

October 2, 2012

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

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PUBLIC SERVICE
COMMISSION

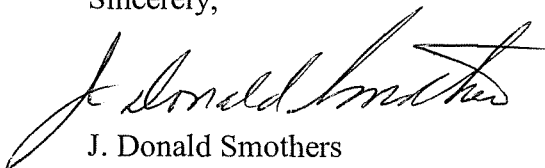
Case No. 2012-00384

Dear Mr. Derouen,

We are filing an original and ten (10) copies of the information requested by the Kentucky Public Service Commission in their First Request for Information dated September 19, 2012 concerning the Application of Blue Grass Energy for Approval of a General Service 0-100 KW Time of Day Tariff. Included is a signed certification of the person supervising the preparation of the responses on behalf of Blue Grass Energy.

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

Sincerely,



J. Donald Smothers
Vice President, Financial Services & CFO

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of the Application of
Blue Grass Energy Cooperative Corporation
For approval of a General Service 0-100 KW
Time of Day Tariff

Case No. 2012-00384

APPLICANT'S RESPONSES TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

The Applicant, Blue Grass Energy Cooperative Corporation, makes the following Responses to the "Commission Staff's First Request for Information", as follows:

1. The witnesses who are prepared to answer questions concerning each request are J. Donald Smothers and James R. Adkins.
2. J. Donald Smothers, Vice President and CFO of Blue Grass Energy Cooperative Corporation, is the person supervising the preparation of the Responses on behalf of the Applicant.
3. The responses and Exhibits are attached hereto and incorporated by reference herein.

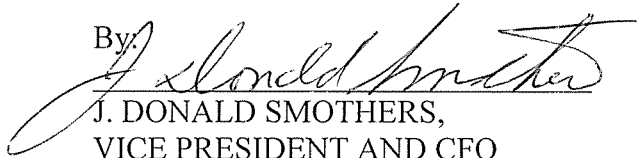


Ralph K. Combs, Attorney-at-Law
100 United Drive, Suite 4B
Versailles, Kentucky 40383
Attorney for Blue Grass Energy
Cooperative Corporation
Telephone: 859-873-5427


The undersigned, J. Donald Smothers, as Vice President and CFO of Blue Grass Energy Cooperative Corporation, being duly sworn, states that the Responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: September 27, 2012

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

By: 
J. DONALD SMOTHERS,
VICE PRESIDENT AND CFO

Subscribed, sworn to, and acknowledged before me by J. Donald Smothers, as Vice President and CFO for Blue Grass Energy Cooperative Corporation on behalf of said Corporation this 27th day of September, 2012.


Notary Public, Kentucky State At Large
My Commission Expires: 9/18/13

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses have been served upon the following:

Original and Ten Copies
Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

This 27th day of September, 2012


ATTORNEY FOR
BLUE GRASS ENERGY
COOPERATIVE CORPORATION

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2012-00384

RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Refer to the Application of Blue Grass Energy for approval of a SC-2 (General Service 0-100 kW Time of Day Tariff), page 2, item 6, where it states, “[e]xhibit D provides the revenue from the current rates applicable to Schedule SC-2 (General Service 1-100 kW) and the development of the rates for the proposed tariff.” Should that paragraph have stated exhibit D provides the revenue from the current rates applicable to Schedule SC-1 (General Service 0-100 kW) and the development of the rates for the proposed tariff?

Response:

That specific paragraph you have stated that exhibit D provides the revenue from the current rates applicable to Schedule SC-1 (General Service 0-100 kW).

BLUE GRASS ENERGY COOPERATIVE
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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Refer to Exhibit B, page 1 of 1. Under the section "Design and Development of Proposed TOD Rate," it states, "[t]he billing determinants for all customers whose demand is less and 100kW were identified in Bluegrass's s current Schedule SC-2 – Small Commercial". Is the correct reference Blue Grass Energy's current Schedule SC-1 Small Commercial?

Response:

Yes, the correct reference is Blue Grass Energy's current Schedule SC-1 Small Commercial.

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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Explain the purpose of making available a Time of Day Tariff to the small commercial customers of Blue Grass Energy. Identify in the explanation the specific types of commercial customers that can benefit from the tariff given the specific on-peak hours selected by Blue Grass Energy.

Response:

The purpose of this Time of Day Tariff is to provide the members served under this rate schedule an option to save money if they are willing and able to move energy usage to off-peak hours. This schedule includes various types of consumers including churches, a significant variety of retail business establishments and other small non-retail businesses. Additionally, several members in this rate class have requested that a rate be offered that does not have a demand rate.

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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Provide the time, date and kW amount of Blue Grass Energy's winter peak for the last five years.

Response:

Provided below is the requested information.

Winter	Peak Date	Peak Time	KW
10/1/2007	4/30/2008	11/30/2007 7:15	231609.81
10/1/2008	4/30/2009	1/25/2008 7:15	334215.06
10/1/2009	4/30/2010	1/8/2010 7:15	304691.09
10/1/2010	4/30/2011	12/15/2010 7:15	338188.5
10/1/2011	4/30/2012	1/13/2012 7:45	278225.03

BLUE GRASS ENERGY COOPERATIVE
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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Provide the time, date, and kW amount of Blue grass Energy's summer peak for the last five years.

Response:

This requested data is provided below.

Summer	Peak Date	Peak Time	KW
5/1/2007 9/30/2007	8/9/2007	17:15	259132.58
5/1/2008 9/30/2008	7/29/2008	17:45	237759.05
5/1/2009 9/30/2009	8/10/2009	17:30	230103.45
5/1/2010 9/30/2010	8/10/2010	17:00	255675.98
5/1/2011 9/30/2011	7/11/2011	18:15	253573.27

BLUE GRASS ENERGY COOPERATIVE
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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Refer to Exhibit B, page 1 of 1. Under the section entitled "Design and Development of Proposed TOD Rate," the second paragraph states, "[t]he times chosen are the same as East Kentucky Power Cooperative with the following peak and on peak hours for weekdays and weekends." Provide support for the inclusion of weekend and holiday hours in the on-peak category.

Response:

Blue Grass Energy believes it is best at the current time to have peak and off-peak hours consistent with EKPC's on an off-peak hours because many current members in this rate class exhibit peaks both on weekdays and weekends. Blue Grass wants the TOD rate to be attractive to all the various types of customers on the current rate.

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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Refer to Exhibit B, page 1 of 1. Under the section "Design and Development of Proposed TOD Rate," at the third paragraph, the second sentence states, "[a] customer charge of \$35.00 was selected to cover any possible costs plus some of the demand costs." Identify the following:

- a. The possible costs and the associated level of each identified cost reflected in the customer charge.
- b. The demand costs and the associated level of each identified demand cost reflected in the customer charge.

Response:

Provided on page 2 of this response is a breakdown of the costs and the revenue requirements for this rate class by function from the costs of service study presented in BGE's last general rate case in Case No. 2008-00011. On a full revenue requirements basis, the customer charge will recover the customer related costs only while on a cost basis it would recover \$5.89 of other costs.

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BLUE GRASS ENERGY COOPERATIVE COST OF SERVICE STUDY FROM CASE NO. 2008-00011 - RESULTS FOR RATE SC-1						
	Revenue Requirements Basis			Cost Basis (No Margins)		
	SC-1 General Service Rate	Per Customer	Per kWh	Commercial and Small Power	Per Customer	Per kWh
Wholesale Demand Costs						
Generation	\$ 1,640,330	\$ 66.79	\$ 0.03218	\$ 1,640,330	\$ 66.79	\$ 0.03218
Distribution Substation	139,701	5.69	0.00274	139,701	5.69	0.00274
Total Wholesale Demand	1,780,031	72.47	0.03492	1,780,031	72.47	0.03492
Wholesale Energy Costs	2,344,096	95.44	0.04599	2,344,096	95.44	0.04599
Total Wholesale Costs	4,124,127	167.91	0.08091	4,124,127	167.91	0.08091
Distribution Demand Costs						
Lines	1,033,253	42.07	0.02027	856,179	34.86	0.01680
Transformers	236,936	9.65	0.00465	196,331	7.99	0.00385
Total Distribution Demand	1,052,510	51.72	0.02492	1,052,510	42.85	0.02065
Distribution Consumer						
Lines	223,145	9.09	0.00438	184,903	7.53	0.00363
Transformers	20,948	0.85	0.00041	17,358	0.71	0.00034
Services	277,636	11.30	0.00545	230,056	9.37	0.00451
Meters	89,862	3.66	0.00176	74,462	3.03	0.00146
Consumer Services	251,350	10.23	0.00493	208,275	8.48	0.00409
Lighting	-	-	-	-	-	-
Total Distribution Consumer	715,055	35.13	0.01693	715,055	29.11	0.01403
Total Distribution Costs	2,133,130	86.85	0.04185	1,767,565	49.99	0.03468
Total Costs	\$ 6,257,257	\$ 254.76	\$ 0.12276	\$ 5,891,692	\$ 217.91	\$ 0.11559

BLUE GRASS ENERGY COOPERATIVE
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RESPONSE TO COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION

Question:

Refer to Exhibit B, page 1 of 1. Under the section entitled “Design and Development of Proposed TOD Rate,” at the third paragraph, the fifth sentence states, “[a]n off peak energy rate of \$0.07 per kWh was established and the remainder of the revenue requirements needed to maintain revenue neutrality is placed n the on-peak energy rate.”

Provide the support and methodology for the derivation of the \$0.07 per kWh off-peak energy charge.

Response:

Refer to page 2 of the response to Item No. 7. If we assume that the on-peak and off-peak energy is equally split, that all wholesale demand related costs are assigned to the on- peak hours and that the customer charge recovers all consumer related costs, then the off-peak rate would be set at the cost/ revenue requirements of energy per kWh plus the cost/revenue requirements for the distribution demand related costs, based on the cost of service study from 2008, the off-peak rates would be as provided below.

Category	Revenue Requirements		Cost Basis	
	On-Peak	Off-Peak	On-Peak	Off-Peak
Wholesale Demand	\$ 0.06984		\$ 0.06984	
Wholesale Energy	0.04599	0.04599	0.04599	0.04599
Distribution Demand	0.02492	0.02492	0.02065	0.02065
Total	\$ 0.14075	\$ 0.07091	\$ 0.13648	\$ 0.06664

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As readily identified above, the 7 cent off-peak rate is close to full cost recovery on the basis of the schedule. EKPC's current off-peak wholesale rate is \$0.044554 per kWh which is close to the amount from the 2008 cost of service study. With line losses of approximately 4.6 percent, BGE would still have a gross margin of about \$0.02310 (\$0.044554 minus \$0.04690).on the basis of today's rates. It is still close to full cost recovery even today.

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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Refer to Exhibit D, page 1 of 1, Section B, On-Peak column. What is Blue Grass Energy's goal, in kWh or percentage, to shift energy from the on-peak to the off-peak hours?

Response:

Blue Grass Energy has not set a specific goal on the amount of energy to be shifted to the off-peak hours since it is unknown as to how many members may shift or what the amount they may shift is. Our goal is to give our small commercials options to help manage their energy cost and help reduce Blue Grass Energy's peak demand.

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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Refer to Exhibit D, page 1 of 1, Section C. In the event Blue Grass Energy is successful in shifting 10 percent of its on-peak energy load to its off-peak hours, would Blue Grass Energy have a revenue shortfall of approximately \$201,450 $[(35,654,990 \times .10) \times (0.12650 - 0.07000)]$?

Response:

We agree with the above change in revenue but it is also felt that a similar reduction in wholesale power costs will be the result. Based on the formula provided in the question, it is assumed that wholesale power is based on total wholesale costs divided by total energy. Blue Grass believes that this is a false assumption. It is more appropriate to allocate all wholesale demand related costs to the on-peak energy consumption while off-peak energy is allocated on wholesale costs based on the off-peak energy rate of EKPC. Referring back to page 2 of Item 7 which is based on this approach, then the revenue reduction would be met by a corresponding reduction in wholesale power costs.

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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Question:

Does blue Grass Energy propose making up any revenue shortfall which is a result of customers shifting energy usage from on-peak hours to off-peak hours? If yes, explain Blue Grass Energy's plan to make up the shortfall.

Response:

Blue Grass Energy believes that the shortfall will be compensated for in the reduced demand billings that Blue Grass would have to pay East Kentucky Power Cooperative