

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY )  
COOPERATIVE CORPORATION FOR AN ) CASE NO. 2014-00339  
ADJUSTMENT OF RATES )

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
BLUE GRASS ENERGY COOPERATIVE CORPORATION

Blue Grass Energy Cooperative Corporation ("Blue Grass"), pursuant to 807 KAR 5:001, Section 8, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before February 4, 2015. 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 the 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 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 fails or refuses to furnish all or part of the requested information, Blue Grass

shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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 filing a paper containing personal information, Blue Grass shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to paragraph 25 of the application. This passage refers to a depreciation study filed in Case 2008-00011.<sup>1</sup> In that Order, the Commission approved a settlement among parties which included revised depreciation rates to be implemented effective September 1, 2008. The revisions modified the December 31, 2006 depreciation study performed by Jim Adkins and Associates.

a. Are the depreciation rates reflected in this filing identical to those in the revised depreciation study approved in the above mentioned case?

b. If not, provide the depreciation study that supports the current rates.

2. Refer to the proposed changes to Tariff Sheet No. 11 filed in Exhibit C to the Application.

a. Per the proposed tariff, a remote disconnection switch may be attached to a customer's meter at the discretion of Blue Grass. What criteria does Blue

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<sup>1</sup> Case No. 2008-00011, *The Application of Blue Grass Energy Cooperative Corporation for an Adjustment in its Electric Rates* (Ky. PSC Aug. 28. 2008).

Grass use to decide whether to place a remote disconnection switch on a customer's meter?

b. How many customers currently have a remote disconnect switch installed on their meter? What percentage of customers have a remote disconnect switch installed, as compared to the total number of customers served by Blue Grass?

c. Does Blue Grass perform remote reconnection service after business hours? If so, state whether Blue Grass charges the same amount for after-hours reconnection as for reconnection during business hours?

3. Refer to the Blue Grass's proposed tariff at Sheet No. 35, in which Blue Grass proposed adding the following text: "or decline AMR. . . ."

a. State whether Bluegrass is requesting the Commission to rule on whether a customer can decline an Advanced Meter Reading ("AMR") meter in this case when that issue is being addressed in Case No. 2012-00428.<sup>2</sup>

b. Explain whether the charge for reading a meter when a customer has declined an AMR meter would be charged each month, or is a one-time fee. If the fee is to be charged each month, explain why it is included as a non-recurring charge.

4. Provide an electronic copy of Exhibits G, J, and R in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible. If it is necessary to update the exhibits in response to questions contained in this information request, provide the updated version instead of the original version in both paper copy and electronically.

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<sup>2</sup> Case No. 2012-00428, *Consideration of the Implementation of Smart Grid and Smart Meter Technologies* (Ky. PSC Oct. 1, 2012).

5. Refer to Exhibit G of the application, page 1 of 1. Blue Grass's Schedule B-1, Large Industrial Rate, is not listed on this exhibit. Confirm there are currently no customers taking service under this schedule.

6. Refer to the response to question 9 in the Direct Testimony of James R. Adkins in Exhibit H where it states, "Since the FFB loan rates are . . . variable ones, management thought it to be appropriate to use a longer term interest rate for these loan [sic]."

a. Provide any authority, regulatory precedent, or other justification for using interest rates for the Federal Financing Bank ("FFB") loans that differ from those in place at the end of the test year.

b. Provide a schedule that shows the 2014 FFB loans' interest rate and interest paid. Consider this an ongoing request and provide updates on a monthly basis.

7. Refer to the response to question 6 of the Direct Testimony of J. Donald Smothers ("Smothers Testimony") in Exhibit H where it states, in relevant part, that the proposed increase is spread over a two-year period. Confirm that, according to Blue Grass's proposal, the two steps will occur over a period of one year, as opposed to two years as stated in the Smothers Testimony.

8. Refer to Exhibit J of the application.

a. Refer to page 6 of 12. Although it does not appear to be included in the "Revenues" column, explain the reason for the second customer charge listed at an amount of \$1,199.14.

b. Refer to page 8 of 12.



(1) This schedule shows a line called "January thru July Schedule PP-2." Explain what "Schedule PP-2" refers to.

(2) Explain why the billing determinants for "January thru July Schedule PP-2" is 12.

(3) Explain why there are two sections on this schedule covering the period January through July 2013.

(4) Explain why the revenues for "August thru December on Schedule G1" are shown as \$65,448, when the billing determinants are given as 5, and the rate is given as \$5,454.00

(5) Explain why the billing determinants of 322 kW for "Excess of contract demand" are not included in the calculation of the proposed demand revenues.

(6) Provide a revised page 8 of 12 which includes a section showing the total for each billing determinant for the test year (customer charge, kW, and kWh) for this customer.

9. Refer to Exhibit R of the application, pages 12 and 13 of 35. Explain how footnote 4, "General Plant Allocation," is calculated, and how it differs from footnote 7, "Admin. & General Expense Allocation except General Plant," given that the percentages are virtually identical.

10. Refer to Exhibit R of the application, page 17 of 35. The calculation in part 1 of the table shows a total investment for conductors as \$42,882,578. Explain why in the calculation of Demand and Consumer Investment Percents, the Total Investment for

Conductors is shown as \$26,753,135. If a correction is necessary, provide a corrected Cost of Service Study.

11. Refer to Exhibit R of the application, page 27 of 35. State under which of East Kentucky Power Cooperative's rate schedules customers in the B-2, Large Industrial Rate, and G-1, Large Industrial Rate, take service.

12. Refer to Exhibit R of the application, page 31 of 35. Explain how the amounts in the Billing Factor and Multiplier columns were calculated.

13. Refer to Exhibit R of the application, pages 34 and 35 of 35. Provide an update to these sheets showing both the rates of return by class and the relative rates of return by class.

14. Refer to Exhibit W of the Application, which provides a comparison of balance sheet account balances for the test period and the 12 months preceding the test year. Account 21400, Accumulated Comprehensive Income increased from \$1,102,085 in the year preceding the test year to \$2,355,762 in the test year. Provide a detailed explanation as to why this income increased in the test year.

15. Refer to Exhibit X of the Application, which provides a comparison of income statement account levels for the test period and the 12 months preceding the test period.

a. Account 58600, Meter Expense, increased from \$255,896 in the year preceding the test year to \$517,710 in the test year. Provide a detailed explanation for why this expense increased significantly in the test year.

b. Account 59300, Maintenance Overhead Lines Expense, decreased from \$1,994,326 in the 12 months preceding the test year to \$1,416,757 in the test year. Provide a detailed explanation for why this expense decreased in the test year.

c. Account 59310, Maintenance Right of Way, increased from \$2,468,254 in the 12 months preceding the test year to \$2,823,570 in the test year. Provide a detailed explanation for why this expense increased in the test year.

d. Account 59320, Outages-Maint-OH, increased from \$121,232 in the 12 months preceding the test year to \$572,738 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

16. Refer to Exhibit 1 of the Application.

a. Refer to the wage and salary increase table on page 1. Describe the policies and procedures the Board of Directors utilizes in determining the amount of wage and salary increases for employees. Provide copies of any salary surveys or analysis of prevailing wage and salary amounts and any other information or documents utilized in the process of determining the amount of increase for wage and salaried employees.

b. Given Blue Grass's financial condition identified in paragraph 5 of the Application, explain how Blue Grass can justify the salary and wage increases in the test year, the year preceding the test year, and the year following the test year.

17. Refer to page 1 of Exhibit 3 of the Application where it states that "Blue Grass Energy has had a depreciation study performed as of December 31, 2004 and was submitted and approved by this Commission in Case No. 2005-00187." Confirm the correct reference should be Case No. 2008-00011.

18. Refer to Exhibit 6 of the Application.
  - a. Confirm that the property taxes paid in 2013 are included in the test-year expenses.
  - b. Provide an update to Exhibit 6 that compares 2014 property taxes paid to those paid in 2013.
19. Refer to Exhibit 7 of the Application and Adjustment 7 on Exhibit S, page 3, in the amount of \$2,987. Provide a schedule that how the amount of unallowable donations was determined.
20. Refer to Exhibit 11 of the Application where Blue Grass estimates the expenses associated with this rate case. On a monthly basis, beginning in January 2014, provide the amount of Blue Grass's actual rate expenses, by category, as was done in the estimate. Consider this an ongoing request which is to be updated monthly.
21. Refer to Exhibit 13 of the application.
  - a. Refer to page 2 of 5, Section A. State whether ground wiring costs are included in the pole costs shown in this section. If so, state whether \$12.50 should have been subtracted from the weighted average cost when calculating the pole charges in Section B.1. on this page as required by the Commission in Administrative Case 251.<sup>3</sup> If a correction is necessary, file an updated Exhibit 13.
  - b. Refer to page 3 of 5, which lists the amount for Customer Service and Informational Expense as \$993,181. Refer also to Blue Grass's 2013 Annual Report filed with the Commission, which lists the same expense as \$944,348. Explain the discrepancy and state which amount is correct.

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<sup>3</sup> Administrative Case No. 251, *The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments* (Ky. PSC Sept. 17, 1982).



22. Refer to Exhibit 14 of the application, and the markup version of Sheet No. 11 of Blue Grass's proposed tariff. Sheet No. 11 shows an increase from \$20.00 to \$25.00 in both the remote meter disconnect charge and the remote meter reconnect charge. Exhibit 14 shows the proposed remote meter charges as \$30.00. State which charge is correct and provide an updated Exhibit 14 if necessary.

23. Refer to Exhibit 22 of the application, page 2 of 7.

a. Explain what "OEC" is as used on this sheet.

b. The explanation of Temporary Services lists several charges for various rental units supplied by Blue Grass. Explain why these charges are not listed in Blue Grass's tariff.

24. Refer to Exhibit 22 of the application, page 5 of 7.

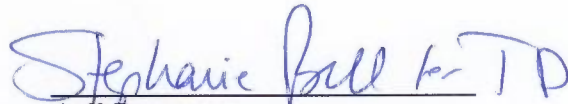
a. The charge for Temporary Service includes revenues in the test year of \$4,240. Explain why Blue Grass collected amounts related to Temporary Service that are not included in its tariff. If the charge was approved by the Commission but inadvertently omitted from the tariff, provide a reference to the Commission's Order in which this rate was approved.

b. Provide a description of each of the charges listed as "Overtime."

25. Refer to Exhibit 22 of the application, page 5 of 7, and the markup version of P.S.C. Sheet No. 35 of Blue Grass's proposed tariff. The tariff sheet indicates an increase in the Meter Reading Charge from \$25.00 to \$30.00; however, Exhibit 22 does not show any cost support for the increase. Likewise, Exhibit 22 does not include any information showing the current and proposed revenues generated from this increase.

Provide a revised Exhibit 22 including cost support for the increase in this charge, and showing the current and proposed revenues from the Meter Reading Charge.

26. Refer to Exhibit 22 of the application, pages 5-7 of 7, and the markup version of P.S.C. Sheet No. 11 of Blue Grass's proposed tariff. The tariff sheet indicates an increase in the Remote Reconnect charge from \$20.00 to \$25.00; however, no information is shown listing the current and proposed revenues generated from this charge on Exhibit 22. Provide a revised Exhibit 22 including the current and proposed revenues from Remote Reconnects.



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cc: Parties of Record

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