

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

Blue Grass Energy Cooperative ("Blue Grass"), pursuant to 807 KAR 5:001, Section 8, is to file with the Commission an original in paper medium and an electronic copy of the following information. The information requested herein is due on or before March 3, 2015. Responses to requests for information in paper medium 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. If any of the information requested herein is included in Blue Grass's rate application, an index of such information shall be filed along with the rate application. A party filing a paper containing personal information 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 Exhibit 2 of the application regarding payroll taxes. On page 1, the state unemployment wage rate for 2014 is 1.05 percent, plus a .22 percent surcharge. Also refer to the last column under state unemployment on pages 2 and 3 where the rate listed for unemployment taxes is 1.22 percent.

a. Explain why the 1.22 percent state unemployment wage is being used in the calculation.

b. Is the .22 percent surcharge rate only in effect for 2014?

c. What is the surcharge rate for 2015?

d. Confirm that 1.22 percent is the correct rate. If not, provide a corrected Exhibit 2.

2. Refer to Exhibit 3 of the application regarding depreciation. Also refer to page 2 of Schedule 3 in Case No. 2008-00011.¹ In the instant case, account numbers 370, 392, 393, 397, and 398 have different depreciation rates than those approved in Case No. 2008-00011.

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

a. Confirm that the proposed rates listed on Schedule 3, page 2, in Case No. 2008-00011 are the rates approved by the Commission.

b. Identify the authority for using rates in the instant case that differ from those approved in Case No. 2008-00011.

c. Provide an updated Exhibit 3 with the depreciation rates approved in Case No. 2008-00011.

3. Refer to Exhibit 10 of the application regarding miscellaneous expenses. The last paragraph on page 1 states that \$11,354 has been removed for ratemaking purposes.

a. Confirm that the statement should reference the amount of \$75,550.

b. Refer to the last column on pages 8 through 10. Explain the meaning of the symbols "l" and "c."

c. Refer to lines 121, 122, 123, and 124 on page 10. These entries have a 2014 date. Explain why 2014 expenses are included in the test year ending December 31, 2013.

d. Provide the correct amount to remove from miscellaneous expenses for ratemaking purposes.

4. Refer to Exhibit 14 of the application.

a. The total cost for substation equipment is shown as \$719,750. Provide the exact cost to date spent on substation equipment for the purpose of making remote disconnections and reconnections. Include in the response amounts for each of the categories listed under the heading "Hardware at substation" shown on Exhibit 14.

b. Explain how much of the amount has been collected from the associated remote disconnect and reconnect charges.

c. Explain whether the substation equipment shown is also used for Blue Grass's prepay metering program.

d. Explain why 60 months was chosen as the amortization period.

5. In the cost justification provided in Case No. 2007-00031,² the case in which Blue Grass's remote disconnect charge was initially approved, Blue Grass originally proposed to include substation equipment in the calculation of the fee,³ but later removed amounts for substation equipment.⁴ Explain why it is reasonable to include the substation equipment costs in the calculation of its remote disconnect and reconnect charges in this case.

6. Provide separately the number of remote disconnections and remote reconNECTIONS by year, since the remote disconnect and reconnect charges were approved, and indicate how many were associated with prepay program customers.

7. a. Provide a discussion of Blue Grass's experience with its Prepay Metering Program, which was approved in Case No. 2012-00260.⁵ The explanation should include the information required to be file in the Commission's Order in Case No. 2014-00045⁶ for both 2013 and 2014.

b. If the number of participants for 2013 is 1,285, as indicated in the information filed with Blue Grass's 2013 Annual Report, explain the 9,123 billing determinants shown for Customer Charge, Prepay in Exhibit J, page 1, of the 2013 Application, which would seem to indicate approximately 760 prepay customers.

² Case No. 2007-00031, *Application of Blue Grass Energy Cooperative Corporation for an Adjustment of Rates* (Ky. PSC Mar. 20, 2007).

³ See Exhibit 2 of Blue Grass's application in Case No. 2007-00031.

⁴ See Item 1 of Blue Grass's response dated February 21, 2007 in Case No 2007-00031.

⁵ Case No. 2012-00260, *Application of Blue Grass Energy Cooperative Corporation for Approval of a Prepay Metering Program* (Ky. PSC Aug. 10, 2012).

⁶ Case No. 2014-00045, *Request of Blue Grass Energy Cooperative Corporation for Relief of the Filing Requirements for the Prepay Meter Program* (Ky. PSC Mar. 6, 2014).

c. State whether Blue Grass continues to believe its \$8.75 prepay customer charge is the appropriate charge to recover its prepay cost based on its experience of customer participation and cost recovery for the program.

8. Refer to the response to Item 6 of Staff's Second Request for Information ("Staff's Second Request").

a. Has Blue Grass contacted the Federal Financing Bank ("FFB") for a quote on interest rates for various terms?

b. Does Blue Grass plan to contact the FFB for a quote on interest rates for various terms?

c. What was the FFB interest rate for a seven-year term as of September 25, 2014?

d. What is the current FFB interest rate for a seven-year term?

e. Provide an updated interest calculation for the FFB loans based on the current FFB interest rate on a seven-year loan.

9. Refer to the response to Item 19 of Staff's Second Request, page 2 of Exhibit X, Account 42610 – Donations, Exhibit 7 of the application, and the response to Item 45 of the Attorney General's Initial Request for Information ("AG's Initial Request"). On Exhibit X, Account 42610–Donations has a zero balance. Exhibit 7 lists a number of unallowable donations as well as a \$247,000 balance. Item 45 of the AG's Initial Request lists \$8,630.15 in donations in Account 912.30 – Membership Services/Public Relations. Provide an explanation for these discrepancies, a revised Exhibit 7 that identifies all unallowable donations, and the correct amount of donations that should be disallowed for ratemaking purposes.

10. Refer to the response to Item 27.b. of the AG's Initial Request. State whether Blue Grass is proposing to withdraw proposed tariff Sheet No. 5a, GS-2 (Residential and Farm Inclining Block) that was filed with its application.

11. Provide an explanation for proposed tariff Sheet No. 12a, LP-1 (Large Power 101 KW to 500 KW – Time of Day Rate) ("LP-1 Time of Day"), including how the proposed rates were developed.

12. Provide a revised Exhibit J including the proposed LP-1 Time of Day rates, along with support for the expected level of participation reflected in the billing determinants used.



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DATED FEB 17 2015

cc: Parties of Record

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