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David L. Armstrong  
Chairman

James Gardner  
Vice-Chairman

Linda Breathitt  
Commissioner

March 20, 2013

## PARTIES OF RECORD

Re: Case No. 2013-00071

Attached is a memorandum being filed in the case file of the case referenced above. If you wish to make any comments regarding the contents of this informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please call Jim Livers of the Commission staff at (502)782-2655.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** File: Case No. 2013-00071

**FROM:** Jim Livers, Team Leader

**DATE:** March 20, 2013

**RE:** Blue Grass Energy Cooperative Corporation - Application of Blue Grass Energy Cooperative Corporation for an Order Pursuant to KRS 278.300 and KAR 5:001, Section 11 and Related Sections Authorizing the Cooperative to Obtain a Loan in the Amount of \$1,200,000, from the National Rural Utilities Cooperative Finance Corporation

Pursuant to a Staff Notice of March 13, 2013, a telephonic informal conference ("IC") was held in the above referenced case on March 15, 2013. A copy of the attendance list is attached to this memorandum.

The purpose of the IC was to discuss Blue Grass Energy Cooperative Corporation's ("Blue Grass") request for expedited treatment of its application and other issues surrounding the proposed financing application. Blue Grass submitted its application on February 22, 2013, requesting expedited approval in order to close on its proposed financing as soon as possible. In response to Staff's questions concerning the timing of the issuance of a final order in this matter, Blue Grass responded that the expedited request was made so that financing could be completed in order for certain energy efficiency projects at the Bluegrass Army Depot, pursuant to Blue Grass' Energy Conservation Management Services contract with the United States, could begin as soon as possible. Bluegrass indicated that a specific date has not been scheduled for the closing of the financing. Blue Grass, as well as the United States government, would prefer to have these energy efficiency projects implemented sooner rather than later in order to take advantage of the projected cost and energy savings associated with these projects. Blue Grass stated they would submit a copy of the proposed savings estimates developed by HarshawTrane, a third party contractor, for the record of this case.

Staff sought clarification of the terms of the contract for these projects. Blue Grass stated that under the contract they would receive a .25 percent adder on the interest rate the United States government pays them above the Cooperative Finance Corporation's ("CFC") interest rate for administering the loan. In addition, Blue Grass stated they will also receive a one-time 9 percent management fee above the cost of the energy efficiency projects for managing such projects. Blue Grass will pay the initial costs from its line of credit. Once completed, the line of credit will be paid with the CFC note. Blue Grass will then collect a monthly payment from the United States government over the term of the financing representing the principal and interest under the terms of the contract. At Staff's request, Bluegrass agreed to submit a copy of the contract with the United States government with respect to these particular projects.

Staff also inquired as to whether Blue Grass would have to obtain CFC loan capital term certificates ("LCTC") under the terms of the proposed loan. Blue Grass indicated that it would need to verify whether this is required and will submit a response to this inquiry. Blue Grass stated that if LCTC's were required, they would purchase them and have those funds refunded upon total repayment of the loan.

Finally, Staff inquired about any issues related to its territorial boundaries and the ownership of the assets being financed. Blue Grass responded that there would be no extension of its service outside its boundaries and the ownership of the property in question would be solely owned by the United States government.

There being no further questions or need for further questions, the IC was adjourned.

Attachment: Sign-In Sheet

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY )  
COOPERATIVE CORPORATION FOR AN )  
ORDER PURSUANT TO KRS 278.300 AND KAR )  
5:001, SECTION 11 AND RELATED SECTIONS ) CASE NO.  
AUTHORIZING THE COOPERATIVE TO ) 2013-00071  
OBTAIN A LOAN IN THE AMOUNT OF )  
\$1,200,000 FROM THE NATIONAL RURAL )  
UTILITIES COOPERATIVE FINANCE )  
CORPORATION )

March 15, 2013

Please sign in:

NAME	REPRESENTING
<u>Quang D. Nguyen</u>	<u>PSC</u>
<u>Aaron Ann Cole</u>	<u>PSC - Legal</u>
<u>Tim Livers</u>	<u>PSC - FA</u>
<u>Fereydoon Gorjian</u>	<u>PSC - Engineering</u>
<u>Donald Smothers</u>	<u>Bluegrass Energy</u>
<u>Ralph Coubo</u>	<u>Bluegrass Energy</u>
<u>Chris Brewer</u>	<u>Bluegrass Energy</u>
<u>Harold Cornette</u>	<u>Bluegrass Energy</u>
_____	_____
_____	_____
_____	_____

Via  
phone