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**PUBLIC SERVICE
COMMISSION**

February 25, 2008

Public Service Commission
Attn: Ms. Beth O'Donnell
Executive Director
PO Box 615
Frankfort KY 40602-0615


Dear Ms O'Donnell,

On 01/27/2008, we sent a written request to Blue Grass Energy for release of our residence to Kentucky Utilities on the basis of dissatisfaction with service. The nature of our discontent rests on the following: 1. significant rate differences from local, state and regional electric providers, 2. inconsistency in classification (we are not in a rural area under the City of Georgetown tax guidelines and in accordance to the Rural Development Act of 1972) and 3. knowledge of previous boundary realignment within our neighborhood, 150 Clubhouse Drive. Please see attached letter. On February 4th, we received a written response from Blue Grass Energy denying our request citing adherence to KRS 278.016 & 278.017.

Since then, I have contacted our neighborhood residents of Cherry Blossom Subdivision, Georgetown, KY and the PSC Legal Dept and based on those conversations, have agreed that our next course of action is to challenge BGE's letter. In addition to disputing the upcoming rate increase addressed in Case # 2008.00011 filed by the Attorney General's Office on January 08, 2008 and expressing our joint concern to current rates; and on behalf of the Cherry Blossom Subdivision, we would like to verify Blue Grass Energy's assertion that boundaries were assessed in accordance to KRS 278.016 & 278.017 by requesting a review of all records/documents demonstrating this assertion. Please provide documented evidence that boundary designation for the Cherry Blossom Subdivision and its division into two utility companies, Blue Grass Energy and Kentucky Utilities, were assigned based on the criteria set forth in KRS 278.016 & 017. If there is inadequate documentation or evidence demonstrating application of this law to our neighborhood, we will request a hearing of the PSC to examine our current situation.

It's my understanding that the Developer of the Cherry Blossom Subdivision reached a settlement between BGE and KU in 2001-2002, allowing 150 Clubhouse Drive (the Cherry Blossom Country Club) to be reassigned to KU (as it fell within BGE's territory). It is also my belief, that it was at this timing that boundaries were established for the rest of the neighborhood. I am sorry not to have more information to assist your search. Please contact me at 859-227-5999 if you have questions regarding this request or require additional information.

Thank you in advance for your assistance in this matter. Please send all documentation to below address or email to lroach@bellsouth.net.

Leigh & Troy Roach 
115 Prestwick Drive
Georgetown, KY 40324
502-570-2879 (home)
859-227-5999 (cell)

cc Cherry Blossom Subdivision, Home Owner's Association

letter sent 1/27/08

Dan Brewer
President and CEO
Blue Grass Energy
1201 Lexington Road
Nicholasville, KY 40356

Certified Letter, Return Receipt Requested

Dear Mr. Brewer:

We are writing to you to summarize a meeting that took place on Friday, January 24, 2008 with Carol Higdon and Steve Rose at the Cynthiana office. My wife and I have been very concerned for some time about the increasing energy rates and more importantly, the rate differential between Kentucky Utilities and Blue Grass Energy. We live in Cherry Blossom subdivision in Georgetown and the KU/Blue Grass boundary line runs down the middle of the subdivision. I've attached the information that my wife and I discussed at this meeting and some of the key points are as follows:

1. Blue Grass Energy is a rural electrical cooperative existing to serve rural-based customers. The entire Cherry Blossom subdivision falls within the City of Georgetown limits as depicted in the attached map. According to the Rural Development Act of 1972, any region included in a **city or town** with a population in excess of 10,000 inhabitants is not classified as rural. Since our residence falls within the city limits we are assessed city taxes and find it surprising that we would be classified as rural by the PSC and obligated to pay rural based electric rates. This dichotomy raises the issue of inconsistency in classification and we believe is ample justification for us to pursue a Request for Release or boundary realignment with BGE or PSC.

2. We are currently paying a rate of .07451 per kWh compared to Kentucky Utilities' Scott County rate of .05646 per kWh. This is a 32% higher rate than Kentucky Utilities and our fear is that BGE's request for a rate increase in March will widen that gap upwards to 40%-50%.

3. Blue Grass Energy is 37% higher than the Kentucky state average per kWh and is 13% higher than the 9 surrounding states, excluding Ohio. Blue Grass Energy's website boasts that Kentucky is one of the lowest providers in the nation yet fails to mention it's disparity in rates to the Kentucky average. BGE's implication that they contribute to this lower state average is misleading. This also raises the question of affordability addressed in the Electric Consumer Bill of Rights when affordability is valued using state, local and regional averages.

4. We have received an energy Audit to help reduce usage and have utilized some of the more reasonable fixes to help with this matter. Steve Rose was very helpful, but the fact remains that the inequity in rates will not change. Our home is 1 year old and our usage is in line with what the BGE Home Energy Calculator computes on Blue Grass Energy's website. Therefore, our issue is rate not usage.

5. I have spoken to the Public Service Commission about our problems and possible recourses of action and they informed us that we have the right to Request a Release from BGE. We were also told that the Attorney General would be the next step if a solution could not be reached directly with Blue Grass Energy. In addition, PSC informed us that we have the right to act as an Intervener in March to fight against a BGE request for rate increase. At this point, we have not contacted Cherry Blossom's Homeowner's Association or any other parties, as my wife and I wanted to meet directly with Blue Grass Energy in hopes to remedy this problem first. However, in the event a compromise cannot be reached we will proceed next steps with our Homeowner's Association.

[Recipient Name]

January 27, 2008

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6. We know that the Cherry Blossom Clubhouse is approximately 500 feet into Blue Grass Energy's territory and they were allowed to continue with Kentucky Utilities. After speaking with PSC and the Developer of the Cherry Blossom clubhouse, I do know that there is flexibility in these types of decisions. According to Blue Grass Energy's bylaws, the Board of Directors may in writing waive the requirement of a member to purchase energy in accordance with the rules, regulations, and rate schedules established by the Board of Directors.

In summary, Mr. Brewer, my wife and I are requesting to be released from Blue Grass Energy as our electrical supplier, unless other concessions can be made to allow for a more equitable solution for our residence. We have confirmed that Kentucky Utilities has the ability and is willing to service our residence at this time. I believe if you were to put yourself in our position, living in a city, bound by city taxes, but expected to pay rural electric rates that are 32% higher just because a line was drawn 70 years ago, you too would feel an urgency to have this matter looked at. Even more disturbing, is the possibility of another rate increase shortly.

We would greatly appreciate an official response to this request by Wednesday, February 6, 2008. If we do not receive a response by that time, we will assume that there is nothing more that Blue Grass Energy will do and we will move forward with our concerns.

Sincerely,



Troy and Leigh Roach
115 Prestwick Drive
Georgetown, KY 40324
(502)570-2879
E-mail: ltroach@bellsouth.net

Cc Carol Higdon, District Manager