

March 6, 2013

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

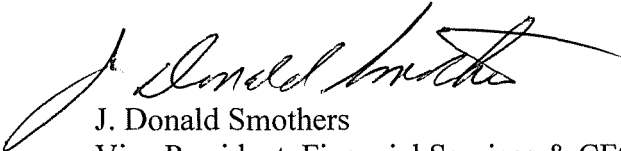
Re: PSC Case No. 2013-00071

Dear Mr. Derouen,

We are filing as requested deficiencies relating to Kentucky Public Service Commission Case No. 2013-00071. Included are an original and ten (10) copies, as requested.

We hope this will satisfy the filing requirements so the statutory time period in which the Commission must process the case will commence. If you have any questions, please contact me at 859-885-2118 or email [donalds@bgenergy.com](mailto:donalds@bgenergy.com). As always, your continued assistance and cooperation is appreciated.

Respectfully submitted,

  
J. Donald Smothers  
Vice President, Financial Services & CFO

The following information is provided to satisfy the filing deficiencies for Case No. 2013-00071:

1. 807 KAR 5:001, Section 17(1)(b)

The Blue Grass Army Depot has requested Blue Grass Energy finance up to approximately \$1.2 million in energy efficiency projects. Blue Grass will use a CFC line of credit to finance these projects during construction at a current rate of 2.9%. Once the projects are completed they will be converted as requested by the Blue Grass Army Depot to a long term note on a variable rate for approximately 11 years. The current variable rate is 2.9%.

2. 807 KAR 5:001, Section 17(1)(e).

This note for approximately \$1.2 million with CFC on a long term variable rate with an approximate 11 year maturity is for new debt. It does not replace any existing debt.

3. 807 KAR 5:001, Section 17(2)(a) and Section 12 (9).  
Attached is a copy of the income statement and balance sheet for the 12 months period ending November 30, 2012.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION  
KY 064

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED  
12 MONTH PERIOD ENDING NOVEMBER 2012

INSTRUCTIONS - For detailed instructions, see RUS Bulletin 1717B-2.

BORROWER NAME

*This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.*

BLUE GRASS ENERGY

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII  
(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital		116,967,588		
2. Power Production Expense				
3. Cost of Purchased Power		87,249,939		
4. Transmission Expense				
5. Distribution Expense - Operation		2,548,760		
6. Distribution Expense - Maintenance		6,249,425		
7. Customer Accounts Expense		2,816,334		
8. Customer Service and Informational Expense		1,449,961		
9. Sales Expense				
10. Administrative and General Expense		4,437,546		
11. Total Operation & Maintenance Expense (2 thru 10)		104,751,965		
12. Depreciation and Amortization Expense		8,064,044		
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other		48,796		
15. Interest on Long-Term Debt		4,444,118		
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other		67,718		
18. Other Deductions		26,563		
19. Total Cost of Electric Service (11 thru 18)		117,403,204		
20. Patronage Capital & Operating Margins (1 minus 19)		(435,616)		
21. Non Operating Margins - Interest		291,001		
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other		255,198		
25. Generation and Transmission Capital Credits		6,129,391		
Other Capital Credits and Patronage Dividends		158,340		
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)		6,398,314		

PART C. BALANCE SHEET

LINE NO	ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1.0	TOTAL UTILITY PLANT IN SERVICE 212,182,693.83	30.0 MEMBERSHIPS 1,039,405.30-
2.0	CONSTRUCTION WORK IN PROGRESS 2,406,704.33	31.0 PATRONAGE CAPITAL 67,926,789.83-
3.0	TOTAL UTILITY PLANT 214,589,398.16	32.0 OPERATING MARGINS - PRIOR YEAR 96,485.32-
4.0	ACCUM PROV FOR DEP & AMORT 60,704,749.92-	33.0 OPERATING MARGINS-CURRENT YEAR 693,319.13-
5.0	NET UTILITY PLANT 153,884,648.24	34.0 NON-OPERATING MARGINS 62,513.47-
		35.0 OTHER MARGINS & EQUITIES 2,382,853.42-
6.0	NON-UTILITY PROPERTY (NET) .00	36.0 TOTAL MARGINS & EQUITIES 72,201,366.47-
7.0	INVEST IN SUBSIDIARY COMPANIES .00	
8.0	INV IN ASSOC ORG - PAT CAPITAL 33,991,500.25	37.0 LONG TERM DEBT - RUS (NET) 76,026,475.94-
9.0	INV IN ASSOC ORG OTHR GEN FND .00	(PAYMENTS-UNAPPLIED .00 )
10.0	INV IN ASSOC ORG - NON GEN FND 2,217,835.99	38.0 LNG-TERM DEBT-FFB-RUS GUAR 29,777,858.28-
11.0	INV IN ECON DEVEL PROJECTS .00	39.0 LONG-TERM DEBT OTHER-RUS GUAR .00
12.0	OTHER INVESTMENTS .00	40.0 LONG TERM DEBT - OTHER (NET) 12,910,586.65-
13.0	SPECIAL FUNDS .00	41.0 LNG-TERM DEBT-RUS-ECON DEV NET .00
14.0	TOT OTHER PROP & INVESTMENTS 36,209,336.24	42.0 PAYMENTS - UNAPPLIED .00
		43.0 TOTAL LONG TERM DEBT 118,714,920.87-
15.0	CASH - GENERAL FUNDS 1,196,509.65	44.0 OBLIGATION UNDER CAPITAL LEASE .00
16.0	CASH - CONSTRUCTION FUND TRUST .00	45.0 ACCUM OPERATING PROVISIONS 7,580,067.68-
17.0	SPECIAL DEPOSITS .00	46.0 TOTAL OTHER NONCURR LIABILITY 7,580,067.68-
18.0	TEMPORARY INVESTMENTS 7,100,000.00	
19.0	NOTES RECEIVABLE (NET) .00	47.0 NOTES PAYABLE .00
20.0	ACCTS RECV - SALES ENERGY (NET) 10,174,126.67	48.0 ACCOUNTS PAYABLE 9,855,873.18-
21.0	ACCTS RECV - OTHER (NET) 1,486,720.61	49.0 CONSUMER DEPOSITS 1,904,701.05-
22.0	RENEWABLE ENERGY CREDITS .00	50.0 CURR MATURITIES LONG-TERM DEBT .00
23.0	MATERIAL & SUPPLIES-ELEC & OTH 1,396,593.06	51.0 CURR MATURIT LT DEBT ECON DEV .00
24.0	PREPAYMENTS 369,030.47	52.0 CURR MATURITIES CAPITAL LEASES .00
25.0	OTHER CURRENT & ACCR ASSETS .00	53.0 OTHER CURRENT & ACCRUED LIAB 1,058,683.81-
26.0	TOTAL CURRENT & ACCR ASSETS 21,722,980.46	54.0 TOTAL CURRENT & ACCRUED LIAB 12,819,258.04-
27.0	REGULATORY ASSETS .00	
28.0	OTHER DEFERRED DEBITS 116,376.32	55.0 REGULATORY LIABILITIES .00
29.0	TOTAL ASSETS & OTHER DEBITS 211,933,341.26	56.0 OTHER DEFERRED CREDITS 617,728.20-
		57.0 TOTAL LIABILITIES & OTH CREDIT 211,933,341.26-

ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
58.0	BALANCE BEGINNING OF YEAR .00
59.0	AMOUNT RECEIVED THIS YEAR (NET) 292,290.03
60.0	TOTAL CONTRIBUTIONS IN AID OF CONST 292,290.03

C E R T I F I C A T I O N

WE HEREBY CERTIFY THAT THE ENTRIES IN THIS REPORT ARE IN ACCORDANCE WITH THE ACCOUNTS AND OTHER RECORDS OF THE SYSTEM AND REFLECT THE STATUS OF THE SYSTEM TO THE BEST OF OUR KNOWLEDGE AND BELIEF.  
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, REA, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

\_\_\_\_\_  
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE OF MANAGER

\_\_\_\_\_  
DATE

EXHIBIT 3  
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4. 807 KAR 5:001, Section 12(4).

This long term variable note for approximately \$1.2 million will be collateralized the same as all other CFC debt.

5. 807 KAR 5:001, Section 12(6).

Attached are the notes outstanding, date of issue, amount, maturity date, rate of interest and interest paid in last fiscal year.



NOTES OUTSTANDING  
30-Nov-12

LOAN NO.	INTEREST RATE	ORIGINAL NOTES	DATE OF ISSUE	MATURITY DATE	11/30/2012 OUTSTANDING BALANCE	2012 INTEREST PAID
RUS						
1B280	5.750%	\$1,100,000	8/2/1995	8/2/2030	\$822,289	\$47,985
1B281	6.000%	\$366,500	8/2/1995	8/2/2030	\$277,261	\$16,875
1B285	5.500%	\$1,000,000	8/2/1995	8/2/2030	\$741,907	\$41,421
1B286	5.120%	\$466,500	8/2/1995	8/2/2030	\$338,963	\$17,645
1B520	5.750%	\$740,000	1/5/1995	1/5/2030	\$542,037	\$31,657
1B521	5.750%	\$500	1/5/1995	1/5/2030	\$365	\$22
1B525	5.750%	\$740,500	1/5/1975	1/5/2030	\$542,402	\$31,678
1B530	5.000%	\$5,000,000	6/1/1998	6/1/2033	\$3,957,354	\$200,392
1B531	3.750%	\$2,000,000	6/1/1998	6/1/2033	\$1,452,366	\$49,769
1B532	3.750%	\$2,802,000	6/1/1998	6/1/2033	\$2,039,693	\$75,040
1B870	3.750%	\$8,000,000	9/1/2004	9/1/2039	\$7,093,121	\$250,804
1B871	4.250%	\$5,000,000	9/1/2004	9/1/2039	\$4,498,993	\$192,958
1B872	4.250%	\$6,000,000	9/1/2004	9/1/2039	\$5,398,792	\$231,549
1B873	4.500%	\$5,000,000	9/1/2004	9/1/2039	\$4,520,146	\$205,194
1B874	4.125%	\$5,281,000	9/1/2004	9/1/2039	\$4,770,170	\$198,602
1B890	3.490%	\$12,000,000	10/1/2007	10/1/2042	\$11,195,514	\$394,962
1B891	4.430%	\$9,000,000	10/1/2007	10/1/2042	\$8,480,554	\$379,204
1B892	3.846%	\$6,000,000	10/1/2007	10/1/2042	\$5,618,919	\$218,326
1B893	4.636%	\$5,000,000	10/1/2007	10/1/2042	\$4,766,376	\$222,981
1B894	4.568%	\$5,000,000	10/1/2007	10/1/2042	\$4,842,528	\$223,234
1B895	3.230%	<u>\$5,824,000</u>	10/1/2007	10/1/2042	\$5,651,353	\$184,599
CUSHION OF CREDIT					<u>-\$1,524,627</u>	<u>\$6,598</u>
TOTAL		\$86,321,000			\$76,026,476	\$3,221,495
CFC						
9006	7.000%	\$757,000	6/22/1978	6/22/2013	\$29,073	\$4,391
9007	5.650%	\$819,000	9/2/1980	9/2/2015	\$157,002	\$8,779
9008	7.000%	\$492,000	12/6/1982	12/6/2017	\$161,317	\$12,220
9009	7.000%	\$947,000	11/26/1984	11/26/2019	\$392,951	\$28,925
9010	7.100%	\$1,740,000	4/6/1989	4/6/2024	\$1,002,869	\$72,429
9011	7.100%	\$1,257,000	8/2/1995	8/2/2030	\$979,319	\$69,510
9016	6.100%	\$534,000	6/6/1978	6/6/2013	\$21,662	\$2,841
9017	7.000%	\$499,000	4/24/1980	4/24/2015	\$80,490	\$6,917
9018	7.000%	\$303,093	12/4/1984	12/4/2019	\$131,813	\$9,674
9019	7.100%	\$275,258	1/6/1987	1/6/2022	\$141,382	\$10,339
9020	7.100%	\$618,557	5/7/1991	5/7/2026	\$393,388	\$28,200
9021	5.650%	\$635,000	1/5/1995	1/5/2030	\$459,427	\$25,928

9030	5.650%	\$456,000	8/18/1979	8/18/2014	\$43,827	\$2,733
9031	5.650%	\$456,000	4/18/1981	4/18/2016	\$97,698	\$5,308
9032	56.500%	\$266,000	7/25/1983	7/25/2018	\$89,181	\$5,395
9033	5.650%	\$371,134	8/16/1985	8/16/2020	\$144,371	\$8,499
9034	5.650%	\$351,546	2/19/1988	2/19/2023	\$176,388	\$10,189
9035	5.650%	\$608,247	10/20/1989	10/20/2024	\$327,991	\$18,787
9036	5.650%	\$938,144	12/16/1993	12/16/2028	\$634,723	\$35,894
9037010	5.050%	\$1,094,587	8/7/2004	5/31/2013	\$554,159	\$60,504
9037011	5.250%	\$1,094,587	8/7/2004	5/31/2014	\$1,094,587	\$56,247
9037012	5.300%	\$1,094,587	8/7/2004	5/31/2015	\$1,094,587	\$56,796
9037013	5.400%	\$1,094,587	8/7/2004	5/31/2017	\$1,094,587	\$57,893
9037014	5.350%	\$1,094,587	8/7/2004	5/31/2016	\$1,094,587	\$57,345
9037015	5.450%	\$1,094,587	8/7/2004	5/31/2018	\$1,094,587	\$58,442
9037025	5.050%	\$640,039	8/7/2004	5/31/2013	\$324,033	\$35,378
9037026	29.500%	\$273,647	8/7/2004	5/31/2019	\$273,647	\$15,118
9037027	2.950%	\$273,647	8/7/2004	5/31/2019	\$273,647	\$11,082
9037028	2.950%	\$273,647	8/7/2004	5/31/2019	\$273,647	\$15,118
9037029	2.950%	<u>\$273,647</u>	8/7/2004	5/31/2019	<u>\$273,647</u>	<u>\$14,570</u>
TOTAL		\$20,626,128			\$12,910,587	\$805,451

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H0010	0.013%	\$4,000,000	11/16/2000	1/3/2013	\$3,288,961	\$6,576
H0015	0.013%	\$2,000,000	3/21/2001	1/3/2013	\$1,644,481	\$3,288
H0020	0.013%	\$5,000,000	10/10/2001	1/3/2013	\$3,711,549	\$7,420
H0025	0.013%	\$1,000,000	9/23/1999	1/3/2013	\$711,443	\$1,423
H0030	0.013%	\$900,000	7/26/2000	1/3/2013	\$640,299	\$1,281
H0035	0.013%	\$1,000,000	2/27/2001	1/3/2013	\$716,243	\$1,433
H0040	0.013%	\$1,625,000	10/10/2001	1/3/2013	\$1,167,950	\$2,337
H0045	0.013%	\$1,750,000	12/20/2001	1/3/2013	\$1,257,440	\$2,516
H0050	0.013%	\$2,000,000	7/15/2002	1/3/2013	\$1,482,773	\$2,964
H0055	4.906%	\$2,934,000	12/17/2002	12/17/2032	\$2,433,339	\$119,587
H0060	0.013%	\$5,000,000	5/2/2003	1/3/2013	\$3,778,417	\$7,554
H0065	0.013%	\$5,000,000	1/16/2004	1/3/2013	\$3,856,608	\$7,710
H0070	0.013%	\$2,888,000	4/29/2004	1/3/2013	\$2,242,653	\$4,484
H0075	4.904%	<u>\$3,087,000</u>	9/15/2006	12/31/2039	<u>\$2,845,702</u>	<u>\$139,324</u>
TOTAL		\$38,184,000			\$29,777,858	\$307,897

TOTAL					\$118,714,921	\$4,334,843
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