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May 12, 2006

Honorable Ralph K. Combs
Attorney at Law
Combs & Hoffman
100 United Drive, Suite 5B
Versailles, KY 40383

RE: Case No. 2006-00167

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact Isaac Scott at (502) 564-3940 ext. 444.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/jc
Enclosure

Honorable Ralph K. Combs
Attorney at Law
Combs & Hoffman
100 United Drive, Suite 5B
Versailles, KY 40383

J. Donald Smothers
Vice President, Financial Services
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY 40340-0990

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR AN ORDER)	
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)	
SECTION 11, AND RELATED SECTIONS)	CASE NO.
AUTHORIZING THE COOPERATIVE TO OBTAIN)	2006-00167
A LOAN IN THE AMOUNT OF \$525,000.00 FROM)	
THE NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION)	

FIRST DATA REQUEST OF COMMISSION STAFF
TO BLUE GRASS ENERGY COOPERATIVE CORPORATION

Blue Grass Energy Cooperative Corporation ("Blue Grass"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 5 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 19, 2006. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the Application, page 3.
 - a. Describe the process that resulted in Blue Grass being awarded the Energy Conservation Management Service Contract ("ECMS").
 - b. As of April 30, 2006, has Blue Grass performed any of the work covered by the ECMS at the Blue Grass Army Depot ("Depot")? If yes, provide a description of the work already performed and the associated cost.
2. Refer to the Application, page 4.
 - a. Describe the process that resulted in Blue Grass being awarded a "Privatization Contract" for the Depot.
 - b. Does Blue Grass anticipate funding work under the Privatization Contract in a similar manner as planned for the ECMS? Explain the response.
 - c. If Blue Grass knows, why was the Privatization Contract put on hold until 2009?
3. Refer to the Application, Exhibit 2, pages 24 through 31 of 40.
 - a. Describe how W. Frank Harshaw and Associates, Inc. ("Harshaw Trane") was selected as the subcontractor for the ECMS work.
 - b. Page 31 shows Harshaw Trane signed the master contract on August 16, 2005, but Blue Grass did not sign until March 28, 2006. Explain the reason(s) for the period of time between the signatory dates.
 - c. Are all the costs incurred by Blue Grass under the Harshaw Trane master contract recovered or reimbursed by the Depot? If no, explain in detail what costs are not recovered or reimbursed by the Depot and why it is reasonable for Blue Grass to bear these costs.

4. Describe the potential business risks or exposure to losses Blue Grass undertakes in conjunction with:

- a. The ECMS.
- b. The Harshaw Trane master contract.

5. Concerning the loan from the National Rural Utilities Cooperative Finance Corporation ("CFC") and the ECMS:

- a. Explain why the CFC loan is to be unsecured rather than secured.
- b. CFC offers fixed and variable interest rate options on its loans. Has the Depot indicated a preference of the interest rate option Blue Grass will select at the time funds are drawn from the CFC loan? Explain the response.

- c. During the term of the CFC loan, will the ECMS or the Depot limit the interest rate options Blue Grass can select for the CFC loan? Explain the response.

- d. Will the Depot, under the terms of the ECMS, pay any adders or multipliers to Blue Grass in addition to the payments received from the Depot to service the CFC loan? Explain the response.

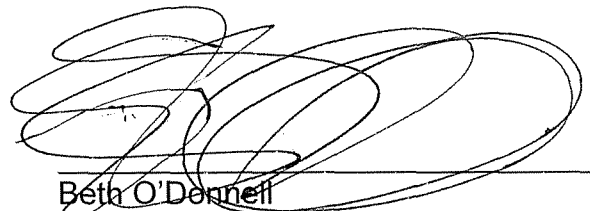
- e. Based on Blue Grass's current financial condition, will it be required to purchase a loan capital term certificate ("LCTC") in conjunction with the CFC loan?

- f. If a LCTC will have to be purchased, will the cost of the LCTC be recovered from the Depot under the terms of the ECMS? Explain the response.

6. Will the Depot have ownership of the projects completed by Blue Grass under the terms of the ECMS? If no, indicate who will have ownership of the completed projects.

7. Concerning the relationship between Blue Grass and the Depot:

- a. Is the Depot currently an electric customer of Blue Grass?
- b. If yes to part (a) above, does Blue Grass supply electricity to all facilities at the Depot? Explain the response.
- c. Will the ECMS result in Blue Grass providing electricity outside its territorial service boundaries? Explain the response.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED May 12, 2006

cc: All Parties