the bill. After the next actual reading, the bill will be adjusted automatically if the estimated reading was too high or too low. Failure to receive a statement will not release the member from payment obligation.

**(14) DEPOSITS**

Blue Grass Energy may require a minimum cash deposit to secure payment of bills except for customers qualifying for service connection pursuant to 807 KAR 5:006, Section 15, Winter Hardship Reconnection. Service may be refused or discontinued for failure to pay the requested deposit. Residential customers, where applicable, will pay a deposit in the amount of \$225.00. (I) This amount does not exceed the average bill of residential customers served by Blue Grass Energy and is equal to 2/12 of the average bill. Interest, as prescribed by KRS 278.460, will be paid annually either by refund or credit to the customer's bill, except that no refund or credit will be made if the customer's bill is delinquent on the anniversary date of the deposit.

The deposit may be waived upon a customer's showing of satisfactory credit. Required deposits will be returned after one year if the customer has established a satisfactory payment record for that period. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. The cooperative may require a deposit in addition to the initial deposit if the customer's classification of service changes or if there is a substantial change in usage. Upon termination of service, the deposit, any principal amounts and any interest earned and owing, will be credited to the final bill with any remainder refunded to the customer.

A deposit will be required or waived, based on the credit report received from the credit agency as determined by Blue Grass Energy at the time the service is requested by the customer. If the customer has a satisfactory credit report the deposit may be waived.

DATE OF ISSUE: January 6, 2010

DATE EFFECTIVE: March 1, 2010

ISSUED BY: J. Donald Smothers

J. Donald Smothers, Vice President and CFO

ADDRESS: P. O. Box 990, Nicholasville KY 40340-0990

Issued by authority of an Order of the Public Service Commission of Kentucky

In Case No.:

Dated:

807 KAR 5:006. General rules.

computed shall be furnished under one (1) of the following methods:

- (a) By printing it on the bill.
  - (b) By publishing it in a newspaper of general circulation once each year.
  - (c) By mailing it to each customer once each year.
  - (d) By providing a place on each bill where a customer may indicate his desire for a copy of the applicable rates. The utility shall mail the customer a copy by return first class mail.
- (2) Flat rates. Flat rates for unmetered service shall approximate as closely as possible the utility's rates for metered service. The rate schedule shall clearly set out the basis upon which consumption is estimated.
- (3) Bill format. Each utility shall include the billing form to be used by it, or its contents, in its tariffed rules.
- (4) Meter readings. Registration of each meter shall read in the same units as used for billing unless a conversion factor is shown on the billing form.
- (5) Frequency of meter reading. Each utility, except if prevented by reasons beyond its control, shall read customer meters at least quarterly, except that each utility using customer-read meter information shall read each revenue related meter on its system at least once during each calendar year. Records shall be kept by the utility to insure that this information is available to commission staff and any customer requesting this information. If, due to reasons beyond its control, a utility is unable to read a meter in accordance with this subsection, the utility shall record the date and time the attempt was made, if applicable, and the reason the utility was unable to read the meter.

Section 7. Deposits. (1) Determination of deposits. A utility may require from any customer a minimum cash deposit or other guaranty to secure payment of bills, except from those customers qualifying for service reconnection under Section 15 of this administrative regulation. The method of determining the amount of a cash deposit may differ between classes of customers, but shall be uniform for all customers within the same class. The amount of a cash deposit shall be determined by one (1) of the following methods:

(a) Calculated deposits. If actual usage data is available for the customer at the same or similar premises, the deposit amount shall be calculated using the customer's average bill for the most recent twelve (12) month period. If actual usage data is not available, the deposit amount shall be based on the average bills of similar customers and premises in the system. Deposit amounts shall not exceed two-twelfths (2/12) of the customer's actual or estimated annual bill where bills are rendered monthly, three-twelfths (3/12) where bills are rendered bimonthly, or four-twelfths (4/12) where bills are rendered quarterly.

(b) Equal deposits. The utility may establish an equal deposit amount for each class based on the average bill of customers in that class. Deposit amounts shall not exceed two-twelfths (2/12) of the average bill of customers in the class where bills are rendered monthly, three-twelfths (3/12) where bills are rendered bimonthly, or four-twelfths (4/12) where bills are rendered quarterly.

(c) Recalculation of deposits. If the utility will or may retain either an equal or calculated deposit for more than eighteen (18) months, it shall notify customers in writing that, at the customer's request, the deposit will be recalculated every eighteen (18) months based on actual usage of the customer. The notice of deposit recalculation shall be included either on the customer's application for service or on the receipt of deposit, or may be included annually with or on customer bills. The notice of deposit recalculation shall state that if the deposit on account differs by more than ten (10) dollars for residential customers, or by more than ten (10) percent for nonresidential customers, from the deposit calculated on actual usage, then the utility shall refund any over-collection and may collect any underpayment. Refunds shall be made either by check or by credit to the customer's bill, except that a utility shall not be required to refund any excess deposit if the customer's bill is delinquent at the time of recalculation.

(2) Waiver of deposits. Deposits may be waived at the discretion of the utility in accordance with its currently effective tariff based upon a customer's showing of satisfactory credit and payment history.

(3) Additional deposit requirement. If a deposit has been waived, as allowed in subsection (2) of this section, or has been returned and the customer fails to maintain a satisfactory payment record as defined in the utility's currently effective tariff, the utility may require that a deposit be made. If substantial change in usage has occurred, the utility may require that an additional deposit be made. No additional or subsequent deposit shall be required of residential customers whose payment record is satisfactory, unless the customer's classification of service changes, except as provided in subsection (1)(c) of this section.

(4) Receipt of deposit. The utility shall issue to every customer from whom a deposit is collected a receipt of deposit. The receipt shall show the name of the customer, location of the service or customer account number, date, and amount of deposit. If the notice of recalculation described in subsection (1)(c) of this section is not included in the utility's application for service or mailed with customer bills, the receipt of deposit shall contain the notification. If deposit amounts change, the utility shall issue a new receipt of deposit to the customer.

(5) Deposits as a condition of service. Except as otherwise provided by Section 15 of this administrative regulation, customer service may be refused or discontinued pursuant to Section 14 of this administrative regulation if payment of requested deposits is not made.

(6) Interest on deposits. Interest shall accrue on all deposits at the rate prescribed by law, beginning on the date of deposit. Interest accrued shall be refunded to the customer or credited to the customer's bill on an annual basis, except that a utility shall not be required to refund or credit interest on deposits if the customer's bill is delinquent on the anniversary of the deposit date. All interest that has accrued as of the effective date of this administrative regulation shall be refunded or credited to the customer's bill on the first anniversary of the deposit date after the effective date of this administrative regulation. If interest is paid or credited to the customer's bill prior to twelve (12) months from the date of deposit, the payment or credit shall be on a prorated basis. Upon termination of service, the deposit, any principal amounts, and interest earned and owing shall be credited to the final bill with any remainder refunded to the customer.

(7) Tariff requirements. Each utility which chooses to require deposits shall establish and include in its filed tariff the deposit policy to be utilized. This policy shall include:

- (a) The method by which deposit amounts will be determined for each customer class;
- (b) Standard criteria for determining when a deposit will be required or waived;