



Ernie Fletcher
Governor

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Secretary

Commonwealth of Kentucky
Environmental and Public Protection Cabinet
Public Service Commission
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May 4, 2004

Howard Downing, Esq.
109 South First Street
Nicholasville, Kentucky 40356

Re: Blue Grass Energy Cooperative Corporation

Dear Mr. Downing:

Commission Staff acknowledges receipt of your letter of May 3, 2004, in which you request clarification of Commission Staff's letter of April 28, 2004 regarding Blue Grass Energy Cooperative Corporation's ("Blue Grass Energy") purchase of \$350,000 of partnership units of HTI Investment Partners, LP.

In your letter of May 3, 2004, you note that, under KRS 362.455(3), Blue Grass Energy is subject to creditors and to a proportionate share of loss of the partnership up to its total contribution of \$350,000. You ask whether such liability constitutes any assumption of a legal obligation.

Commission Staff's references in its earlier letter to "legal obligation" refers to the prohibitions contained in KRS 278.300(1). This statute provides:

No utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized so to do by order of the commission.

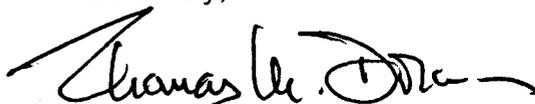
Commission Staff assumed that Blue Grass Energy's proposed transaction would not require the issuance of any securities or evidences of indebtedness or the assumption of any obligation or liability to securities or evidences of indebtedness of another entity.

Commission Staff does not interpret KRS 362.455(3) as requiring Blue Grass Energy to assume any obligation or liability of the limited partnership. Commission Staff views KRS 362.455(3) as establishing a limit on Blue Grass Energy's liability. The cooperative's potential exposure to loss is limited to its investment or contribution in the limited partnership.

Howard Downing, Esq.
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This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a stylized flourish at the end.

Thomas M. Dorman
Executive Director

HOWARD DOWNING
ATTORNEY AT LAW
109 South First Street
Nicholasville, Kentucky 40356
(859)885-4619 fax (859)885-1127

May 3, 2004



Mr. Tom Dorman
Executive Director
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

RE: Blue Grass Energy Cooperative Corporation

Dear Mr. Dorman:

This is a request for clarification of your letter of April 28, 2004 with respect to the last sentence of the second paragraph as follows:

Commission Staff further assumes that the utility's investment is limited to the planned purchase and that its ownership of partnership units will not obligate it to make further investments or create any legal obligation as to any existing or future financial obligations of HTI Investment Partners. (Emphasis added).

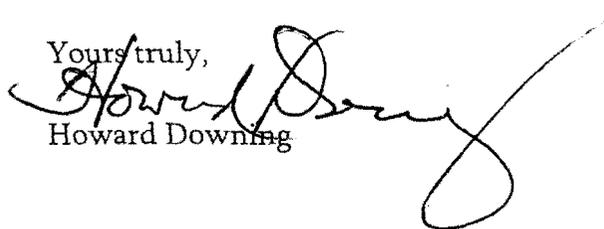
Limited partnership law subjects the contribution of a limited partner to creditors of the limited partnership [See KRS 362.455 (3)] and to losses of a limited partnership (See KRS 362.457).

The contribution of \$350,000.00 for limited partnership units in HTI Investment Partners, LP presumably could be subject to creditors and to a proportionate share of loss of the partnership up to the total contribution of \$350,000.00.

Does this feature of limited partnership law result in an assumption of "any obligation or liability in respect to . . . evidences of indebtedness of any other person" and require PSC approval under KRS 278.300 (1)?

Your early response will be most helpful due to the time limitation of this offer. Many thanks for your assistance.

Yours truly,


Howard Downing

cc: Gerald Wuetcher
Enclosure
HD/pb