

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY }  
COOPERATIVE CORPORATION, INC. FOR }  
AUTHORIZATION TO BORROW \$60,269,116 }  
FROM THE NATIONAL RURAL UTILITIES } CASE NO. 2016-00291  
COOPERATIVE FINANCE CORPORATION, }  
AND EXECUTE THE NECESSARY NOTE, AND }  
TO PREPAY RURAL UTILITIES SERVICE }  
NOTES IN THE AMOUNT OF \$70,269,116 }

**APPLICATION**

Comes Blue Grass Energy Cooperative Corporation (“Blue Grass”), to respectfully submit this application seeking expedited approval by September 9, 2016, in order to close by September 30, 2016 closing date set by Rural Utilities Service (“RUS”), of long-term refinancing pursuant to KRS 278.300. The closing date will not change if Public Service Commission (the “Commission”) approval is received earlier than the requested date, nor would it have any effect on the terms set forth in this application. This application respectfully shows:

1. Blue Grass is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member-customers 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. Blue Grass' mailing address is P.O. Box 990, Nicholasville, Kentucky 40340. Blue Grass' physical address is 1201 Lexington Road, Nicholasville, Kentucky 40356. Blue Grass' electronic address is [psc@bgenergy.com](mailto:psc@bgenergy.com). Blue Grass' web address is [www.bgenergy.com](http://www.bgenergy.com).
3. The Articles of Incorporation and all amendments thereto for Blue Grass are filed in Case No. 2011-00246 and case No. 2008-00011. Blue Grass is incorporated in Kentucky and attests that is in good standing.
4. As of June 30, 2016, Blue Grass served 57,426 meters. It has 4,736 miles of distribution lines in its 23-county service territory, and owns additional facilities necessary to support this distribution system. The total original cost of these distribution lines and additional facilities as of June 30, 2016 was \$240,333,416.
5. The financial exhibit, as required by 807 KAR 5:001, Section 12(1)(a) is attached as Exhibit 1 to this application.
6. Blue Grass is not seeking authorization to issue any kind of stock as part of this application.
7. Blue Grass seeks to borrow from the National Rural Electric Cooperative Finance Corporation ("CFC") approximately \$60,269,116 and execute a loan agreement and one note in conjunction with this borrowing from CFC at a fixed interest rate of 2.95%. The CFC loan term will be 17 years, which is approximately 5 years less than the longest maturity date of the RUS notes being refinanced. A copy of the proposal letter from CFC is attached as Exhibit 2, Pages 1-4 of this application. A copy of the resolution of the Blue Grass Board of Directors is attached as Exhibit 3, Pages 1-2 of this application. The CFC loan will be secured under the provisions of the Restated Mortgage and Security

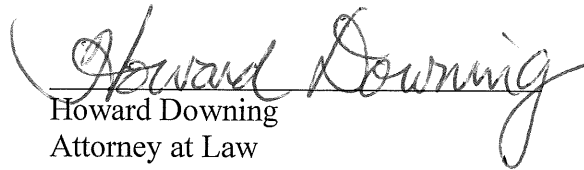
agreement dated as of September 1, 2004 (the "Mortgage"), between Blue Grass, as Mortgage, the United States of America ("RUS") and CFC, as Mortgagees, a copy of which was filed in the Case No. 2003-00271. The maximum indebtedness under this Mortgage is \$200,000,000. There are no sinking fund provisions or supplemental mortgages.

8. Blue Grass expects the actual payoff to be \$70,269,116 or less depending on the time required to secure Commission approval and any payments made in the meantime. The approximate difference of \$10,000,000 between the existing RUS loans and the proposed CFC loan will be made up by Blue Grass from liquidating temporary investments which yield less than the RUS loans.
9. Blue Grass will use the proceeds from the CFC loan solely to prepay notes of the same amount outstanding to RUS. The RUS notes being prepaid are listed in Exhibit 4 to this application.
10. Blue Grass previously received expedited approval from the Commission in Case No. 2003-00271 to refinance other RUS debt.
11. The notes secured by the Mortgage are listed in Exhibit 5 to this application.
12. 807 KAR 5:001, Section 11(2)(c) is not applicable since no property is being acquired in conjunction with this financing.
13. Additional information in support of this application is included in attached Exhibit 6, Pages 1-3, including net present value analysis of the cash flows over the life of the loan. The lifetime nominal cash flow dollar savings are \$29,109,012, with a present value of \$15,103,284 discounted at the fixed interest rate of 4.13% (the RUS Blended Rate). The calculations are listed in Exhibit 6, Page 3.

14. There are no fees or expenses to prepay the RUS loans or close the loan from CFC, except for legal expenses for Blue Grass' attorney to obtain Commission approval for this transaction and prepare and submit to CFC the opinion of counsel, note, and loan agreement. The legal expenses are expected to be approximately \$10,000.
15. Due to the quick requested approval date and to assist the Commission and Staff in processing this case, Blue Grass has modeled this application after those in Case No. 2016-00160, answering in advance the questions posed by the Staff Requests for Information in that case.

WHEREFORE, Blue Grass requests that the Commission issue an Order authorizing Blue Grass to execute evidences of indebtedness as security for the CFC loan described herein, and for any other relief to which it may be entitled.

Dated at Nicholasville, Kentucky this 9th day of August, 2016.



Howard Downing  
Attorney at Law  
109 South First Street  
Nicholasville, KY 40356  
Phone: (859) 885-4619  
Fax: (859) 885-1127  
Attorney for Blue Grass Energy Cooperative Corp.

VERIFICATION

The undersigned Charles G. Williamson III, being first duly sworn, states that he is the VP Finance/CFO of Blue Grass Energy Cooperative Corporation; and that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Charles G. Williamson III, VP Finance/CFO  
Blue Grass Energy Cooperative Corporation

COMMONWEALTH OF KENTUCKY  
COUNTY OF JESSAMINE

Subscribed and sworn to before me by Charles G. Williamson III, VP Finance/CFO of Blue Grass Energy Cooperative Corporation this 9<sup>th</sup> day of August, 2016.

Allison R. Motes # 527583  
Notary Public  
My Commission Expires: 2/5/2019

APPLICATION OF BLUE GRASS ENERGY COOPERATIVE CORPORATION

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 12

Unless otherwise noted, the financial information contained in this Exhibit is for the 12 months ending on or as of June 30, 2016, which is within the 90-day requirement of 807 KAR 5:001, Section 12.

- Section 12(2)(a)      Blue Grass has no stock authorized.
- Section 12(2)(b)      Blue Grass has no stock issue or outstanding.
- Section 12(2)(c)      Blue Grass has no preferred stock issued.
- Section 12(2)(d)      All of Blue Grass' loans with the RUS and CFC are secured by the restated Mortgage which was executed on September 1, 2004. Blue Grass is the mortgagor while the RUS and CFC are the mortgagees. The total debt limit is \$200,000,000.00. The current actual indebtedness is shown in Exhibit 5. There are no sinking fund provisions contained in the Mortgage.
- Section 12(2)(e)      Blue Grass has no bonds authorized or issued.
- Section 12(2)(f)      Exhibit 5 contains the list of Blue Grass total notes outstanding, including date of issue, amount, date of maturity, interest rate, in whose favor, and the amount of interest paid thereto during fiscal year ending June 30, 2016.
- Section 12(2)(g)      Blue Grass has no other indebtedness.
- Section 12(2)(h)      As Blue Grass has no stock authorized, issued, or outstanding, no dividends have been paid during the five previous fiscal years.
- Section 12(2)(i)      Exhibits 7 and 8 contain Blue Grass' detailed statement of operations and balance sheet.



**National Rural Utilities  
Cooperative Finance Corporation**

*Created and Owned by America's Electric Cooperative Network*

20701 Cooperative Way  
Dulles, Virginia 20166  
703-467-1800 | [www.nrucfc.coop](http://www.nrucfc.coop)

July 26, 2016

Mr. Michael I. Williams  
CEO  
Blue Grass Energy Cooperative Corporation  
P. O. Box 990  
Nicholasville, KY 43040-0990

Dear Mr. Williams:

On March 22, 1994, RUS published the final rules for the prepayment of RUS notes at a discount. CFC is pleased to inform you that Blue Grass Energy Cooperative Corporation has been approved to receive CFC funding to refinance its RUS debt.

We have determined that your system may refinance approximately \$70,500,000 with a secured long-term commitment from CFC for a term that matches the composite life of the existing RUS debt. CFC will also consider lending for terms other than the composite life of the existing RUS debt. It is anticipated that distribution systems interested in refinancing for shorter terms than their existing RUS debt will need to run financial forecasts to evaluate and support the goals and expectations of their system.

According to RUS' rules, borrowers that apply for the note buyout must show evidence of available financing for prepayment of notes. This letter may be used for that purpose. Financing will be available to Blue Grass Energy Cooperative Corporation after the execution of CFC loan and security documents and, as may be required by some systems, regulatory approval from state and/or federal agencies.

CFC's approved commitment to Blue Grass Energy Cooperative Corporation will be available for advance anytime during the next eighteen months, which means you will have quick access to loan funds in the event you choose to refinance your RUS debt. We look forward to providing you with any assistance that may be needed. Please contact Brian Stavish, your Regional Vice President at 571-213-9003 or Elaine MacDonald in our Dulles office at (800) 424-2954, extension 1883 for more information concerning the note buyout.

Sincerely,

Sheldon C. Petersen  
Chief Executive Officer

IF:	THEN:
as of the date of the first Scheduled Advance, Borrower has not entered into a Loan Agreement with CFC regarding such Scheduled Advance;	Borrower shall pay to CFC, on demand, (1) a make-whole amount, computed on the amount of the Scheduled Advance, in accordance with CFC's standard formula for calculating reinvestment loss resulting from its commitment to make a fixed rate loan, plus (2) an administrative fee of 33 basis points on the amount of the Scheduled Advance (collectively, the "Make-Whole Amount");
Borrower draws the full amount of the Scheduled Advance on or before its scheduled date;	the Scheduled Advance is subject to the Rate Lock Option.
Borrower does not draw any of the Scheduled Advance on or before its scheduled date;	Borrower shall pay to CFC, on demand, the Make-Whole Amount.
Borrower draws less than the full amount of the Scheduled Advance on or before its scheduled date;	Borrower shall pay to CFC, on demand, the Make-Whole Amount, <i>except</i> that the Make-Whole amount shall be computed only upon the undrawn amount of the Scheduled Advance; <i>and</i>  the amount drawn shall be subject to the Rate Lock Option.
Borrower draws more than the full amount of the Scheduled Advance on or before its scheduled date;	the amount of the Scheduled Advance shall be subject to the Rate Lock Option; <i>and</i>  the excess amount drawn shall not be subject to the Rate Lock Option, but instead shall be subject to the interest rate terms of the Loan Agreement.

(d) By signing below, the signatory hereby irrevocably exercises the Rate Lock Option on behalf of Borrower and certifies that (1) the signatory is duly authorized to act for, on behalf of, and commit Borrower as described herein, (2) no state regulatory commission or other governmental approval is required to exercise the Rate Lock Option and perform under the terms and conditions set forth herein or, if such

CFC FACIL  
KY064-A-9041(MACDONE)  
209381-1



approvals are required, then such approvals have been obtained, are in effect, and evidence thereof is attached hereto.

If the foregoing accurately describes our mutual understanding of the Rate Lock Option and the terms and conditions under which it is offered, please execute and return a copy of this letter by e-mail or facsimile before 6 pm on July 28 2016, at which time this offer for the Rate Lock Option will automatically be deemed withdrawn.

Sincerely,

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**

By: Elaine MacDonald  
Elaine MacDonald  
Assistant Secretary-Treasurer

**ACCEPTED AND AGREED TO THIS 28th day of July, 2016**

**Blue Grass Energy Cooperative Corporation**

By: Charles A. Williamson

Its: VP-FINANCE / CFO

SCHEDULE A

Loan #	Date of Interest Rates	Advance Amount	Advance Date	Loan Term in Months	Amort Type	Deferral Period in Months	Amort Start Date	Final Pmt Date	Interest Rate Term	Reprice Date	Interest Rate on Advance Date	Adder Bps	All-in Rate
9041-001	7/28/2016	\$60,269,116	10/31/2016	204	LD	0	11/1/2015	9/30/2033	17	FTM	2.95%	0.000%	2.95%

CFC FACIL  
 KY064-A-9041(MACDONE)  
 209381-1

---

**RESOLUTION**

**July 25, 2016**

**Board Resolution Requesting RUS Discounted Prepayment**

I, Jane Smith, Secretary-Treasurer of Blue Grass Energy Cooperative Corporation ("Applicant"), do hereby certify that the following is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Applicant held on July 25, 2016, at which a quorum was present and voted; the meeting was duly and regularly held in accordance with the bylaws of the Applicant, and said resolution has not been rescinded or modified:

WHEREAS the Board of Directors of Applicant has caused to be conducted a thorough review of the feasibility of prepayment of all of its Qualified Notes currently outstanding with the Rural Utilities Service (RUS); and

WHEREAS the Board of Directors has, after full study and consideration, determined that it is in the best interest of Applicant and its membership, that it prepay all of its Qualified RUS Notes, as set forth on the Schedule attached to this resolution, at a discounted present value at the earliest practicable date, as authorized in 7 CFR Part 1786;

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors of Applicant hereby requests that RUS enter into a prepayment agreement with the Applicant providing for the prepayment of all of its Qualified Notes and that it be communicated to the appropriate RUS Regional Director by the CEO/General Manager; and

WHEREAS the Board of Directors of Applicant has determined that it will seek to prepay, at a discount, its existing RUS debt, and National Rural Utilities Cooperative Finance Corporation (CFC) financing is needed for the prepayment in the approximate amount of \$70,500,000.

**BE IT RESOLVED** that the Applicant make application to CFC for a commitment in the approximate amount of \$70,500,000 to be used to prepay RUS debt.

**BE IT FURTHER RESOLVED**, that the CFC financing requested herein include several different loan amounts, each loan having a maturity no longer than 35 years, as determined by the CEO/General Manager and provided to CFC in writing prior to the preparation of the CFC loan and security documentation. The loans, which in the aggregate total the financing commitment request of approximately \$70,500,000, will have separate interest rate options which will be selected at the time of the advance by the CEO/General Manager.

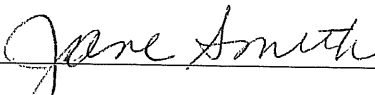
---

**BE IT ALSO RESOLVED**, that Applicant hereby authorizes the release of information from  
RUS to CFC in connection with the system as it relates to this application.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of Applicant,  
this 25<sup>th</sup> day of July 2016.

Dated this 25<sup>th</sup> day of July 2016

(Corporate Seal)

  
Jane Smith, Secretary-Treasurer

Schedule of Qualified RUS Notes

July 25, 2016

Loan Number	Interest Rate	Amort Type	Loan Balance	Maturity Date
RET-19-1	5.75%	LD	\$ 724,926.06	11/30/2041
RET-19-2	6.00%	LD	\$ 245,327.00	7/31/2030
RET-19-3	5.50%	LD	\$ 653,266.03	7/31/2030
RET-19-4	5.13%	LD	\$ 297,099.31	7/31/2030
RET-18-1	5.75%	LD	\$ 474,257.06	11/30/2029
RET-18-3	5.75%	LD	\$ 318.24	8/31/2029
RET-18-2	5.75%	LD	\$ 474,575.47	11/30/2029
RET-21-1	5.00%	LD	\$ 3,561,548.84	4/30/2033
RET-21-2	2.38%	LD	\$ 1,267,595.74	5/31/2033
RET-21-3	3.63%	LD	\$ 1,807,888.76	5/31/2033
RET-22-1	3.75%	LD	\$ 6,545,262.57	8/31/2039
RET-22-2	4.25%	LD	\$ 4,180,806.39	7/31/2039
RET-22-3	4.25%	LD	\$ 5,016,967.59	7/31/2039
RET-22-4	4.50%	LD	\$ 4,211,827.89	7/31/2039
RET-22-5	4.13%	LD	\$ 4,427,790.77	7/31/2039
RET-23-1	3.49%	LD	\$ 10,271,330.68	9/30/2038
RET-23-2	4.43%	LD	\$ 7,865,341.94	9/30/2038
RET-23-3	3.85%	LD	\$ 5,176,058.01	8/31/2038
RET-23-4	4.64%	LD	\$ 4,428,520.78	8/31/2038
RET-23-5	4.57%	LD	\$ 4,497,482.17	9/30/2038
RET-23-6	3.23%	LD	\$ 5,168,471.55	8/31/2038



Created & Owned by America's Electric Cooperative Network

# Blue Grass Energy Co-op

## RUS Payoff

RUS Refinance - Single Note - 17 Year Term

Count	Loan Number	Payments Per Year	Interest Rate	Amort Type	Loan Balance	Payment	Maturity Date	Years to Maturity	Treasury Rate	Payoff Amount	Amount of Discount	Percentage Discount
1	RET-19-1	12	5.75%	LD	\$ 708,392.57	\$ 6,215.00	6/30/2030	13.65	0.00%	\$ 708,392.57	\$ 0.00	0.000%
2	RET-19-2	12	6.00%	LD	\$ 239,882.43	\$ 2,129.37	7/31/2030	13.75	0.00%	\$ 239,882.43	\$ 0.00	0.000%
3	RET-19-3	12	5.50%	LD	\$ 638,276.43	\$ 5,480.00	7/31/2030	13.85	0.00%	\$ 638,276.43	\$ (0.00)	0.000%
4	RET-19-4	12	5.13%	LD	\$ 290,063.31	\$ 2,435.88	7/31/2030	13.85	0.00%	\$ 290,063.31	\$ (0.00)	0.000%
5	RET-18-1	12	5.75%	LD	\$ 462,741.91	\$ 4,180.99	11/30/2029	13.05	0.00%	\$ 462,741.91	\$ (0.00)	0.000%
6	RET-18-3	12	5.75%	LD	\$ 310.36	\$ 2.83	8/31/2029	12.95	0.00%	\$ 310.36	\$ 0.00	0.001%
7	RET-18-2	12	5.75%	LD	\$ 463,052.42	\$ 4,183.83	11/30/2029	13.05	0.00%	\$ 463,052.42	\$ 0.00	0.000%
8	RET-21-1	12	5.00%	LD	\$ 3,495,279.87	\$ 25,850.00	4/30/2033	16.55	0.00%	\$ 3,495,279.87	\$ (0.00)	0.000%
9	RET-21-2	12	2.38%	LD	\$ 1,237,745.61	\$ 7,472.74	5/31/2033	16.65	0.00%	\$ 1,237,745.61	\$ (0.00)	0.000%
10	RET-21-3	12	3.63%	LD	\$ 1,769,936.34	\$ 11,768.52	5/31/2033	16.65	0.00%	\$ 1,769,936.34	\$ 0.00	0.000%
11	RET-22-1	12	3.75%	LD	\$ 6,458,065.61	\$ 34,984.20	8/31/2039	22.85	0.00%	\$ 6,458,065.61	\$ 0.00	0.000%
12	RET-22-2	12	4.25%	LD	\$ 4,128,366.34	\$ 23,550.00	7/31/2039	22.75	0.00%	\$ 4,128,366.34	\$ (0.00)	0.000%
13	RET-22-3	12	4.25%	LD	\$ 4,954,039.52	\$ 28,260.00	7/31/2039	22.75	0.00%	\$ 4,954,039.52	\$ 0.00	0.000%
14	RET-22-4	12	4.50%	LD	\$ 4,160,830.25	\$ 24,300.00	7/31/2039	22.75	0.00%	\$ 4,160,830.25	\$ (0.00)	0.000%
15	RET-22-5	12	4.13%	LD	\$ 4,371,468.73	\$ 24,609.46	7/31/2039	22.85	0.00%	\$ 4,371,468.73	\$ (0.00)	0.000%
16	RET-23-1	12	3.49%	LD	\$ 10,120,681.99	\$ 54,960.00	9/30/2038	21.95	0.00%	\$ 10,120,681.99	\$ 0.00	0.000%
17	RET-23-2	12	4.43%	LD	\$ 7,763,625.86	\$ 45,990.00	9/30/2038	21.95	0.00%	\$ 7,763,625.86	\$ (0.00)	0.000%
18	RET-23-3	12	3.85%	LD	\$ 5,103,471.91	\$ 28,680.00	8/31/2038	21.95	0.00%	\$ 5,103,471.91	\$ (0.00)	0.000%
19	RET-23-4	12	4.64%	LD	\$ 4,372,489.81	\$ 26,450.00	8/31/2038	21.95	0.00%	\$ 4,372,489.81	\$ (0.00)	0.000%
20	RET-23-5	12	4.57%	LD	\$ 4,440,318.09	\$ 26,650.00	9/30/2038	21.95	0.00%	\$ 4,440,318.09	\$ (0.00)	0.000%
21	RET-23-6	12	3.23%	LD	\$ 5,090,076.63	\$ 26,965.12	8/31/2038	21.95	0.00%	\$ 5,090,076.63	\$ (0.00)	0.000%

**FINANCIAL EXHIBITS FOR BLUE GRASS ENERGY COOPERATIVE CORPORATION**  
**NOTES EXECUTED**  
**AS OF JUNE 30, 2016**

Line No.	Loan #	Date of Issue	Original Balance	Principal Balance as of 6/30/2016	Date of Principal Maturity	Rate of Interest	Fixed=F Variable=V	Payable in Favor Of	Date of Interest Term Maturity (if not same as principal)	Interest Paid Thru 6/30/2016
1	RET 18-1	Jan-95	577,856	466,569	January-30	5.750	F	RUS		13,534
2	RET 18-2	Jan-95	578,245	466,882	January-30	5.750	F	RUS		13,543
3	RET 18-3	Jan-95	389	313	January-30	5.750	F	RUS		9
4	RET 19-1	Aug-95	873,738	713,882	August-30	5.750	F	RUS		20,690
5	RET 19-2	Aug-95	294,024	241,689	August-30	6.000	F	RUS		7,307
6	RET 19-3	Aug-95	789,060	643,255	August-30	5.500	F	RUS		17,834
7	RET 19-4	Aug-95	361,457	292,402	August-30	5.125	F	RUS		7,557
8	RET 21-1	Jan-00	4,170,689	3,517,235	January-35	5.000	F	RUS		88,421
9	RET 21-2	Jan-00	1,547,531	1,247,681	January-35	2.375	F	RUS		14,942
10	RET 21-3	Jan-00	2,169,293	1,782,547	January-35	3.625	F	RUS		32,533
11	RET 22-1	Jan-05	7,500,000	6,486,872	January-40	3.500	F	RUS		121,924
12	RET 22-2	Jan-05	4,673,890	4,145,651	January-40	4.250	F	RUS		88,269
13	RET 22-3	Jan-05	5,608,669	4,974,781	January-40	4.250	F	RUS		105,923
14	RET 22-4	Mar-06	4,688,486	4,177,616	March-41	4.500	F	RUS		94,159
15	RET 22-5	Jan-07	4,958,996	4,390,044	January-42	4.130	F	RUS		90,733
16	RET 23-1	Apr-08	11,713,965	10,170,547	April-43	3.500	F	RUS		178,046
17	RET 23-2	Sep-08	8,817,108	7,797,156	February-43	4.430	F	RUS		173,089
18	RET 23-3	Feb-09	5,865,006	5,127,465	February-44	3.850	F	RUS		98,881
19	RET 23-4	Feb-10	5,000,000	4,390,942	February-45	4.600	F	RUS		101,991
20	RET 23-5	Jul-12	5,000,000	4,459,149	July-47	4.600	F	RUS		102,059
21	RET 23-6	Sep-13	5,824,000	5,116,049	September-48	3.230	F	RUS		82,913
22	H0010	Nov-00	3,525,423	2,737,799	January-35	0.390	V	FFB	9/30/2016	4,631
23	H0015	Mar-01	2,000,000	1,368,900	March-36	0.390	V	FFB	9/30/2016	2,316
24	H0020	Oct-01	3,670,316	3,089,569	October-36	0.390	V	FFB	9/30/2016	5,226
25	H0025	Sep-99	1,000,000	586,571	September-34	0.390	V	FFB	9/30/2016	993
26	H0030	Jul-00	900,000	527,914	July-35	0.390	V	FFB	9/30/2016	894
27	H0035	Feb-01	1,000,000	590,529	February-36	0.390	V	FFB	9/30/2016	1,000
28	H0040	Oct-01	1,625,000	962,952	October-36	0.390	V	FFB	9/30/2016	1,631
29	H0045	Dec-01	1,750,000	1,036,735	December-36	0.390	V	FFB	9/30/2016	1,756
30	H0050	Jul-02	2,000,000	1,234,291	July-37	0.390	V	FFB	9/30/2016	2,088
31	H0055	Dec-02	2,934,000	2,164,380	December-37	0.390	V	FFB	9/30/2016	54,880
32	H0060	May-03	5,000,000	3,145,231	May-38	0.390	V	FFB	9/30/2016	5,320
33	H0065	Jan-04	5,000,000	3,210,320	January-39	0.390	V	FFB	9/30/2016	5,430
34	H0070	Apr-04	3,000,000	1,866,831	April-39	0.390	V	FFB	9/30/2016	3,158
35	H0075	Sep-06	3,087,000	2,639,420	September-41	5.029	F	FFB		66,569
36	H0080	Jan-13	5,000,000	4,695,374	January-48	2.753	F	FFB		64,821
37	H0085	Jul-13	6,800,000	6,178,197	July-48	0.390	V	FFB	9/30/2016	10,373
38	H0090	Jan-15	5,000,000	4,854,018	January-46	2.252	F	FFB		54,855
39	H0095	Apr-15	5,000,000	4,885,176	April-50	2.402	F	FFB		58,872
40	H0100	Jul-15	14,375,000	14,143,658	July-50	2.879	F	FFB		204,159
41	H0105	15-Jul	1,431,000	1,407,970	July-50	2.879	F	FFB		20,324
42	9008-001	Dec-82	492,000	51,303	December-17	3.150	F	CFC		964
43	9009-001	Nov-84	947,000	201,815	November-19	3.600	F	CFC		3,885
44	9010-001	Apr-89	1,740,000	770,848	April-24	7.100	F	CFC		27,847
45	9011-001	Aug-95	628,500	413,172	August-30	7.100	F	CFC	1/1/2025	14,633
46	9011-002	Aug-95	628,500	453,430	August-30	7.100	F	CFC	1/1/2025	16,058
47	9018-001	Dec-84	303,093	70,294	December-19	3.600	F	CFC		1,343
48	9019-001	Jan-87	275,258	96,711	January-22	7.100	F	CFC		3,558
49	9020-001	May-91	618,557	322,080	May-26	7.100	F	CFC	1/1/2025	11,529
50	9021-001	Jan-95	635,000	396,950	January-30	5.650	F	CFC	8/1/2018	11,167
51	9032-001	Jul-83	266,000	35,652	July-18	5.650	F	CFC		1,157
52	9033-001	Aug-85	371,134	84,495	August-20	5.650	F	CFC	8/1/2018	2,527
53	9034-001	Feb-88	351,546	125,530	February-23	5.650	F	CFC	8/1/2018	3,632
54	9035-001	Oct-89	608,247	251,740	October-24	5.650	F	CFC	8/1/2018	7,200
55	9036-001	Dec-93	938,144	540,000	December-28	5.650	F	CFC	8/1/2018	15,223
56	9037-013	Aug-03	1,094,587	1,094,587	May-17	5.400	F	CFC		28,949
57	9037-015	Aug-03	1,094,587	1,094,587	May-18	5.350	F	CFC		29,223

**FINANCIAL EXHIBITS FOR BLUE GRASS ENERGY COOPERATIVE CORPORATION**  
**NOTES EXECUTED**  
**AS OF JUNE 30, 2016**

Line No.	Loan #	Date of Issue	Original Balance	Principal Balance as of 6/30/2016	Date of Principal Maturity	Rate of Interest	Fixed=F Variable=V	Payable in Favor Of	Date of Interest Term Maturity (if not same as principal)	Interest Paid Thru 6/30/2016
58	9037-026	Aug-03	273,647	273,647	May-19	5.650	F	CFC	6/1/2017	7,560
59	9037-027	Aug-03	273,647	273,647	May-19	3.900	F	CFC		5,165
60	9037-028	Aug-03	273,647	273,647	May-19	5.650	F	CFC	6/1/2017	7,560
61	9037-029	Aug-03	273,646	273,647	May-19	5.450	F	CFC	6/1/2017	7,286
62	9040-001	Nov-13	1,200,000	849,855	November-23	2.500	V	CFC	7/1/2016	12,608
63	9037-014	Aug-03	1,094,587	-	May-16	5.350	F	CFC		10,890
64	9031-001	Aug-03	456,000	-	February-16	4.750	F	CFC		91





**National Rural Utilities  
Cooperative Finance Corporation**

*Created and Owned by America's Electric Cooperative Network*

20701 Cooperative Way  
Dulles, Virginia 20166  
703-467-1800 | [www.nrucfc.coop](http://www.nrucfc.coop)

July 26, 2016

Mr. Michael I. Williams  
CEO  
Blue Grass Energy Cooperative Corporation  
P. O. Box 990  
Nicholasville, KY 43040-0990

Dear Mr. Williams:

On March 22, 1994, RUS published the final rules for the prepayment of RUS notes at a discount. CFC is pleased to inform you that Blue Grass Energy Cooperative Corporation has been approved to receive CFC funding to refinance its RUS debt.

We have determined that your system may refinance approximately \$70,500,000 with a secured long-term commitment from CFC for a term that matches the composite life of the existing RUS debt. CFC will also consider lending for terms other than the composite life of the existing RUS debt. It is anticipated that distribution systems interested in refinancing for shorter terms than their existing RUS debt will need to run financial forecasts to evaluate and support the goals and expectations of their system.

According to RUS' rules, borrowers that apply for the note buyout must show evidence of available financing for prepayment of notes. This letter may be used for that purpose. Financing will be available to Blue Grass Energy Cooperative Corporation after the execution of CFC loan and security documents and, as may be required by some systems, regulatory approval from state and/or federal agencies.

CFC's approved commitment to Blue Grass Energy Cooperative Corporation will be available for advance anytime during the next eighteen months, which means you will have quick access to loan funds in the event you choose to refinance your RUS debt. We look forward to providing you with any assistance that may be needed. Please contact Brian Stavish, your Regional Vice President at 571-213-9003 or Elaine MacDonald in our Dulles office at (800) 424-2954, extension 1883 for more information concerning the note buyout.

Sincerely,

Sheldon C. Petersen  
Chief Executive Officer

Co-op Name: Blue Grass Energy Co-op  
 Co-op ID: KY064  
 Date Prepared: 8/7/2016  
 Interest Rates as of: 7/28/2016  
 Financing Amount: \$ 60,269,116  
 Scenario Name: RUS Refinance - Single Note - 17 Year Term  
 Less \$10MM

Effective Interest Rate: CFC 2.95% RUS 4.13%  
 Stated Interest Rate: 2.95% 4.13%  
 Pat. Capital and Discount Benef: 0.00%  
 Total Interest Difference: \$ 19,109,011  
 Total Int. & Pat. Cap. Difference: \$ 19,109,011  
 Total Cash Flow Difference: \$ 29,109,012



ANNUAL CASH FLOW SUMMARY

30-Jun	CFC				RUS				Interest Expense Difference	Principal Payment Difference	Patronage Capital Retirement	Total Cash Flow Difference	Net Present Value
	Ending Balance	Principal Payments	Interest Expense	Cash Flows	Ending Balance	Principal Payments	Interest Expense	Cash Flows					
	(60,269,116)	(16,361,442)	(76,630,558)		(70,269,116)	(35,470,454)	(105,739,570)		19,109,011	10,000,000	0	29,109,012	15,103,284
2016	60,269,116	0	0	0	70,269,116	0	0	0	0	0	0	0	0
2017	58,418,815	(1,850,301)	(1,174,302)	(3,024,603)	68,483,652	(1,785,464)	(2,365,716)	(4,151,179)	1,191,414	(64,837)	0	1,126,577	1,081,895
2018	55,574,317	(2,844,498)	(1,685,100)	(4,529,597)	66,273,444	(2,210,208)	(2,771,208)	(4,981,415)	1,086,108	(634,290)	0	451,818	416,689
2019	52,644,763	(2,929,554)	(1,600,043)	(4,529,597)	63,970,334	(2,303,110)	(2,678,305)	(4,981,415)	1,078,262	(626,444)	0	451,818	400,162
2020	49,627,609	(3,017,154)	(1,512,443)	(4,529,597)	61,573,926	(2,396,408)	(2,585,007)	(4,981,415)	1,072,564	(620,746)	0	451,818	384,291
2021	46,520,235	(3,107,374)	(1,422,224)	(4,529,597)	59,069,371	(2,504,555)	(2,476,860)	(4,981,415)	1,054,636	(602,818)	0	451,818	369,049
2022	43,319,945	(3,200,291)	(1,329,307)	(4,529,597)	56,462,718	(2,606,653)	(2,374,762)	(4,981,415)	1,045,456	(593,637)	0	451,818	354,412
2023	40,023,958	(3,295,986)	(1,233,611)	(4,529,597)	53,745,975	(2,716,743)	(2,264,673)	(4,981,415)	1,031,062	(579,244)	0	451,818	340,355
2024	36,629,415	(3,394,543)	(1,135,054)	(4,529,597)	50,917,375	(2,828,600)	(2,152,815)	(4,981,415)	1,017,761	(565,943)	0	451,818	326,856
2025	33,133,368	(3,496,048)	(1,033,550)	(4,529,597)	47,963,086	(2,954,289)	(2,027,126)	(4,981,415)	993,577	(541,759)	0	451,818	313,892
2026	29,532,781	(3,600,587)	(929,010)	(4,529,597)	44,886,501	(3,076,585)	(1,904,830)	(4,981,415)	975,820	(524,002)	0	451,818	301,443
2027	25,824,529	(3,708,252)	(821,345)	(4,529,597)	41,679,358	(3,207,143)	(1,774,273)	(4,981,415)	952,928	(501,110)	0	451,818	289,487
2028	22,005,392	(3,819,137)	(710,460)	(4,529,597)	38,338,255	(3,341,104)	(1,640,312)	(4,981,415)	929,851	(478,033)	0	451,818	278,005
2029	18,072,054	(3,933,337)	(596,260)	(4,529,597)	34,850,557	(3,487,698)	(1,493,718)	(4,981,415)	897,458	(445,640)	0	451,818	266,979
2030	14,021,102	(4,050,953)	(478,645)	(4,529,597)	31,288,723	(3,561,834)	(1,348,465)	(4,910,299)	869,820	(489,119)	0	380,702	216,034
2031	9,849,017	(4,172,085)	(357,513)	(4,529,597)	27,800,320	(3,488,403)	(1,204,081)	(4,692,484)	846,568	(683,682)	0	162,887	88,766
2032	5,552,178	(4,296,839)	(232,758)	(4,529,597)	24,176,057	(3,624,263)	(1,061,618)	(4,685,880)	828,860	(672,576)	0	156,283	81,790
2033	1,126,854	(4,425,324)	(104,273)	(4,529,597)	20,492,103	(3,683,954)	(909,129)	(4,593,083)	804,855	(741,369)	0	63,486	31,907
2034	0	(1,126,854)	(5,545)	(1,132,399)	17,115,996	(3,376,107)	(768,678)	(4,144,785)	763,133	2,249,253	0	3,012,386	1,453,935
2035	0	0	0	0	13,600,880	(3,515,115)	(629,670)	(4,144,785)	629,670	3,515,115	0	4,144,785	1,921,147
2036	0	0	0	0	9,941,640	(3,659,241)	(485,545)	(4,144,785)	485,545	3,659,241	0	4,144,785	1,844,950
2037	0	0	0	0	6,130,371	(3,811,269)	(333,516)	(4,144,785)	333,516	3,811,269	0	4,144,785	1,771,776
2038	0	0	0	0	2,162,462	(3,967,908)	(176,877)	(4,144,785)	176,877	3,967,908	0	4,144,785	1,701,504
2039	0	0	0	0	103,022	(2,059,440)	(42,854)	(2,102,294)	42,854	2,059,440	0	2,102,294	828,798
2040	0	0	0	0	0	(103,022)	(418)	(103,440)	418	103,022	0	103,440	39,162
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
2052	0	0	0	0	0	0	0	0	0	0	0	0	0
2053	0	0	0	0	0	0	0	0	0	0	0	0	0
2054	0	0	0	0	0	0	0	0	0	0	0	0	0
2055	0	0	0	0	0	0	0	0	0	0	0	0	0
2056	0	0	0	0	0	0	0	0	0	0	0	0	0
2057	0	0	0	0	0	0	0	0	0	0	0	0	0
2058	0	0	0	0	0	0	0	0	0	0	0	0	0
2059	0	0	0	0	0	0	0	0	0	0	0	0	0
2060	0	0	0	0	0	0	0	0	0	0	0	0	0
2061	0	0	0	0	0	0	0	0	0	0	0	0	0
2062	0	0	0	0	0	0	0	0	0	0	0	0	0
2063	0	0	0	0	0	0	0	0	0	0	0	0	0
2064	0	0	0	0	0	0	0	0	0	0	0	0	0
2065	0	0	0	0	0	0	0	0	0	0	0	0	0
2066	0	0	0	0	0	0	0	0	0	0	0	0	0
2067	0	0	0	0	0	0	0	0	0	0	0	0	0
2068	0	0	0	0	0	0	0	0	0	0	0	0	0
2069	0	0	0	0	0	0	0	0	0	0	0	0	0
2070	0	0	0	0	0	0	0	0	0	0	0	0	0
2071	0	0	0	0	0	0	0	0	0	0	0	0	0
2072	0	0	0	0	0	0	0	0	0	0	0	0	0

\* The estimated impact of Pat. Cap. is based on CFC's historical patronage allocation level and CFC's current retirement policy. CFC's patronage allocation & retirement are subject to approval by CFC's Board of Directors  
 \*\* This information is confidential and is not to be disclosed to third parties without prior CFC consent. This presentation reflects CFC's programs and policies in effect at the time this presentation was created. No future representation of interest rates is

Created & Owned by America's Electric Cooperative Network

**BLUE GRASS ENERGY COOPERATIVE CORPORATION**  
**STATEMENT OF OPERATIONS**  
**TWELVE MONTHS ENDED JUNE 30, 2016**

Operating Revenue and Patronage Capital	\$	121,889,217
Cost of Purchased Power		89,157,421
Distribution Expense-Operation		3,018,771
Distribution Expense-Maintenance		6,420,805
Consumer Accounts Expense		2,597,152
Customer Service & Information Expense		652,620
Sales Expense		-
Administrative & General Expenses		4,548,374
Total Operation and Maintenance Expense		<u>106,395,143</u>
Depreciation and Amortization		8,674,834
Tax Expense - Other		160
Interest on Long Term Debt		4,526,768
Interest Expense - Other		3,632
Other Deductions		(774)
Total Cost of Electric Service		<u>119,599,763</u>
Patronage Capital and Operating Margins		2,289,454
Non Operating Margins - Interest		1,050,960
Non Operating Margins - Other		38,851
Generation and Transmission Capital Credits		5,610,642
Other Capital Credits and Patronage Dividends		143,773
Patronage Capital and Margins	\$	<u><u>9,133,680</u></u>

**BLUE GRASS ENERGY COOPERATIVE CORPORATION**  
**FINANCIAL AND STATISTICAL REPORT**  
**AS OF JUNE 30, 2016**

**ASSETS**

Total Utility Plant in Service	\$ 235,852,617
Construction Work in Progress	4,480,799
Total Utility Plant	<u>240,333,416</u>
Accum Prov for Depreciation and Amortization	<u>(83,755,639)</u>
Net Utility Plant	<u>156,577,777</u>
Non-Utility Property	-
Investment in Subsidiary Companies	-
Inv in Assoc Org - Patronage Capital	60,590,925
Inv in Assoc Org - Other General Funds	-
Inv in Assoc Org - Non General Funds	2,151,271
Inv in Econ Devel Projects	-
Other Investments	-
Special Funds	-
Tot Other Prop & Investments	<u>62,742,196</u>
Cash-Gneral Funds	2,041,342
Cash - Construction Fund Trust	-
Special Deposits	-
Temporary Investments	21,500,000
Notes Receivable	-
Accnts Rec - Sales of Energy	7,076,400
Accnts Rec - Other	1,748,465
Renewable Energy Credits	-
Materials & Supplies- Electric & Other	1,446,479
Prepayments	715,476
Other Current & Accrued Assets	<u>(373)</u>
Total Current & Accrued Assets	<u>34,527,789</u>
Regulatory Assets	-
Other Deferred Assets	<u>3,526,983</u>
Total Assets & Other Debits	<u>\$ 257,374,745</u>

**LIABILITIES AND OTHER CREDITS**

Memberships	\$ 1,070,395
Patronage Capital	103,825,748
Operating Margins - Prior Year	96,485
Operating Margins - Current Year	2,746,091
Non-Operating Margins	62,513
Other Margins and Equities	<u>1,591,986</u>
Total Margins & Equities	<u>109,393,218</u>
Long-Term Debt - RUS	70,608,728
Long-Term Debt-FFB-RUS Guaranteed	61,325,832
Long-Term Debt-Other	7,947,635
Long-Term Debt-Econ Dev	-
Payments-Unapplied	<u>(15,208,149)</u>
Total Long-Term Debt	<u>124,674,046</u>
Obligations under Capital Lease	-
Accum Operating Provisions	<u>9,754,386</u>
Total Other Noncurrent Liabilities	<u>9,754,386</u>
Notes Payable	-
Accounts Payable	9,323,521
Consumer Deposits	1,593,438
Curr Maturities Long-Term Debt	-
Curr Maturities LT Debt Econ Dev	-
Curr Maturities Capital Leases	-
Other Current & Accrued Liabilities	<u>2,163,591</u>
Total Current and Accrued Liabilities	<u>13,080,550</u>
Regulatory Liabilities	-
Other Deferred Liabilities	<u>472,545</u>
Total Liabilities and Other Credits	<u>\$ 257,374,745</u>