




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

June 1, 2009

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

RECEIVED

JUN 01 2010

PUBLIC SERVICE  
COMMISSION

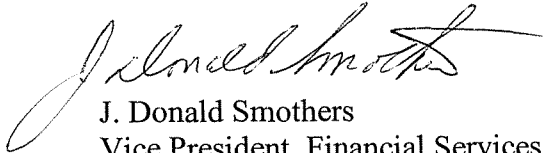
00185 RES  
Re: PSC Case No. 2010-00046

Dear Mr. Derouen,

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of the Security Deposit and Cable TV attachment tariffs.

If you have any questions, please contact me at 859-885-2118.

Respectfully submitted,



J. Donald Smothers  
Vice President, Financial Services & CFO

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of Adjustment of Security Deposit  
and Cable Television Attachment Tariffs for  
Blue Grass Energy Cooperative Corporation**

00185 RCS  
Case No. 2010-~~00046~~

**APPLICATION**

Blue Grass Energy Cooperative Corporation (herein designated as "Blue Grass") hereby makes application for an adjustment of Security Deposit Tariffs and cable television attachment rates, as follows:

1. Blue Grass informs the commission that it is engaged in the business of operation of a retail electric distributions system in portions of twenty-three (23) counties in central Kentucky and does hereby propose to adjust rates, effective July 1, 2010, in conformity with the attached schedule.

2. The name and post office address of the applicant is Blue Grass Energy Cooperative Corporation, P.O. Box 990, 1201 Lexington Road, Nicholasville, Kentucky, 40340 [807 KAR 5:001, Section 8(1)].

3. The Articles of Incorporation and all amendments thereto for Blue Grass were filed with the Commission in PSC Case No. 2008-00011, for an application to increase rates. [807 KAR 5:001, Section 8(3)].

4. The application is supported by a twelve month historical test period ending December 31, 2009 and includes adjustments for known and measurable changes [807 KAR 5:001, Section 10(1)(a)].

5. Blue Grass states that the reasons the rate adjustment are required pursuant to 807 KAR Section 10(1)(a)(1) are as follows:

a. Due to a general rate increase in Case No. 2008-00011, implemented September 2008, and a pass-through rate increase from East Kentucky Power Cooperative, implemented April 2009, an increase in the security deposit is needed to help offset the continued increase in bad debt write-offs. Blue Grass is proposing to increase this deposit from \$175 to \$225. The proposed deposit amount remains within the 2/12<sup>th</sup> average bill requirement as stipulated by the

Kentucky Public Service Commission as stated in 807 KAR 5:006(b). Supporting information is included as **Exhibit H**.

b. Due to increases in operating costs, investments in plant assets, and the rate of return granted in Case No. 2008-00011, an increase in the cable television attachment rates is needed, and justified. Supporting information is included as **Exhibit I**.

6. Annual reports, including the most recent calendar year, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1) [807 KAR 5:001, Section 10(1)(a)2].

7. Blue Grass is not a limited partnership [807 KAR 5:001, Section 10(1)(a) 4].

8. Blue Grass files with this application a Certificate of Good Standing dates within 60 days of the date of this application and attached as **Exhibit A**. [807 KAR 5:001, Section 10(1)5].

9. Blue Grass does not conduct business under an assumed name [807 KAR 5:001, Section 10(1)(a)6].

10. The proposed tariff is attached as **Exhibit B** in a form that complies with 807 KAR 5:001 with an effective date not less than 30 days from the date of this application [807 KAR 5:001, Section 10(1)(a)7].

11. The proposed tariff changes, identified in compliance with 807 KAR 5:001, are shown by providing the present and proposed tariffs in comparative form on the same sheet, side by side, or on facing sheets, side by side, as **Exhibit C** [807 KAR 5:001, Section 10(1)(a)8].

12. Blue Grass has given notice to its members of the filing of this application in accordance with 807 KAR 5:001, Section 3-10 (3) and (4). A copy of the notice is attached as **Exhibit D** [807 KAR 5:001, Section 10(1)(a)9].

13. Blue Grass filed with the Commission a written notice of intent to file a rate application at least four (4) weeks prior to filing this application. The notice of intent stated the rate application would be supported by a historical test period and was served upon the Attorney General, Utility Intervention and Rate Division is shown as **Exhibit E** [807 KAR 5:001, Section 10(2)].

14. Blue Grass requests a waiver for providing a complete description and qualified explanation for all proposed adjustments with proper support since there are no proposed changes in price or activity levels, or any other factors which may affect adjustments. [807 KAR 5:001, Section (10)(6)(a)].

15. The prepared testimony of each witness supporting the application are attached as **Exhibits F** [807 KAR 5:001, Section 10(6)(b)].

16. An impact statement estimating the effect the new rates will have upon the revenues of Blue Grass, including, at a minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increases or decreases and the percentage of the increase or decrease is shown by **Exhibit G** [807 KAR 5:001, Section 10(6)(d)].

17. Blue Grass requests a waiver for the effect upon the average bill for each customer classification to which the proposed rate change will apply since this only affects security deposits and cable television attachments. [807 KAR 5:001, Section 10(6)(e)].

18. Blue Grass requests a waiver based on the same reason in 17 above for an analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class. [807 KAR 5:001, Section 10(6)(g)].

19. Blue Grass requests a waiver from providing a summary of the Cooperative's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage or operating ratio, based on 17 above. However, the affect on times interest earned ratio ("TIER") will be shown as part of **Exhibit G**. [807 KAR 5:001, Section 10(6)(h)].

20. Blue Grass requests a waiver for providing a reconciliation of the rate base and capital used to determine its revenue requirements based on the same reason as 17 above. [807 KAR 5:001, Section 10(6)(i)].

21. Blue Grass requests a waiver for providing a current chart of accounts based on 17 above. [807 KAR 5:001, Section 10(6)(j)].

22. Blue Grass requests a waiver for providing the independent auditor's report based on 17 above. [807 KAR 5:001, Section 10(6)(k)].

23. The Federal Energy Regulatory Commission or Federal Communications Commission have not audited Blue Grass and no audit reports exist [807 KAR 5:001, Section 10(6)(l)].

24. No Federal Energy Regulatory Commission Form 1 exists as to Blue Grass [807 KAR 5:001, Section 10(6)(m)].

25. Blue Grass requests a waiver for providing a depreciation study based on 17 above. [807 KAR 5:001, Section 10(6)(n)].

26. A list of commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of this application. Blue Grass is using word and excel for all filings. [807 KAR 5:001, Section 10(6)(o)].

27. No stock or bond offerings have been made by Blue Grass [807 KAR 5:001, Section 10(6)(p)].

28. Blue Grass is requesting a waiver for providing Annual Reports to members for 2009 and 2008 based on 17 above. [807 KAR 5:001, Section 10(6)(q)].

29. Blue Grass is requesting a waiver for providing the monthly managerial reports providing financial results of operations for the twelve (12) months in the test period based on 17 above. [807 KAR 5:001, Section 10(6)(r)].

30. No Securities and Exchange Commission Annual Reports exist as to Blue Grass because it is not regulated by that regulated body [807 KAR 5:001, Section 10(6)(s)].

31. Blue Grass had no amounts charged or allocated to it by an affiliate or general or home office and did not pay monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years [807 KAR 5:001, Section 10(6)(t)].

32. Blue Grass is requesting a waiver for providing a cost of service study based on 17 above. [807 KAR 5:001, Section 10(6)(u)].

33. Blue Grass is not a Local Exchange Carrier or Company as set forth in 807 KAR 5:001, Section 10(6)(v)].

34. A detailed income statement and balance sheet reflecting the impact of all proposed adjustments is attached as Exhibit S [807 KAR 5:001, Section 10(7)(a)].

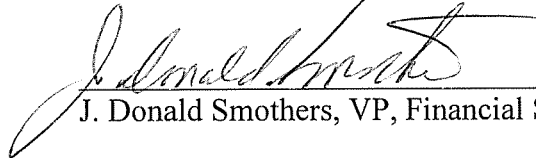
35. No “proposed pro forma adjustments reflecting plant additions” exist or apply to Blue Grass [807 KAR 5:001, Section (7)(c)].

36. Blue Grass is requesting a waiver for providing the operating budget for each month of the period encompassing the pro forma adjustments based on 17 above. [807 KAR 5:001, Section (7)(d)].


WHEREFORE, BLUE GRASS ENERGY COOPERATIVE CORPORATION applies and requests approval of the adjustment of rates as set forth in this application and issuance of an order approving and authorizing the new rates at the earliest possible date.

Dated: June 1, 2010.

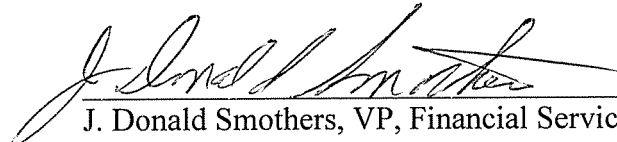
Blue Grass Energy Cooperative Corporation

  
\_\_\_\_\_  
J. Donald Smothers, VP, Financial Services

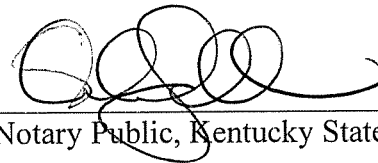
COUNSEL:  
RALPH K. COMBS  
Combs & Hoffman, Attorneys at Law  
100 United Drive, Suite 4B  
Versailles, Kentucky 40383

  
\_\_\_\_\_  
Ralph K. Combs, Attorney for  
Blue Grass Energy Cooperative Corporation

I, J. Donald Smothers, VP, Financial Services, state that the statements contained in the foregoing application are true to the best of my information and belief.

  
\_\_\_\_\_  
J. Donald Smothers, VP, Financial Services  
Blue Grass Energy Cooperative Corporation

Subscribed and sworn to before me by J. Donald Smothers as VP, Financial Services of Blue Grass Energy Cooperative Corporation this 1 day of June, 2010.

  
\_\_\_\_\_  
Notary Public, Kentucky State At Large

My Commission Expires: 9/11/2012

Commonwealth of Kentucky  
Trey Grayson, Secretary of State

3/27/2008

Division of Corporations  
Business Filings

P. O. Box 718  
Frankfort, KY 40602  
(502) 564-2848  
<http://www.sos.ky.gov>

**Certificate of Existence**

Authentication Number: 62607  
Jurisdiction: BLUE GRASS ENERGY COOPERATIVE CORPORATION  
Visit <http://apps.sos.ky.gov/business/obdb/certvalidate.aspx> to authenticate this certificate.

I, Trey Grayson, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records of the Office of the Secretary of State,

**BLUE GRASS ENERGY COOPERATIVE CORPORATION**

is a nonprofit corporation duly incorporated and existing under KRS Chapter 273, whose date of incorporation is January 1, 2002 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of state have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 273.3671 has been delivered to the Secretary of State.

IN WITNESS THEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 27th day of March, 2008.



*Trey*  
\_\_\_\_\_  
Trey Grayson  
Secretary of State  
Commonwealth of Kentucky  
62607/0526514

**BLUE GRASS ENERGY  
COOPERATIVE CORPORATION**

For Entire Territory Served  
P.S.C. KY NO. 2  
ORIGINAL SHEET NO.27  
CANCELLING P.S.C. KY NO. 1  
ORIGINAL SHEET NO. 27

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate**

**APPLICABILITY**

In all territory served by the company on poles owned and used by the company for their electric plant.

**AVAILABILITY**

To all qualified CATV operators having the right to receive service.

**RENTAL CHARGE**

The yearly rental charges shall be as follows:

<u>Two-party pole attachment</u>	<u>\$5.82</u>	(I)
<u>Three-party pole attachment</u>	<u>\$4.82</u>	(I)
<u>Two-party anchor attachment</u>	<u>\$10.00</u>	(I)
<u>Three-party anchor attachment</u>	<u>\$6.60</u>	(I)
<u>Two-party grounding attachment</u>	<u>\$0.26</u>	(D)
<u>Three-party grounding attachment</u>	<u>\$0.16</u>	(D)

Pedestal attachment = Same as respective pole charges.

**BILLING**

Rental charges shall be billed yearly based on the number of pole attachments. The rental charges are net, the gross being ten percent (10%) higher. In the event the current bill is not paid within ten (10) days from the date of the bill, the gross shall apply.

Note: Discount or penalty must apply to all electric consumers, but shall apply to advance billing only if given at least thirty (30) days before the late penalty takes effect.

**SPECIFICATIONS**

- A. The attachment to poles covered by this tariff shall at all times conform to the requirements of the National Electrical Safety Code, 1981 Edition, and subsequent revisions thereof, except when the lawful requirements of public authorities may be more stringent, in which case the latter will govern.
- B. The strength of poles covered by this treatment shall be sufficient to withstand the transverse and vertical load imposed upon them under the storm loading of the National Electrical Safety Code assumed for the area in which they are located.

DATE OF ISSUE: June 1, 2010

DATE EFFECTIVE: July 1, 2010

ISSUED BY: \_\_\_\_\_ TITLE: Vice President & CFO  
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky  
in Case No.: 2010-00046 Dated: April 28, 2010



**BLUE GRASS ENERGY  
COOPERATIVE CORPORATION**

For Entire Territory Served  
P.S.C. KY NO. 2  
ORIGINAL SHEET NO.28  
CANCELLING P.S.C. KY NO. 1  
ORIGINAL SHEET NO. 28

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate - Continued**

**ESTABLISHING POLE USE**

- A. Before the CATV operator shall make use of any of the poles of the Cooperative under this tariff, they shall notify the Cooperative of their intent in writing and shall comply with the procedures established by the Cooperative. The CATV operator shall furnish the Cooperative detailed construction plans and drawings for each pole line, together with necessary maps, indicating specifically the poles of the Cooperative, the number and character of the attachments to be placed on such poles, and rearrangements of the Cooperative's fixtures and equipment necessary for the attachment, and relocation or replacements of existing poles, and any additional poles that CATV intends to install.
- B. The Cooperative shall, on the basis of such detailed construction plans and drawings, submit to the CATV operator a cost estimate (including overhead and less salvage value of materials) of all changes that may be required in each such pole line. Upon written notice by the CATV operator to the Cooperative that the cost estimate is approved, the Cooperative shall proceed with the necessary changes in pole lines covered by cost estimate. Upon completion of all changes, the CATV operator shall have the right hereunder to make attachments in accordance with the terms of the application of this tariff. The CATV operator shall, at his own expense, make attachments in such manner as not to interfere with the service of the Cooperative.
- C. Upon completion of all changes, the CATV operator shall pay to the Cooperative the actual cost (including overhead and less salvage value of materials) of making such changes. The obligation of the CATV operator hereunder shall not be limited to amounts shown on estimates made by the Cooperative hereunder. An itemized statement of the actual cost of all such changes shall be submitted by the Cooperative to the CATV operator in a form mutually agreed upon.
- D. Any reclearing of existing rights-of-way and any tree trimming necessary for the establishment of pole line attachments hereunder shall be performed by the CATV operator.
- E. All poles to which attachments have been made under this tariff shall remain the property of the Cooperative, and any payments made by the CATV operator for changes in pole line under this tariff shall not entitle the CATV operator to the ownership of any of said poles.
- F. Any charges necessary for correction of substandard installation made by the CATV operator, where notice of intent had not been requested, shall be billed at rate equal to twice the charges that would have been imposed if the attachment had been properly authorized.

**EASEMENTS AND RIGHTS-OF-WAY**

- A. The Cooperative does not warrant nor assure the CATV operator any rights-of-way privileges or easements, and if the CATV operator shall at any time be prevented from placing or maintaining its attachments on the Cooperative's poles, no liability on account thereof shall attach to the Cooperative. Each party shall be responsible for obtaining its own easements and right-of-way.

DATE OF ISSUE: June 1, 2010

DATE EFFECTIVE: July 1, 2010

ISSUED BY: \_\_\_\_\_ TITLE: Vice President & CFO  
(Name of Officer)

**BLUE GRASS ENERGY  
COOPERATIVE CORPORATION**

For Entire Territory Served  
P.S.C. KY NO. 2  
ORIGINAL SHEET NO.29  
CANCELLING P.S.C. KY NO. 1  
ORIGINAL SHEET NO. 29

**CLASSIFICATION OF SERVICE**

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**Cable Television Attachment Rate – Continued**

**MAINTENANCE OF POLES, ATTACHMENTS, AND OPERATIONS**

- A. Whenever rights-of-way considerations or public regulations make relocation of a pole or poles necessary, such relocation shall be made by the Cooperative at its own expense, except that each party bear the cost of transferring its own attachments.
- B. Whenever it is necessary to replace or relocate an attachment, the Cooperative shall, before making such replacement or relocation, give forty-eight (48) hours notice (except in cases of emergency) to the CATV operator, specifying in said notice the time of such proposed replacement or relocation, and the CATV operator shall, at the time so specified, transfer its attachments to the new or relocated pole. Should the CATV operator fail to transfer its attachments to the new or relocated pole at the time specified for such transfer of attachments, the Cooperative may elect to do such work and the CATV operator shall pay the Cooperative the cost thereof.
- C. Any existing attachment of CATV which does not conform to the specifications as set out in this tariff hereof shall be brought to conformity therewith as soon as practical. The Cooperative, because of the importance of its service, reserves the right to inspect each new installation of the CATV operator on its poles and in the vicinity of its lines or appurtenances. Such inspection, made or not, shall not operate to relieve the CATV operator of any responsibility, obligation or liability assumed under the tariff.
- D. The Cooperative reserves to itself, its successor and assigns, the right to maintain its poles and to operate its facilities thereon in such manner as will, in its own judgment, best enable it to fulfill its own service requirements. The Cooperative shall not be liable to the CATV operator for any interruption in service of CATV operator or for interference with the operation of f the cables, wires and appliances of the CATV operator arising in any manner out of the use of the Cooperative's poles hereunder.
- E. The Cooperative shall exercise reasonable care to avoid damaging the facilities of the CATV operator, made an immediate report to the CATV operator of the occurrence of any such damage caused by its employees, agents or contractors, and, except for removal for non-payment or for failure to post or maintain the required "Performance Bond", agrees to reimburse the CATV operator for all reasonable cost incurred by the CATV operator for the physical repair of facilities damaged by the negligence of the Cooperative.

**INSPECTIONS**

- A. Periodic Inspections - Any unauthorized or unreported attachment by CATV operator will be billed at a rate of two times the amount equal to the rate that would have been due, had the installation been made the day after the last previously required inspection.
- B. Made-Ready Inspection - Any "make-ready" inspection of "walk-through" inspection required of the Cooperative will be paid for by the CATV operator at a rate equal to the Cooperative's actual expenses, plus appropriate overhead charges.

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DATE OF ISSUE: June 1, 2010

DATE EFFECTIVE: July 1, 2010

ISSUED BY: \_\_\_\_\_ TITLE: Vice President & CFO  
(Name of Officer)

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate - Continued**

**INSURANCE OR BOND**

- A. The CATV operator agrees to defend, indemnify and save harmless the Cooperative from any and all damages, loss, claim, demand, suit, liability, penalty or forfeiture of every kind and nature, including, but not limited to, costs and expenses of defending against the same and payment of any settlement or judgment therefore, by reason of (a) injuries or deaths to persons, (b) damages to or destruction of properties, (c) pollutions, contaminations of or other adverse effects on the environment or (d) violations of governmental laws, regulations or orders whether suffered directly by the Cooperative itself, or indirectly by reason of claims, demands or suits against it by third parties, resulting or alleged to have resulted from acts or omissions of the CATV operator, its employees, agents or other representatives or from their presence on the premises of the Cooperative, either solely or in concurrence with any alleged joint negligence of the Cooperative. The Cooperative shall be liable for sole active negligence.
- B. The CATV operator will provide from a company authorized to do business in the Commonwealth of Kentucky:

Protection for its employees to the extent required by Workmen's Compensation Law of Kentucky.

Public liability coverage with separate coverage for each town or city in which the CATV operator operates under this contract to a minimum amount of \$100,000.00 for each person and \$300,000.00 for each accident or personal injury or death, and \$25,000.00 as to the property of any one person, and \$100,000.00 as to any once accident or property damage.

Before beginning operations under this tariff, the CATV operator shall cause to be furnished to the Cooperative a certificate for such coverage, evidencing the existence of such coverage. Each policy required hereunder shall contain a contractual endorsement written as follows:

*"The insurance or bond provided herein shall also be for the benefit of Blue Grass Energy Cooperative Corporation, so as to guarantee, within the coverage limits, the performance by the insured of any indemnity agreement set forth in this tariff. This insurance or bond may not be canceled for any cause without thirty (30) days advance notice being first given to Blue Grass Energy Cooperative Corporation."*

**CHANGE OF USE PROVISION**

When the Cooperative subsequently requires a change in its poles or attachment for any reasons unrelated to the CATV operations, the CATV operator shall be given forty-eight (48) hours notice of the proposed change (except in case of emergency). If the CATV operator is unable or unwilling to meet the Cooperative's time schedule for such changes, the Cooperative may do the work and charge the CATV operator its reasonable cost for performing the change of CATV attachments.

DATE OF ISSUE: June 1, 2010

DATE EFFECTIVE: July 1, 2010

ISSUED BY: \_\_\_\_\_ TITLE: Vice President & CFO  
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky  
in Case No.: 2010-00046 Dated: April 28, 2010

**BLUE GRASS ENERGY  
COOPERATIVE CORPORATION**

For Entire Territory Served  
P.S.C. KY NO. 2  
ORIGINAL SHEET NO.31  
CANCELLING P.S.C. KY NO. 1  
ORIGINAL SHEET NO. 31

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate - Continued**

**ABANDONMENT**

- A. If the Cooperative desires at any time to abandon any pole to which the CATV operator has attachments, it shall give the CATV operator notice in writing to that effect at least thirty (30) days prior to the date on which it intends to abandon such pole. If, at the expiration of said period, the Cooperative shall have no attachments on such pole, but the CATV operator shall not have removed all of its attachments there from, such pole shall thereupon become the property of the CATV operator, and the CATV operator shall save harmless the Cooperative from all obligation, liability, damages, cost, expenses, or charges incurred thereafter; and shall pay the Cooperative for such pole an amount equal to the Cooperative's depreciated cost thereof.
- B. The Cooperative shall further evidence transfer to the CATV operator of title to the pole by means of a bill of sale.
- C. The CATV operator may at any time abandon the use of the attached pole by giving due notice thereof in writing to the Cooperative and by removing there from any and all attachments it may have thereon. The CATV operator shall in such case pay to the Cooperative the full rental for said pole for the then current billing period.

**RIGHTS OF OTHERS**

Upon notice from the Cooperative to the CATV operator that the use of any pole or poles is forbidden by municipal or other public authorities or by property owners, the permit governing the use of such pole or poles shall immediately terminate and the CATV operator shall remove its facilities from the affected pole or poles at once. No refund of any rental will be due on account of any removal resulting from such forbidden use.

**PAYMENT OF TAXES**

Each party shall pay all taxes and assessments lawfully levied on its own property upon said attached poles, and the taxes and the assessments which are levied on said property shall be paid by the owner thereof, but any tax fee, or charge levied on the Cooperative's poles solely because of their use by the CATV operator shall be paid by the CATV operator.

DATE OF ISSUE: June 1, 2010

DATE EFFECTIVE: July 1, 2010

ISSUED BY: \_\_\_\_\_ TITLE: Vice President & CFO  
(Name of Officer)

**CLASSIFICATION OF SERVICE**

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**Cable Television Attachment Rate - Continued**

**BOND OR DEPOSITOR PERFORMANCE**

- A. The CATV operator shall furnish bond or satisfactory evidence of contractual insurance coverage from the purposes hereinafter specified in the amount of twenty-five thousand dollars (\$25,000), until such time as the CATV operator shall occupy twenty-five hundred (2,500) poles of the Cooperative and thereafter the amount thereof shall be increased to increments of one-thousand dollars (\$1,000), for each one-hundred (100) poles (or fraction thereof) occupied by the CATV operator, evidence of which shall be presented to the Cooperative fifteen (15) days prior to beginning construction. Such bond or insurance shall contain the provision that it shall not be terminated prior to six (6) months after receipt by the Cooperative of written notice of the desire of the Bonding or Insurance Company to terminate such bond or insurance. Upon receipt of such notice, the Cooperative shall request the CATV operator to immediately remove its cables, wires, and all other facilities from all poles of the Cooperative. If the CATV operator should fail to complete the removal of all its facilities from the poles of the Cooperative within thirty (30) days after receipt of such request from the Cooperative, then the Cooperative shall have the right to remove them at the cost and expense of the CATV operator and without being liable for any damage to the CATV operator's wires, cables, fixtures, or appurtenances. Such bond or insurance shall guarantee the payment of any sums which may become due to the Cooperative for rentals, inspections or work performed for the benefit of the CATV operator under this tariff, including the removal of attachments upon termination of service by any of its provisions.
- B. After the CATV operator has been a customer of the Cooperative and not in default for a period of two years, the Cooperative shall reduce the bond by 50%, or, at the Cooperative's option, require a deposit in keeping with 807 KAR 5:006, Section 7.

**USE OF ANCHORS**

The Cooperative reserves the right to prohibit the use of any existing anchors by CATV operator where the strength or conditions of said anchors cannot be readily identified by visual inspection.

**DISCONTINUANCE OF SERVICE**

The Cooperative may refuse or discontinue serving an applicant or customer under the conditions set out in 807 KAR 5:006, Section 11.

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DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: September 1, 2008

ISSUED BY: \_\_\_\_\_ TITLE: Vice President & CFO  
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky  
in Case No.: 2008-00011 Dated: August 28, 2008

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate**

**APPLICABILITY**

In all territory served by the company on poles owned and used by the company for their electric plant.

**AVAILABILITY**

To all qualified CATV operators having the right to receive service.

**RENTAL CHARGE**

The yearly rental charges shall be as follows:

<u>Two-party pole attachment</u>	<u>\$4.77</u>	5.02	I   V V
<u>Three-party pole attachment</u>	<u>\$4.21</u>	4.82	
<u>Two-party anchor attachment</u>	<u>\$7.58</u>	10.00	
<u>Three-party anchor attachment</u>	<u>\$5.00</u>	6.60	
<u>Two-party grounding attachment</u>	<u>\$0.31</u>	0.26	
<u>Three-party grounding attachment</u>	<u>\$0.19</u>	0.16	

Pedestal attachment = Same as respective pole charges.

**BILLING**

Rental charges shall be billed yearly based on the number of pole attachments. The rental charges are net, the gross being ten percent (10%) higher. In the event the current bill is not paid within ten (10) days from the date of the bill, the gross shall apply.

Note: Discount or penalty must apply to all electric consumers, but shall apply to advance billing only if given at least thirty (30) days before the late penalty takes effect.

**SPECIFICATIONS**

- A. The attachment to poles covered by this tariff shall at all times conform to the requirements of the National Electrical Safety Code, 1981 Edition, and subsequent revisions thereof, except when the lawful requirements of public authorities may be more stringent, in which case the latter will govern.
- B. The strength of poles covered by this treatment shall be sufficient to withstand the transverse and vertical load imposed upon them under the storm loading of the National Electrical Safety Code assumed for the area in which they are located.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
9/1/2008

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PURSUANT TO 807 KAR 5:011  
SECTION 4(1) July 1, 2010

June 1, 2010

DATE OF ISSUE: April 11, 2008      DATE EFFECTIVE: September 1, 2008

ISSUED BY: *Johnnie Brate* (Name of Officer)

Issued by authority of an Order of the Public Service  
in Case No.: 2008-00011 Dated: August 28, 2008

2010-00046

TITLE: *Stephanie Rumber*  
By: \_\_\_\_\_  
Executive Director

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate - Continued**

**ESTABLISHING POLE USE**

- A. Before the CATV operator shall make use of any of the poles of the Cooperative under this tariff, they shall notify the Cooperative of their intent in writing and shall comply with the procedures established by the Cooperative. The CATV operator shall furnish the Cooperative detailed construction plans and drawings for each pole line, together with necessary maps, indicating specifically the poles of the Cooperative, the number and character of the attachments to be placed on such poles, and rearrangements of the Cooperative's fixtures and equipment necessary for the attachment, and relocation or replacements of existing poles, and any additional poles that CATV intends to install.
- B. The Cooperative shall, on the basis of such detailed construction plans and drawings, submit to the CATV operator a cost estimate (including overhead and less salvage value of materials) of all changes that may be required in each such pole line. Upon written notice by the CATV operator to the Cooperative that the cost estimate is approved, the Cooperative shall proceed with the necessary changes in pole lines covered by cost estimate. Upon completion of all changes, the CATV operator shall have the right hereunder to make attachments in accordance with the terms of the application of this tariff. The CATV operator shall, at his own expense, make attachments in such manner as not to interfere with the service of the Cooperative.
- C. Upon completion of all changes, the CATV operator shall pay to the Cooperative the actual cost (including overhead and less salvage value of materials) of making such changes. The obligation of the CATV operator hereunder shall not be limited to amounts shown on estimates made by the Cooperative hereunder. An itemized statement of the actual cost of all such changes shall be submitted by the Cooperative to the CATV operator in a form mutually agreed upon.
- D. Any reclearing of existing rights-of-way and any tree trimming necessary for the establishment of pole line attachments hereunder shall be performed by the CATV operator.
- E. All poles to which attachments have been made under this tariff shall remain the property of the Cooperative, and any payments made by the CATV operator for changes in pole line under this tariff shall not entitle the CATV operator to the ownership of any of said poles.
- F. Any charges necessary for correction of substandard installation made by the CATV operator, where notice of intent had not been requested, shall be billed at rate equal to twice the charges that would have been imposed if the attachment had been properly authorized.

**EASEMENTS AND RIGHTS-OF-WAY**

- A. The Cooperative does not warrant nor assure the CATV operator any rights-of-way privileges or easements, and if the CATV operator shall at any time be prevented from placing or maintaining its attachments on the Cooperative's poles, no liability on account thereof shall attach to the Cooperative. Each party shall be responsible for obtaining its own easements and right-of-way.

DATE OF ISSUE: April 11, 2008	DATE EFFECTIVE: September 1, 2008	PURSUANT TO 807 KAR 5:011
ISSUED BY: <u>[Signature]</u> (Name of Officer)	TITLE: <u>[Signature]</u> By: <u>[Signature]</u> Cc: Executive Director	DEPARTMENT OF REVENUE PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE 9/1/2008
Issued by authority of an Order of the Public Service in Case No.: 2008-00011		Dated: August 28, 2008

Ed C  
3 of 6

**BLUE GRASS ENERGY  
COOPERATIVE CORPORATION**

For Entire Territory Served  
P.S.C. KY NO. 2  
ORIGINAL SHEET NO.29  
CANCELLING P.S.C. KY NO. 1  
ORIGINAL SHEET NO. 29

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate – Continued**

**MAINTENANCE OF POLES, ATTACHMENTS, AND OPERATIONS**

- A. Whenever rights-of-way considerations or public regulations make relocation of a pole or poles necessary, such relocation shall be made by the Cooperative at its own expense, except that each party bear the cost of transferring its own attachments.
- B. Whenever it is necessary to replace or relocate an attachment, the Cooperative shall, before making such replacement or relocation, give forty-eight (48) hours notice (except in cases of emergency) to the CATV operator, specifying in said notice the time of such proposed replacement or relocation, and the CATV operator shall, at the time so specified, transfer its attachments to the new or relocated pole. Should the CATV operator fail to transfer its attachments to the new or relocated pole at the time specified for such transfer of attachments, the Cooperative may elect to do such work and the CATV operator shall pay the Cooperative the cost thereof.
- C. Any existing attachment of CATV which does not conform to the specifications as set out in this tariff hereof shall be brought to conformity therewith as soon as practical. The Cooperative, because of the importance of its service, reserves the right to inspect each new installation of the CATV operator on its poles and in the vicinity of its lines or appurtenances. Such inspection, made or not, shall not operate to relieve the CATV operator of any responsibility, obligation or liability assumed under the tariff.
- D. The Cooperative reserves to itself, its successor and assigns, the right to maintain its poles and to operate its facilities thereon in such manner as will, in its own judgment, best enable it to fulfill its own service requirements. The Cooperative shall not be liable to the CATV operator for any interruption in service of CATV operator or for interference with the operation of f the cables, wires and appliances of the CATV operator arising in any manner out of the use of the Cooperative's poles hereunder.
- E. The Cooperative shall exercise reasonable care to avoid damaging the facilities of the CATV operator, made an immediate report to the CATV operator of the occurrence of any such damage caused by its employees, agents or contractors, and, except for removal for non-payment or for failure to post or maintain the required "Performance Bond", agrees to reimburse the CATV operator for all reasonable cost incurred by the CATV operator for the physical repair of facilities damaged by the negligence of the Cooperative.

**INSPECTIONS**

- A. Periodic Inspections - Any unauthorized or unreported attachment by CATV operator will be billed at a rate of two times the amount equal to the rate that would have been due, had the installation been made the day after the last previously required inspection.
- B. Made-Ready Inspection - Any "make-ready" inspection of "walk-through" inspection required of the Cooperative will be paid for by the CATV operator at a rate equal to the Cooperative's actual expenses, plus appropriate overhead charges.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
9/1/2008  
PURSUANT TO 807 KAR 5:011  
SECTION 10, 2008

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By Stephanie Dumbrow  
Executive Director

DATE OF ISSUE: April 11, 2008      DATE EFFECTIVE: September 1, 2008

ISSUED BY: [Signature]  
(Name of Officer)

Issued by authority of an Order of the Public Service Co  
in Case No.: 2008-00011      Dated: August 28, 2008



**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate - Continued**

**INSURANCE OR BOND**

- A. The CATV operator agrees to defend, indemnify and save harmless the Cooperative from any and all damages, loss, claim, demand, suit, liability, penalty or forfeiture of every kind and nature, including, but not limited to, costs and expenses of defending against the same and payment of any settlement or judgment therefore, by reason of (a) injuries or deaths to persons, (b) damages to or destruction of properties, (c) pollutions, contaminations of or other adverse effects on the environment or (d) violations of governmental laws, regulations or orders whether suffered directly by the Cooperative itself, or indirectly by reason of claims, demands or suits against it by third parties, resulting or alleged to have resulted from acts or omissions of the CATV operator, its employees, agents or other representatives or from their presence on the premises of the Cooperative, either solely or in concurrence with any alleged joint negligence of the Cooperative. The Cooperative shall be liable for sole active negligence.
- B. The CATV operator will provide from a company authorized to do business in the Commonwealth of Kentucky:

Protection for its employees to the extent required by Workmen's Compensation Law of Kentucky.

Public liability coverage with separate coverage for each town or city in which the CATV operator operates under this contract to a minimum amount of \$100,000.00 for each person and \$300,000.00 for each accident or personal injury or death, and \$25,000.00 as to the property of any one person, and \$100,000.00 as to any once accident or property damage.

Before beginning operations under this tariff, the CATV operator shall cause to be furnished to the Cooperative a certificate for such coverage, evidencing the existence of such coverage. Each policy required hereunder shall contain a contractual endorsement written as follows:

*"The insurance or bond provided herein shall also be for the benefit of Blue Grass Energy Cooperative Corporation, so as to guarantee, within the coverage limits, the performance by the insured of any indemnity agreement set forth in this tariff. This insurance or bond may not be canceled for any cause without thirty (30) days advance notice being first given to Blue Grass Energy Cooperative Corporation."*

**CHANGE OF USE PROVISION**

When the Cooperative subsequently requires a change in its poles or attachment for any reasons

unrelated to the CATV operations, the CATV operator shall be given forty-eight (48) hours notice of the proposed change (except in case of emergency). If the CATV operator is unable or unwilling to meet the Cooperative's time schedule for such changes, the Cooperative may do the work and charge the CATV operator its reasonable cost for performing the change of CATV attachments.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
9/1/2008

PURSUANT TO 807 KAR 5:011  
SECTION 4

September 1, 2008

By Stephanie Dumbauld  
Executive Director

DATE OF ISSUE: April 11, 2008      DATE EFFECTIVE: September 1, 2008

ISSUED BY: [Signature]      TITLE: [Signature]  
(Name of Officer)

Issued by authority of an Order of the Public Service Co  
in Case No.: 2008-00011      Dated: August 28, 2008

BLUE GRASS ENERGY  
COOPERATIVE CORPORATION

E+L C  
5 of 6  
For Entire Territory Served  
P.S.C. KY NO. 2  
ORIGINAL SHEET NO.31  
CANCELLING P.S.C. KY NO. 1  
ORIGINAL SHEET NO. 31

### CLASSIFICATION OF SERVICE

#### Cable Television Attachment Rate - Continued

#### ABANDONMENT

- A. If the Cooperative desires at any time to abandon any pole to which the CATV operator has attachments, it shall give the CATV operator notice in writing to that effect at least thirty (30) days prior to the date on which it intends to abandon such pole. If, at the expiration of said period, the Cooperative shall have no attachments on such pole, but the CATV operator shall not have removed all of its attachments there from, such pole shall thereupon become the property of the CATV operator, and the CATV operator shall save harmless the Cooperative from all obligation, liability, damages, cost, expenses, or charges incurred thereafter; and shall pay the Cooperative for such pole an amount equal to the Cooperative's depreciated cost thereof.
- B. The Cooperative shall further evidence transfer to the CATV operator of title to the pole by means of a bill of sale.
- C. The CATV operator may at any time abandon the use of the attached pole by giving due notice thereof in writing to the Cooperative and by removing there from any and all attachments it may have thereon. The CATV operator shall in such case pay to the Cooperative the full rental for said pole for the then current billing period.

#### RIGHTS OF OTHERS

Upon notice from the Cooperative to the CATV operator that the use of any pole or poles is forbidden by municipal or other public authorities or by property owners, the permit governing the use of such pole or poles shall immediately terminate and the CATV operator shall remove its facilities from the affected pole or poles at once. No refund of any rental will be due on account of any removal resulting from such forbidden use.

#### PAYMENT OF TAXES

Each party shall pay all taxes and assessments lawfully levied on its own property upon said attached poles, and the taxes and the assessments which are levied on said property shall be paid by the owner thereof, but any tax fee, or charge levied on the Cooperative's poles solely because of their use by the CATV operator shall be paid by the CATV operator.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: September 1, 2008 (1)

ISSUED BY: [Signature]  
(Name of Officer)

TITLE: [Signature]  
By [Signature]  
Executive Director

Issued by authority of an Order of the Public Service Comm  
in Case No.: 2008-00011 Dated: August 28, 2008

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
9/1/2008

PURSUANT TO 807 KAR 5:011

**CLASSIFICATION OF SERVICE**

**Cable Television Attachment Rate - Continued**

**BOND OR DEPOSITOR PERFORMANCE**

- A. The CATV operator shall furnish bond or satisfactory evidence of contractual insurance coverage from the purposes hereinafter specified in the amount of twenty-five thousand dollars (\$25,000), until such time as the CATV operator shall occupy twenty-five hundred (2,500) poles of the Cooperative and thereafter the amount thereof shall be increased to increments of one-thousand dollars (\$1,000), for each one-hundred (100) poles (or fraction thereof) occupied by the CATV operator, evidence of which shall be presented to the Cooperative fifteen (15) days prior to beginning construction. Such bond or insurance shall contain the provision that it shall not be terminated prior to six (6) months after receipt by the Cooperative of written notice of the desire of the Bonding or Insurance Company to terminate such bond or insurance. Upon receipt of such notice, the Cooperative shall request the CATV operator to immediately remove its cables, wires, and all other facilities from all poles of the Cooperative. If the CATV operator should fail to complete the removal of all its facilities from the poles of the Cooperative within thirty (30) days after receipt of such request from the Cooperative, then the Cooperative shall have the right to remove them at the cost and expense of the CATV operator and without being liable for any damage to the CATV operator's wires, cables, fixtures, or appurtenances. Such bond or insurance shall guarantee the payment of any sums which may become due to the Cooperative for rentals, inspections or work performed for the benefit of the CATV operator under this tariff, including the removal of attachments upon termination of service by any of its provisions.
  
- B. After the CATV operator has been a customer of the Cooperative and not in default for a period of two years, the Cooperative shall reduce the bond by 50%, or, at the Cooperative's option, require a deposit in keeping with 807 KAR 5:006, Section 7.

**USE OF ANCHORS**

The Cooperative reserves the right to prohibit the use of any existing anchors by CATV operator where the strength or conditions of said anchors cannot be readily identified by visual inspection.

**DISCONTINUANCE OF SERVICE**

The Cooperative may refuse or discontinue serving an applicant or customer under the conditions set out in 807 KAR 5:006, Section 11.

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE 9/1/2008	
PURSUANT TO 807 KAR 5:011 SECTION 11	
DATE OF ISSUE: April 11, 2008  ISSUED BY: <u><i>J. Donald Math</i></u> <small>(Name of Officer)</small>	DATE EFFECTIVE: September 1, 2008  By: <u><i>Stephanie Dumber</i></u> <small>Executive Director</small>
Issued by authority of an Order of the Public Service Co in Case No.: 2008-00011 Dated: August 28, 2008	

**Official Notice**

Blue Grass Energy Cooperative Corporation., with its principal office at Nicholasville, Kentucky, and with its address as P.O. Box 990, Nicholasville, Kentucky 40340, intends to file with the Kentucky Public Service Commission in Case No. 2010-00046 an application to adjust its retail rates and charges. This Adjustment will result in a general rate increase to the member-consumers of Blue Grass Energy Cooperative Corporation.

The rates proposed in this application are the rates proposed by Blue Grass Energy Cooperative Corporation. However, the Kentucky Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this application.

Any corporation, association, body politic, or person may by motion within thirty (30) days after publication or mailing of notice of the proposed rate changes request leave to intervene. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Any person who has been granted intervention by the Commission may obtain copies of the rate application and any other filings made by the utility by contacting Donald Smothers, Blue Grass Energy Cooperative Corporation, P.O. Box 990, Nicholasville, Kentucky 40340, phone 859-885-4191.

Any person may examine the rate application and any other filings made by the utility at the office of Blue Grass Energy Cooperative Corporation or at the Commission's office.

Blue Grass Energy Cooperative Corp.  
P.O. Box 990  
Nicholasville, Kentucky 40340  
859-885-4191

Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602  
502-564-3940

The present and proposed rate structures of Blue Grass Energy Cooperative Corporation are listed below:

<u>Attachment Description</u>	<u>Rates</u>	
	<u>Existing</u>	<u>Proposed</u>
2 party Pole	\$4.77	\$5.82
3 party Pole	\$4.21	\$4.82
2 party Anchor	\$7.58	\$10.00
3 party Anchor	\$5.00	\$6.60
2 party Ground	\$0.31	\$0.26
3 party Ground	\$0.19	\$0.16



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

April 23, 2010

Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

Dear Mr. Derouen:

This is to advise, in accordance with the Commission's Administrative Regulation 807 KAR 5:001, Section 11(2), that after 30 days from April 23, 2010, Blue Grass Energy Cooperative Corporation intends to file an application for an increase in its residential security deposit and cable television attachments based on a historical test year ending December 31, 2009.

If there are any questions concerning this matter, please contact me at your convenience.

Respectfully submitted,

J. Donald Smothers  
Vice President, Financial Services & CFO

Copy to:

Attorney General  
Utility Intervention and Rate Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601

Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet



Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

April 28, 2010

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

RE: Case No 2010-00185  
Blue Grass Energy Cooperative Corp.  
(General Rates)

Notice of Intent to File Application for Increase in Residential Security Deposit and

This letter is to acknowledge receipt of notice of intent to file an application in the above case. The notice was date-stamped received April 28, 2010 and has been assigned Case No 2010-00185. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

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

Jeff Derouen  
Executive Director

JD/rs

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of Adjustment of Security Deposit  
And Cable Television Attachment Tariffs for  
Blue Grass Energy Cooperative Corporation**

**Case No. 2010-00046**

PREPARED TESTIMONY OF J. DONALD SMOTHERS

Q1. Would you please state your name and business title?

A1. J. Donald Smothers, Vice President of Financial Services and CFO for Blue Grass Energy..

Q2. How long have you been employed by Blue Grass Energy and what is your education?

A2. I have been employed by Blue Grass Energy for approximately thirty (30) years. I have a BBA degree in Accounting.

Q3. Have you appeared before the Kentucky Public Service Commission or participated in filings before this Commission?

A3. Yes, I have.

Q4. Did you prepare or assist in the preparation of the financial exhibits for Blue Grass Energy Cooperative filed with its application in this case?

A4. Yes.

Q5. Why is this application necessary?

A5. Due to a general rate increase in Case No. 2008-00011, implemented September 2008, and a pass-through rate increase from East Kentucky Power Cooperative, implemented April 2009, an increase in the security deposit is needed to help offset the continued increase in bad debt write-offs. Blue Grass is proposing to increase this deposit from \$175 to \$225. The proposed deposit amount remains within the 2/12<sup>th</sup> average bill requirement as stipulated by the Kentucky Public

Service Commission as stated in 807 KAR 5:006(b). In addition, due to increases in operating costs, investments in plant assets, and the rate of return granted in Case No. 2008-00011, an increase in the cable television attachment rates is needed, and justified.

Q6. What is the financial impact of this application?

A6. An impact statement is included as Exhibit G of this application. The financial impact to Blue Grass on its margins, times interest earned ratio, and debt service coverage ratio are only minimal for cable television attachment rates. It is estimated that the additional customer deposit will reduce the accounts written-off by approximately the same amount of additional interest on customer deposits.

Q7. In your opinion, are the adjusted rates requested in this Case by Blue Grass Energy necessary?

A7. Based on the increases in costs and revenues, these increases are necessary to cover the increases.

Q8. Does this conclude your testimony in this case?

A8. Yes, it does.



**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of Adjustment of Security Deposit  
And Cable Television Attachment Tariffs for  
Blue Grass Energy Cooperative Corporation**

**Case No. 2010-00046**

PREPARED TESTIMONY OF ALAN M. ZUMSTEIN

Q1. Would you please state your name, residence, and occupation.

A1. Alan M. Zumstein, my address is 1032 Chetford Drive, Lexington, Kentucky 40509. I am a self-employed Certified Public Accountant.

Q2. How long have you been practicing your profession?

A2. I have been self-employed for approximately twenty-five years. Prior to that, I was employed by a local CPA firm for approximately six years.

Q3. Are you familiar with accounting work and accounting procedures for rural electric cooperatives.

A3. Yes. I have had much prior experience in electric cooperative accounting and have done accounting work in the preparation of rate cases for electric cooperative for presentation to the Public Service Commission.

Q4. Have you appeared before the Kentucky Public Service Commission and given testimony in electric cooperative cases?

A4. Yes, I have.

Q5. Did you prepare or assist in the preparation of the financial exhibits for Blue Grass Energy Cooperative filed with its Notice Application in this case?

A5. Yes.

Q6. Why is this application necessary?

A6. Due to a general rate increase in Case No. 2008-00011, implemented September 2008, and a pass-through rate increase from East Kentucky Power Cooperative, implemented April 2009, an increase in the security deposit is needed to help offset the continued increase in bad debt write-offs. Blue Grass is proposing to increase this deposit from \$175 to \$225. The proposed deposit amount remains within the 2/12<sup>th</sup> average bill requirement as stipulated by the Kentucky Public Service Commission as stated in 807 KAR 5:006(b). In addition, due to increases in operating costs, investments in plant assets, and the rate of return granted in Case No. 2008-00011, an increase in the cable television attachment rates is needed, and justified.

Q7. What is the financial impact of this application?

A7. An impact statement is included as Exhibit G of this application. The financial impact to Blue Grass on its margins, times interest earned ratio, and debt service coverage ratio are only minimal for cable television attachment rates. It is estimated that the additional customer deposit will reduce the accounts written-off by approximately the same amount of additional interest on customer deposits.

Q8. In your opinion, are the adjusted rates requested in this Case by Blue Grass Energy necessary?

A8. Based on the increases in costs and revenues, these increases are necessary to cover the increases.

Q9. Does this conclude your testimony in this case?

A9. Yes, it does.

Blue Grass Energy Cooperative  
Case No. 2010-00046  
Impact Statement  
December 31, 2009  
TIER and DSC Ratios

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted Statements</u>
Net margins	6,016,890	15,292	6,032,182
G&T capital credits	3,600,144		3,600,144
Margins, excluding G&T capital credits	2,416,746	15,292	2,432,038
Interest on long term debt	4,456,996		4,456,996
Depreciation expense	7,003,917		7,003,917
Principal paid on long term debt	4,265,926		4,265,926
Times interest earned ratio (TIER), excluding G&T TIER = (margins + interest) / interest	1.54		1.55
Debt service coverage (DSC), excluding G&T DSC = (margins + depreciation + interest) / (interest + principal payments)	1.59		1.59

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0064
<b>FINANCIAL AND STATISTICAL REPORT</b>	PERIOD ENDED December, 2009
INSTRUCTIONS - For detailed instructions, see RUS Bulletin 1717B-2.	BORROWER NAME
<i>This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.</i>	BLUE GRASS ENERGY COOPERATIVE CORPORATION

**CERTIFICATION**

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES**

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**  
(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

\_\_\_\_\_  
DATE

**PART A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	108,898,100	108,653,336	119,166,450	9,311,188
2. Power Production Expense				
3. Cost of Purchased Power	82,869,778	78,319,200	85,306,254	7,927,267
4. Transmission Expense				
5. Distribution Expense - Operation	2,693,573	2,646,730	2,745,650	98,387
6. Distribution Expense - Maintenance	5,069,874	5,442,798	5,146,300	719,383
7. Customer Accounts Expense	2,516,451	2,891,937	2,633,650	250,160
8. Customer Service and Informational Expense	1,184,997	1,324,754	1,311,258	928
9. Sales Expense				
10. Administrative and General Expense	4,439,439	4,302,949	4,687,750	347,507
11. Total Operation & Maintenance Expense (2 thru 10)	98,774,112	94,928,368	101,830,862	9,343,632
12. Depreciation and Amortization Expense	6,390,313	7,003,917	6,870,000	601,945
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	533	2,010	4,800	1,881
15. Interest on Long-Term Debt	4,399,876	4,456,996	5,385,000	379,036
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	408,239	138,173	200,400	8,626
18. Other Deductions	18,696	11,485	15,000	970
19. Total Cost of Electric Service (11 thru 18)	109,991,769	106,540,949	114,306,062	10,336,090
20. Patronage Capital & Operating Margins (1 minus 19)	(1,093,669)	2,112,387	4,860,388	(1,024,902)
21. Non Operating Margins - Interest	80,474	78,075	123,600	663
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(55,685)	(26,685)		29,775
25. Generation and Transmission Capital Credits	1,054,192	3,600,144		3,600,144
26. Other Capital Credits and Patronage Dividends	405,568	252,969	250,100	
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	390,880	6,016,890	5,234,088	2,605,680

USDA - RUS	BORROWER DESIGNATION KY0064
<b>FINANCIAL AND STATISTICAL REPORT</b>	PERIOD ENDED December, 2009
INSTRUCTIONS - See RUS Bulletin 1717B-2	

**PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT**

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	953	646	5. Miles Transmission		
2. Services Retired	90	90	6. Miles Distribution - Overhead	4,298.00	4,318.00
3. Total Services in Place	60,878	61,434	7. Miles Distribution - Underground	268.00	275.00
4. Idle Services (Exclude Seasonals)	3,348	3,379	8. Total Miles Energized (5 + 6 + 7)	4,566.00	4,593.00

**PART C. BALANCE SHEET**

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service .....	189,082,373	29. Memberships.....	1,035,713
2. Construction Work in Progress .....	5,788,245	30. Patronage Capital.....	37,046,394
3. Total Utility Plant (1 + 2) .....	194,870,618	31. Operating Margins - Prior Years.....	96,485
4. Accum. Provision for Depreciation and Amort .....	45,678,882	32. Operating Margins - Current Year.....	6,016,890
5. Net Utility Plant (3 - 4) .....	149,191,736	33. Non-Operating Margins.....	62,513
6. Non-Utility Property (Net) .....	0	34. Other Margins and Equities.....	1,929,891
7. Investments in Subsidiary Companies .....	0	35. Total Margins & Equities (29 thru 34).....	46,187,886
8. Invest. in Assoc. Org. - Patronage Capital .....	24,089,565	36. Long-Term Debt - RUS (Net).....	65,402,794
9. Invest. in Assoc. Org. - Other - General Funds .....	0	37. Long-Term Debt - FFB - RUS Guaranteed.....	31,777,609
10. Invest. in Assoc. Org. - Other - Nongeneral Funds..	2,290,391	38. Long-Term Debt - Other - RUS Guaranteed.....	0
11. Investments in Economic Development Projects ...	0	39. Long-Term Debt Other (Net).....	17,482,948
12. Other Investments .....	0	40. Long-Term Debt - RUS - Econ. Devel. (Net).....	0
13. Special Funds .....	0	41. Payments - Unapplied .....	0
14. Total Other Property & Investments (6 thru 13) ...	26,379,956	42. Total Long-Term Debt (36 thru 40 - 41).....	114,663,351
15. Cash - General Funds .....	2,451,299	43. Obligations Under Capital Leases - Noncurrent.....	0
16. Cash - Construction Funds - Trustee .....	0	44. Accumulated Operating Provisions and Asset Retirement Obligations..	7,339,792
17. Special Deposits .....	0	45. Total Other Noncurrent Liabilities (43 + 44).....	7,339,792
18. Temporary Investments .....	3,300,000	46. Notes Payable.....	0
19. Notes Receivable (Net) .....	0	47. Accounts Payable.....	10,175,916
20. Accounts Receivable - Sales of Energy (Net) .....	1,760,679	48. Consumers Deposits.....	1,638,207
21. Accounts Receivable - Other (Net) .....	1,404,378	49. Current Maturities Long-Term Debt.....	4,300,000
22. Materials and Supplies - Electric & Other .....	1,048,322	50. Current Maturities Long-Term Debt -Economic Development.....	0
23. Prepayments .....	512,591	51. Current Maturities Capital Leases.....	0
24. Other Current and Accrued Assets .....	0	52. Other Current and Accrued Liabilities.....	1,273,223
25. Total Current and Accrued Assets (15 thru 24) .....	10,477,269	53. Total Current & Accrued Liabilities (46 thru 52).....	17,387,346
26. Regulatory Assets .....	0	54. Regulatory Liabilities.....	0
27. Other Deferred Debits .....	130,064	55. Other Deferred Credits.....	600,650
28. Total Assets and Other Debits (5+14+25 thru 27)..	186,179,025	56. Total Liabilities and Other Credits (35+ 42 + 45 + 53 thru 55).....	186,179,025

Residential billing analysis December 2009 (rate 11) and calculation of the deposit:

Energy Revenue	\$70,549,183.77
Fuel Adjustment	\$ 2,399,215.14
Lights	\$ 1,423,539.28
Environmental Surcharge (other amt. 3)	\$ 4,814,100.48
Subtotal	\$79,186,038.67
Local Tax (school)	\$ 2,373,676.78
Franchise Tax	\$ 534,560.30
Total Billing	\$82,094,275.75
Total Bills	626,159
Average Monthly Bill	\$ 131.11
2/12 annual billing average	\$ 262.22
Current Deposit	<u>\$ 175.00</u>
Recommended Deposit	<u>\$ 225.00</u>

Total Monthly bills for 2009:

January	52,251
February	52,481
March	52,100
April	51,982
May	51,968
June	52,314
July	52,288
August	52,123
September	52,038
October	52,125
November	52,324
December	<u>52,165</u>
Total	<u>626,159</u>

Exhibit A  
Page 3 of 6

PRG. RATEREGS		KENTUCKY		REVENUE REPORT			BILL MOYR 12/09		RUN DATE 12/31/09 05:44 PM	
BLUE GRASS ENERGY		REGISTER DATE 12/09			11		PAGE 1			
		RATE THIS YEAR	NET/MONTH	YTD	% CHG	LAST YEAR MONTH	% CHG	YTD	% CHG	
	GROSS	ADJUSTMENTS								
ENERGY	6874671.73	10878.44-	6863793.29	70549183.77	.09	6911708.39	.16	42924948.52	1.64	
FUEL	808227.20	1242.45	806984.74	2399215.14	.33	1312174.54	.28	4560430.23	.52	
DEMAND LIGHTS	124212.84	962.81-	123250.03	1423539.28	.08	115342.59	.17	669594.16	2.12	
INVESTMENT	.00	.00	.00	.00	.00	.00	.00	.00	.00	
RENTAL/EQUIPMENT	.00	.00	.00	21205.00-	.00	.00	.00	.00	.00	
LM CREDITS	.00	.00	.00	5989.68-	.07	6213.28-	.12	50570.85-	1.50	
INTEREST CONTRACT	3302.76	.00	3302.76	81501.42	.04	4626.04	.08	53440.68	1.52	
TOTAL ****	6187970.45	10598.79-	6177371.66	74355985.86	.08	8337638.28	.17	48157842.74	1.54	
STATE TAX	37.02	.00	37.02	863.42	.04	249.32-	.08	2811.13	.30	
LOCAL TAX	194350.75	317.75-	194033.00	2373676.78	.08	262174.91	.17	1509551.49	1.57	
FRANCHISE TAX	38603.79	23.71-	38580.08	534560.30	.07	51663.67	.10	475812.96	1.12	
OTHER TAX	.00	.00	.00	18.02-	.00	582.46	3.03	191.87	.09	
TOTAL ****	232991.56	341.46-	232650.10	2909082.48	.07	314171.72	.15	1988367.45	1.46	
PENALTY	.00	83702.55	83702.55	536809.96	.15	92808.43	.12	730785.66	.73	
RECCUR CHARGES	648.35		648.35	7486.75	.08	618.28	.08	7097.66	1.05	
MISC CHARGES	525.00		525.00	8439.29	.05	175.00	.03	4915.55	1.71	
OTHER CHARGES	2206.00		2206.00	19897.22	.11	938.68	.04	20158.95	.98	
OTHER AMT 1	.00	4.80-	4.80-	7.39-	.64	5.66	.04	129.15-	.05	
OTHER AMT 3	291578.15	542.31-	291035.84	4814100.48	.05	404774.31	.18	2198927.74	2.18	
TOTAL ****	294957.50	547.11-	294410.39	4849916.35	.06	406511.93	.18	2230970.75	2.17	
ANCILLARY SERVICES	.00		.00							
MEMBERSHIPS	2745.00		2745.00	2279.83	1.20	622.50	.04	9470.17	.24	
DEPOSITS	8281.05		8281.05	37096.43-	.22	160.00	.00	24424.00	1.51	
OTHER DEPS	.00		.00	525.00-	.00	175.00	.16	1080.00	.48	
TOTAL ****	11026.05		11026.05	35341.60-	.31	957.50	.02	34974.17	1.01	
GRAND TOTAL ****	6726945.56	72215.19	6799160.75	82616453.05	.08	9152087.86	.17	53142940.77	1.55	



1. Bad Debt to Revenue Ratio:

Year	Revenue	Bad Debt	Ratio
2005	\$ 85,349,220	\$248,693	.29%
2006	\$ 89,360,905	\$386,622	.43%
2007	\$ 98,994,564	\$355,319	.36%
2008	\$108,898,100	\$429,810	.39%
2009	\$108,652,287	\$590,525	.54%

**BLUE GRASS ENERGY  
COOPERATIVE CORPORATION**

For Entire Territory Served  
P.S.C. KY No. 1  
Original SHEET NO 4  
CANCELLING P.S.C.NO.       
     SHEET NO.     

**RULES AND REGULATIONS**

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government. A locked entrance, dog or other problem may prevent the meter reader from reading the meter at times. The reading may then be estimated, based on the electricity previously used. When the reading is estimated, it will be noted on the bill. After the next actual reading, the bill will be adjusted automatically if the estimated reading was too high or too low. Failure to receive a statement will not release the member from payment obligation.

**(14) DEPOSITS**

Blue Grass Energy may require a minimum cash deposit to secure payment of bills except for customers qualifying for service connection pursuant to 807 KAR 5:006, Section 15, Winter Hardship Reconnection. Service may be refused or discontinued for failure to pay the requested deposit. Residential customers, where applicable, will pay a deposit in the amount of \$225.00. (I) This amount does not exceed the average bill of residential customers served by Blue Grass Energy and is equal to 2/12 of the average bill. Interest, as prescribed by KRS 278.460, will be paid annually either by refund or credit to the customer's bill, except that no refund or credit will be made if the customer's bill is delinquent on the anniversary date of the deposit.

The deposit may be waived upon a customer's showing of satisfactory credit. Required deposits will be returned after one year if the customer has established a satisfactory payment record for that period. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. The cooperative may require a deposit in addition to the initial deposit if the customer's classification of service changes or if there is a substantial change in usage. Upon termination of service, the deposit, any principal amounts and any interest earned and owing, will be credited to the final bill with any remainder refunded to the customer.

A deposit will be required or waived, based on the credit report received from the credit agency as determined by Blue Grass Energy at the time the service is requested by the customer. If the customer has a satisfactory credit report the deposit may be waived.

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DATE OF ISSUE: June 1, 2010

DATE EFFECTIVE: July 1, 2010

ISSUED BY: J. Donald Smothers

J. Donald Smothers, Vice President and CFO

ADDRESS: P. O. Box 990, Nicholasville KY 40340-0990

Issued by authority of an Order of the Public Service Commission of Kentucky

In Case No.:

Dated:

## 807 KAR 5:006. General rules.

computed shall be furnished under one (1) of the following methods:

- (a) By printing it on the bill.
- (b) By publishing it in a newspaper of general circulation once each year.
- (c) By mailing it to each customer once each year.
- (d) By providing a place on each bill where a customer may indicate his desire for a copy of the applicable rates. The utility shall mail the customer a

copy by return first class mail.

(2) Flat rates. Flat rates for unmetered service shall approximate as closely as possible the utility's rates for metered service. The rate schedule shall clearly set out the basis upon which consumption is estimated.

(3) Bill format. Each utility shall include the billing form to be used by it, or its contents, in its tariffed rules.

(4) Meter readings. Registration of each meter shall read in the same units as used for billing unless a conversion factor is shown on the billing form.

(5) Frequency of meter reading. Each utility, except if prevented by reasons beyond its control, shall read customer meters at least quarterly, except that each utility using customer-read meter information shall read each revenue related meter on its system at least once during each calendar year. Records shall be kept by the utility to insure that this information is available to commission staff and any customer requesting this information. If, due to reasons beyond its control, a utility is unable to read a meter in accordance with this subsection, the utility shall record the date and time the attempt was made, if applicable, and the reason the utility was unable to read the meter.

Section 7. Deposits. (1) Determination of deposits. A utility may require from any customer a minimum cash deposit or other guaranty to secure payment of bills, except from those customers qualifying for service reconnection under Section 15 of this administrative regulation. The method of determining the amount of a cash deposit may differ between classes of customers, but shall be uniform for all customers within the same class. The amount of a cash deposit shall be determined by one (1) of the following methods:

(a) Calculated deposits. If actual usage data is available for the customer at the same or similar premises, the deposit amount shall be calculated using the customer's average bill for the most recent twelve (12) month period. If actual usage data is not available, the deposit amount shall be based on the average bills of similar customers and premises in the system. Deposit amounts shall not exceed two-twelfths (2/12) of the customer's actual or estimated annual bill where bills are rendered monthly, three-twelfths (3/12) where bills are rendered bimonthly, or four-twelfths (4/12) where bills are rendered quarterly.

(b) Equal deposits. The utility may establish an equal deposit amount for each class based on the average bill of customers in that class. Deposit amounts shall not exceed two-twelfths (2/12) of the average bill of customers in the class where bills are rendered monthly, three-twelfths (3/12) where bills are rendered bimonthly, or four-twelfths (4/12) where bills are rendered quarterly.

(c) Recalculation of deposits. If the utility will or may retain either an equal or calculated deposit for more than eighteen (18) months, it shall notify customers in writing that, at the customer's request, the deposit will be recalculated every eighteen (18) months based on actual usage of the customer. The notice of deposit recalculation shall be included either on the customer's application for service or on the receipt of deposit, or may be included annually with or on customer bills. The notice of deposit recalculation shall state that if the deposit on account differs by more than ten (10) dollars for residential customers, or by more than ten (10) percent for nonresidential customers, from the deposit calculated on actual usage, then the utility shall refund any over-collection and may collect any underpayment. Refunds shall be made either by check or by credit to the customer's bill, except that a utility shall not be required to refund any excess deposit if the customer's bill is delinquent at the time of recalculation.

(2) Waiver of deposits. Deposits may be waived at the discretion of the utility in accordance with its currently effective tariff based upon a customer's showing of satisfactory credit and payment history.

(3) Additional deposit requirement. If a deposit has been waived, as allowed in subsection (2) of this section, or has been returned and the customer fails to maintain a satisfactory payment record as defined in the utility's currently effective tariff, the utility may require that a deposit be made. If substantial change in usage has occurred, the utility may require that an additional deposit be made. No additional or subsequent deposit shall be required of residential customers whose payment record is satisfactory, unless the customer's classification of service changes, except as provided in subsection (1)(c) of this section.

(4) Receipt of deposit. The utility shall issue to every customer from whom a deposit is collected a receipt of deposit. The receipt shall show the name of the customer, location of the service or customer account number, date, and amount of deposit. If the notice of recalculation described in subsection (1)(c) of this section is not included in the utility's application for service or mailed with customer bills, the receipt of deposit shall contain the notification. If deposit amounts change, the utility shall issue a new receipt of deposit to the customer.

(5) Deposits as a condition of service. Except as otherwise provided by Section 15 of this administrative regulation, customer service may be refused or discontinued pursuant to Section 14 of this administrative regulation if payment of requested deposits is not made.

(6) Interest on deposits. Interest shall accrue on all deposits at the rate prescribed by law, beginning on the date of deposit. Interest accrued shall be refunded to the customer or credited to the customer's bill on an annual basis, except that a utility shall not be required to refund or credit interest on deposits if the customer's bill is delinquent on the anniversary of the deposit date. All interest that has accrued as of the effective date of this administrative regulation shall be refunded or credited to the customer's bill on the first anniversary of the deposit date after the effective date of this administrative regulation. If interest is paid or credited to the customer's bill prior to twelve (12) months from the date of deposit, the payment or credit shall be on a prorated basis. Upon termination of service, the deposit, any principal amounts, and interest earned and owing shall be credited to the final bill with any remainder refunded to the customer.

(7) Tariff requirements. Each utility which chooses to require deposits shall establish and include in its filed tariff the deposit policy to be utilized. This policy shall include:

- (a) The method by which deposit amounts will be determined for each customer class;
- (b) Standard criteria for determining when a deposit will be required or waived;

Blue Grass Energy Cooperative  
CATV Pole Attachments  
as of December 31, 2009

*Additional revenues generated*

<u>Attachment Description</u>	Number	Rates		Revenue		Increase	
		Existing	Proposed	Existing	Proposed	Amount	Percent
2 party Pole	9,054	\$4.77	\$5.82	\$43,188	\$52,691	\$9,504	18%
3 party Pole	1,289	4.21	4.82	5,427	6,211	\$784	13%
2 party Anchor	1,526	7.58	10.00	11,567	15,263	\$3,696	24%
3 party Anchor	1,048	5.00	6.60	5,240	6,918	\$1,678	24%
2 party Ground	8,128	0.31	0.26	2,520	2,151	(\$369)	-17%
3 party Ground	485	0.19	0.16	92	80	(\$13)	-16%
Total				\$67,941	\$83,234	\$15,292	18%

Blue Grass Energy Cooperative  
CATV Pole Attachments  
as of December 31, 2009

A. 1. Two-Party Pole Cost:

<u>Size</u>	<u>Quantity</u>	<u>Amount</u>	<u>Weighted Average Cost</u>
35' and under poles	38,216	\$6,774,155	
40' - 45' poles	51,545	\$22,260,668	
	<u>89,761</u>	<u>\$29,034,823</u>	<u>\$323.47</u>

2. Three-Party Pole Cost:

<u>Size</u>	<u>Quantity</u>	<u>Amount</u>	<u>Weighted Average Cost</u>
40' - 45' poles	<u>51,545</u>	<u>\$22,260,668</u>	<u>\$431.87</u>

3. Average cost of anchors

\$115.68

B. 1. Pole Charge:

a. Two party =	\$323.47	85%	17.29%	0.1224	\$5.82
b. Three party =	\$431.87	85%	17.29%	0.0759	\$4.82

2. Pole Charge, with ground attachments:

a. Two party =	\$323.47	85%	\$12.50	17.29%	0.1224	\$0.26
b. Three party =	\$431.87	85%	\$12.50	17.29%	0.0759	\$0.16

3. Anchor Charge:

a. Two party =	\$115.68		17.29%	0.50	\$10.00
b. Three party =	\$115.68		17.29%	0.33	\$6.60

(1) Remove miscellaneous allocations to pole accounts when using Record Units in the continuing property record (CPR's) system, per PSC Administrative Case No. 251

Blue Grass Energy has not made any adjustments or modifications to its CPR's during the current or previous several years.

Blue Grass Energy's CPRs for poles are classified as following:

- 35' and under
- 40' - 45'
- 50' and over

Blue Grass Energy Cooperative  
CATV Pole Attachments  
as of December 31, 2009

Fixed charges on investment from PSC Annual Report at December 31, 2009.

Total Distribution Expense	8,089,528	
Reference Page 14		
Customer Accounts Expense	2,891,937	
Reference Page 15		
Customer Service and Informational Expense	1,324,754	
Reference Page 15		
Administrative and General	4,302,949	
Reference Page 15		
Depreciation Expense	7,003,917	
Reference Page 13		
Taxes Other than Income Taxes	2,010	
Reference Page 13		
	<hr/>	
Sub total	23,615,095	
Divided by Total Utility Plant	189,082,373	12.49%
Line 2, Page 1		
Cost of Money		
Rate of Return on Investment allowed in the last General		
Rate Request, Case No. 2008-00011	6.24%	
Net plant ratio for distribution plant:		
Distribution plant	<u>172,874,881</u>	
Accumulated depreciation	<u>39,796,857</u>	23.0%
Rate of return ( times 1 minus reserve ratio)		<u>4.80%</u>
Annual carrying charges		<u><u>17.29%</u></u>

UNIT	DESCRIPTION		-----MONTH-----	-----YTD-----	-----LIFE-----			
99364100	ANCHOR GUY		BUILT 373	126582.43	1588	630149.91	63777	11060886.52
			RETIRE 189-	33691.14-	822-	142593.15-	8311-	1113341.70-
INSTALL	225.00	RETIRE 180.32	TOTAL 184	92891.29	766	487556.76	55466	9947544.82
			AVG BUILT COST	339.36		396.82		173.43
99364101	CROSS ARMS		BUILT 498	83109.55	1673	342387.53	46266	5101412.23
			RETIRE 213-	23670.69-	656-	71470.26-	5517-	545303.70-
INSTALL	120.00	RETIRE 112.62	TOTAL 285	59438.86	1017	270917.27	40749	4556108.53
			AVG BUILT COST	166.89		204.65		110.26
99364102	POLES 35' AND UNDER		BUILT 36	27350.43	208	158212.81	46018	8066839.57
			RETIRE 146-	25799.66-	1027-	180343.78-	7802-	1292684.19-
INSTALL	400.00	RETIRE 177.60	TOTAL 110-	1550.77	819-	22130.97-	38216	6774155.38
			AVG BUILT COST	759.73		760.64		175.30
99364103	POLES 40' - 45'		BUILT 308	234619.61	1778	1597991.95	55714	23781643.91
			RETIRE 160-	68782.40-	617-	258007.52-	4169-	1520975.52-
INSTALL	500.00	RETIRE 433.77	TOTAL 148	165837.21	1161	1339984.43	51545	22260668.39
			AVG BUILT COST	761.75		898.76		426.85
99364104	POLES 50' AND OVER		BUILT 52	53309.25	168	194693.55	3210	1891812.98
			RETIRE 6-	3561.66-	35-	19435.87-	280-	130091.98-
INSTALL	750.00	RETIRE 615.77	TOTAL 46	49747.59	133	175257.68	2930	1761721.00
			AVG BUILT COST	1025.18		1158.89		589.35
99364106	CLUSTER MOUNT		BUILT 7	6778.20	40	54469.99	547	295785.79
			RETIRE 6-	3813.90-	18-	10852.28-	180-	60174.84-
INSTALL	650.00	RETIRE 652.66	TOTAL 1	2964.30	22	43617.71	367	235610.95
			AVG BUILT COST	968.31		1361.75		540.74
99364107	BI UNIT		BUILT 6	2358.40	22	7078.18	700	90419.37
			RETIRE 4-	527.96-	11-	1232.29-	80-	7017.82-
INSTALL	200.00	RETIRE 140.09	TOTAL 2	1830.44	11	5845.89	620	83401.55
			AVG BUILT COST	393.07		321.74		129.17
99364109	PLATFORMS		BUILT 0	.00	0	.00	117	73737.14
			RETIRE 0	.00	0	.00	12-	4214.42-
INSTALL	3600.00	RETIRE 1500.00	TOTAL 0	.00	0	.00	105	69522.72
			AVG BUILT COST	.00		.00		630.23
99364110	C-TA-05		BUILT 0	.00	0	.00	11	2720.91
			RETIRE 9-	1125.00-	9-	1125.00-	9-	1125.00-
INSTALL	375.00	RETIRE 797.96	TOTAL 9-	1125.00-	9-	1125.00-	2	1595.91
			AVG BUILT COST	.00		.00		247.36
99364111	C-DE-2A		BUILT 0	.00	0	.00	70	129231.80
			RETIRE 0	.00	0	.00	0	.00
INSTALL	825.00	RETIRE 320.00	TOTAL 0	.00	0	.00	70	129231.80
			AVG BUILT COST	.00		.00		1846.17

to job  
I 4x7