

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)	CASE NO.
NECESSITY TO CONSTRUCT FACILITIES)	2011-00007
ACCORDING TO THE APPLICANT'S 11/01/2010 ~)	
10/31/2013 CONSTRUCTION WORK PLAN)	

RESPONSE OF:

BLUE GRASS ENERGY COOPERATIVE, INC. ("BGE") TO THE
"SECOND INFORMATION REQUEST OF COMMISSION STAFF TO BGE"
FOR COMMISSION'S ORDER 2011-00007

DATED JUNE 15, 2011

FILED: JUNE 30, 2011

The Witnesses for All Response Contained Hereinafter:

Gary Grubbs, P.E. ~ Consulting Engineer for BGE

Chris Brewer ~ BGE

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VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF SHELBY)

The undersigned, **Gary Grubbs**, being duly sworn, deposes and says that he is a Consulting Engineer for BGE, and that he has personal knowledge of the matters set forth in the response for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief

Gary Grubbs
Gary Grubbs

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 30th day of June 2011.

Denise Hume
Notary Public

(SEAL)

My Commission Expires:

July 13, 2011

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JESSAMINE)

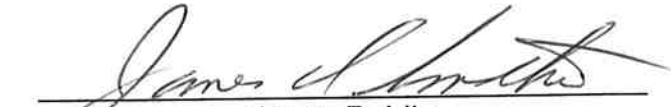
The undersigned, **Chris Brewer**, being duly sworn, deposes and says that he is Vice-President, Engineering for BGE, and that he has personal knowledge of the matters set forth in the response for which she is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Chris Brewer


Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29 day of June 2011.

(SEAL)



Notary Public

My Commission Expires:



BLUE GRASS ENERGY COOPERATIVE, INC.

CASE NO. 2011-00007

Response to Commission Staff's Second Data Request

Dated June 15, 2011

Question No. 1

Witness: Chris Brewer

- Q1. Refer to the response of Blue Grass Energy to Item 7 of the Staff's First Data Request, which states that Blue Grass Energy is in compliance with the RUS recommendation of inspecting 10 percent of its poles annually. 807 KAR 5:006, Section 25(4)(d), requires a utility to inspect, every two years, operating lines at voltages of less than 69 KV, including supporting facilities . Explain Blue Grass Energy's pole inspection process and whether such process is in compliance with the Commission's regulation.
- A1. **The pole inspection process is a process where we do a detailed inspection of 10% of our poles on an annual basis. This process includes a treatment application if applicable based on the condition of the pole and pole type. This pole inspection is a supplement of our overall system inspection which is done on a 2 year cycle. The overall system inspection includes inspection of poles, but with no pole treatment.**

BLUE GRASS ENERGY COOPERATIVE, INC.

CASE NO. 2011-00007

**Response to Commission Staff's Second Data Request
Dated June 15, 2011**

Question No. 2

Witness: Chris Brewer

- Q2. Refer to the response to Item 4 of Staff's First Data Request. Provide a copy of the referenced joint-use pole agreement.
- A2. **A copy of the referenced joint-use pole agreement is attached as Exhibit 1.**

BLUE GRASS ENERGY COOPERATIVE, INC.

CASE NO. 2011-00007

Response to Commission Staff's Second Data Request

Dated June 15, 2011

Question No. 3

Witness: Gary Grubbs

Q3. Refer to Exhibit T to the application, System Improvement Justification Summaries, under the heading "Distribution Line Construction Project."

a. For each of the CFR and CWP Item Numbers listed below, explain why no other alternatives were considered or evaluated. Also provide an explanation as to how the minimum conductor size was selected when the Milsoft Windmil software program was used to determine the conductor size listed in the following pages:

CFR Code and CWP Item Number	BGE Code 300 Project Page
315-1	20 of 63
315-2	21 of 63
315-4	23 of 63
322-2	26 of 63
322-4	28 of 63
323-3	32 of 63
323-7	35 of 63
326-1	38 of 63
340-1	61 of 63

b. Explain why additional information was not given for the proposed (conductor size) phase wire selection for the following pages:

331-1	42 of 63
333-1	47 of 63
333-2	48 of 63
334-2	51 of 63
334-3	52 of 63
334-4	53 of 63
334-5	54 of 63
335-2	57 of 63
339-1	60 of 63

A3.

a. For each construction project proposed in the CWP, BGE and P&D looked to see if reasonable alternatives to the proposed projects existed. However, in many instances, no other reasonable alternatives to the proposed projects were evident. For the projects listed above, no other reasonable alternatives existed, and that is why the CWP stated, “No other alternatives were considered.” Our statement was intended to convey that no other reasonable alternatives were available to take into consideration, but it wasn’t intended to convey that we didn’t look for other reasonable alternatives. The conductor size was selected upon evaluation of the minimum sized based on loading / economics and biased on operational considerations of conductor sizes used by BGE.

b. For the jobs listed above BGE and P&D looked to see if other reasonable alternatives were available but were not able to identify any. Rather than leaving the boxes blank for “Alternative Corrective Plans Investigated,” we should have been more consistent and stated, “No other alternatives were considered,” as we did for the projects referenced in Question 3a.

BLUE GRASS ENERGY COOPERATIVE, INC.

CASE NO. 2011-00007

**Response to Commission Staff's Second Data Request
Dated June 15, 2011**

Question No. 4

Witness: Chris Brewer

Q4. Refer to Exhibit C of the application, which provides an updated status for the prior 2007-2009 Construction Work Plan projects. For those projects whose status is either labeled as NP (No Progress) or DEL (Deleted), provide a detailed explanation as to why that particular project has experienced no progress or has been deleted.

A4. 303-01: The load did not grow as anticipated.

303-02: A large development did not develop as expected.

305-01: A subdivision did not develop as expected.

305-02: This should have been marked IP (In Progress) as this work was started in the latter part of the previous work plan.

306-01: This should have been marked IP (In Progress) as this work was started in the latter part of the previous work plan in conjunction with 305-02.

314-02: The load did not grow as anticipated.

317-01: This should have been marked COM (Complete) as this work was done.

317-02: This should have been marked COM (Complete) as this work was done.

317-03: The large development in this area did not expand as quickly as anticipated.

322-01: The load did not grow as anticipated.

324-04: The load did not grow as quickly as anticipated.

324-05: The load did not grow as anticipated.

324-08: The load did not grow as anticipated.

331-02: The load did not grow as quickly as anticipated.

333-01: The load did not grow as anticipated.

333-03: The load did not grow as anticipated.

334-01: The load did not grow as quickly as anticipated.

336-02: The load did not grow as quickly as anticipated.

339-03: This work was voided due to the map showing an incorrect wire size.

340-02: The load in an industrial park did not grow as quickly as anticipated.

BLUE GRASS ENERGY COOPERATIVE, INC.

CASE NO. 2011-00007

Response to Commission Staff's Second Data Request

Dated June 15, 2011

Question No. 5

Witness: Gary Grubbs

Q5. Explain the differences in projects listed under Code 607 of Exhibit K and those listed under Code 300 of Exhibit T in the application.

A5. RUS uses Code 300 for system improvements where construction is required to upgrade the distribution facilities because of voltage drop, overload, or similar problems associated with load on the facilities. In many cases (although not all cases) Code 300 items will involve multi-phasing an existing single phase line or upgrading an existing multi-phase line to allow for higher capacity.

RUS uses Code 607 for construction that needs to be completed due to the poor condition of the facilities, but not necessarily due to problems associated with load. For instance, an old single phase, 4 ACSR line could be in poor condition but not overloaded. The solution might be to rebuild the line with a new 1/0 ACSR single phase line, and such a solution would be included as a Code 607 item rather than a Code 300 item.

In many instances, a construction item needed as a Code 300 project will also remove old facilities from service. In cases such as this, the project serves a dual purpose of addressing load problems and removing old facilities from the system. Since the primary purpose of such items is to address load problems, such jobs are listed as Code 300 projects.

Exhibit K is a summary of old facilities on the system that will likely be targeted at some point in the future for replacement. It also provides the general guidelines and plans of how BGE will accomplish this task. As previously mentioned, old facilities can be removed by both Code 300 and Code 607 projects.

Exhibit T specifically lists Code 300 items and does not include Code 607 items. RUS desires that all Code 300 items are specifically listed in a work-plan exhibit, and Exhibit T provides a means of accomplishing this requirement.

JOINT USE POLE AGREEMENT

Between Blue Grass Energy Cooperative Corporation

and

BellSouth Telecommunications, Inc.

THIS AGREEMENT, made as of the 1st day of January , 1997 , by and between **BLUE GRASS ENERGY COOPERATIVE CORPORATION**, a Kentucky CORPORATION, hereinafter referred to as the "Power Distributor," and **BELLSOUTH TELECOMMUNICATONS, INC.**, a KENTUCKY CORPORATION, hereinafter referred to as the "TELEPHONE COMPANY".

WITNESSETH WHEREAS, in the areas in the Commonwealth of Kentucky served by both parties certain utility poles are presently used jointly by the Power Distributor and the Telephone Company, such joint use being maintained under the terms of a Joint Use Agreement dated JANUARY 1, 1997, between the Power Distributor and Telephone Company; and

WHEREAS, the parties desire to continue such joint use and to use other poles jointly in the future, when and where such joint use will be of a mutual advantage in meeting their respective service requirements; and,

WHEREAS, when the parties are making arrangements for the joint use of new poles and the party proposing to erect the new poles already owns a majority of the poles, the parties shall take into consideration the desirability of having the new poles owned by the party owning the lesser number of joint use so as to progress toward a division of ownership of poles so that neither party shall be required to pay annual rental payments, giving due regard to the avoidance of mixed ownership in lines; and,

WHEREAS, because of changed condition and experience gained, and to facilitate administration to joint use, the parties desire to terminate the aforementioned Joint Use Agreement and enter into a new Joint Use Agreement giving due recognition to the fact that the comparative numbers of joint use poles owned by the parties, the respective space allocated to or used by the parties, the concern for the ability to provide reliable service, the relative positions of the parties on the poles all have a bearing on the contribution to be made by the parties both as to ownership and maintenance of joint use poles,

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto for themselves, their successors and assign, do hereby terminate the existing Joint Use Agreement and do hereby covenant and agree as follows:

ARTICLE I.

DEFINITIONS

For the purpose of this agreement, the following terms when used herein shall have the following meanings:

ATTACHMENTS is any wires, cables, strands, materials, or apparatus joint use pole now or hereafter used by either party in the construction, operation, and maintenance of its plant.

CHANGE IN CHARACTER OF CIRCUITS shall mean any change in either party's facilities which affects either loading on the pole or clearance between the facilities of the parties hereto.

CODE means the National Electrical Safety Code, as it may be amended from time to time.

DAYS as used herein shall mean calendar days.

INJURIES include death, personal injury, and property damage or destruction.

JOINT USE is maintaining or specifically reserving space for the attachments of both parties on the same pole at the same time.

JOINT USE POLE is a pole upon which space is provided under this agreement for the attachments of both parties, whether such space is actually occupied by attachments or reserved therefore upon specific request.

LICENSEE is the party having the right under this agreement to a joint use pole that the other party owns.

OWNER is the party owning the joint use pole.

POLE OR POLES includes the singular and plural.

REARRANGING OF ATTACHMENTS is the moving of attachments from one position to another on a joint use pole.

RESERVE, as applied to space on a pole, means unoccupied space provided and maintained by Owner, either for its own use or expressly for Licensee's exclusive use at Licensee's request.

RIGHT-OF-WAY is the legal right to use the property of another.

STANDARD JOINT USE POLE means a 40 foot, Class 5, treated wood pole which meets the requirements of the Code. The parties may agree to use a smaller than Class 5 pole; but under no condition shall the standard joint use pole be less than the minimum requirements of the Code.

Definitions - Continued

STANDARD SPACE ALLOCATION means an allocation of sufficient space on a joint use pole for the use of each party taking into consideration requirements of the Code, and is more particularly defined as follows:

For Power Distributor, the use of 7 foot of space on poles measured downward from the top of the pole.

For Telephone Company, the use of 2 feet of space on poles, below the space of the Power Distributor starting at the point that gives adequate Code separation on the pole. If under the terms of this Agreement the Telephone Company uses a portion of the Power Distributor allocated space as measured from top of pole, the Telephone Company agrees that its use is permissive and that the Power Distributor shall have the undisputed use of the allocated space measured from the top. Telephone Company agrees to move any such attachments within this allocated space at its own cost upon demand of the Power Distributor. Similarly, if the Power Distributor uses a portion of the Telephone Company's 2 foot space, the Power Distributor agrees that such use shall be permissive. Power Distributor agrees to move any such attachment within the 2 foot space.

The foregoing definition of a "normal joint use pole" is not intended to preclude the use of joint poles shorter or taller, of different strength than the normal joint use pole in locations where it is mutually agreed such poles will meet the requirements of the parties hereto.

TRANSFERRING OF ATTACHMENTS is the removing of attachments from one pole and placing the attachments upon another pole.

ARTICLE II.

TERRITORY AND SCOPE OF AGREEMENT

This agreement shall cover all poles of each of the parties now existing in joint use and those hereafter erected or acquired within the common operating areas served by the parties excepting poles which in the Owner's judgement are necessary for its own sole use.

ARTICLE III.

PERMISSION FOR JOINT USE

Subject to the terms and conditions of this agreement, each party hereby permits joint use by the other party of any of its poles in accordance with the standard space allocation defined in ARTICLE I and the following:

ARTICLE III - Continued

Allocated pole space may, without additional charge be used by the party to which it is not allocated for the purpose of installing and maintaining street lighting, traffic signal systems, and vertical attachments (such as but not limited to ground wires, gang operated switch control rods and underground risers) if by the terms of the Code the proposed use is authorized and such use does not unreasonably interfere with the use being made by the party to which such space is allocated (such determination will be made solely by the party to which the space is allocated).

If Code provisions cannot subsequently be met, then billing for the required modifications will be as set forth in Appendix A. As long as the provisions of the Code are met, unallocated space may be used without additional charge by the Power Distributor and/or Telephone Company. If Code provisions cannot subsequently be met, then billing for required modifications will be as set forth in Appendix A. As long as provisions of the Code in effect at the time the attachments were installed have been met, any joint use pole now in place shall be deemed satisfactory to both parties and adequate for its requirements whether or not the space allocations made herein have been observed. As long as the provisions of the Code are met, any pole hereafter made joint use shall thereupon be deemed satisfactory to Licensee and adequate for its requirements whether or not the space allocations made herein have been observed.

ARTICLE IV.

SPECIFICATIONS

The joint use of poles covered by this Agreement shall at all times be in conformity with all applicable provisions of law and with the minimum requirements of the Code in effect at the time the respective attachments are made, and with such additional requirements as may be mutually approved in writing by the CEO of the Power Distributor and General Manager of the Telephone Company.

ARTICLE V.

RIGHT-OF-WAY AND LINE CLEARING

The Owner and Licensee will cooperate as far as may be practicable in obtaining right-of-way for both parties. When a written easement is secured, it shall be in sufficient detail for identification and recording, and shall be subject to inspection by the other party upon request. However, no guarantee is given by the Owner of permission from property owners, municipalities, or others for the use of poles by the Licensee, and if objection is made thereto and the Licensee is unable to satisfactorily adjust the matter within a reasonable time, the Owner may at any time,

ARTICLE V - Continued

upon notice in writing to the Licensee, require the Licensee to remove its attachments from the poles involved, and the Licensee shall within ninety (90) days after receipt of said notice, remove its attachments from such poles at its sole expense. Should the Licensee fail to remove its attachments as herein provided, the Owner may remove them at the Licensee's expense, without any liability whatsoever for such removal or the manner of making it, for which expense the Licensee shall reimburse the Owner on demand. Owner shall provide a 20 foot right-of-way whenever possible.

Nothing stated herein shall preclude the parties from mutually sharing the cost of right-of-way acquisition. Line clearing and trimming will be performed as follows:

The Owner shall cut, clear, and trim a 20 foot right-of-way, if possible. In all other instances, each party shall be responsible for its own initial and recurring trimming, clearing, and cutting.

ARTICLE VI.

PLACING, TRANSFERRING, OR REARRANGING ATTACHMENTS

Either party desiring to reserve space on any pole of the other not then designated as a joint use pole shall make written application therefore, specifying the pole involved, the number and kind of its attachments to be placed thereon, and the character of the circuits to be used. Within ten (10) days after the receipt of such application, Owner shall notify the applicant in writing whether it is excluding said pole from joint use under provisions of ARTICLE II. Upon receipt of notice from Owner that said pole is not excluded, and after completion of any required transferring or rearranging of attachments on said pole or any pole replacement as provided in ARTICLE VII, the applicant shall have the right to use said pole as Licensee in accordance with the terms and conditions of this Agreement. Notwithstanding the foregoing, attachments placed by either party on the other's pole without such applications and approval shall subject said pole to the terms of this Agreement. In such case, Owner shall have the right to require Licensee to remove within ninety (90) days at its sole expense any such attachments on poles coming within the exceptions described in ARTICLE V. Should Licensee fail to remove such attachments, such failure shall constitute default according to ARTICLE XIV. Except as herein otherwise expressly provided, each party at its own expense shall place, maintain, rearrange, transfer, and remove its own attachments, and shall at all times perform such work promptly and in such a manner as not to interfere with work or service being performed by the other party. Upon completion of work by the Owner which will necessitate transfer of the Licensee's attachments, the Owner shall provide written notice

ARTICLE VI - Continued

to the Licensee that such transfer must be completed within sixty (60) days. If such transfer of attachments is not completed within sixty (60) days, the old pole shall become the property of the Licensee, and the Licensee shall save harmless the former Owner of such pole from all obligations, liabilities, damages, costs, expenses, or charges incurred thereafter because of or arising out of the presence, location, or condition of such pole or any attachment thereon, whether or not it is alleged that the former Owner was negligent or otherwise. Licensee shall pay the former Owner the sacrificed life value, as set forth in Appendix A, for said pole.

ARTICLE VII.

ERECTING, REPLACING, OR RELOCATING POLES

Whenever any jointly used pole, or any pole about to be so used under the provisions of this agreement, is insufficient in size or strength for the existing attachments and for the proposed immediate additional attachments thereon, the Owner shall within sixty (60) days replace such pole with a new pole of the necessary size and strength, and make such other changes in the existing pole line in which such pole is included, as may be made necessary by the replacement of such pole and the placing of the Licensee's circuits as proposed. By mutual agreement, the time period may be shortened or extended.

The parties recognize and agree that there are inherent dangers involved in the transmission and distribution of electricity. The parties agree that unforeseeable emergency conditions will exist from time to time. When due to accidents, storm damage, etc., it is necessary for the Licensee to replace the Owner's pole immediately to restore service to its customers or to eliminate a hazardous condition and the Owner cannot perform the work in time to meet the Licensee's requirements, Licensee may replace the Owner's pole. Licensee will make all of its required facility changes or transfers and will secure the old pole to the new pole so the Owner may make its transfer when feasible. Licensee shall bill the Owner the total cost of the new pole in accordance with Appendix B. Owner shall continue to own the old pole and shall be responsible for its removal, and the new pole will become the property of the original Owner.

Whenever it is necessary to change the location of a jointly used pole, by reason of any state, municipal, or other governmental requirement, or the requirements of the property owner, the Owner shall, before making such change in location, give notice thereof in writing (except in cases of emergency) to the Licensee, specifying in such notice the time of such proposed relocation, and the Licensee shall, within sixty (60) days, transfer its attachment to the pole at the new location.

ARTICLE VII - Continued

Whenever either party hereto is about to erect new poles, either as an additional pole line, as an extension of an existing pole line, or as the reconstruction of an existing pole line, it shall notify the other in writing at least thirty (30) days before beginning the work (short notice, including verbal notice subsequently confirmed in writing, may be given in cases of emergency) and shall submit with such notice its plan showing the proposed location and size of the new poles, and circuits it will use thereon. The other party shall, within fifteen (15) days after the receipt of such notice, reply in writing to the party erecting the new poles, stating whether such other party does, or does not, desire space on the said poles, and if it does desire space thereon, the character of the circuits it desires to use and the amount of space it wishes to reserve. This notice of desire to establish joint use should include detailed plans of any changes in the plans of the other party which are desired in order to permit the establishment of joint use. If such other party requests space on the new poles and if the character and number of circuits and attachments are such that the Owner does not wish to exclude the poles from joint use under the provision of ARTICLE II, then poles suitable for the said joint use shall be erected in accordance with the provisions and the payment of costs as provided in this Agreement. The costs of erecting joint poles coming under this Agreement, either as new pole lines, as extensions of existing pole lines, or to replace existing poles, either existing jointly used poles or poles not previously involved in joint use, shall be borne by the parties as follows:

- 1) Whenever operating and safety conditions prohibit Owner from replacing an existing pole which needs to be replaced, Licensee shall replace the pole and bill Owner in accordance with Appendix A times 1.25.
- 2) A normal joint pole, or a joint pole shorter and/or smaller than the normal pole, shall be erected at the sole expense of the Owner, except as provided in the following Section.
- 3) In the case of a pole taller and/or stronger than the normal pole, the extra height and/or strength of which is due wholly to the Owner's requirements, shall be erected at the sole expense of the Owner.
- 4) In the case of a new pole line taller and/or stronger than the normal pole, the extra height and/or strength of which is due wholly to the Licensee's requirements, the Licensee shall pay to the Owner the extra costs for the additional height and/or strength as set forth in Appendix A and C.
- 5) Where an existing jointly used pole is prematurely replaced by a new one solely for the benefit of the Licensee, the Licensee shall pay the Owner the present in place value of the existing pole

ARTICLE VII - Continued

and costs of replacing or transferring all attachments in accordance with Appendix A and Appendix C, and the replaced pole shall be removed and retained by the Owner.

6) In the case of a pole taller and/or stronger than the normal pole, the extra heights and/or strength of which is due, to the requirements of both parties, the Licensee shall pay to the Owner a sum equal to one-half the excess height and/or strength as set forth in Appendix A and Appendix C.

7) If Licensee only requires the addition of a pole in an existing line because of span length or terrain, the Owner will furnish and erect said pole at the sole expense of the Licensee, and pole shall remain property of Owner. The charges shall be as set forth in Appendix A and Appendix C.

8) Where the Power Distributor has a line that crosses a Telephone Company line and the provisions of the code are met and the Telephone Company desires to set a pole in the Telephone Company line and requests the Power Distributor to attach to said pole, the Telephone Company shall bear all initial and recurring costs of placing and maintaining said pole, except the cost of making and transferring the Power Distributor attachments.

In any case where a pole is erected hereunder to replace another pole solely because such other pole is not tall enough, or of the required strength, to provide adequately for the Licensee's requirements, or where such pole, whether it has space reserved for the Licensee's use or not, had at the time of its erection been pronounced by the Licensee as satisfactory and adequate for its requirements, the Licensee shall, upon erection of the new pole, pay to the Owner, in addition to any amounts payable by the Licensee under paragraphs 3, 4, or 5 of this ARTICLE, a sum equal to the present in-place value as set forth in Appendix A, for the pole which is replaced and the pole removed shall remain the property of the Owner. In any case, where by mutual consent it is desirable to change the ownership of a pole and the Licensee erects and owns a joint pole to replace an existing pole of the Owner (instead of the Owner doing so as it is contemplated by this ARTICLE) such Licensee shall pay to the Owner of the replaced pole a sum equal to the present in-place value, as set forth in Appendix A, for the pole which is replaced and the pole removed shall remain the property of the Owner and shall be removed by the Owner.

ARTICLE VIII.

MAINTENANCE OF FACILITIES

Owner shall, at its own expense, maintain its joint use poles in a safe and serviceable condition and shall undertake any appropriate

ARTICLE VIII-Continued

safety measures, including without limitation reasonable pole inspections. The Owner's responsibility for maintaining a safe and serviceable condition of its poles shall be in accordance with the requirements of the Code, and shall replace poles that become defective, in accordance with the provisions of ARTICLE VII.

The parties recognize and agree that there are inherent dangers involved in the transmission and distribution of electricity. The parties agree that unforeseeable emergency conditions will exist from time to time. When due to accidents, storm damage, etc., it is necessary for the Licensee to replace the Owner's pole immediately to restore service to its customers or to eliminate a hazardous condition and the Owner cannot perform the work in time to meet the Licensee's requirements, Licensee may replace the Owner's pole.

Licensee will make all of its required facility changes or transfers and will secure the old pole to the new pole so the Owner may make its transfers when feasible. Licensee shall bill the Owner the total cost of the new pole in accordance with Appendix B. Owner shall continue to own the old pole and shall be responsible for its removal.

Each party shall, at its own expense, at all times maintain all of its attachments in safe condition, thorough repair, and in accordance with the requirements of the Code.

The parties hereby agree that a cooperative approach will be taken in solving noise or inductance problems that may occur.

ARTICLE IX.

ABANDONMENT OF JOINT USE POLES

Any time Owner desires to abandon any joint use pole, it shall give Licensee at least sixty (60) days written notice. If, at the expiration of such period, Owner shall have no attachments on such pole but Licensee shall not have removed all of its attachments therefrom, such pole shall thereupon become the property of Licensee. Licensee shall save harmless the former Owner from all obligations, liabilities, damages, costs, expenses, or charges incurred thereafter because of or arising out of the presence, location, or condition of such pole or any attachment thereon, whether or not it is alleged that the former Owner was negligent or otherwise. Licensee may at any time abandon a joint use pole by removing therefrom all of its attachments and giving due notice thereof in writing to Owner.

ARTICLE X.

ADJUSTMENT PAYMENTS

It is understood and agreed that for those poles in the areas served by both parties, the payments per pole due from the Licensee to the Owner shall be as follows: The Telephone Company as Licensee shall pay \$10.50 to the Power Distributor and the Power Distributor as Licensee shall pay \$13.50 to the Telephone Company.

Any time within five years from the execution date of this Agreement, Power Distributor shall have a one-time option, but not the requirement, to count all poles on its system. After a written request from the Power Distributor for a pole count, the parties to this Agreement agree to undertake a joint pole count, which shall be completed within six months. Adjustment payments hereunder shall cover rentals accruing during the calendar year and shall be based on the number of poles on which space is occupied or reserved on the first day of December of the year in which the rentals accrue. Within thirty (30) days following such date, or as soon as practical thereafter, each party shall submit a written statement to the other party giving the number of poles on which space was occupied by or reserved for the other party as of such date. The total adjustment payment due each party shall be determined by multiplying the poles owned and licensed by each party, by the adjustment payment.

The smaller total amount covered above shall be deducted from the larger amount and the Power Distributor or the Telephone Company, which ever shall owe the larger amount, shall pay to the other the difference between said two amounts as the net adjustment payment due for the year involved. Within thirty (30) days after the first day of January next, or as soon as practical thereafter, during the time this Agreement shall be in effect, the party to which said adjustment payment is owed as of said first day of January, shall submit a written statement (the "Schedule of Pole Rentals") to the other party giving the correct amount owed by the other party. The adjustment payment herein provided for shall be paid within thirty (30) days after the bill has been submitted, unless said party disputes the amount of such bill within ten (10) days from receipt thereof. In case of such dispute, payment shall be made within thirty (30) days after the bill has been submitted of the amount that is admitted to be due; an agreement concerning the disputed amount shall be attempted with all reasonable dispatch by negotiation. Failing to reach any such agreement by negotiation, either party may make formal written demand on the other for the amount claimed to be due; and if payment thereof is not made within thirty (30) days, suit may be brought for the amount claimed.

The rates set forth in Paragraph A above shall be effective as of January 1, 1997 and shall remain in effect through December 31, 1997 (the "Base Rate"). The Base Rate shall be escalated, effective January 1, 1998, and annually thereafter, by 3.0%.

ARTICLE XI.

INVENTORY OF ATTACHMENTS

At intervals not exceeding five (5) years, an actual inventory of attachments shall be made by representatives of the parties. If there is any difference in the number of attachments found by the inventory and the number arrived at by tabulating those reported, correction will be made by retroactive billing for any attachments identified as being responsible for the difference, and any remaining difference will be spread evenly over the years since the last inventory and billing adjusted accordingly. Each party shall share equally the cost of making such inventory of attachments.

ARTICLE XII.

JOINT ANCHORS

The Owner where practicable shall, upon request from Licensee, place anchors suitable for joint use upon consideration of the joint load and guy lead requirements. The cost of the anchor shall be shared, and will be billed, as set forth in Appendix C. Each party shall install its own guy wires. No attachment will be made to either party's anchor without permission.

ARTICLE XIII.

GROUNDING AND BONDING

Grounding and bonding will at all times meet the requirements of the Code.

ARTICLE XIV.

DEFAULTS

If either party shall fail to discharge any of its obligations under this Agreement and such failure shall continue for thirty (30) days after notice thereof in writing from the other party, all rights of the party in default hereunder, pertaining to making attachments to additional poles of the other, shall be suspended. If such default shall continue for a period of ninety (90) days after such suspension, the other party may forthwith terminate the right of the defaulting party to attach to additional poles of the other party. Any such termination of the right to attach to such additional poles of the other by reason of any such default shall not abrogate or terminate the right of either party to attach to existing joint use poles or to maintain existing attachments, and all such attachments shall continue thereafter to be maintained pursuant to and in accordance with the terms of this Agreement, which Agreement shall, so long as such attachments are continued, remain in full force and effect solely and only for the purpose of

ARTICLE XIV-Continued

governing and controlling the rights and obligations of the parties with respect to such attachments.

In the event either party should fail to perform its obligations either during the term of the Agreement or after termination made in accordance with the terms of this ARTICLE or ARTICLE XIX or fail to properly maintain or promptly replace joint use poles thereto after sixty (60) days written notice from the other, the other party shall have the right, but not the obligation, to maintain such poles or to replace the same at the expense of the party so failing, and shall be fully indemnified for all expenses, costs, and damages otherwise, rights or privileges to attach to any of its poles covered by this Agreement, nothing herein contained shall be construed as affecting said rights or privileges with respect to existing attachments of such outside parties, which attachments shall continue in accordance with the present practice; all future attachments of such outside parties shall be in accordance with the requirements of Paragraph B below, except where such outside parties have by agreements entered into prior to the execution of this Agreement acquired enforceable rights or privileges to make attachments which do not meet such space allocations. Owner shall derive all of the revenue accruing from such outside parties. Any contractual rights or privileges of outside parties recognized in this paragraph shall include renewals of or extensions of the term (period) of such contracts.

If either party hereto desires to confer upon others, not parties to this Agreement (outside parties), by contract or otherwise, rights or privileges to attach to any of its poles covered by this Agreement, it shall have the right to do so, provided all such attachments of such outside parties are made in accordance with the following: (a) such attachments shall be maintained in conformity with the requirements of the Code, and (b) such attachments shall not be located within the space allocation of Licensee, unless Licensee concurs in such occupancy. Such concurrence shall in no way waive Licensee's right to occupy its allocated space in the future. Owner shall derive all of the revenue accruing from such outside parties.

ARTICLE XV.

NOTIFICATION PROCEDURES

Wherever in this Agreement, notice is required to be given by either party hereto to the other, such notice shall be in writing, mailed or delivered to the CEO of the Power Distributor at its office located at 1201 Lexington Rd., PO Box 990, Nicholasville, Kentucky 40340-0990, or to the General Manager of BELLSOUTH TELECOMMUNICATIONS, INC. at its office located at 333 Commerce St., Suite 1001, Nashville TN 37201, as the case may be, or to such other addressee as either party may from time to time designate in writing for that purpose.

ARTICLE XVI.

TERM OF AGREEMENT

This Agreement shall continue in full force and effect until the 31st day of December, 2000. This Agreement shall continue from year to year thereafter until terminated by either party, giving to the other six months notice in writing of intention to terminate this Agreement. At any time thereafter, the adjustment payment rates applicable under this Agreement shall be subject to joint review and revision upon the written request of either party. In case of revision of the adjustment payment rates as herein provided, the new adjustment payment rates agreed upon shall apply, starting with the annual bill rendered and continued until again adjusted. Revisions of the adjustment payments shall be based on experience resulting from previous administration of this Agreement. Any changes shall take into account the original cost factors pertinent to the establishment of the pole facilities involved in all joint use existing under this Agreement at the time of the review. If, within 90 days after the receipt of the request set forth in ARTICLE XVI, A, above, by either party from the other, the parties hereto fail to agree upon a revision of such rate, then the adjustment payment per pole shall be established at the then existing Base Rate, as escalated by Article X for a period of two years. The adjustment payment per pole shall be an amount equal to 56 percent (for the Power Distributor) of the then average annual total cost per pole based on the average in-plant cost factors of providing and maintaining the joint poles covered by this Agreement, and the adjustment payment per pole shall be an amount equal to 44 percent (for the Telephone Company) of the then average annual total cost per pole based on the average in-plant cost factors of providing and maintaining the joint poles covered by this Agreement.

ARTICLE XVII.

ASSIGNMENT OF RIGHTS

Except as otherwise provided in this Agreement, neither party hereto shall assign or otherwise transfer this Agreement, in whole or in part, without the written consent of the other party; provided that either party shall have the right without such consent to mortgage any or all of its property, rights, privileges, and franchises, or to lease or transfer any of them to another corporation organized for the purpose of conducting a business of the same general character as that of such party, or to enter into any merger or consolidation; and, in case of the foreclosure of such mortgage, or in case of such lease, transfer, merger, or consolidate its rights and obligations hereunder shall pass to such successors and assigns; and provided, further, that subject to all of the terms and conditions of this Agreement, either party may without such consent permit any corporation conducting a business

ARTICLE XVII-Continued

of the same general character as that of such party, with which it is affiliated by corporate structure, to exercise the rights and privileges of this Agreement in the conduct of its said business.

For the purposes of this Agreement, all attachments maintained on any joint use pole by the permission of either party hereto, as provided in Paragraph A above, shall be considered the attachments of the party granting such permission, and the rights, obligation, and liabilities of such party under this Agreement, in respect to such attachments shall be the same as if it were the actual owner thereof. The attachments of each party hereto or of others permitted by this Agreement shall at all times be and remain its or their property, with the full right of removal, and shall not become subject to any liens against the other party.

ARTICLE XVIII.

WAIVER OF TERMS OF CONDITIONS

The failure of either party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a general waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.

ARTICLE XIX.

EXISTING AGREEMENTS

Any existing agreement between the parties hereto for the joint use of wood poles upon a rental basis within the territory covered by this Agreement is, by mutual consent, hereby abrogated and annulled.

ARTICLE XX.

NO EFFECT ON FRANCHISE RIGHTS

Notwithstanding anything elsewhere herein provided, nothing contained in this Agreement shall abrogate, limit, or affect any obligation of either party under any franchise granted to either party by municipal corporations.

ARTICLE XXI.

SOURCE OF PAYMENTS

The obligation of the Power Distributor hereunder shall be payable solely from the funds of the Power Distributor, BLUE GRASS ENERGY COOPERATIVE CORPORATION.

ARTICLE XXII.

SUPPLEMENTAL ROUTINES AND PRACTICES

Nothing in the foregoing shall preclude the parties to this Agreement from preparing such supplemental operating routines or working practices as they mutually agree to be necessary or desirable to effectively administer the provisions of this Agreement. Any such supplemental operating routines or working practice must be authorized and approved by the management level officer or employee executing or authorized to execute this contract.

ARTICLE XXIII.

NO JOINT OWNERSHIP

The Licensee of a joint use pole shall acquire no ownership of or interest in such a pole, the Licensee's rights therein being limited to the right of compliance with the terms and conditions contained in this Agreement.

ARTICLE XXIV.

LIABILITY AND DAMAGES

Either party hereto, to the fullest extent permitted by law, agrees to and shall indemnify and hold harmless the other party from and against any and all claims, damages, losses and expenses, including but not limited to attorneys' fees arising out of or resulting from the joint use of the poles, and/or any acts or omissions under this Agreement. Any interpretations regarding this Agreement or any activities arising hereunder shall be governed by the laws of the state of Kentucky.

ARTICLE XXV.

AGREEMENT AFFECTS ONLY PARTIES HERETO

Except only insofar as the express terms of this Agreement make the rights hereunder available to the successors or assigns of the parties hereto, the provisions of this Agreement shall not be interpreted to confer any right of action at law or in equity upon any parties except the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in duplicate, and their corporate seals to be affixed thereto by the respective officers thereunto duly authorized, on the day and year first above written.

WITNESS: W. J. Smith
BLUE GRASS ENERGY
COOPERATIVE CORPORATION
V.P. Operations
TITLE

WITNESS: [Signature]
BELL SOUTH
TELECOMMUNICATIONS, INC.
NETWORK VICE PRESIDENT
TITLE

FORM
APPROVED
[Signature]
GENERAL ATTORNEY

APPENDIX A, B, & C

These Appendices, effective as of JANUARY 1, 1997, consisting of three pages, will be used to determine the cost responsibility and amount to be billed for modifications in accordance with this joint use agreement. Notification forms required to carry out the provisions of this Agreement will be furnished as needed. Annually, after the execution of this Agreement, all Appendices shall be escalated in accordance with ARTICLE X, set forth above.

APPROVED:

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

BY: Koger D. Wilson

TITLE: V.P. Operator

APPENDIX A

PRESENT IN-PLACE VALUES (IN DOLLARS) OF POLES
AGE OF POLES IN YEARS

POLE HGT	CLASS	NEW	1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30
30	6	\$245.36	\$220.29	\$195.22	\$170.15	\$145.08	\$124.35	\$103.63	\$82.90	\$62.18	\$41.45	\$20.73
35	5	\$351.10	\$314.00	\$276.90	\$239.80	\$202.70	\$173.74	\$144.79	\$115.83	\$86.87	\$57.91	\$28.96
	4	\$401.46	\$364.27	\$327.08	\$289.89	\$252.70	\$216.60	\$180.50	\$144.40	\$108.30	\$72.20	\$36.10
40	4	\$544.99	\$481.05	\$417.10	\$353.16	\$289.21	\$247.89	\$206.58	\$165.26	\$123.95	\$82.63	\$41.32
	-3	\$592.83	\$528.89	\$464.94	\$401.00	\$337.05	\$288.90	\$240.75	\$192.60	\$144.45	\$96.30	\$48.15
45	3	\$680.94	\$620.84	\$560.74	\$500.64	\$440.54	\$377.61	\$314.67	\$251.74	\$188.80	\$125.87	\$62.93
50	3	\$786.70	\$728.00	\$669.29	\$610.59	\$551.88	\$473.04	\$394.20	\$315.36	\$236.52	\$157.68	\$78.84
55	3	\$892.46	\$835.15	\$777.84	\$720.53	\$663.22	\$568.47	\$473.73	\$378.98	\$284.24	\$189.49	\$94.75
60	3	\$998.22	\$942.31	\$886.39	\$830.48	\$774.56	\$663.91	\$553.26	\$442.61	\$331.95	\$221.30	\$110.65

APPENDIX B

THE CURRENT COST OF TREATED POLES FOR EMERGENCY CONDITIONS AS DISCUSSED IN ARTICLE VII, PARAGRAPH B IS AS FOLLOWS:

POLE HGT	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	CLASS 7
30					\$386.44	
35			\$632.30	\$552.98		
40		\$933.71	\$858.36			
45		\$1,072.48				
50		\$1,239.05				
55		\$1,405.62				
60		\$1,572.19				
65		\$1,738.76				
70						

APPENDIX C

PAYMENTS TO THE POWER DISTRIBUTOR BY THE TELEPHONE COMPANY:

A.	1PHASE 0-60 DEG. ANGLE	\$ 57.00
	DEAD END	90.74
B.	3PHASE 0-60 DEG. ANGLE	225.65
	DEAD END	277.02
C.	GUY	125.38
D.	1PHASE TRANSFORMER & CONNECTIONS	
	25 kVA AND LESS	129.15
	25 kVA - 75 kVA	271.22
E.	SERVICE CONDUCTOR	
	EACH WIRE	15.02
F.	SECURITY LIGHT AND ARM	76.49
G.	MOVE POLE	485.90
H.	ITEMS NOT LISTED	ACTUAL COST

PAYMENTS TO THE TELEPHONE COMPANY BY THE POWER DISTRIBUTOR:

A.	MOVE POLE	485.90
B.	MOVE GUY	110.00
C.	TRANSFER DROP	15.00
D.	TRANSFER MULTIPLE DROPS	30.00
E.	TRANSFER WIRE TERMINAL	15.00
F.	TRANSFER CABLE ATTACHMENT	55.00
G.	TRANSFER CABLE DIP	120.00
H.	TRANSFER POLE MOUNTED APPARATUS OF LOAD COIL CASE	95.00
L.	TRANSFER CROSS BOX OR DRYER	130.00
J.	TRANSFER TERMINAL LESS THAN 100 PAIR	15.00
K.	MOVE OR ATTACH CABLE	30.00
L.	RELOCATE CABLE	135.00
M.	TRANSFER GUY	45.00
N.	ITEMS NOT LISTED	ACTUAL COST

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