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Mark David Goss  
Chairman

John W. Clay  
Vice Chairman

Caroline Pitt Clark  
Commissioner

January 22, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2008-00019  
Blue Grass Energy Cooperative Corp.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on January 22, 2008.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/tw  
Enclosure



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January 22, 2008

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

CERTIFICATE OF SERVICE

RE: Case No. 2008-00019  
Blue Grass Energy Cooperative Corp.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on January 22, 2008.

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Executive Director

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY )  
COOPERATIVE CORPORATION FOR AN ORDER )  
AND CERTIFICATION OF PUBLIC CONVENIENCE )  
AND NECESSITY AUTHORIZING APPLICANT )  
(1) TO EXECUTE SUPPLEMENTAL MORTGAGE )  
DATED OCTOBER 1, 2007 AND UCC FINANCING )  
STATEMENT WITH NATIONAL RURAL UTILITIES )  
COOPERATIVE FINANCE CORPORATION AND )  
UNITED STATES OF AMERICA (RURAL UTILITIES )  
SERVICE) PURSUANT TO KRS 278.300 AND )  
(2) TO EXCLUDE FROM PSC JURISDICTION )  
THE RUS LOAN CONTRACT AND MORTGAGE )  
NOTE WITH UNITED STATES OF AMERICA )  
(RURAL UTILITIES SERVICE) PURSUANT TO )  
KRS 278.300(10) )

CASE NO.  
2008-00019

O R D E R

On January 16, 2008, Blue Grass Energy Cooperative Corporation ("Blue Grass") filed an application for approval of a "Supplemental Mortgage" and "UCC Financing Statement" dated October 1, 2007 in favor of the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC"). Blue Grass also requested that the Commission find, pursuant to KRS 278.300(10), that a proposed loan from RUS to Blue Grass in the amount of \$42,824,000 is exempt from Commission approval. The proceeds from the proposed RUS loan will be used to

finance Blue Grass's 2006-2009 Work Plan, which was approved by the Commission in Case No. 2006-00540.<sup>1</sup>

Blue Grass stated that it was not requesting approval of the mortgage note and loan contract with RUS because RUS is an agency of the federal government with supervisory authority over evidences of indebtedness. Pursuant to KRS 278.300(10), any evidences of indebtedness that are subject to the supervisory authority of a federal agency are exempt from Commission approval. Blue Grass further stated that it was requesting approval of the Supplemental Mortgage and UCC Financing Statement because CFC is a party to those documents. CFC is neither controlled by, nor an agency of, the federal government and, consequently, the exemption set forth in KRS 278.300(10) is not applicable to CFC.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. RUS is an agency of the federal government with supervisory authority over evidences of indebtedness and, under KRS 278.300(10), the mortgage note and loan contract with RUS are exempt from Commission approval.

2. The Supplement Mortgage and UCC Financing Statement reflect existing debt Blue Grass owes CFC that was previously approved by the Commission and does not involve the issuance of new CFC debt to Blue Grass.

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<sup>1</sup> Case No. 2006-00540, Application of Blue Grass Energy Cooperative Corporation for a Certificate of Public Convenience and Necessity to Construct Facilities According to the Applicants 10/01/2006 ~ 09/30/2009 Construction Work Plan, final Order dated April 20, 2007.

3. The Supplement Mortgage and UCC Financing Statement in favor of RUS and CFC are for lawful objects within the corporate purposes of Blue Grass, are necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, are reasonable, necessary, and appropriate for such purposes, and should be approved.

IT IS THEREFORE ORDERED that Blue Grass is authorized to execute the Supplement Mortgage and UCC Financing Statement in favor of RUS and CFC in accordance with the terms and conditions described in Blue Grass's application.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 22nd day of January, 2008.

By the Commission

ATTEST:



Executive Director