

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE AND) CASE NO.
NECESSITY TO CONSTRUCT FACILITIES) 2011-00007
ACCORDING TO THE APPLICANT'S 11/01/2010-)
10/31/2013 CONSTRUCTION WORK PLAN)

FIRST INFORMATION REQUEST OF COMMISSION STAFF TO
BLUE GRASS ENERGY COOPERATIVE CORPORATION

Pursuant to 807 KAR 5:001, Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due no later than 15 days from the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Blue Grass Energy shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or,

though correct when made, is now incorrect in any material respect. For any request to which Blue Grass Energy fails or refuses to furnish all or part of the requested information, Blue Grass Energy shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Executive Summary of the 2010–2013 Construction Work Plan (“CWP”), Section I.A. – Purpose, Results and General Basis of Study. This section states that the “2013 projected number of consumers and total peak system load were taken directly from the Cooperative’s 2010 Load Forecast Report (LFR) as approved by RUS.”

a. Provide a copy of the Rural Utilities Service (“RUS”) approval of Blue Grass Energy’s 2010 LFR.

b. Provide a copy of Blue Grass Energy’s 2010 LFR.

2. Refer to the Executive Summary of the 2010–2013 CWP, Section I.E. – Summary of Construction Program and Costs. Is the annual total for distribution plant additions and replacements known for 2010? If yes, provide that total.

a. The average annual cost for distribution plant additions and replacements from 2001 through 2009 was \$9,620,340. The average annual cost for distribution plant changes for the 2010–2013 CWP is \$12,663,900, which represents a

32 percent increase from the average annual plant additions for the 2001 through 2009 period. The instant CWP states that capital expenditures for 2010–2013 have increased over past plant expenditures, “due to material price increases and system improvement increases.” Provide specific examples of the “material price increases” and explain what is meant by the phrase “system improvement increases.”

b. For the 2010–2013 CWP, approximately 76 percent of the proposed expenditure is for new construction and 24 percent is for system improvements. For each of the previous five years, provide a breakdown of the capital expenditures for new construction and for system improvements.

c. Refer to the final paragraph of this section regarding the eligibility for RUS loan funds and Exhibit 2, Cost of Operations. Does Blue Grass Energy anticipate the interest rate on the RUS loan to be four percent?

3. Refer to the Basis of Study and Proposed Construction section of the 2010–2013 CWP, Section II.C.1., Analysis of Current System Studies – 2010 Load Forecast (LF). Blue Grass Energy’s 2010 Load Forecast projects a 2.5 percent annual growth in energy sales for the 2010–2013 period. Winter and summer peak kW demands were projected to grow approximately 2.1 percent and 2.3 percent, respectively, for the same time period. Provide the energy sales growth along with the winter and summer peak demand for the previous five years.

a. Refer to Section II.C.2., Analysis of Current System Studies – 2004 Long Range System Study (“LRSS”). Earlier in the 2010–2013 CWP, it was noted that Blue Grass Energy’s 2004 LRSS load projections and recommendations were adequate for the 2010–2013 CWP. Provide a copy of the 2004 LRSS.

b. The 2010–2013 CWP notes that the “projected 2010 demand in the LF reflects a system growing slightly less than projected for 2010 in the LRSS. The current LRSS should be valid for recommendations over the next three years (2010–2013 CWP).” Explain in detail the basis for this statement.

4. Refer to the 2008 Operations and Maintenance Survey (RUS Form 300) section of the 2010–2013 CWP, Section II.C.3, regarding items noted for improvement. Does Blue Grass Energy own all of the electric utility poles in its service area? If not, provide a list of other owners and the maintenance procedures on such poles.

5. Refer to the Basis of Study and Proposed Construction section of the 2010–2013 CWP, Section II.D.1., Annual Consumer, Load, and Losses Data.

a. Blue Grass Energy’s annual distribution system losses were noted to be 4.7 percent for 2009. Is “annual distribution system losses” synonymous with “system energy losses?”

b. If yes, Blue Grass Energy’s 2009 distribution system losses, or system energy losses, of 4.7 percent is within the RUS established guidelines of 8.2 percent. Given the level of distribution system losses, explain the statement in paragraph 6 of the Application that the construction proposed in this CWP is needed, in part, to “reduce system energy losses.”

6. Refer to the Required Construction Items section of the 2010–2013 CWP, Section III.A., Service to New Consumers. The CWP estimates that 2,550 underground and overhead services for new customers will be built for the three-year CWP period. Explain the derivation of the 2,550 figure and the amount of additions expected in each of the three years of the CWP.

a. Approximately 32.3 percent of the capital required for this CWP is estimated to be for new consumer services (\$12,285,000 out of \$37,991,700). For each of the past five years, provide the percentage of capital used for new consumer services, including the dollar amounts for new consumer services and the total amount of capital for distribution plant changes.

b. Blue Grass Energy proposes to replace 600 poles each year for the three-year CWP period at a cost of \$2,500 per pole. Explain how Blue Grass Energy arrived at the estimated pole cost.

7. Refer to the Required Construction Items section of the 2010–2013 CWP, Section III.H., Pole Replacements. It is noted that, pursuant to RUS guidelines, Blue Grass Energy should inspect at least 10 percent of its system’s total poles annually. Explain whether Blue Grass Energy is complying with the RUS pole inspection recommendation.

8. Refer to Section III.J. concerning the proposed changes to the two-way vehicle communication system. Explain what is meant by the phrase “FCC re-farming of BGE frequencies during the CWP period.”

9. Refer to Section III.K., DA Backbone System. It is noted in this section that “BGE is currently in the process of installing a DA Backbone project for the purpose of precisely controlling switched capacitors, regulating VARs, regulating system voltage, and optimizing system conditions conducive to loss reduction and service quality.”

a. Regarding the statement that Blue Grass Energy is “currently in the process of installing a DA Backbone project,” provide the status of the installation of this project.

b. Has Blue Grass Energy conducted a cost-benefit analysis regarding this project?

c. If the response to 9.b. is no, fully explain why a cost-benefit analysis was not undertaken.

d. If the response to 9.b. is yes, provide the analysis and quantify the benefits to be achieved by this proposed project.

e. Refer to the total cost of Project Management, Setup and Implementation. Provide a breakdown of these costs and the basis for the determination of each.

10. Refer to page 2 of Exhibit B. Explain how Blue Grass Energy arrived at the projected cost for each of the listed construction types.

11. Refer to Exhibit C, Status of Previous 2007–2009 Work Plan Projects. Of the 59 projects listed in these two tables as being completed, 46 of these projects' actual costs exceeded their projected costs, with several projects going three or four times over their projected costs. For each of these 46 projects, fully explain why the project's actual cost exceeded its projected cost.

12. Refer to Exhibit E, page 1. How did Blue Grass Energy arrive at the average cost of \$4,818 for underground and overhead services for new customers?

13. Refer to Exhibit E, page 2. Regarding RUS Ref. No. 601, what type of meters does Blue Grass Energy propose to install for new customers? How did Blue Grass Energy arrive at the average cost of \$129 per meter?

14. Refer to Exhibit I, Page 1. Has Blue Grass Energy received approval from East Kentucky Power Cooperative, Inc. ("EKPC") for the costs of the needed capacitors

and racks? If so, provide confirmation of the approval and the amount of cost that EKPC will incur.

15. Refer to Exhibit N, pages 1-3.

a. Provide an explanation of the basis of the 7.18 percent Cost of Capital, or Cost of Debt, listed on each page and an example of the how it is computed.

b. Provide the basis of the annual growth rate projected for peak demand and explain why it is different than in the rates projected in Section II.C.1 and 2 of the CWP.

c. Provide the basis of the energy charge in dollars per kWh per month.

16. Refer to page 1 of Exhibit W. What is the projected decrease in line losses due to the installation of the DA backbone?

17. Provide an update on the status of the TS-2 Automatic Meter Reading ("AMR") system that has been included in the work plans for 2004–2005.

a. Explain whether or not the system capabilities have been changed since the CPCN was issued for the CWP related to Case No. 2004-00251¹ for the Blue Grass Energy system.

b. Do these meters reflect the most current metering technology available on the market? If not, explain why Blue Grass Energy has decided on this particular technology.

18. Identify if there are any other additional costs in the 2010–2013 CWP

¹ Application of Blue Grass Energy Cooperative Corporation for a Certificate of Convenience and Necessity for its 2004 – 2005 Construction Work Plan (Ky. PSC, November 15, 2004).

associated with any Advanced Metering Infrastructure System, AMR, or Smart Grid activities.

19. Has Blue Grass Energy contacted other electric utilities in Kentucky in order to determine what other AMR systems are in use and how they perform?

a. If no, explain why this has not been done.

b. If yes, provide the AMR technology in use and the name of the electric utility using it.

20. Verify how the system Annual Load Factor currently remains at the 41.0 percent level and why it is expected to increase slightly in the future. Show all calculations.



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DATED **MAY 06 2011**

cc: Parties of Record

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