

March 18, 2013

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

RECEIVED

MAR 18 2013

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2013-00071

Dear Mr. Derouen,

We are filing the following information requested by the Kentucky Public Service Commission in reference to the informal telephone conference call on March 15, 2013 concerning Case No. 2013-00071. Included are an original and ten (10) copies.

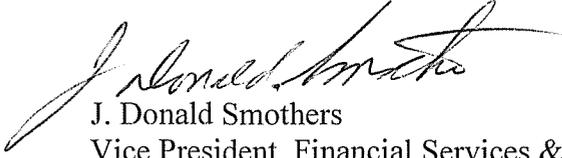
The information requested is:

1. Please provide a copy of the contract reflecting the 9% management fee. A copy is attached as Exhibit 1. This shows a copy of the activity proposal between Blue Grass Energy, Blue Grass Army Depot and Harshaw Trane once the case is approved by the Commission and CFC financing is finalized. The proposal shows:

Estimated Activity Project Cost	\$1,070,918.00
Estimated Management Fee to Blue Grass Energy	<u>\$ 96,382.62</u>
Estimated Project Financing	\$1,167,300.62
2. CFC Capital Term Certificate - Per Brian Stavish, Regional Vice President CFC, effective 2009 the requirement to purchase capital term certificates to receive financing has been eliminated. We will not be purchasing capital term certificates for this loan.
3. Projected KWH savings due to the energy efficiency projects. A copy of the Bluegrass Army Depot ECO 1 – Energy Savings is attached as Exhibit 2. Projected total annual KWH savings are 324,508 and cost savings \$18,308.

If you have any other questions, please contact me at 859-885-2118 or email donalds@bgenergy.com. As always, your continued assistance and cooperation is appreciated.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Donald Smothers". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

J. Donald Smothers
Vice President, Financial Services & CFO

**Blue Grass Energy ELECTRIC COOPERATIVE CORPORATION
ECO 1 ACTIVITY PROPOSAL
November 12, 2012**

PROJECT DESCRIPTION: This project was presented on 10/10 for final review. The project will make geothermal upgrades with building automation in building 1, S-2, and S-3. The project also includes a new roof and windows for building 1. Lighting updates and all three facilities.

LOCATION: Richmond, KY

DOCUMENT NUMBER:

CONTRACTOR SUBMITTING PROPOSAL: Blue Grass Electric Coop. Corp.
Harshaw Trane

PAYMENT TERMS: Duration 120 Months
Finance Rate (Base Rate) 5.00%

METHOD OF PAYMENT: Payment Shall Be Made in Accordance to Section 3.1 Energy Conservation Surchage, Contract #

PROJECT FINANCIAL SUMMARY:	Project Maintenance & Repair Cost (10 YR)	\$429,264.96
	Blue Grass Maintenance & Repair Contract Fee	\$22,023.83
	ECO 1	\$1,070,918.00
	Estimated interest cost (10 yrs)	\$321,007.67
	Blue Grass RECC Mgt & Fee (.09)	\$96,382.62
	Total ECO Activity Cost	\$1,939,597.08
	Additional Planned Funding (Buydown)	\$0.00
	Total Estimated ECO Debt Obligation (10 YR)	\$1,939,597.08
	Total Estimated ECO Energy Savings (10 YR)	\$381,737.77
	Total ECO Estimated O&M Savings (10 YR)	\$1,966,376.77
	Net ECO Savings (10 YR)	\$408,517.46

ATTACHMENTS: ECO-1 Project Pro Forma(s)

DATE: _____

SIGNATURE: _____
President & CEO

Exhibit 2
Page 102

Bluegrass Army Depot ECO 1 - Energy Savings

Bldg #	Energy Conservation Measure	Area (ft ²)	Existing Energy Intensity (Btu/ft ²)	New Energy Intensity (Btu/ft ²)	Existing kWh	New kWh	Annual kWh Savings	Existing Therms	New Therms	Annual Therms Savings	Total Annual MBTU Savings
1	Controls, Centralized Geothermal VAV, Lighting, Roof	6,633	254,299	42,440	241,904	79,938	161,966	8,950	143	8,807	1,433,328
S-2	Controls, Geothermal WSHP, Lighting	10,920	108,275	30,356	204,875	90,835	114,040	4,896	233	4,663	855,404
S-3	Controls, Lighting	9,250	100,427	79,367	140,493	91,991	48,502	4,889	4,514	375	202,989
Total		26,803	144,862	51,695	587,272	262,764	324,508	18,735	4,890	13,845	2,491,721

Exhibit 2
Pg 2 of 2

Bluegrass Army Depot ECO 1 - Energy Cost Savings

Bldg #	Energy Conservation Measure	Area (ft ²)	Existing Unit Energy Cost (\$/ft ²)	New Unit Energy Cost (\$/ft ²)	Existing Annual Electric Cost	New Annual Electric Cost	Annual Electric Cost Savings	Existing Annual Gas Cost	New Annual Gas Cost	Annual Gas Cost Savings	Total Annual Utility Savings
1	Controls, Centralized Geothermal VAV, Lighting, Roof	6,633	\$3.68	\$1.42	\$16,781	\$9,272	\$7,509	\$7,616	\$122	\$7,494	\$15,003
S-2	Controls, Geothermal VWSHP, Lighting	10,920	\$2.06	\$0.91	\$18,281	\$9,757	\$8,524	\$4,167	\$198	\$3,969	\$12,493
S-3	Controls, Lighting	9,250	\$1.83	\$1.55	\$12,781	\$10,506	\$2,275	\$4,161	\$3,841	\$320	\$2,595
Total		26,803	\$2.38	\$1.26	\$47,843	\$29,535	\$18,308	\$15,944	\$4,161	\$11,783	\$30,091