Blue Grass Energy
A Touchstone Energy Cooperative

P.O. Box 990 • 1201 Lexington Road • Nicholasville, Kentucky 40340-0990
Phone: 888-546-4243 • Fax: 859-885-2854 • www.bgenergy.com

October 2, 2012

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

Dear Mr. Derouen,

Enclosed is the affidavit of Publication of Hearing Notice from Anita Travis Richter, Managing Editor Kentucky Living and two copies of the hearing notice for Blue Grass Energy. This is for the period from November 1, 2012 through April 30, 2013 for Case No. 2013-00268.

If you have any questions, please contact me at (859) 885-2118. As always, you're continued assistance and cooperation is appreciated.

Sincerely,

J. Donald Smothers
Vice President, Financial Services

Kentucky Living

AFFIDAVIT OF MAILING

OF HEARING NOTICE

Notice is hereby given that the October issue of *KENTUCKY LIVING*, bearing the official notice of hearing of PSC Case No. 2013-00268, concerning the application of the fuel adjustment clause from November 1, 2012, through April 30, 2013, for BLUE GRASS ENERGY COOPERATIVE CORPORATION, was entered as direct mail at Florence, Kentucky, on September 27, 2013.

Anita Travis Richter

Anita Travis Richter
Managing Editor
Kentucky Living

County of Jefferson

State of Kentucky

Sworn to and subscribed before me, a Notary Public, this 30th day of September, 2013.

My commission expires January 10, 2016.

Arlene Francis Poon

Notary Public, State of Kentucky

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Louisville, KY 40232

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HEARING NOTICE

A public hearing will be held on Wednesday, October 16, 2013, at 10 a.m., Eastern Daylight Time, at the offices of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky, to examine the application of the fuel adjustment clause of the following corporations for the period November 1, 2012, through April 30, 2013. Individuals interested in attending this hearing shall notify the Public Service Commission in writing of their intent to attend no later than October 11, 2013. If no notices of intent to attend are received by this date, this hearing will be cancelled. Written notice of intent to attend this hearing should be sent to: Executive Director, Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

Big Sandy RECC
Case No. 2013-00267

Blue Grass Energy Cooperative
Case No. 2013-00268

Clark Energy Cooperative
Case No. 2013-00269

Cumberland Valley Electric
Case No. 2013-00270

Farmers RECC
Case No. 2013-00271

Fleming-Mason Energy Cooperative
Case No. 2013-00272

Grayson RECC
Case No. 2013-00273

Inter-County Energy Cooperative
Case No. 2013-00274

Jackson Energy Cooperative
Case No. 2013-00275

Licking Valley RECC
Case No. 2013-00276

Meade County RECC
Case No. 2013-00285

Nolin RECC
Case No. 2013-00277

Owen Electric Cooperative
Case No. 2013-00278

Salt River Electric Cooperative
Case No. 2013-00279

Shelby Energy Cooperative
Case No. 2013-00280

South Kentucky RECC
Case No. 2013-00281

Taylor County RECC
Case No. 2013-00282

ENERGY 101

The simple energy of biomass

How the burning of wood and grass can help make electricity

Biomass has come a long way from putting a log on a fire. But the concept behind this power source is still quite simple: burn plants or waste materials from plants or animals to heat water to create steam that spins a turbine to generate electricity.

Biomass includes fresh plant parts (trees, grasses, crops) or byproducts such as wood chips or corn stubble, plus livestock waste, and even landfill gas. Recent advances in technology have made it possible to use all these items much more efficiently.

ENERGY BASICS

In the simplest systems, fresh materials are used with few modifications. In a direct-fired system, the biomass in its original form is burned with nothing else added. Residual heat from the process can be piped off to heat buildings or reused in other ways, increasing power plant efficiencies. In a co-fired system, biomass is mixed with a fossil fuel such as coal. Burning the two fuels together can lower emissions of certain pollutants while maintaining the same amount of electricity production.

More complicated technology changes the biomass into another form to make it more useful. During gasification, superheating (but not burning) the biomass changes it from a solid into a gas. This synthetic gas (syngas) can be used as a substitute for natural gas. During pyrolysis, biomass changes from a solid into a liquid that can be used in place of traditional fuel oil.

Anaerobic digestion is the most time-consuming method for using biomass. As bacteria (anaerobes) break down rotting plant or animal materials over days or weeks, their actions release methane gas, which can be captured and burned to make electricity. The leftover solids can often be used as compost.

-National Rural Electric Cooperative Association

An ongoing University of Kentucky/East Kentucky Power Cooperative biomass research project includes testing ways to mix dried switchgrass with coal to generate electricity at a conventional power plant. Photo: East Kentucky Power Cooperative

THE BIOMASS ROLE IN RENEWABLE ENERGY

The U.S. has more than 15,000 megawatts (enough electricity for 7.5 million homes) of biomass generating capacity, making it the third-largest source of renewable energy behind hydropower and wind.

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