

Blue Grass Energy Cooperative Corporation

CLASSIFICATION OF SERVICE

**SCHEDULE RTP-DA
REAL-TIME PRICING, DAY AHEAD, PILOT PROGRAM**

Availability of Service:

Available to existing Commercial and Industrial customers, subject to the established rules and regulations of Blue Grass Energy, hereinafter called the Cooperative.

Customers served under the Interruptible Rider are not eligible for the Real Time Pricing (RTP) pilot. Eligible customers must have taken service from the Cooperative for at least one (1) year.

Eligible customers must be able to benefit from hourly price signals and maintain a peak 15-minute demand not less than 1,000 kW each month.

The customer must currently have the MV-90 metering system in place or be willing to allow the Cooperative to install and maintain such equipment with interrogation ability for downloads. The customer will be responsible for the incremental costs of installing and maintaining such metering equipment. The customer must possess a personal computer with Internet service.

Type of service: Firm, three-phase, 60 Hertz.

Rate Structure and Bill Computation:

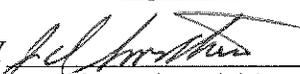
Structure:

A customer who chooses RTP-DA will pay a bill with four components.

1. **Standard Bill:** The customer's standard tariff will be applied to the "Customer Baseline Load" (CBL), a predetermined hourly load profile covering one full year and set of twelve monthly billing demands.
2. **Incremental Energy Charge:** The RTP price will be applied to the differences between actual metered load and the CBL – positive or negative – for all hours in the billing period.
3. **RTP Administration Fee:** This fee will cover the costs of providing RTP service, including billing and communications systems to implement the tariff and for data management.
4. **Power Factor Adjustment:** This bill component permits charging for power factor in exactly the same manner as the standard retail tariff. The adjustment is a separate charge.

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Blue Grass Energy Cooperative Corporation**Bill Computation:**

RTP Bill_m = Standard Bill (Std. Bill_{CLBm}) + Incremental Energy Charge (IEC_m) + RTP AF + Power Factor Adjustment (PFA)

Std. Bill_{CLBm} = P_d * K_{CBLm} + P_e * Σ_{mh} Q_{CBLh}

IEC_m = Σ_{mh} {P_{RTPh} * (Q_{Ah} - Q_{CBLh})}

RTP AF = RTP Admin Fee

PFA = P_d * (K_{Am} * {(PF_{MIN}/PF_{Am}) - 1})

where:

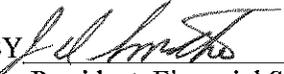
- Std. Bill_{CLBm} is the underlying standard tariff bill, with the current tariff prices applied to CBL quantities in month *m*, with the equation above being *an example* to cover all eligible underlying standard tariffs. The CBL includes any adjustment needed to meet minimum bill requirements.
 - P_d is the current demand charge,
 - K_{CBLm} is the CBL billing demand for month *m*,
 - P_e is the current energy charge, and includes volumetric charges such as the Fuel Adjustment Clause (FAC), and application of the Environmental Surcharge which is applied on a percentage basis,
 - Q_{CBLh} is the CBL kWh in hour *h*
- IEC_m is the Incremental Energy Charge quantities in month *m*.
 - Σ_{mh} {...} represents the sum across all hours *h* in month *m*,
 - P_{RTPh} is the hourly RTP price in hour *h*,
 - Q_{Ah} is the actual kWh in hour *h*.
- PFA is the Power Factor Adjustment Charge.
 - K_{Am} is the actual metered demand recorded in month *m*,
 - PF_{MIN} is the minimum power factor limit that does not trigger a power factor adjustment under the current standard tariff,
 - PF_{Am} is the actual meter power factor for the month measured coincident with the K_{Am} measurement.

Bill Components:**Standard Bill:**

The customer's standard tariff prices will be applied to the CBL. These tariff prices include the current demand and energy prices, the FAC, the Environmental

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Surcharge and other applicable riders found in the Commission-approved tariff sheets. The standard bill will be computed using these prices and CBL values

according to the billing algorithm currently in use to compute actual bills for customers on the applicable standard tariff.

Incremental Energy Charge:

The sum across all hours of the billing period of the product of the real-time price for each hour and the incremental load for each hour. Incremental load is the difference between actual metered load and the CBL. This difference can be positive or negative. Negative differences, termed "decremental load", create hourly credits. Actual metered usage cannot go below zero for billing purposes.

CBL:

Customer agreement on the CBL is a precondition for use of RTP-DA.

The CBL is to be developed by East Kentucky Power Cooperative, Inc. ("EKPC"), and agreed to by the Cooperative, using one complete calendar year of customer-specific hourly firm historical load data. Upon agreement by all parties, the CBL remains in place permanently and is adjusted to match up day-types (weekdays and weekends) with the respective calendar year. Additional calendar matching modifications will be made, as necessary, for holidays.

Modifications to the CBL can be made to reflect permanent removal of major, customer-owned electrical equipment or significant conservation or efficiency enhancements made by the customer. Incorporation of any such modifications into the CBL must be approved by all parties.

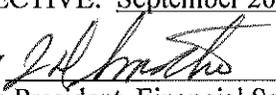
RTP Price:

The Day-Ahead RTP Price reflects day-ahead marginal costs on an hourly basis as determined by EKPC. The RTP Price consists of the following components:

1. EKPC's day-ahead hourly marginal generation cost, including estimated variable fuel cost, variable O&M cost and the variable emission allowance cost of the marginal generating unit, or purchased power cost, as applicable.
2. EKPC's estimated marginal reliability cost, as applicable
3. EKPC's estimated marginal transmission cost, as applicable
4. Losses
5. Risk Adder

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The FAC applies to the CBL but not to incremental energy, which is charged or credited based on the hourly RTP price.

The Environmental Surcharge applies to the CBL only, with the RTP price reflecting variable environmental costs only.

Power Factor Adjustment:

The actual power factor for each individual RTP customer will be measured at the time of the current month's 15-minute peak demand for the customer. If the actual power factor is less than the standard tariff power factor limit, then the Power Factor Adjustment, described above, will apply.

RTP Administration Fee:

The Cooperative will charge a monthly RTP Administration Fee of \$150 per month.

Special Provisions:

Price notification:

Prices will be posted to the Internet and become firm at 4:00 p.m. ET of the prior business day. (Friday's notice will be *firm* for Saturday and *estimates* for Sunday and Monday will be posted. These estimates for Sunday and Monday will become firm unless an update is provided by 4:00 p.m. ET of the prior day. This methodology also applies for holidays.) The Cooperative is not responsible for a customer's failure to receive and act upon hourly RTP prices. If a customer cannot access these prices, it is the customer's responsibility to inform the Cooperative so that the prices may be provided.

Upgrades to local distribution cost:

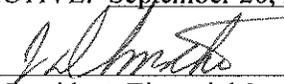
In the event that incremental RTP load growth causes a local distribution upgrade to serve the RTP customer, the customer will be responsible for these costs. The customer can do so in the normal manner currently allowed for services beyond standard requirements as set forth by the Cooperative.

Term of Contract:

Minimum service term of one year. The customer must provide written notice of intended departure 90 days before contract termination. Contract duration is subject to the time limit of the pilot program.

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Customers who terminate service under this tariff after the initial one (1) year period shall be ineligible to return to the pilot program. Prospective customers may not participate in the program after the conclusion of the second year of the pilot program.

General Terms and Conditions:

Customer service must comply with general rules and regulations of the Cooperative on file with the Public Service Commission of Kentucky.

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