

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY COOPERATIVE)	
CORPORATION FOR AN ORDER AND CERTIFICATION)	
OF PUBLIC CONVENIENCE AND NECESSITY)	
AUTHORIZING APPLICANT (1) TO EXECUTE)	
SUPPLEMENTAL MORTGAGE DATED AUGUST 1, 2011,)	
AND UCC FINANCING STATEMENT WITH NATIONAL)	
RURAL UTILITIES COOPERATIVE FINANCE)	CASE NO.
CORPORATION AND UNITED STATES OF AMERICA)	2011-00369
(RURAL UTILITIES SERVICE) PURSUANT TO KRS)	
278.300 AND (2) TO EXCLUDE FROM PSC)	
JURISDICTION THE RUS LOAN CONTRACT AND)	
REIMBURSEMENT NOTE WITH UNITED STATES OF)	
AMERICA (RURAL UTILITIES SERVICE) AND FUTURE)	
ADVANCE PROMISSORY NOTE TO FEDERAL)	
FINANCING BANK PURSUANT TO KRS 278.300 (10))	

O R D E R

On September 8, 2011, Blue Grass Energy Cooperative Corporation (“Blue Grass”) tendered an application seeking approval of a “Supplemental Mortgage” and “UCC Financing Statement” dated August 1, 2011 in favor of the Rural Utilities Service (“RUS”) and the National Rural Utilities Cooperative Finance Corporation (“CFC”). Blue Grass also requested that the Commission find, pursuant to KRS 278.300(10), that an “RUS Loan Contract” dated August 1, 2011, a “Reimbursement Note” to RUS dated August 1, 2011, and a “Future Advance Promissory Note” to the Federal Financing Bank (“FFB”) dated August 1, 2011, are exempt from Commission jurisdiction or approval.

The purpose of the RUS loan is to fund construction of new facilities and improvements to existing facilities described in Blue Grass’s 2010-2013 Construction

Work Plan as approved by the Commission in Case No. 2011-00007.¹ Blue Grass states that it is not seeking our approval of the loan contract and reimbursement note with RUS or the promissory note with FFB because both RUS and FFB are agencies of the federal government. Accordingly, the loan contract, the reimbursement note, and the promissory note are subject to the exclusion provision contained in KRS 278.300(10) as evidences of indebtedness “[s]ubject to the supervision or control of the federal government of any agency thereof”

Blue Grass states that it seeks Commission approval of the Supplemental Mortgage and the UCC Financing Statement because both the mortgage and financing statement include CFC as a party. As CFC is not controlled by the federal government or an agency thereof, the Supplemental Mortgage and UCC Financing Statement are not subject to the exclusion provision of KRS 278.300(10).

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. RUS is an agency of the federal government of the United States with supervisory authority over evidences of indebtedness and, under KRS 278.300(10), the loan contract and reimbursement note with RUS are exempt from Commission approval.

2. FFB is an agency of the federal government of the United States with supervisory authority over evidences of indebtedness and, under KRS 278.300(10), the future advance promissory note with FFB, is exempt from Commission approval.

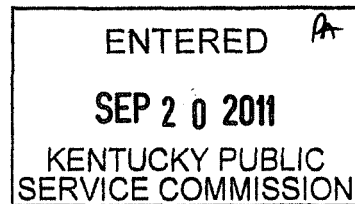
¹ Case No. 2011-00007, Application of Blue Grass Energy Cooperative Corporation for a Certificate of Public Convenience to Construct Facilities According to the Applicant’s 11/01/2010–10/31/2013 Construction Work Plan (Ky. PSC Aug. 11, 2011).

3. The Supplemental Mortgage and UCC Financing Statement reflect, among other things, existing debt owed by Blue Grass to CFC that has been previously approved by the Commission and does not involve the issuance of new debt.

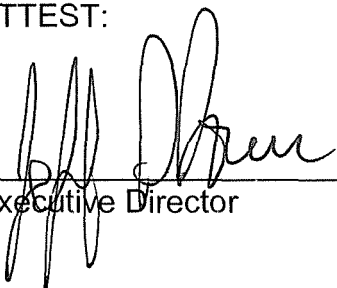
IT IS THEREFORE ORDERED that Blue Grass is authorized to execute the Supplemental Mortgage and UCC Financing Statement in favor of RUS and CFC in accordance with the terms and conditions set forth in Blue Grass's application.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission



ATTEST:



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