

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT FACILITIES ACCORDING TO THE)	2006-00540
APPLICANT'S 10/01/2006 ~ 09/30/2009 CONSTRUCTION)	
WORK PLAN)	

APPLICATION

Blue Grass Energy Cooperative Corporation, hereinafter called the Applicant, respectfully advises the Commission that:

1. The applicant is a nonprofit membership cooperative corporation without capital stock, duly organized and existing under K.R.S. Chapter 279, engaged in the sale of electric energy at retail rates to its member-consumers in the Kentucky counties of Anderson, Bourbon, Bracken, Estill, Fayette, Franklin, Garrard, Grant, Harrison, Henry, Jackson, Jessamine, Madison, Mercer, Nelson, Nicholas, Pendleton, Robertson, Scott, Shelby, Spencer, Washington and Woodford.
2. The name of the Applicant is Blue Grass Energy Cooperative Corporation, with a business address of P. O. Box 990, 1201 Lexington Road, Nicholasville, Kentucky, 40340-0990. {807 KAR 5:001, Section 8(1)}
3. Applicant is a consolidated cooperative corporation whose consolidation was approved in Case No. 2001-246 before the Kentucky Public Service Commission.

The consolidation consisted of Blue Grass Energy Cooperative Corporation and Harrison County Rural Electric Cooperative Corporation.

4. The Articles of Consolidation of the Applicant are filed in Case No. 2001-246 of the Kentucky Public Service Commission and incorporated by reference herein. {807 KAR 5:001, Section 8(3)}

5. This application is for a Certificate of Public Convenience and Necessity (“CPCN”) to construct electric distribution facilities as set out in the attached 10/01/2006 ~ 09/30/2009 Construction Work Plan, hereinafter referred to as the CWP.

6. The CPCN for the CWP will permit the Applicant to construct certain improvements and additions to existing distribution plant necessary to provide adequate and dependable electric service to existing and anticipated new members. System improvements recommended within the CWP will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, reduce system energy losses and provide for improved service reliability.

7. The CWP covers the period of three years between October 1, 2006 and September 30, 2009, and was prepared by the firm of Patterson & Dewar Engineers, Inc., PO Box 2808, Norcross, GA and the Applicant’s staff. A copy of the CWP is filed herein and made a part hereof as Exhibit 1 (BGE_cwp_122906.pdf). The CWP was submitted to the Rural Utility Service (“RUS”), for approval, which was granted October 19, 2006; said approval is filed herein and made a part hereof within Exhibit 1.

8. The CWP was approved by the Applicant’s Board of Directors on October 16, 2006. Said approval is filed herein and made a part hereof within Exhibit 1.

9. No CWP construction or extensions will require franchises or permits to be filed with the Commission.

10. The CWP and maps filed with this Application provide a description and location of new construction and extensions. All construction and extensions will provide service to retail consuming facilities located in the territory certified to the Applicant for retail electric service under K.R.S. 278.016 ~.018.

11. Total projected expenditures for the three-year CWP are estimated to be \$41,398,230 and summarized as follows:

- a) \$15,579,000 ~ New member construction totaling 332 miles
- b) \$8,699,050 ~ Transformers and meters
- c) \$1,130,580 ~ Service changes and upgrades
- d) \$1,000,000 ~ Sectionalizing equipment and activities
- e) \$75,000 ~ Capacitor bank appurtenances and controls
- f) \$120,000 ~ Voltage regulators
- g) \$1,800,000 ~ Pole replacements
- h) \$660,000 ~ Aged conductor replacement
- i) \$655,500 ~ Security light installations
- j) \$10,929,100 ~ System improvement projects
- k) \$750,000 ~ AMR equipment

12. The anticipated annual cost of operations, excluding the cost of power, of the proposed facilities is \$5,420,830. Said anticipated cost of operation is filed herein and made a part hereof as Exhibit 2 (BGE_costofoperation_122906.xls).

13. The Applicant is filing an application with RUS to arrange 100% financing of CWP projects with the RUS treasury rate loan program. Contract and force accounts financed with internally generated funds and a short-term line of credit will be used until all loan approvals are granted. Said RUS financing will reimburse the general funds expended for the initial portion of the CWP and finance the balance of the CWP

14. The current and projected revenues are sufficient to cover any additional operating expenses that may be incurred in relation to the CWP. The addition of new consumers-members should assist in offsetting any additional expenses. The upgraded lines will also reduce system energy losses and assist in offsetting additional expenses.

WHEREFORE, the Applicant now moves the Public Service Commission of the Commonwealth of Kentucky to grant the said Certificate of Public Convenience and Necessity for Applicant's CWP which the Applicant has herein requested and which the Commission has discretion to grant pursuant to KRS 278.020 (1).

WITNESS the hand of the Applicant on this the 28 day of December, 2006, by its authorized representative.

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

BY: 
R. CHRIS BREWER, PE
Vice President, Engineering

BY: 
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STATE OF KENTUCKY

COUNTY OF WOODFORD

Subscribed, sworn to and acknowledged before me by R. CHRIS BREWER, as Vice President, Engineering of BLUE GRASS ENERGY COOPERATIVE CORPORATION this 28 day of December, 2006.

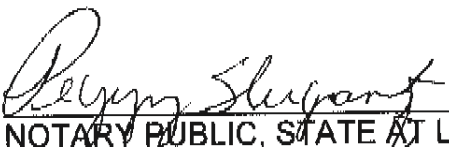


NOTARY PUBLIC, STATE AT LARGE, KY
MY COMMISSION EXPIRES: 6-14-10

STATE OF KENTUCKY

COUNTY OF WOODFORD

Subscribed, sworn to and acknowledged before me by RALPH K. COMBS, as Attorney for BLUE GRASS ENERGY COOPERATIVE CORPORATION this 28 day of December, 2006.



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