

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE AND) CASE NO.
NECESSITY TO CONSTRUCT FACILITIES) 2011-00007
ACCORDING TO THE APPLICANT'S 11/01/2010-)
10/31/2013 CONSTRUCTION WORK PLAN)

ORDER

Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") filed its 2010-2013 Construction Work Plan ("Work Plan") on March 9, 2011, requesting a Certificate of Public Convenience and Necessity for certain proposed construction improvements and additions to its existing plant. The estimated cost of the proposed improvements and additions is \$37,991,700. In support of the application, Blue Grass Energy states that the proposed improvements and additions to its facilities are required over the next three-year period to serve its load. For the following reasons, the Commission will approve the application.

Blue Grass Energy seeks authorization to construct extensions and additions to its plant as follows:

System Additions and Improvements Summary

<u>Category Name</u>	<u>(\$)</u> Estimated Cost
New Line Distribution Overhead and Underground (152 miles)	\$12,285,000
Line Conversion	9,113,200
New Transformers	4,788,750

New Meters	330,150
Service Upgrade (Sets of service wires to increase capacity)	778,050
Sectionalizing Equipment	300,000
Voltage or Line Regulators	181,000
Capacitor Bank Appurtenances and Controls	119,800
Pole Changes-Replacement	4,500,000
Aged Conductor Replacement	2,352,000
Two-Way Communication	200,000
Security Lights	688,750
DA Communication Backbone and Volt/VAR Equipments	<u>2,355,000</u>
TOTAL	\$37,991,700

Blue Grass Energy states that the Work Plan would be financed through loans to be provided by the United States Rural Utilities Services ("RUS"). From the total amount that is eligible for RUS loan funds, approximately 76 percent of capital is for new construction and miscellaneous distribution equipment and 24 percent is for system improvements.

Blue Grass Energy's application includes the replacement of 2,550 meters to serve new customers at an estimated cost of \$330,150 for the meters. The meters that Blue Grass Energy plans to purchase are solid state digital TS-2 system meters with Automated Meter Reading and Advanced Metering Infrastructure ("AMR/AMI") capabilities. Blue Grass Energy requested and was granted authorization to implement

an AMR system as part its 2004-2005 Work Plan in Case No. 2004-00251.¹

Blue Grass Energy stated that its distribution system contains approximately 80,000 wood poles and 4,318 miles of overhead line, an average of 18 poles per mile. RUS recommends that inspection of at least 10 percent of a system's total poles be performed annually. Blue Grass Energy's inspection program includes about 8,000 poles per year. Based on its historical data, Blue Grass Energy expects to replace 1,800 poles over the three-year period covered by the Work Plan. The average cost for these pole replacements is estimated to be \$2,500 per pole, with the total cost of 1,800 pole replacements equaling approximately \$4,500,000 for this 2010-2013 Work Plan.

Blue Grass Energy's application also includes \$2.35 million for the installation of a Distributed Automation ("DA") Backbone project. The purpose of this project is to control switch capacitors, regulate VARs and system voltage, and optimize system conditions to reduce system loss and improve service quality. This DA Backbone will cover the entire Blue Grass Energy distribution system and consists of the installation of software, licensing, project management and implementation, voltage monitors, and capacitor control communication hardware.

SUMMARY

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The improvements and additions proposed by Blue Grass Energy are necessary to provide adequate, reliable electric service to existing customers and

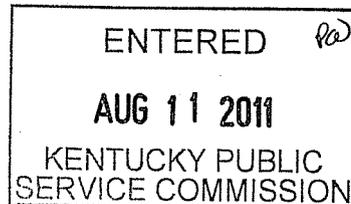
¹ Case No. 2004-00251, Application of Blue Grass Energy Cooperative Corporation for a Certificate of Public Convenience and Necessity for its 2004-2005 Construction Work Plan (Ky. PSC Nov. 15, 2004).

anticipated new customers.

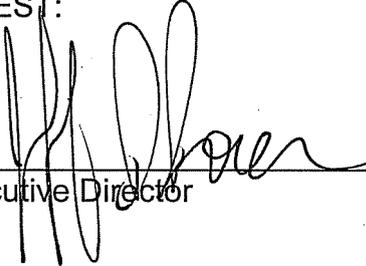
2. The proposed construction will enable Blue Grass Energy to continue to provide adequate and dependable electric service to its customers. The system improvements that are recommended in this Work Plan will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, reduce system energy loss, and provide for improved service reliability.

IT IS THEREFORE ORDERED that Blue Grass Energy is granted a Certificate of Public Convenience and Necessity to construct the facilities described in its 2010-2013 Work Plan.

By the Commission



ATTEST:



Executive Director

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