

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 NECESSITY TO)	CASE NO.
CONSTRUCT FACILITIES ACCORDING TO THE)	2006-00540
APPLICANTS 10/01/2006 ~ 09/30/2009 CONSTRUCTION)	
WORK PLAN)	

O R D E R

On January 19, 2007, Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") filed its application for a Certificate of Public Convenience and Necessity to construct additions and improvements within its existing distribution plant. In support of its application, Blue Grass Energy filed its 2006 - 2009 Construction Work Plan ("Work Plan") which describes in detail the improvements and additions to its plant that are necessary to serve its load over the next three years.

The proposed construction will enable Blue Grass Energy to continue to provide adequate and dependable electric service to its customers, and it seeks authorization to construct extensions and additions to its distribution plant as follows:

1. New construction	\$15,579,000
2. Transformers and meters	8,699,050
3. Service changes and upgrades	1,130,580
4. Sectionalizing activities/equipment	1,000,000
5. Capacitor bank appurtenances/controls	75,000
6. Voltage regulators	120,000
7. Pole replacement	1,800,000
8. Aged conductor replacement	660,000
9. Security light installation	655,500
10. System improvement projects	10,929,100
11. AMR equipment	<u>750,000</u>
TOTAL	\$41,398,230

The system improvements recommended in this Work Plan are needed to correct voltage problems, improve phase balance, reduce system energy losses, provide for improved service reliability, and will not duplicate existing facilities.

Blue Grass Energy is filing an application with the Rural Utilities Service ("RUS") to arrange for 100 percent financing of its Work Plan projects with the RUS treasury rate loan program. Contract and force accounts financed with internally generated funds, and a short-term line of credit, will be used until all loan approvals are granted. Said RUS financing will reimburse the general funds expended for the initial portion of the Work Plan and then finance the balance of the Work Plan.

The current and projected revenues are sufficient to cover any additional operating expenses that may be incurred in relation to the Work Plan while the addition of new consumers-members should assist in offsetting any additional expenses. Further, the upgraded lines will reduce system energy losses and assist in balancing additional expenses.

Based on the application and the supporting 2006 - 2009 Work Plan, the Commission finds that the proposed improvements and additions to be constructed by Blue Grass Energy are necessary to provide adequate, reliable electric service to existing customers and anticipated new customers.

IT IS THEREFORE ORDERED that Blue Grass Energy is granted a Certificate of Public Convenience and Necessity to implement its 2006 - 2009 Construction Work Plan.

Done at Frankfort, Kentucky, this 20th day of April, 2007.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director