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April 3, 2009

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PUBLIC SERVICE
COMMISSION

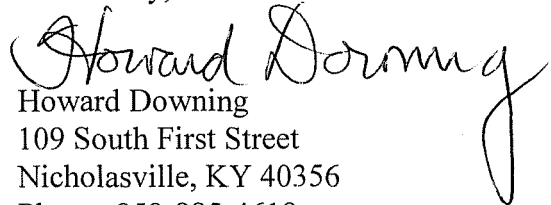
Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2008-00169

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and five copies of the Net Metering Tariffs for Blue Grass Energy Cooperative Corporation as ordered dated April 3, 2009.

Yours truly,


Howard Downing

109 South First Street
Nicholasville, KY 40356
Phone: 859-885-4619

Attorney for Blue Grass Energy
Cooperative Corporation

RATES SCHEDULE NM—NET METERING
AVAILABILITY OF NET METERING SERVICE

Net Metering is available to eligible member-generators in Blue Grass Energy's service territory, upon request, and on a first-come, first-served basis up to a cumulative capacity of one percent (1%) of the Blue Grass Energy's single hour peak load during the previous year. If the cumulative generating capacity of net metering systems reaches 1% of a supplier's single hour peak load during the previous year, upon Commission approval, Blue Grass Energy's obligation to offer net metering to a new member-generator may be limited. An eligible member-generator shall mean a member retail electric member of Blue Grass Energy with a generating facility that:

- 1) Generates electricity using solar energy, wind energy, biomass or biogas energy, or hydro energy;
- 2) Has a rated capacity of not greater than thirty (30) kilowatts;
- 3) Is located on the member's premises;
- 4) Is owned and operated by the member;
- 5) Is connected in parallel with Blue Grass Energy's electric distribution system; and
- 6) Has the primary purpose of supplying all or part of the member's own electricity requirements.

At its sole discretion, Blue Grass Energy may provide Net Metering to other member-generators not meeting all the conditions listed above on a case-by-case basis.

METERING

Blue Grass Energy shall provide net metering services, without any cost to the Member for metering equipment, through a standard kilowatt-hour metering system capable of measuring the flow of electricity in two (2) directions. This provision does not relieve Member of his or her responsibility to pay metering costs embedded in the Blue Grass Energy's Commission-approved base rates. Net metered electricity shall be measured in accordance with standard metering practices established by Blue Grass Energy using metering equipment capable of measuring and recording energy flows, on a kWh basis, from Blue Grass Energy to the member-generator and from the member-generator to Blue Grass Energy, with each directional energy flow recorded independently.

If time-of-day or time-of-use metering is used, the electricity fed back to the electric grid by the member-generator shall be metered and accounted for at the specific time it is fed back to the electric grid in accordance with the time-of-day and time-of-use billing agreement currently in place.

Any additional meter, meters, or distribution upgrades needed to monitor the flow in each direction shall be installed at the Member's expense.

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BILLING AND PAYMENT

For charges collected on the basis of metered registration, Blue Grass Energy shall, for each monthly billing period, determine the net meter registration of the member-generator by comparing the directional energy flow in each direction. If the net meter registration shows that the deliveries of energy in kWh from the member-generator to Blue Grass Energy exceed the deliveries of energy in kWh from Blue Grass Energy to the member-generator, the net meter registration in kWh will be carried forward to the next monthly billing period as a Net Metering Credit, expressed in kWh. If the member-generators carried over a Net Metering Credit from one of more prior months, the net meter registration from the current month shall be added to the Net Metering Credit that exists from prior months.

If the net metering registration shows that deliveries of energy in kWh from the Cooperative to the member-generator exceed the deliveries of energy in kWh from the member-generator to the Cooperative, the member-generator shall pay the Cooperative for the net amount of energy delivered by the Cooperative after application of any Net Metering Credit carried forward from previous months at the current rate applicable to its type or class of electric service.

The member shall be responsible for payment of any applicable member charge or other applicable charges.

At no time shall Blue Grass Energy be required to convert the Net Billing Credit to cash. If a member-generator closes his account, no cash refund for residual Net Metering Credits shall be paid.

Net Metering Credits are not transferable between members or locations.

APPLICATION AND APPROVAL PROCESS

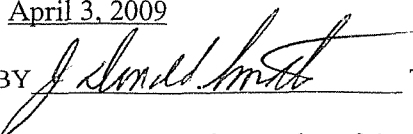
The Member shall submit an Application for Interconnection and Net Metering ("Application") and receive approval from Blue Grass Energy prior to connecting the generator facility to Blue Grass Energy's system. Applications will be submitted by the Member and reviewed and processed by Blue Grass Energy according to either Level 1 or Level 2 processes defined in this tariff.

Blue Grass Energy may reject an Application for violations of any code, standard, or regulation related to reliability or safety; however, Blue Grass Energy will work with the Member to resolve those issues to the extent practicable.

Members may contact Blue Grass Energy to check on status of an Application or with questions prior to submitting an Application. Contact information is provided on the Application form and is listed on Blue Grass Energy's website.

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LEVEL 1 AND LEVEL 2 DEFINITIONS**LEVEL 1**

A Level 1 Application shall be used if the generating facility is inverter-based and is certified by a nationally recognized testing laboratory to meet the requirements of Underwriters Laboratories Standard 1741 "Inverters, Converters, Controllers and Interconnection System Equipment for Use With Distributed Energy Resources" (UL 1741).

Blue Grass Energy will approve the Level 1 Application if the generating facility also meets all of the following conditions:

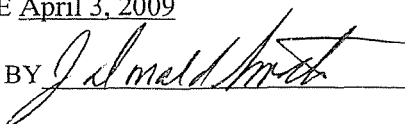
- 1) For interconnection to a radial distribution circuit, the aggregated generation on the circuit, including the proposed generating facility, will not exceed 15% of the Line Section's most recent annual one hour peak load. A line section is the smallest part of the primary distribution system the generating facility could remain connected to after operation of any sectionalizing devices.
- 2) If the proposed generating facility is to be interconnected on a single-phase shared secondary, the aggregate generation capacity, including the proposed generating facility, will not exceed the smaller of 20 kVA or the nameplate rating of the transformer.
- 3) If the proposed generating facility is single-phase and is to be interconnected on a center tap neutral of a 240 volt service, its addition shall not create an imbalance between the two sides of the 240 volt service of more than 20% of the nameplate rating of the service transformer.
- 4) If the generating facility is to be connected to three-phase, three wire primary Blue Grass Energy distribution lines, the generator shall appear as a phase-to-phase connection at the primary Blue Grass Energy distribution line.
- 5) If the generating facility is to be connected to three-phase, four wire primary Blue Grass Energy distribution lines, the generator shall appear to the primary Blue Grass Energy distribution line as an effectively grounded source.
- 6) The interconnection will not be on an area or spot network.
- 7) Blue Grass Energy does not identify any violations of any applicable provisions of IEEE 1547, "Standard for Interconnecting Distributed Resources with Electric Power Systems."
- 8) No construction of facilities by Blue Grass Energy on its own system will be required to accommodate the generating facility.

If the generating facility does not meet all of the above listed criteria, Blue Grass Energy, in

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its sole discretion, may either: 1) approve the generating facility under the Level 1 Application if Blue Grass Energy determines that the generating facility can be safely and reliably connected to Blue Grass Energy's system; or 2) deny the Application as submitted under the Level 1 Application.

Blue Grass Energy shall notify the member within 20 business days whether the Application is approved or denied, based on the criteria provided in this section.

If the Application lacks complete information, Blue Grass Energy shall notify the Member that additional information is required, including a list of such additional information. The time between notification and receipt of required additional information will add to the time to process the Application.

When approved, Blue Grass Energy will indicate by signing the approval line on the Level 1 Application Form and returning it to the Member. The approval will be subject to successful completion of an initial installation inspection and witness test if required by Blue Grass Energy. Blue Grass Energy's approval section of the Application will indicate if an inspection and witness test are required. If so, the Member shall notify Blue Grass Energy within 3 business days of completion of the generating facility installation and schedule an inspection and witness test with Blue Grass Energy to occur within 10 business days of completion of the generator facility installation or as otherwise agreed to by Blue Grass Energy and the Member. The Member may not operate the generating facility until successful completion of such inspection and witness test, unless Blue Grass Energy expressly permits operational testing not to exceed two hours.

If the installation fails the inspection or witness test due to non-compliance with any provision in the Application and Blue Grass Energy approval, the Member shall not operate the generating facility until any and all non-compliance issues are corrected and re-inspected by Blue Grass Energy.

If the Application is denied, Blue Grass Energy will supply the Member with reasons for denial. The Member may resubmit under Level 2 if appropriate.

LEVEL 2

A Level 2 Application is required under any of the following:

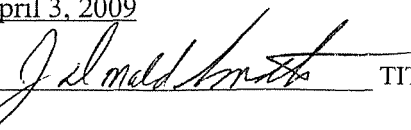
- 1) The generating facility is not inverter based;
- 2) The generating facility uses equipment that is not certified by a nationally recognized testing laboratory to meet the requirements of UL 1741; or
- 3) The generating facility does not meet one or more of the additional conditions under Level 1.

Blue Grass Energy will approve the Level 2 Application if the generating facility meets Blue

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Grass Energy's technical interconnection requirements, which are based on IEEE 1547.

Blue Grass Energy will process the Level 2 Application within 30 business days of receipt of a complete Application. Within that time Blue Grass Energy will respond in one of the following ways:

- 1) The Application is approved and Blue Grass Energy will provide the Member with an Interconnection Agreement to sign.
- 2) If construction or other changes to Blue Grass Energy's distribution system are required, the cost will be the responsibility of the Member. Blue Grass Energy will give notice to the Member and offer to meet to discuss estimated costs and construction timeframe. Should the Member agree to pay for costs and proceed, Blue Grass Energy will provide the Member with an Interconnection Agreement to sign within a reasonable time.
- 3) The Application is denied. Blue Grass Energy will supply the Member with reasons for denial and offer to meet to discuss possible changes that would result in Blue Grass Energy approval. Member may resubmit Application with changes.

If the Application lacks complete information, Blue Grass Energy shall notify the Member that additional information is required, including a list of such additional information. The time between notification and receipt of required additional information will add to the 30-business-day target to process the Application.

The Interconnection Agreement will contain all the terms and conditions for interconnection consistent with those specified in this tariff, inspection and witness test requirements, description of and cost of construction or other changes to Blue Grass Energy's distribution system required to accommodate the generating facility, and detailed documentation of the generating facilities which may include single line diagrams, relay settings, and a description of operation.

The Member may not operate the generating facility until an Interconnection Agreement is signed by the Member and Blue Grass Energy and all necessary conditions stipulated in the agreement are met.

APPLICATION, INSPECTION AND PROCESSING FEES

No application fees or other review, study, or inspection or witness test fees may be charged by Blue Grass Energy for Level 1 Applications.

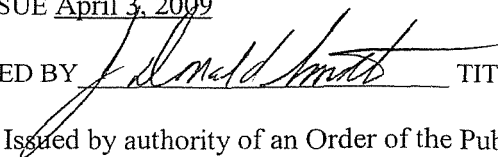
Blue Grass Energy requires each Member to submit with each Level 2 Application a non-refundable application, inspection and processing fee of up to \$100 for Level 2 Applications.

In the event Blue Grass Energy determines an impact study is necessary with respect to a Level 2 Application, the Member shall be responsible for any reasonable costs up to \$1,000

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for the initial impact study. Blue Grass Energy shall provide documentation of the actual cost of the impact study. Any other studies requested by the Member shall be at the Member's sole expense.

TERMS AND CONDITIONS FOR INTERCONNECTION

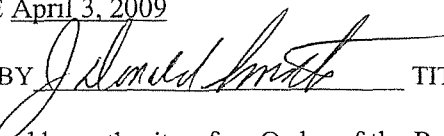
To interconnect to Blue Grass Energy's distribution system, the Member's generating facility shall comply with the following terms and conditions:

- 1) Blue Grass Energy shall provide the Member net metering services, without charge for standard metering equipment, through a standard kilowatt-hour metering system capable of measuring the flow of electricity in two (2) directions. If the Member requests any additional meter or meters or distribution upgrades are needed to monitor the flow in each direction, such installations shall be at the Member's expense.
- 2) The Member shall install, operate, and maintain, at Member's sole cost and expense, any control, protective, or other equipment on the Member's system required by Blue Grass Energy's technical interconnection requirements based on IEEE 1547, the NEC, accredited testing laboratories such as Underwriters Laboratories, and the manufacturer's suggested practices for safe, efficient and reliable operation of the generating facility in parallel with Blue Grass Energy's electric system. Member shall bear full responsibility for the installation, maintenance and safe operation of the generating facility. Upon reasonable request from Blue Grass Energy, the Member shall demonstrate generating facility compliance.
- 3) The generating facility shall comply with, and the Member shall represent and warrant its compliance with: (a) any applicable safety and power quality standards established by IEEE and accredited testing laboratories such as Underwriters Laboratories; (b) the NEC as may be revised from time to time; (c) Blue Grass Energy's rules, regulations, and Service Regulations as contained in Blue Grass Energy's Retail Electric Tariff as may be revised from time to time with the approval of the Kentucky Public Service Commission (Commission); (d) the rules and regulations of the Commission, as such rules and regulations may be revised from time to time by the Commission; and (e) all other applicable local, state, and federal codes and laws, as the same may be in effect from time to time. Where required by law, Member shall pass an electrical inspection of the generating facility by a local authority having jurisdiction over the installation.
- 4) Any changes or additions to Blue Grass Energy's system required to accommodate the generating facility shall be considered excess facilities. Member shall agree to pay Blue Grass Energy for actual costs incurred for all such excess facilities prior to construction.
- 5) Member shall operate the generating facility in such a manner as not to cause undue

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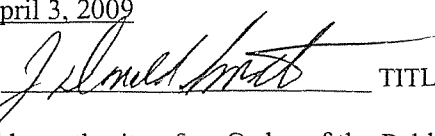
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fluctuations in voltage, intermittent load characteristics or otherwise interfere with the operation of Blue Grass Energy's electric system. At all times when the generating facility is being operated in parallel with Blue Grass Energy's electric system, Member shall operate the generating facility in such a manner that no adverse impacts will be produced thereby to the service quality rendered by Blue Grass Energy to any of its other members or to any electric system interconnected with Blue Grass Energy's electric system. Member shall agree that the interconnection and operation of the generating facility is secondary to, and shall not interfere with, Blue Grass Energy's ability to meet its primary responsibility of furnishing reasonably adequate service to its members.

- 6) The Member shall be responsible for protecting, at Member's sole cost and expense, the generating facility from any condition or disturbance on Blue Grass Energy's electric system, including, but not limited to, voltage sags or swells, system faults, outages, loss of a single phase of supply, equipment failures, and lightning or switching surges, except that Blue Grass Energy shall be responsible for repair of damage caused to the generating facility resulting solely from the negligence or willful misconduct on the part of Blue Grass Energy.
- 7) After initial installation, Blue Grass Energy shall have the right to inspect and/or witness commissioning tests, as specified in the Level 1 or Level 2 Application and approval process. Following the initial testing and inspection of the generating facility and upon reasonable advance notice to the Member, Blue Grass Energy shall have access at reasonable times to the generating facility to perform reasonable on-site inspections to verify that the installation, maintenance, and operation of the generating facility comply with the requirements of this tariff.
- 8) For Level 1 and 2 generating facilities, an eligible Member shall furnish and install on the Member's side of the point of common coupling a safety disconnect switch which shall be capable of fully disconnecting the Member's energy generating equipment from Blue Grass Energy's electric service under the full rated conditions of the Member's generating facility. The external disconnect switch (EDS) shall be located adjacent to Blue Grass Energy's meters or the location of the EDS shall be noted by placing a sticker on the meter, and shall be of the visible break type in a metal enclosure which can be secured by a padlock. If the EDS is not located directly adjacent to the meter, the Member shall be responsible for ensuring that the location of the EDS is properly and legibly identified for so long as the generating facility is operational. The disconnect switch shall be accessible to Blue Grass Energy personnel at all times. Blue Grass Energy may waive the requirement for an EDS for a generating facility at its sole discretion, and on a case-by-case basis, upon review of the generating facility operating parameters and if permitted under Blue Grass Energy's safety and operating protocols.

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9) Blue Grass Energy shall have the right and authority at Blue Grass Energy's sole discretion to isolate the generating facility or require the Member to discontinue operation of the generating facility if Blue Grass Energy believes that: (a) continued interconnection and parallel operation of the generating facility with Blue Grass Energy's electric system may create or contribute to a system emergency on either Blue Grass Energy's or the Member's electric system; (b) the generating facility is not in compliance with the requirements of this tariff, and the noncompliance adversely affects the safety, reliability, or power quality of Blue Grass Energy's electric system; or (c) the generating facility interferes with the operation of Blue Grass Energy's electric system. In non-emergency situations, Blue Grass Energy shall give the Member notice of noncompliance including a description of the specific noncompliance condition and allow the Member a reasonable time to cure the noncompliance prior to isolating the generating facilities. In emergency situations, when Blue Grass Energy is unable to immediately isolate or cause the Member to isolate only the generating facility, Blue Grass Energy may isolate the Member's entire facility.

10) The Member shall agree that, without the prior written permission from Blue Grass Energy, no changes shall be made to the generating facility as initially approved. Increases in generating facility capacity will require a new "Application for Interconnection and Net Metering" which will be evaluated on the same basis as any other new application. Repair and replacement of existing generating facility components with like components that meet UL 1741 certification requirements for Level 1 facilities and not resulting in increases in generating facility capacity is allowed without approval.

11) To the extent permitted by law, the Member shall protect, indemnify, and hold harmless the Blue Grass Energy and its directors, officers, employees, agents, representatives and contractors against and from all loss, claims, actions or suits, including costs and attorneys fees, for or on account of any injury or death of persons or damage to property caused by the Member or the Member's employees, agents, representatives and contractors in tampering with, repairing, maintaining, or operating the Member's generating facility or any related equipment or any facilities owned by Blue Grass Energy except where such injury, death or damage was caused or contributed to by the fault or negligence of Blue Grass Energy or its employees, agents, representatives, or contractors.

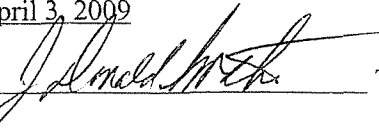
The liability of Blue Grass Energy to the Member for injury to person and property shall be governed by the tariff(s) for the class of service under which the Member is taking service.

12) The Member shall maintain general liability insurance coverage (through a standard homeowner's, commercial, or other policy) for both Level 1 and Level 2 generating

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facilities. The Member shall, upon request, provide Blue Grass Energy with proof of such insurance at the time that application is made for net metering.

- 13) By entering into an Interconnection Agreement, or by inspection, if any, or by non-rejection, or by approval, or in any other way, Blue Grass Energy does not give any warranty, express or implied, as to the adequacy, safety, compliance with applicable codes or requirements, or as to any other characteristics, of the generating facility equipment, controls, and protective relays and equipment.
- 14) A Member's generating facility is transferable to other persons or service locations only after notification to Blue Grass Energy has been made and verification that the installation is in compliance with this tariff. Upon written notification that an approved generating facility is being transferred to another person, member, or location, Blue Grass Energy will verify that the installation is in compliance with this tariff and provide written notification to the member(s) within 20 business days. If the installation is no longer in compliance with this tariff, Blue Grass Energy will notify the Member in writing and list what must be done to place the facility in compliance.
- 15) The Member shall retain any and all Renewable Energy Credits (RECs) that may be generated by their generating facility.

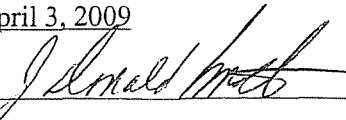
EFFECTIVE TERM AND TERMINATION RIGHTS

This Agreement becomes effective when executed by both parties and shall continue in effect until terminated. This Agreement may be terminated as follows: (a) Member may terminate this Agreement at any time by giving Blue Grass Energy at least sixty (60) days' written notice; (b) Blue Grass Energy may terminate upon failure by the Member to continue ongoing operation of the generating facility; (c) either party may terminate by giving the other party at least thirty (30) days prior written notice that the other party is in default of any of the terms and conditions of the Agreement or the Rules or any rate schedule, tariff, regulation, contract, or policy of Blue Grass Energy so long as the notice specifies the basis for termination and there is opportunity to cure the default; (d) Blue Grass Energy may terminate by giving the Member at least thirty (30) days notice in the event that there is a material change in an applicable law, regulation or statute affecting this Agreement or which renders the system out of compliance with the new law or statute.

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Blue Grass Energy

LEVEL 1

Application for Interconnection and Net Metering

Use this application form only for a generating facility that is inverter based and certified by a nationally recognized testing laboratory to meet the requirements of UL1741.

Submit this Application to: Blue Grass Energy, P O Box 990, Nicholasville KY 40340

If you have questions regarding this Application or its status, contact the Cooperative at: 859-885-4191

Member Name: _____ Account Number: _____

Member Address: _____

Member PhoneNo.: _____ Member E-Mail Address: _____

Project Contact Person: _____

Phone No.: _____ E-mail Address (Optional): _____

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

Energy Source: Solar Wind Hydro Biogas Biomass

Inverter Manufacturer and Model #: _____

Inverter Power Rating: _____ Inverter Voltage Rating: _____

Power Rating of Energy Source (i.e., solar panels, wind turbine): _____

Is Battery Storage Used: No Yes If Yes, Battery Power Rating: _____

Attach documentation showing that inverter is certified by a nationally recognized testing laboratory to meet the requirements of UL 1741.

Attach site drawing or sketch showing location of Cooperative's meter, energy source, Cooperative accessible disconnect switch and inverter.

Attach single line drawing showing all electrical equipment from the Cooperative's metering location to the energy source including switches, fuses, breakers, panels, transformers, inverters, energy source, wire size, equipment ratings, and transformer connections.

Expected Start-up Date: _____

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TERMS AND CONDITIONS:

- 1) Blue Grass Energy shall provide the Member net metering services, without charge for standard metering equipment, through a standard kilowatt-hour metering system capable of measuring the flow of electricity in two (2) directions. If the Member requests any additional meter or meters or distribution upgrades are needed to monitor the flow in each direction, such installations shall be at the Member's expense.
- 2) The Member shall install, operate, and maintain, at Member's sole cost and expense, any control, protective, or other equipment on the Member's system required by Blue Grass Energy 's technical interconnection requirements based on IEEE 1547, the NEC, accredited testing laboratories such as Underwriters Laboratories, and the manufacturer's suggested practices for safe, efficient and reliable operation of the generating facility in parallel with Blue Grass Energy 's electric system. The Member shall bear full responsibility for the installation, maintenance and safe operation of the generating facility. Upon reasonable request from Blue Grass Energy, the Member shall demonstrate generating facility compliance.
- 3) The generating facility shall comply with, and the Member shall represent and warrant its compliance with: (a) any applicable safety and power quality standards established by IEEE and accredited testing laboratories such as Underwriters Laboratories; (b) the NEC as may be revised from time to time; (c) Blue Grass Energy 's rules, regulations, and Service Regulations as contained in Blue Grass Energy 's Retail Electric Tariff as may be revised from time to time with the approval of the Kentucky Public Service Commission (Commission); (d) the rules and regulations of the Commission, as such rules and regulations may be revised from time to time by the Commission; and (e) all other applicable local, state, and federal codes and laws, as the same may be in effect from time to time. Where required by law, Member shall pass an electrical inspection of the generating facility by a local authority having jurisdiction over the installation.
- 4) Any changes or additions to Blue Grass Energy's system required to accommodate the generating facility shall be considered excess facilities. Member shall agree to pay Blue Grass Energy for actual costs incurred for all such excess facilities prior to construction.

The Member shall operate the generating facility in such a manner as not to cause undue fluctuations in voltage, intermittent load characteristics or otherwise interfere with the operation of Blue Grass Energy's electric system. At all times when the generating facility is being operated in parallel with Blue Grass Energy's electric system, the Member shall operate the generating facility in such a manner that no adverse impacts will be produced thereby to the service quality rendered by Blue Grass Energy to any of its other members or to any electric system interconnected with Blue Grass Energy's electric system. The Member shall agree that the interconnection and operation of the generating facility is secondary to, and shall not interfere with, Blue Grass Energy's ability to meet its primary responsibility of furnishing reasonably adequate service to its members.

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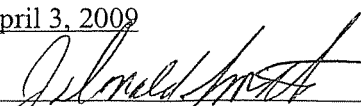
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- 5) The Member shall be responsible for protecting, at Member's sole cost and expense, the generating facility from any condition or disturbance on Blue Grass Energy 's electric system, including, but not limited to, voltage sags or swells, system faults, outages, loss of a single phase of supply, equipment failures, and lightning or switching surges, except that Blue Grass Energy shall be responsible for repair of damage caused to the generating facility resulting solely from the negligence or willful misconduct on the part of Blue Grass Energy Blue Grass Energy .
- 6) After initial installation, Blue Grass Energy shall have the right to inspect and/or witness commissioning tests, as specified in the Level 1 or Level 2 Application and approval process. Following the initial testing and inspection of the generating facility and upon reasonable advance notice to the Member, Blue Grass Energy shall have access at reasonable times to the generating facility to perform reasonable on-site inspections to verify that the installation, maintenance, and operation of the generating facility comply with the requirements of this tariff.
- 7) For Level 1 and 2 generating facilities, an eligible Member shall furnish and install on the Member's side of the point of common coupling a safety disconnect switch which shall be capable of fully disconnecting the Member's energy generating equipment from Blue Grass Energy's electric service under the full rated conditions of the Member's generating facility. The external disconnect switch (EDS) shall be located adjacent to Blue Grass Energy's meters or the location of the EDS shall be noted by placing a sticker on the meter, and shall be of the visible break type in a metal enclosure which can be secured by a padlock. If the EDS is not located directly adjacent to the meter, the Member shall be responsible for ensuring that the location of the EDS is properly and legibly identified for so long as the generating facility is operational. The disconnect switch shall be accessible to Blue Grass Energy personnel at all times. Blue Grass Energy may waive the requirement for an EDS for a generating facility at its sole discretion, and on a case-by-case basis, upon review of the generating facility operating parameters and if permitted under Blue Grass Energy's safety and operating protocols.
- 8) Blue Grass Energy shall have the right and authority at Blue Grass Energy Blue Grass Energy 's sole discretion to isolate the generating facility or require the Member to discontinue operation of the generating facility if Blue Grass Energy believes that: (a) continued interconnection and parallel operation of the generating facility with Blue Grass Energy 's electric system may create or contribute to a system emergency on either Blue Grass Energy 's or the Member's electric system; (b) the generating facility is not in compliance with the requirements of this tariff, and the noncompliance adversely affects the safety, reliability, or power quality of Blue Grass Energy 's electric system; or (c) the generating facility interferes with the operation of Blue Grass Energy 's electric system. In non-emergency situations, Blue Grass Energy shall give the Member notice of noncompliance including a description of the specific noncompliance condition and allow the Member a reasonable time to cure the noncompliance prior to isolating the generating

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facilities. In emergency situations, when the Blue Grass Energy is unable to immediately isolate or cause the Member to isolate only the generating facility, Blue Grass Energy may isolate the Member's entire facility.

- 9) The Member shall agree that, without the prior written permission from Blue Grass Energy, no changes shall be made to the generating facility as initially approved. Increases in generating facility capacity will require a new "Application for Interconnection and Net Metering" which will be evaluated on the same basis as any other new application. Repair and replacement of existing generating facility components with like components that meet UL 1741 certification requirements for Level 1 facilities and not resulting in increases in generating facility capacity is allowed without approval.
- 10) To the extent permitted by law, the Member shall protect, indemnify, and hold harmless Blue Grass Energy and its directors, officers, employees, agents, representatives and contractors against and from all loss, claims, actions or suits, including costs and attorneys fees, for or on account of any injury or death of persons or damage to property caused by the Member or the Member's employees, agents, representatives and contractors in tampering with, repairing, maintaining, or operating the Member's generating facility or any related equipment or any facilities owned by Blue Grass Energy except where such injury, death or damage was caused or contributed to by the fault or negligence of Blue Grass Energy or its employees, agents, representatives, or contractors.

The liability of Blue Grass Energy to the Member for injury to person and property shall be governed by the tariff(s) for the class of service under which the Member is taking service.

- 11) The Member shall maintain general liability insurance coverage (through a standard homeowner's, commercial, or other policy) for both Level 1 and Level 2 generating facilities. The Member shall, upon request, provide Blue Grass Energy with proof of such insurance at the time that application is made for net metering.
- 12) By entering into an Interconnection Agreement, or by inspection, if any, or by non-rejection, or by approval, or in any other way, Blue Grass Energy does not give any warranty, express or implied, as to the adequacy, safety, compliance with applicable codes or requirements, or as to any other characteristics, of the generating facility equipment, controls, and protective relays and equipment.

A Member's generating facility is transferable to other persons or service locations only after notification to Blue Grass Energy has been made and verification that the installation is in compliance with this tariff. Upon written notification that an approved generating facility is being transferred to another person, member, or location, Blue Grass Energy will verify that the installation is in compliance with this tariff and provide written notification to the member(s) within 20 business days. If the installation is no longer in compliance with this tariff, Blue Grass Energy will notify the Member in writing and list.

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what must be done to place the facility in compliance

13) The Member shall retain any and all Renewable Energy Credits (RECs) that may be generated by their generating facility.

EFFECTIVE TERM AND TERMINATION RIGHTS

This Agreement becomes effective when executed by both parties and shall continue in effect until terminated. This Agreement may be terminated as follows: (a) The Member may terminate this Agreement at any time by giving Blue Grass Energy at least sixty (60) days' written notice; (b) Blue Grass Energy may terminate upon failure by the Member to continue ongoing operation of the generating facility; (c) either party may terminate by giving the other party at least thirty (30) days prior written notice that the other party is in default of any of the terms and conditions of the Agreement or the Rules or any rate schedule, tariff, regulation, contract, or policy of Blue Grass Energy so long as the notice specifies the basis for termination and there is opportunity to cure the default; (d) Blue Grass Energy may terminate by giving the Member at least thirty (30) days notice in the event that there is a material change in an applicable law, regulation or statute affecting this Agreement or which renders the system out of compliance with the new law or statute.

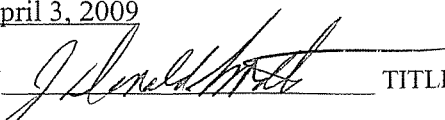
I hereby certify that, to the best of my knowledge, all of the information provided in this Application is true, and I agree to abide by all the Terms and Conditions included in this Application for Interconnection and Net Metering and Blue Grass Energy's Net Metering Tariff.

Member Signature _____ Date _____ Title _____

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COOPERATIVE APPROVAL SECTION

When signed below by a Cooperative representative, Application for Interconnection and Net Metering is approved subject to the provisions contained in this Application and as indicated below.

Cooperative inspection and witness test: Required Waived

If inspection and witness test is required, the Member shall notify the Cooperative within 3 business days of completion of the generating facility installation and schedule an inspection and witness test with the Cooperative to occur within 10 business days of completion of the generating facility installation or as otherwise agreed to by the Cooperative and the Member. Unless indicated below, the Member may not operate the generating facility until such inspection and witness test is successfully completed. Additionally, the Member may not operate the generating facility until all other terms and conditions in the Application have been met.
Call _____ to schedule an inspection and witness test.

Pre-Inspection operational testing not to exceed two hours: Allowed Not Allowed

If inspection and witness test is waived, operation of the generating facility may begin when installation is complete, and all other terms and conditions in the Application have been met.

Additions, Changes, or Clarifications to Application Information:

None As specified here: _____

Approved by: _____ Date: _____

Printed Name: _____ Title: _____

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ISSUED BY *J. Donald Smith* TITLE CFO & Vice President, Financial Services

LEVEL 2

Application For Interconnection And Net Metering

Use this Application form when generating facility is not inverter-based or is not certified by a nationally recognized testing laboratory to meet the requirements of UL 1741 or does not meet any of the additional conditions under Level 1.

Submit this Application (optional: along with an application fee of \$100) to: Blue Grass Energy, P O Box 990, Nicholasville KY 40340

If you have questions regarding this Application or its status, contact the Cooperative at: 859-885-4191

Member Name: _____ Account Number: _____

Member Address: _____

Project Contact Person: _____

Phone No.: _____ Email Address (Optional): _____

Provide names and contact information for other contractors, installers, or engineering firms involved in the design and installation of the generating facilities:

Total Generating Capacity of Generating Facility: _____

Type of Generator: Inverter-Based Synchronous Induction

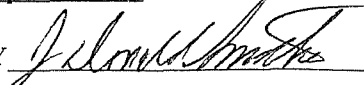
Power Source: Solar Wind Hydro Biogas Biomass

Adequate documentation and information must be submitted with this application to be considered complete. Typically this should include the following:

1. Single-line diagram of the member's system showing all electrical equipment from the generator to the point of interconnection with the Cooperative's distribution system, including generators, transformers, switchgear, switches, breakers, fuses, voltage transformers, current transformers, wire sizes, equipment ratings, and transformer connections.
2. Control drawings for relays and breakers.
3. Site Plans showing the physical location of major equipment.
4. Relevant ratings of equipment. Transformer information should include capacity ratings, voltage ratings, winding arrangements, and impedance.
5. If protective relays are used, settings applicable to the interconnection protection. If programmable relays are used, a description of how the relay is programmed to operate as applicable to interconnection protection.

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Blue Grass Energy

- 6. A description of how the generator system will be operated including all modes of operation.
- 7. For inverters, the manufacturer name, model number, and AC power rating. For certified inverters, attach documentation showing that inverter is certified by a nationally recognized testing laboratory to meet the requirements of UL1741.
- 8. For synchronous generators, manufacturer and model number, nameplate ratings, and impedance data (X_d , X'_d , & X''_d).
- 9. For induction generators, manufacturer and model number, nameplate ratings, and locked rotor current.

Member Signature: _____ Date: _____

LEVEL 2
INTERCONNECTION AGREEMENT

THIS INTERCONNECTION AGREEMENT (Agreement) is made and entered into this _____ day of _____, 20__, by and between _____ (Cooperative), and _____ (Member). Cooperative and Member are hereinafter sometimes referred to individually as "Party" or collectively as "Parties".

WITNESSETH:

WHEREAS, Member is installing, or has installed, generating equipment, controls, and protective relays and equipment (Generating Facility) used to interconnect and operate in parallel with Cooperative's electric system, which Generating Facility is more fully described in Exhibit A, attached hereto and incorporated herein by this Agreement, and as follows:

Location: _____

Generator Size and Type: _____

NOW, THEREFORE, in consideration thereof, Member and Cooperative agree as follows:

Cooperative agrees to allow the Member to interconnect and operate the Generating Facility in parallel with the Cooperative's electric system and the Member agrees to abide by Cooperative's Net Metering Tariff and all the Terms and Conditions listed in this Agreement including any additional conditions listed in Exhibit A.

TERMS AND CONDITIONS:

- 1) Blue Grass Energy shall provide the Member net metering services, without charge for standard metering equipment, through a standard kilowatt-hour metering system capable of measuring the flow of electricity in two (2) directions. If the Member requests any additional meter or meters or distribution upgrades are needed to monitor the flow in each direction, such installations shall be at the Member's expense.

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- 2) The Member shall install, operate, and maintain, at the Member's sole cost and expense, any control, protective, or other equipment on the Member's system required by Blue Grass Energy technical interconnection requirements based on IEEE 1547, the NEC, accredited testing laboratories such as Underwriters Laboratories, and the manufacturer's suggested practices for safe, efficient and reliable operation of the generating facility in parallel with Blue Grass Energy's electric system.

The Member shall bear full responsibility for the installation, maintenance and safe operation of the generating facility. Upon reasonable request from Blue Grass Energy Blue Grass Energy, the Member shall demonstrate generating facility compliance.

- 3) The generating facility shall comply with, and the Member shall represent and warrant its compliance with: (a) any applicable safety and power quality standards established by IEEE and accredited testing laboratories such as Underwriters Laboratories; (b) the NEC as may be revised from time to time; (c) Blue Grass Energy 's rules, regulations, and Service Regulations as contained in Blue Grass Energy 's Retail Electric Tariff as may be revised from time to time with the approval of the Kentucky Public Service Commission (Commission); (d) the rules and regulations of the Commission, as such rules and regulations may be revised from time to time by the Commission; and (e) all other applicable local, state, and federal codes and laws, as the same may be in effect from time to time. Where required by law, the Member shall pass an electrical inspection of the generating facility by a local authority having jurisdiction over the installation.
- 4) Any changes or additions to Blue Grass Energy's system required to accommodate the generating facility shall be considered excess facilities. The Member shall agree to pay Blue Grass Energy Blue Grass Energy for actual costs incurred for all such excess facilities prior to construction.
- 5) The Member shall operate the generating facility in such a manner as not to cause undue fluctuations in voltage, intermittent load characteristics or otherwise interfere with the operation of Blue Grass Energy's electric system. At all times when the generating facility is being operated in parallel with Blue Grass Energy's electric system, the Member shall operate the generating facility in such a manner that no adverse impacts will be produced thereby to the service quality rendered by Blue Grass Energy Blue Grass Energy to any of its other members or to any electric system interconnected with Blue Grass Energy's electric system. The Member shall agree that the interconnection and operation of the generating facility is secondary to, and shall not interfere with, Blue Grass Energy Blue Grass Energy's ability to meet its primary responsibility of furnishing reasonably adequate service to its members.
- 6) The Member shall be responsible for protecting, at the Member's sole cost and expense, the generating facility from any condition or disturbance on Blue Grass Energy 's electric system, including, but not limited to, voltage sags or swells, system faults, outages,

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Blue Grass Energy

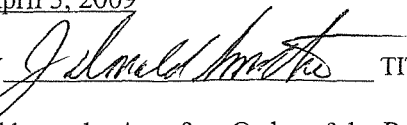
loss of a single phase of supply, equipment failures, and lightning or switching surges, except that Blue Grass Energy shall be responsible for repair of damage caused to the generating facility resulting solely from the negligence or willful misconduct on the part of Blue Grass Energy .

- 7) After initial installation, Blue Grass Energy shall have the right to inspect and/or witness commissioning tests, as specified in the Level 1 or Level 2 Application and approval process. Following the initial testing and inspection of the generating facility and upon reasonable advance notice to the Member, Blue Grass Energy shall have access at reasonable times to the generating facility to perform reasonable on-site inspections to verify that the installation, maintenance, and operation of the generating facility comply with the requirements of this tariff.
- 8) For Level 1 and 2 generating facilities, an eligible Member shall furnish and install on the Member's side of the point of common coupling a safety disconnect switch which shall be capable of fully disconnecting the Member's energy generating equipment from Blue Grass Energy 's electric service under the full rated conditions of the Member's generating facility. The external disconnect switch (EDS) shall be located adjacent to Blue Grass Energy 's meters or the location of the EDS shall be noted by placing a sticker on the meter, and shall be of the visible break type in a metal enclosure which can be secured by a padlock. If the EDS is not located directly adjacent to the meter, the Member shall be responsible for ensuring that the location of the EDS is properly and legibly identified for so long as the generating facility is operational. The disconnect switch shall be accessible to Blue Grass Energy personnel at all times. Blue Grass Energy waive the requirement for an EDS for a generating facility at its sole discretion, and on a case-by-case basis, upon review of the generating facility operating parameters and if permitted under Blue Grass Energy's safety and operating protocols.
- 9) Blue Grass Energy shall have the right and authority at Blue Grass Energy 's sole discretion to isolate the generating facility or require the Member to discontinue operation of the generating facility if Blue Grass Energy believes that: (a) continued interconnection and parallel operation of the generating facility with Blue Grass Energy 's electric system may create or contribute to a system emergency on either Blue Grass Energy Blue Grass Energy 's or the Member's electric system; (b) the generating facility is not in compliance with the requirements of this tariff, and the noncompliance adversely affects the safety, reliability, or power quality of Blue Grass Energy 's electric system; or (c) the generating facility interferes with the operation of Blue Grass Energy 's electric system. In non-emergency situations, Blue Grass Energy Blue Grass Energy shall give the Member notice of noncompliance including a description of the specific noncompliance condition and allow the Member a reasonable time to cure the noncompliance prior to isolating the generating facilities. In emergency situations, when Blue Grass Energy is unable to immediately isolate or cause the Member to isolate only the generating facility, Blue Grass Energy may isolate the Member's entire facility.

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- 10) The Member shall agree that, without the prior written permission from Blue Grass Energy Blue Grass Energy, no changes shall be made to the generating facility as initially approved. Increases in generating facility capacity will require a new "Application for Interconnection and Net Metering" which will be evaluated on the same basis as any other new application. Repair and replacement of existing generating facility components with like components that meet UL 1741 certification requirements for Level 1 facilities and not resulting in increases in generating facility capacity is allowed without approval.
- 11) To the extent permitted by law, the Member shall protect, indemnify, and hold harmless Blue Grass Energy and its directors, officers, employees, agents, representatives and contractors against and from all loss, claims, actions or suits, including costs and attorneys fees, for or on account of any injury or death of persons or damage to property caused by the Member or the Member's employees, agents, representatives and contractors in tampering with, repairing, maintaining, or operating the Member's generating facility or any related equipment or any facilities owned by Blue Grass Energy except where such injury, death or damage was caused or contributed to by the fault or negligence of the Blue Grass Energy Blue Grass Energy or its employees, agents, representatives, or contractors.

The liability of Blue Grass Energy to the Member for injury to person and property shall be governed by the tariff(s) for the class of service under which the Member is taking service.
- 12) The Member shall maintain general liability insurance coverage (through a standard homeowner's, commercial, or other policy) for both Level 1 and Level 2 generating facilities. The Member shall, upon request, provide Blue Grass Energy with proof of such insurance at the time that application is made for net metering.
- 13) By entering into an Interconnection Agreement, or by inspection, if any, or by non-rejection, or by approval, or in any other way, Blue Grass Energy does not give any warranty, express or implied, as to the adequacy, safety, compliance with applicable codes or requirements, or as to any other characteristics, of the generating facility equipment, controls, and protective relays and equipment.
- 14) A Member's generating facility is transferable to other persons or service locations only after notification to the Blue Grass Energy has been made and verification that the installation is in compliance with this tariff. Upon written notification that an approved generating facility is being transferred to another person, member, or location, Blue Grass Energy will verify that the installation is in compliance with this tariff and provide written notification to the member(s) within 20 business days. If the installation is no longer in compliance with this tariff, Blue Grass Energy will notify the Member in writing and list what must be done to place the facility in compliance.
- 15) The Member shall retain any and all Renewable Energy Credits (RECs) that may be generated by their generating facility.

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Blue Grass Energy

EFFECTIVE TERM AND TERMINATION RIGHTS

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IN WITNESS WHEREOF, the Parties have executed this Agreement, effective as of the date first above written.

COOPERATIVE NAME

MEMBER

By: _____ By: _____

Printed Name

Printed Name

Title: _____ Title: _____

Exhibit A

(To be developed on a case by case basis as needed)

Exhibit A will contain additional detailed information about the Generating Facility such as a single line diagram, relay settings, and a description of operation.

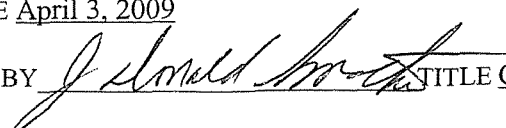
When construction of Utility facilities is required, Exhibit A will also contain a description and associated cost.

Exhibit A will also specify requirements for a Utility inspection and witness test and when limited operation for testing or full operation may begin. A utility inspection and witness test will be coordinated between the prospective generating facility and Blue Grass Energy.

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