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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

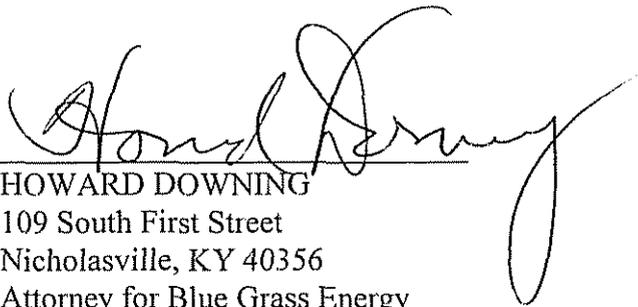
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF)
ADJUSTMENT OF RATES)
OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION) NO. 2008-00011

MOTION FOR INFORMAL CONFERENCE
AND REQUEST TO HOLD IN ABEYANCE
THE DATE FOR RESPONSE BY INTEVENORS
TO REQUESTS FOR INFORMATION PENDING
INFORMAL CONFERENCE.
(807 KAR 5:001 Section 4 (4).)

Applicant, Blue Grass Energy Cooperative Corporation, moves the Commission to schedule an informal conference with Commission Staff in order to provide opportunity for settlement of this proceeding and all issues therein in accordance with 807 KAR 5:001, Section 4 (4).

Request is made to hold in abeyance the date for responses by intervenors to requests for information (currently August 7) until a date after the informal conference. Applicant, the Commission Staff and the Attorney General Staff have orally agreed to this request to hold in abeyance.


HOWARD DOWNING
109 South First Street
Nicholasville, KY 40356
Attorney for Blue Grass Energy
Cooperative Corporation
Telephone: 859-885-4619

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing motion and request has been served upon the following:

Original and Ten Copies

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

Copy

Hon. Lawrence W. Cook
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Leigh and Troy Roach
115 Prestwick Drive
Georgetown, KY 40324

This 30th day of July, 2008.

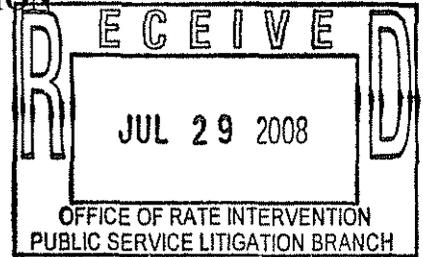


ATTORNEY FOR BLUE GRASS ENERGY
COOPERATIVE CORPORATION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF)
ADJUSTMENT OF RATES)
OF BLUE GRASS ENERGY)
COOPERATIVE CORPORATION)

NO. 2008-00011



SETTLEMENT STIPULATION AND RECOMMENDATION

WHEREAS, the undersigned parties to this proceeding, being the applicant, Blue Grass Energy Cooperative Corporation (herein designated as “Blue Grass Energy”), the Attorney General of the Commonwealth of Kentucky (herein designated as “Attorney General”), Troy Roach and Leigh Roach (Intervenors) desire to document their agreement on a mutually satisfactory resolution of all issues in this proceeding which shall be referred to as the “Stipulation” and/or “Recommendation”; and

WHEREAS, the undersigned agree and understand that this Recommendation is not binding upon the Public Service Commission of Kentucky (herein designated as “Commission”), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to the rates of Blue Grass Energy. The parties hereto have expended significant and considerable efforts to reach the stipulations and agreements that form the basis for this Recommendation; and

WHEREAS, the parties, representing diverse interest and divergent viewpoints, agree that this settlement recommendation constitutes a reasonable resolution of all issues in this proceeding; and

WHEREAS, the acceptance and adoption of this Recommendation will eliminate the need

for the Commission and the parties to expend considerable resources in litigation of the matters in this proceeding and will eliminate the possibility of, or need for, rehearing or appeals of the Commission's final order herein;

NOW THEREFORE, based upon the parties' participation in settlement discussions and the documents, exhibits and materials filed in the record of this case on file with the Commission, and upon the basis that the record documents adequately support this Stipulation and Recommendation, the undersigned parties do hereby stipulate and recommend the following:

1. Blue Grass Energy filed an application for a rate adjustment requesting a total increase of \$7,838,023.00. Subsequent examination of the calculations indicates a reduction of \$432,093.00 in the total increase of rates. The parties hereto agree that Blue Grass Energy should be permitted to adjust its rates in order to authorize it to recover more in annual revenue than it is recovering under its current rates, with such adjusted rates to be effective for service rendered after September 1, 2008 or such other date determined by the Public Service Commission. The attachments hereto reflect a stipulated and amended rate increase amount of \$7,405,930.00.

2. The proposed tariff revisions of Blue Grass Energy should be adopted as are reflected in the original application and subsequent filings as amended by this Stipulation and Recommendation. The attachments hereto consist of the amended tariffs which reflect the stipulated adjustment in rates.

3. It is the purpose and intent of the parties hereto that the revision in rates for Blue Grass Energy result in a minimum of a 2.0 TIER (times interest earned ratio) which is a reflection of the financial health of Blue Grass Energy, and the revision in rates as proposed by this Stipulation and Recommendation will result in such a TIER rating.

4. The parties agree that the revision of rates will provide a uniform rate for the customers.

of Blue Grass Energy, whose service area includes three (3) consolidated electric cooperatives with three (3) different rate schedules. The parties agree to the revision and consolidation of rates schedules as set out in the attachments hereto.

5. Each party hereto waives all cross-examination of witnesses of the other parties hereto unless the Commission disapproves this Recommendation, and each party further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

6. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceedings, nor is it to be offered or relied upon in any other proceeding involving *Blue Grass Energy* or any other utility.

7. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

8. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any and all matters involved herein, and that, in such event, the terms of this Recommendation shall not be deemed binding upon the parties hereto, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto, the Commissioner or its Staff in any such hearing.

9. Attached to this Stipulation and Recommendation are proof of revenue sheets showing that the proposed rates will generate the proposed revenue increase to which the parties have agreed in paragraph (1) of this Stipulation.

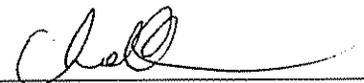
10. The parties hereto agree that the foregoing Recommendation is reasonable and is in the

best interests of all concerned, and urge the Commission to adopt this Recommendation in its entirety.

Dated: July 27, 2008.



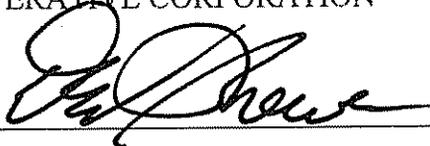
TROY ROACH



LEIGH ROACH

BLUE GRASS ENERGY
COOPERATIVE CORPORATION

KENTUCKY ATTORNEY GENERAL

BY: 

BY: 

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011**

SETTLEMENT AGREEMENT WITH OAG

INDEX OF EXHIBITS

- I. Revised Statement of Operations and Balance Sheet
- II. Revised Rates of Return on Net Investment Rate Base and Capital Structure
- III. Revised Increase Allocation and Revised Rate Design
- IV. Current Rates and Proposed Rate for Current Rate Schedules
- V. Revenue Analysis for Current Rates and Proposed Rates for Current Rate Schedules
- VI. Proposed Rates for Combined Rate Schedules
- VII. Revenue Analysis for Proposed Rates for Combined Rate Schedules
- VIII. Tariff Sheets for Revised Rates

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG

STATEMENT OF OPERATIONS ADJUSTED - AGREEMENT WITH OAG
CALENDAR YEAR 2007

	Actual <u>Test Year</u>	Normalized <u>Adjustments</u>	Normalized <u>Test Year</u>	Agreement <u>with OAG</u>	Proposed <u>Test Year</u>	Increase <u>Amount</u>	Agreed <u>Test Year</u>
Operating Revenues:							
Base rates	\$81,641,086	\$5,350,524	\$86,991,610	-	\$86,991,610	\$ 7,405,930	\$94,397,540
Fuel and surcharge	15,046,677	(15,046,677)	0	-	-	-	-
Other electric revenue	<u>2,306,801</u>	<u>279,466</u>	<u>2,586,267</u>	-	<u>2,586,267</u>	-	<u>\$2,586,267</u>
	<u>98,994,564</u>	<u>(9,416,687)</u>	<u>89,577,877</u>	-	<u>89,577,877</u>	<u>7,405,930</u>	<u>96,983,807</u>
Operating Expenses:							
Cost of power:							
Base rates	61,266,019	5,278,676	66,544,695	-	66,544,695	-	\$66,544,695
Fuel and surcharge	15,046,679	(15,046,679)	0	-	0	-	\$0
Distribution - operations	2,765,010	165,536	2,930,546	-	2,930,546	-	\$2,930,546
Distribution - maintenance	4,366,837	48,378	4,415,215	-	4,415,215	-	\$4,415,215
Consumer accounts	2,381,969	37,339	2,419,308	-	2,419,308	-	\$2,419,308
Customer service	1,041,225	22,256	1,063,481	-	1,063,481	-	\$1,063,481
Sales	0	0	0	-	0	-	\$0
Administrative and general	<u>4,183,659</u>	<u>(266,259)</u>	<u>3,917,400</u>	-	<u>3,917,400</u>	-	<u>\$3,917,400</u>
Total operating expenses	<u>91,051,398</u>	<u>(9,760,753)</u>	<u>81,290,645</u>	<u>0</u>	<u>81,290,645</u>	-	<u>81,290,645</u>
Depreciation	5,651,239	990,540	6,641,779	-	6,641,779	-	\$6,641,779
Taxes - other	3,386	0	3,386	-	3,386	-	\$3,386
Interest on long-term debt	4,793,634	(29,272)	4,764,362	-	4,764,362	-	\$4,764,362
Interest expense - other	559,841	(239,433)	320,408	-	320,408	-	\$320,408
Other deductions	316,537	(310,592)	5,945	-	5,945	-	\$5,945
Agreed OAG Adjustments	-	-	-	<u>(432,093)</u>	<u>(432,093)</u>	-	<u>(\$432,093)</u>
Total cost of electric service	<u>102,376,035</u>	<u>(9,349,510)</u>	<u>93,026,525</u>	<u>(432,093)</u>	<u>92,594,432</u>	-	<u>92,594,432</u>
Utility operating margins	<u>(3,381,471)</u>	<u>(67,177)</u>	<u>(3,448,648)</u>	<u>432,093</u>	<u>(3,016,555)</u>	<u>7,405,930</u>	<u>4,389,375</u>
Nonoperating margins, interest	79,579	0	79,579	-	79,579	-	\$79,579
Nonoperating margins, other	(1,620,847)	1,620,847	0	-	-	-	\$0
Patronage capital credits	<u>294,591</u>	<u>0</u>	<u>294,591</u>	-	<u>294,591</u>	-	<u>\$294,591</u>
Net Margins	<u>(\$4,628,148)</u>	<u>\$1,553,670</u>	<u>(\$3,074,478)</u>	<u>\$432,093</u>	<u>(\$2,642,385)</u>	<u>\$7,405,930</u>	<u>\$4,763,545</u>
TIER	0.03	-	0.35	-	0.45	-	2.00

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG**

<u>ASSETS</u>	Actual <u>Test Year</u>	Adjustments <u>to Test Year</u>	Adjusted <u>Test Year</u>
<u>ASSETS</u>			
Electric Plant:			
In service	172,635,904		172,635,904
Under construction	<u>7,831,343</u>		<u>7,831,343</u>
	180,467,247		180,467,247
Less accumulated depreciation	<u>39,049,560</u>	<u>973,220</u>	<u>40,022,780</u>
	<u>141,417,687</u>	<u>(973,220)</u>	<u>140,444,467</u>
Investments	<u>21,431,733</u>		<u>21,431,733</u>
Current Assets:			
Cash and temporary investments	1,840,369		1,840,369
Accounts receivable, net	4,794,120		4,794,120
Material and supplies	1,252,330		1,252,330
Prepayments and current assets	<u>496,644</u>		<u>496,644</u>
	<u>8,383,463</u>		<u>8,383,463</u>
Deferred debits & Net Change in Assets	<u>286,757</u>	<u>9,967,262</u>	<u>10,254,019</u>
Total	<u>171,519,640</u>	<u>8,994,042</u>	<u>180,513,682</u>
<u>MEMBERS' EQUITIES AND LIABILITIES</u>			
Margins:			
Memberships	1,018,855		1,018,855
Patronage capital	<u>40,249,133</u>	<u>8,959,600</u>	<u>49,208,733</u>
	<u>41,267,988</u>	<u>8,959,600</u>	<u>50,227,588</u>
Long Term Debt	<u>100,150,077</u>		<u>100,150,077</u>
Accumulated Operating Provisions	<u>5,440,539</u>	<u>34,442</u>	<u>5,474,981</u>
Current Liabilities:			
Short term borrowings	13,200,000		13,200,000
Accounts payable	8,255,474		8,255,474
Consumer deposits	1,413,702		1,413,702
Accrued expenses	<u>1,117,213</u>		<u>1,117,213</u>
	<u>23,986,389</u>		<u>23,986,389</u>
Deferred credits	<u>674,647</u>		<u>674,647</u>
Total	<u>171,519,640</u>	<u>8,994,042</u>	<u>180,513,682</u>

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG**

**COMPUTATION OF RATE OF RETURN
December 31, 2008**

	<u>Actual Test Year</u>	<u>Adjusted Test Year</u>
Net margins	(\$4,628,148)	\$4,763,545
Non-cash patronage dividends	0	0
Interest on long-term debt	<u>4,793,634</u>	<u>4,764,362</u>
Total	<u>165,486</u>	<u>9,527,907</u>
Net rate base	<u>144,605,503</u>	<u>143,633,189</u>
Rate of return	<u>0.11%</u>	<u>6.63%</u>
Equity Capitalization	<u>123,914,374</u>	<u>132,873,974</u>
Rate of return	<u>0.13%</u>	<u>7.17%</u>

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG**

**Determination of Rate Base
December 31, 2007**

	-	
	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
Gross rate base:		
Total electric plant	\$180,467,247	\$180,467,247
Material and supplies (13 months average for test year)	1,396,773	1,396,773
Prepayments (13 months average for test year)	596,352	596,352
Working capital: 12.5% of operating expense less cost of power	1,842,338	1,843,244
	184,302,710	184,303,616
Deductions from rate base:		
Accumulated depreciation	39,049,560	40,022,780
Consumer advances	647,647	647,647
Net rate base	\$144,605,503	\$143,633,189

		<u>Material</u>	<u>Prepayments</u>
December	2006	1,257,476	605,149
January	2007	1,253,611	1,011,184
February		1,408,288	860,097
March		1,638,639	722,264
April		1,323,640	587,007
May		1,291,615	443,193
June		1,362,992	292,074
July		1,366,831	705,464
August		1,446,190	566,617
September		1,499,519	552,077
October		1,561,045	420,118
November		1,495,879	490,683
December		1,252,330	496,644
Average		1,396,773	596,352

SETTLEMENT AGREEMENT WITH OAG

REVISED INCREASE AMOUNT, ALLOCATION AND RATE DESIGN

A. Revised Increase Amount

Filed Increase Amount	\$ 7,838,023
Revised Increased Amount	<u>7,405,930</u>
Reduction in Increase Amount	<u>\$ 432,093</u>

B. Allocation to Rate Classes - All Reduction Allocated to Residential Rate Class

Filed Revenue Requirements for Residential Farm & Non-Farm (GS-1)	\$ 67,532,322
Filed Revenue Requirements for Off-Peak Marketing (EYS) (GS-2)	<u>126,375.0</u>
Subtotal	67,658,697.0
Reduction in Increase Amount	<u>432,093</u>
Revised Revenue Requirements	<u>\$ 67,226,604</u>

C. Rate Design or Residential Rate Class (GS-1)

Billing Units

Customer Charges - Sum of Monthly	619,307
Energy Charge kWh - GS1	805,422,653
Energy Charge kWh - GS2	2,822,755

Revised Rates

Revised Revenue Requirements	\$ 67,226,604
Revenue from Customer Charge of \$ 8.75	<u>5,418,936</u>
Revenue to be Recovered from Energy Charge	\$ 61,807,668
Energy kWh	<u>807,116,306</u>
Revised Energy Rate	<u>\$ 0.07658</u>

Summary of Revised Energy Rates for Schedule GS-1

Customer Charge per Month - GS1	\$ 8.75
Energy Charge per kWh - GS1	\$ 0.07658
Energy Charge per kWh - GS1	\$ 0.04595

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
SETTLEMENT AGREEMENT WITH OAG

Rate Class	Present	Proposed	Percent Change	Average Usage	Present Rates	Proposed Rates	Increase	
							Amount	Percent
Schedule GS-1, Residential, Farm and Non-Farm								
Customer Charge	\$ 5.44	\$ 8.75	60.8%	1,427	\$ 102.95	\$ 118.00	\$ 15.05	14.6%
Energy Charge	\$ 0.06835	\$ 0.07658	12.0%					
Schedule R, Residential								
Customer Charge	\$ 5.53	\$ 8.75	58.2%	1,249	\$ 94.38	\$ 104.38	\$ 10.00	10.6%
Energy Charge	\$ 0.07286	\$ 0.07658	5.1%					
Schedule A, Farm and Home Service								
Customer Charge	\$ 9.10	\$ 8.75	-3.8%	1,120	\$ 92.53	\$ 94.50	\$ 1.97	2.1%
Energy Charge	\$ 0.07451	\$ 0.07658	2.8%					
Schedule GS-2, Residential Marketing (ETS)								
Energy Charge	\$ 0.04101	\$ 0.04595	12.0%					
Schedule R2, Residential Marketing (ETS)								
Energy Charge	\$ 0.04372	\$ 0.04595	5.1%					
Schedule Rate 1, Residential Marketing (ETS)								
Energy Charge	\$ 0.04471	\$ 0.04595	2.8%					
Schedule C-1, Commercial and Industrial Lighting								
Customer Charge	\$ 7.13	\$ 25.00	250.6%	2,318	\$ 194.77	\$ 226.48	\$ 31.71	16.3%
Demand Charge - First 10 kW	\$ -	\$ -						
Demand Charge - Over 10 kW	\$ 6.40	\$ 7.00	9.4%					
Energy Charge - First 3,000 kWh	\$ 0.07272	\$ 0.07148	-1.7%					
Energy Charge - Over 3,000 kWh	\$ 0.06779	\$ 0.07148	5.4%					
Schedule C, Small Commercial								
Customer Charge	\$ 5.53	\$ 25.00	352.1%	1,784	\$ 154.45	\$ 174.31	\$ 19.86	12.9%
Demand Charge - First 10 kW	\$ -	\$ -						
Demand Charge - Over 10 kW	\$ 6.40	\$ 7.00	9.4%					
Energy Charge	\$ 0.07729	\$ 0.07148	-7.5%					
Schedule Rate 2, Commercial and Small Power								
Customer Charge	\$ 24.50	\$ 25.00	2.0%	1,553	\$ 142.83	\$ 156.72	\$ 13.90	9.7%
Demand Charge - First 10 kW	\$ -	\$ -						
Demand Charge - Over 10 kW	\$ -	\$ 7.00	NA					
Energy Charge	\$ 0.07617	\$ 0.07148	-6.2%					

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
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Rate Class	Present	Proposed	Percent Change	Average Usage	Present Rates	Proposed Rates	Increase Amount	Percent
Schedule LP-1, Large Power								0
Customer Charge	\$ 24.64	\$ 50.00	102.9%	41,494	\$ 2,866.96	\$ 2,914.24	\$ 47.28	1.6%
Demand Charge	\$ 6.40	\$ 7.50	17.2%					
Energy Charge								
First 10,000 kWh	\$ 0.05723	\$ 0.04650	-18.7%					
Next 15,000 kWh	\$ 0.05036	\$ 0.04650	-7.7%					
Next 50,000 kWh	\$ 0.04461	\$ 0.04650	4.2%					
Next 75,000 kWh	\$ 0.04225	\$ 0.04650	10.1%					
All over 150,000 kWh	\$ 0.04050	\$ 0.04650	14.8%					
Schedule L, Large Power Service								
Customer Charge	\$ 30.00	\$ 50.00	66.7%	23,918	\$ 2,118.73	\$ 1,613.27	\$ (505.46)	-23.9%
Demand Charge	\$ 3.26	\$ 7.50	130.1%					
Energy Charge								
First 50 kWh of billing demand	\$ 0.08038	\$ 0.04650	-42.1%					
Next 100 kWh of billing demand	\$ 0.07628	\$ 0.04650	-39.0%					
Over 150 kHz of billing demand	\$ 0.06611	\$ 0.04650	-29.7%					
Schedule Rate 8, Large Power Service								
Customer Charge	\$29.44	\$ 50.00	69.8%	32,539	\$ 2,460.29	\$ 2,286.24	\$ (174.04)	-7.1%
Demand Charge	\$8.03	\$ 7.50	-6.6%					
Energy Charge	\$0.05091	\$ 0.04650	-8.7%					
Schedule LP-2, Large Power								
Customer Charge	\$ 24.64	\$ 100.00	305.8%	397,782	\$ 23,194.29	\$ 23,581.34	\$ 387.05	1.7%
Demand Charge	\$ 6.40	\$ 7.50	17.2%					
Energy Charge								
First 3,500 kWh	\$ 0.05809	\$0.04098	-29.5%					
Next 6,500 kWh	\$ 0.04960	\$0.04098	-17.4%					
Next 140,000 kWh	\$ 0.04433	\$0.04098	-7.6%					
Next 200,000 kWh	\$ 0.04274	\$0.04098	-4.1%					
Next 400,000 kWh	\$ 0.04179	\$0.04098	-1.9%					
Next 550,000 kWh	\$ 0.04085	\$0.04098	0.3%					
All over 1,300,000 kWh	\$ 0.03544	\$0.04098	15.6%					
Schedule N, Industrial and Large Power								
Customer Charge	\$ 277.18	\$ 100.00	-63.9%	253,811	\$ 15,185.55	\$ 14,468.06	\$ (717.49)	-4.7%
Demand Charge	\$ 4.46	\$ 7.50	68.2%					
Energy Charge								
First 425 kWh of billing demand	\$0.05037	\$0.04098	-18.6%					
Over 425 kWh of billing demand	\$0.04227	\$0.04098	-3.1%					

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
SETTLEMENT AGREEMENT WITH OAG

Rate Class	Present	Proposed	Percent Change	Average Usage	Present Rates	Proposed Rates	Increase Amount	Increase Percent
Schedule LPR1, Large Power Service								
Customer Charge	\$ 41.23	\$ 100.00	142.5%	262,330	\$ 17,199.09	\$ 15,036.53	\$ (2,162.56)	-12.6%
Demand Charge	\$ 8.03	\$ 7.50	-6.6%					
Energy Charge	\$0.04832	\$0.04098	-15.2%					
Schedule B1, Large Industrial Rate								
Customer Charge	580.22	\$1,000.00	72.3%	1,944,000	\$ 101,053.36	\$ 101,051.71	\$ (1.65)	0.0%
Demand Charge								
Contract demand	\$5.53	\$6.22	12.5%					
Excess demand	\$8.03	\$8.65	7.7%					
Energy charge	\$0.04278	\$0.04148	-3.0%					
Schedule B-2, Large Industrial Late								
Customer Charge	\$1,097.42	\$2,000.00	82.2%	2,594,660	\$ 129,513.33	\$ 131,359.25	\$ 1,845.92	1.4%
Demand Charge								
Contract demand	\$5.53	\$6.22	12.5%					
Excess demand	\$8.03	\$8.65	7.7%					
Energy charge	\$0.03806	\$0.03703	-2.7%					
Schedule LPR-2, Large Power								
Customer Charge	\$2,436.09	\$2,000.00		4,415,400	\$ 225,592.14	\$ 216,285.45	\$ (9,306.69)	-4.1%
Demand Charge								
Contract demand	\$5.53	\$6.22	12.5%					
Excess demand		\$8.65	NA					
Energy charge								
First 425 kWh billing demand	\$0.04481	\$0.03703	-17.4%					
All over 425 kWh billing demand	\$0.03709	\$0.03703	-0.2%					
Schedule Street Lighting								
High Pressure Sodium								
70 W Ornamental	\$5.50	\$9.00	63.6%					
100 W Ornamental	\$7.16	\$10.00	39.7%					
250 W Ornamental	\$10.16	\$13.25	30.4%					
70 W Colonial (15 foot mounting height)	\$8.35	\$8.35	0.0%					
200 W Cobra Head (Aluminum pole)	\$12.21	\$13.50	10.6%					
100 W Cobra Head (Aluminum pole)	\$8.94	\$10.00	11.9%					
100 W Shoebox Fixture	\$16.81	\$16.81	0.0%					
100 W Acorn Fixture (Fiberglass pole)	\$16.28	\$16.28	0.0%					
100 W Colonial Fixture	\$13.75	\$13.75	0.0%					
400 W Cobra head (Aluminum pole)	\$20.40	\$20.40	0.0%					

BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
CURRENT RATES AND PROPOSED RATES FOR CURRENT RATE SCHEDULES
SETTLEMENT AGREEMENT WITH OAG

Rate Class	Present	Proposed	Percent Change	Average Usage	Present Rates	Proposed Rates	Increase Amount	Percent
Schedule Outdoor Lighting Service								0
<u>Mercury Vapor</u>								
175 W	\$5.64	\$9.51	68.6%					
400 W	\$8.92	\$15.39	72.5%					
<u>High Pressure Sodium</u>								
100 W	\$5.51	\$9.53	73.0%					
250 W	\$8.37	\$14.28	70.6%					
400 W Halide Directional Flood	\$12.74	\$14.50	13.8%					
400 W Directional Flood	\$13.80	\$15.25	10.5%					
100 W Shoebox Fixture	\$16.81	\$16.81	0.0%					
100 W Acorn Fixture (Fiberglass Pole)	\$16.28	\$16.28	0.0%					
100 W Colonial Fixture	\$13.75	\$13.75	0.0%					
400 W Cobra Head (Aluminum pole)	\$20.40	\$20.40	0.0%					
<u>High Pressure Sodium</u>								
175 W	\$9.51	\$9.51	0.0%					
400 W	\$15.39	\$15.39	0.0%					
200 W Cobra Head (Aluminum Pole)	\$12.21	\$13.50	10.6%					
100 W Cobra Head (Aluminum Pole)	\$8.94	\$10.00	11.9%					
100 W Shoebox Fixture	\$16.81	\$16.81	0.0%					
100 W Acorn Fixture (Fiberglass Pole)	\$16.28	\$16.81	3.3%					
100 W Colonial	\$13.75	\$13.75	0.0%					
400 W Cobra Head (Aluminum Pole)	\$20.40	\$20.40	0.0%					
400 W Metal Halide Directional	\$12.74	\$14.50	13.8%					
400 W Directional Flood	\$13.80	\$15.25	10.5%					
100 W Open Bottom	\$9.53	\$9.53	0.0%					
250 W Open Bottom	\$14.28	\$14.28	0.0%					
Lights Requiring Separate Transformer	\$1.00	\$0.00	-100.0%					

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

GS-1, Residential, Farm and Non-Farm

Rate 11 (N M)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	304,618	\$1,635,799	\$5.44	\$1,657,122	\$8.75	\$2,665,408
Energy charge per kWh	434,562,009	27,789,708	\$0.06835	29,702,313	\$0.07658	33,278,759
Billing adjustments				0		0
Total from base rates		29,425,507		<u>\$31,359,435</u>		<u>\$35,944,166</u>
Fuel adjustment		3,291,503				
Environmental surcharge		<u>2,567,357</u>				
Total revenues		<u>\$35,284,367</u>				
Amount				\$1,933,928		\$4,584,731
Percent				6.57%		14.62%
Average monthly bill		\$96.60		\$102.95		\$118.00
Amount				\$6.35		\$15.05
Percent				6.6%		14.6%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule R, Residential

Rate 12 (FC)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge, first 30 kwh	143,375	\$782,828	\$5.53	\$792,864	\$8.75	\$1,254,531
Customer Charge Energy charge						
First 30 kwh	4,193,719					
All over 30 kwh	<u>174,838,533</u>	11,968,338	\$0.07286	12,738,736	\$0.07658	13,710,290
	<u>179,032,252</u>					
Billing adjustments				<u>0</u>		<u>0</u>
Total from base rates		12,751,166		<u>\$13,531,599</u>		<u>\$14,964,821</u>
Fuel adjustment		1,343,716				
Environmental surcharge		<u>1,109,376</u>				
Total revenues		<u>\$15,204,258</u>				
Amount				\$780,433		\$1,433,222
Percent				6.12%		10.59%
Average monthly bill		\$88.94		\$94.38		\$104.38
Amount				\$5.44		\$10.00
Percent				6.1%		10.6%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule A, Farm and Home

Rate 13 (H)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	171,314	\$1,539,256	\$9.10	\$1,558,957	\$8.75	\$1,498,998
Energy charge	191,828,392	13,426,958	\$0.07451	14,293,133	\$0.07658	14,690,218
Billing adjustments				0		0
Total from base rates		14,966,214		<u>\$15,852,091</u>		<u>\$16,189,216</u>
Fuel adjustment		1,444,652				
Environmental surcharge		<u>1,307,437</u>				
Total revenues		<u>\$17,718,303</u>				
Amount				\$885,877		\$337,125
Percent				5.92%		2.13%
Average monthly bill		\$87.36		\$92.53		\$94.50
Amount				\$5.17		\$1.97
Percent				5.9%		2.1%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

GS-2, Off-Peak Marketing (ETS)

Rate 16 (N M)

<u>Description</u>	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Energy charge	683,506	25,517	\$0.04101	28,031	\$0.04595	31,407
Billing adjustments				0		0
Total from base rates		25,517		<u>\$28,031</u>		<u>\$31,407</u>
Fuel adjustment		4,010				
Environmental surcharge		<u>2,211</u>				
Total revenues		<u>\$31,738</u>				
Amount				\$2,514		\$3,377
Percent				9.85%		12.05%

Blue Grass Energy
Case No. 2008-00011
Billing Analysis
December 31, 2007

Schedule R2, Residential Marketing Rate

Rate 17 (FC)

<u>Description</u>	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Energy charge	173,940	7,003	\$0.04372	7,605	\$0.04595	7,993
Billing adjustments				0		0
Total from base rates		7,003		<u>\$7,605</u>		<u>\$7,993</u>
Fuel adjustment		1,041				
Environmental surcharge		602				
Total revenues		<u>\$8,646</u>				
Amount				\$602		\$388
Percent				8.59%		5.10%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 1 ETS, Off-Peak Marketing Rate

Rate 18 (H)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Energy charge	1,965,309	80,487	\$0.04471	87,869	\$0.04595	90,306
Billing adjustments				0		0
Total from base rates		80,487		<u>\$87,869</u>		<u>\$90,306</u>
Fuel adjustment		11,238				
Environmental surcharge		<u>6,815</u>				
Total revenues		<u>\$98,540</u>				
Amount				\$7,382		\$2,437
Percent				9.17%		2.77%

Blue Grass Energy
Case No. 2008-00011
Billing Analysis
December 31, 2007

C-1, Commercial and Industrial Lighting & Power

Rate 21 and 22 (N M)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	15,413	\$108,507	\$7.13	\$109,895	\$25.00	\$385,325
Demand Charge						
First 10 kW of billing demand	57,818					
Over 10 kW of billing demand	58,180	363,043	\$6.40	372,352	\$7.00	407,260
Energy charge						
First 3,000 kwh	19,769,738	1,369,055	\$0.07272	1,437,655		
All over 3,000 kwh	15,963,029	1,058,856	\$0.06779	1,082,134		
	<u>35,732,767</u>				\$0.07551	2,698,181
Billing adjustments				0		0
Total from base rates		2,899,461		<u>\$3,002,036</u>		<u>\$3,490,766</u>
Fuel adjustment		283,328				
Environmental surcharge		<u>253,435</u>				
Total revenues		<u>\$3,436,224</u>				
Amount				\$102,575		\$488,730
Percent				3.54%		16.28%
Average monthly bill		\$49.84		\$51.60		\$60.00
Amount				\$1.76		\$8.40
Percent				3.5%		16.3%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule C, Commercial and Small Power

Rate 23 and 24 (FC)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge, first 30 kwh	5,103	25,962	\$5.53	\$28,220		
Customer Charge					\$25.00	\$127,575
Demand Charge						
First 10 kW of billing demand	11,860					
Over 10 kW of billing demand	10,632	62,601	\$6.40	68,045	\$7.00	74,424
Energy charge						
First 30 kwh	152,701					
All over 30 kwh	8,951,894	636,422	\$0.07729	691,892	\$0.07551	687,488
	<u>9,104,595</u>					
Billing adjustments				0		0
Total from base rates		724,985		<u>\$788,156</u>		<u>\$889,487</u>
Fuel adjustment		70,891				
Environmental surcharge		<u>63,602</u>				
Total revenues		<u>\$859,478</u>				
Amount				\$63,171		\$101,331
Percent				8.71%		12.86%
Average monthly bill		\$68.19		\$74.13		\$83.66
Amount				\$5.94		\$9.53
Percent				8.7%		12.9%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 25 and 26 (H)

Rate 2, Commercial and Small Power

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
			Customer Charge	4,065	\$98,347	\$24.50
Demand Charge - First 10 kW	5,469					
Demand Charge - Over 10 kW	8,376	0	\$0.00	0	\$7.00	58,632
Energy charge	6,314,722	454,463	\$0.07617	480,992	\$0.07551	476,825
Billing adjustments				0		0
Total from base rates		552,810		<u>\$580,585</u>		<u>\$637,082</u>
Fuel adjustment		49,350				
Environmental surcharge		48,108				
Total revenues		<u>\$650,268</u>				
Amount				\$27,775		\$56,497
Percent				5.02%		9.73%
Average monthly bill		\$135.99		\$142.83		\$156.72
Amount				\$6.83		\$13.90
Percent				5.0%		9.7%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

LP-1, Large Power

Rate 31 (N M)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
			Customer Charge	1,072	\$25,862	\$24.64
Demand Charge	133,607	844,396	\$6.40	855,085	\$7.50	1,002,053
Energy charge						
First 10,000 kwh	14,360,683	739,676	\$0.05723	821,862		
Next 15,000 kwh	8,857,298	401,448	\$0.05036	446,054		
Next 50,000 kwh	11,886,914	477,248	\$0.04461	530,275		
Next 75,000 kwh	7,955,840	302,521	\$0.04225	336,134		
All over 150,000 kwh	1,421,265	32,156	\$0.04050	57,561		
	<u>44,482,000</u>					
First 25,000 kwh	23,217,981				\$0.00000	0
Next 50,000 kwh	11,886,914				\$0.00000	0
All over 75,000 kwh	9,377,105				\$0.00000	0
	<u>44,482,000</u>				\$0.04650	2,068,413
Billing adjustments				0		0
Total from base rates		2,823,306		<u>\$3,073,385</u>		<u>\$3,124,066</u>
Fuel adjustment		351,183				
Environmental surcharge		<u>250,024</u>				
Total revenues		<u>\$3,424,513</u>				
Amount				\$250,079		\$50,680
Percent				8.86%		1.65%
Average monthly bill		\$2,633.68		\$2,866.96		\$2,914.24
Amount				\$233.28		\$47.28
Percent				8.9%		1.6%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule L, Large Power Service (50 to 499 kw)

Rate 33 (FC)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	118	3,363	\$30.00	\$3,540	\$50.00	\$5,900
Demand Charge	7,097	21,979	\$3.26	23,136	\$7.50	53,228
Energy charge						
First 50 kwh of billing demand	2,280,660	151,367	\$0.08038	183,319		
Next 100 kwh of billing demand	413,382	26,015	\$0.07628	31,533		
Over 150 kwh of billing demand	128,296	6,997	\$0.06611	8,482		
	<u>2,822,338</u>					
First 10,000 kwh	952,350				\$0.04650	44,284
All over 10,000 kwh	1,869,988				\$0.04650	86,954
	<u>2,822,338</u>					
Billing adjustments				0		0
Total from base rates		209,721		<u>\$250,010</u>		<u>\$190,366</u>
Fuel adjustment		21,315				
Environmental surcharge		18,020				
Total revenues		<u>\$249,056</u>				
Amount				\$40,289		(\$59,644)
Percent				19.21%		-23.86%
Average monthly bill		\$1,777.30		\$2,118.73		\$1,613.27
Amount				\$341.43		(\$505.46)
Percent				19.2%		-23.9%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

LP-2, Large Power

Rate 32 & 38 (N M)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	156	3,767	\$24.64	\$3,844	\$100.00	\$15,600
Demand Charge	149,349	943,886	\$6.40	955,834	\$7.50	1,120,118
Energy charge						
First 3,500 kwh	519,600	29,278	\$0.05809	30,184		
Next 6,500 kwh	1,614,000	76,852	\$0.04960	80,054		
Next 140,000 kwh	19,604,300	814,438	\$0.04433	869,059		
Next 200,000 kwh	18,784,912	730,609	\$0.04274	802,867		
Next 400,000 kwh	14,519,488	546,092	\$0.04179	606,769		
Next 550,000 kwh	3,919,680	139,303	\$0.04085	160,119		
All over 1,300,000 kwh	3,092,000	89,856	\$0.03544	109,580		
	<u>62,053,980</u>					
First 200,000 kwh	40,522,812				\$0.00000	0
All over 200,000 kwh	<u>21,531,168</u>				\$0.00000	0
	<u>62,053,980</u>				\$0.04098	2,542,972
Billing adjustments				<u>0</u>		<u>0</u>
Total from base rates		3,374,081		<u>\$3,618,310</u>		<u>\$3,678,690</u>
Fuel adjustment		479,199				
Environmental surcharge		<u>302,530</u>				
Total revenues		<u>\$4,155,810</u>				
Amount				\$244,229		\$60,380
Percent				7.24%		1.67%
Average monthly bill		\$21,628.72		\$23,194.29		\$23,581.34
Amount				\$1,565.57		\$387.05
Percent				7.2%		1.7%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule N, Industrial & Large Commercial (Over 500KW)

Rate 35, 36 (FC)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	50	13,582	\$277.18	\$13,859	\$100.00	\$5,000
Demand Charge	26,446	115,590	\$4.46	117,949	\$7.50	198,345
Energy charge						
First 425 kwh of billing demand	11,239,550	554,813	\$0.05037	566,136		
Over 425 kwh of billing demand	1,450,981	40,327	\$0.04227	61,333		
	<u>12,690,531</u>					
First 200,000 kwh	6,249,236				\$0.04098	256,094
All over 200,000 kwh	6,441,295				\$0.04098	263,964
	<u>12,690,531</u>					
Billing adjustments				0		0
Total from base rates		724,312		<u>\$759,277</u>		<u>\$723,403</u>
Fuel adjustment		102,858				
Environmental surcharge		63,119				
Total revenues		<u>\$890,289</u>				
Amount				\$34,965		(\$35,874)
Percent				4.83%		-4.72%
Average monthly bill		\$14,486.24		\$15,185.55		\$14,468.06
Amount				\$699.31		(\$717.49)
Percent				4.8%		-4.7%

Blue Grass Energy
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Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Rate 8, Large Power Service (50 to 500KW)

Rate 39,52 (H)

<u>Description</u>	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	231	6,665	\$29.44	\$6,801	\$50.00	\$11,550
Demand Charge	22,274	175,283	\$8.03	178,860	\$7.50	167,055
Energy charge	7,516,501	354,235	\$0.05091	382,665	\$0.04650	349,517
Primary discount		(464)				
Billing adjustments				0		0
Total from base rates		535,719		<u>\$568,326</u>		<u>\$528,122</u>
Fuel adjustment		56,717				
Environmental surcharge		46,919				
Total revenues		<u>\$639,355</u>				
Amount				\$32,607		(\$40,204)
Percent				6.09%		-7.07%
Average monthly bill		\$2,319.13		\$2,460.29		\$2,286.24
Amount				\$141.16		(\$174.04)
Percent				6.1%		-7.1%

Blue Grass Energy
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Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
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LPR 1, Rate 8, Large Power Service (Over 500KW)

Rate 40 (H)

<u>Description</u>	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	24	970	\$41.23	\$990	\$100.00	\$2,400
Demand Charge	13,396	105,418	\$8.03	107,570	\$7.50	100,470
Energy charge	6,295,920	280,509	\$0.04832	304,219	\$0.04098	258,007
Billing adjustments				0		0
Total from base rates		386,897		<u>\$412,778</u>		<u>\$360,877</u>
Fuel adjustment		48,841				
Environmental surcharge		34,343				
Total revenues		<u>\$470,081</u>				
Amount				\$25,881		(\$51,901)
Percent				6.69%		-12.57%
Average monthly bill		\$16,120.71		\$17,199.09		\$15,036.53
Amount				\$1,078.39		(\$2,162.56)
Percent				6.7%		-12.6%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule B1, Large Industrial Rate

Rate 46 (FC)

Description	Billing Determinants	Test Year Revenues	Normalized 5.53		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	12	6,823	\$580.22	\$6,963	\$1,000.00	\$12,000
Demand Charge						
Contract demand	35,100	190,221	\$5.53	194,103	\$6.22	218,322
Excess demand	1,694	13,331	\$8.03	13,603	\$8.65	14,653
Energy charge	23,328,000	865,614	\$0.04278	997,972	\$0.04148	967,645
Billing adjustments				0		0
Total from base rates		1,075,989		<u>\$1,212,640</u>		<u>\$1,212,621</u>
Fuel adjustment		173,416				
Environmental surcharge		<u>98,128</u>				
Total revenues		<u>\$1,347,533</u>				
Amount				\$136,651		(\$20)
Percent				12.70%		0.00%
Average monthly bill		\$89,665.75		\$101,053.36		\$101,051.71
Amount				\$11,387.61		(\$1.65)
Percent				12.7%		0.0%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Schedule B-2, Large Industrial Rate

Rate 44, 45, 47, 48, 49 (N M)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
			Customer Charge	60	64,528	\$1,097.42
Demand Charge						
Contract demand	302,373	1,638,680	\$5.53	1,672,123	\$6.22	1,880,760
Excess demand	13,408	105,513	\$8.03	107,666	\$8.65	115,979
Energy charge	155,679,600	5,455,361	\$0.03806	5,925,166	\$0.03703	5,764,816
Billing adjustments				0		0
Total from base rates		7,264,082		<u>\$7,770,800</u>		<u>\$7,881,555</u>
Fuel adjustment		1,218,401				
Environmental surcharge		<u>666,674</u>				
Total revenues		<u>\$9,149,157</u>				
Amount				\$506,718		\$110,755
Percent				6.98%		1.43%
Average monthly bill		\$121,068.03		\$129,513.33		\$131,359.25
Amount				\$8,445.30		\$1,845.92
Percent				7.0%		1.4%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

LPR2, Rate 8, Large Power Service (1,000 to 4,999KW)

Rate 50 (H)

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	12	28,648	\$2,436.09	\$29,233	\$2,000.00	\$24,000
Demand Charge	97,974	530,960	\$5.53	541,796	\$6.22	609,398
Energy charge						
First 425 kwh billing demand	41,946,650	1,729,259	\$0.04481	1,879,629	\$0.03703	1,553,284
All over 425 kwh billing demand	11,038,150	355,799	\$0.03709	409,405	\$0.03703	408,743
	<u>52,984,800</u>					
Primary discount		(152,958)		(152,958)		0
Billing adjustments				0		0
Total from base rates		2,491,709		<u>\$2,707,106</u>		<u>\$2,595,425</u>
Fuel adjustment		418,100				
Environmental surcharge		<u>240,626</u>				
Total revenues		<u>\$3,150,435</u>				
Amount				\$215,397		(\$111,680)
Percent				8.64%		-4.13%
Average monthly bill		\$207,642.39		\$225,592.14		\$216,285.45
Amount				\$17,949.75		(\$9,306.69)
Percent				8.6%		-4.1%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Street Lighting

Ratte 51

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
High Pressure Sodium						
70 W Ornamental	8,376	44,945	\$5.50	46,068	\$9.00	75,384
100 W Ornamental	6,871	47,860	\$7.16	49,196	\$10.00	68,710
250 W Ornamental	2,398	23,213	\$10.16	24,364	\$13.25	31,774
70 W Colonial (15 foot mounting height)	5,715	46,842	\$8.35	47,720	\$8.35	47,720
200 W Cobra Head (Aluminum pole)		0	\$12.21	0	\$13.50	0
100 W Cobra Head (Aluminum pole)		0	\$8.94	0	\$10.00	0
100 W Shoebox Fixture		0	\$16.81	0	\$16.81	0
100 W Acorn Fixture (Fiberglass pole)		0	\$16.28	0	\$16.28	0
100 W Colonial Fixture		0	\$13.75	0	\$13.75	0
400 W Cobra head (Aluminum pole)		0	\$20.40	0	\$20.40	0
kWh	<u>822,482</u>					
	23,360					
Billing adjustments				0		0
Total from base rates		162,860		<u>\$167,348</u>		<u>\$223,588</u>
Fuel adjustment		7,828				
Environmental surcharge		16,904				
Total revenues		<u>\$187,592</u>				
Amount				\$4,488		\$56,239
Percent				2.76%		33.61%

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Outdoor Lighting Service

Rate 15

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
			Rates	Revenues	Rates	Revenues
<u>Mercury Vapor</u>						
175 W	2,256	1,143	\$0.00	0	\$0.00	0
175 W	4,316	23,783	\$5.64	24,342	\$9.51	41,045
400 W	689	5,656	\$8.92	6,146	\$15.39	10,604
<u>High Pressure Sodium</u>						
100 W	92,062	485,264	\$5.51	507,262	\$9.53	877,351
250 W	2,008	15,778	\$8.37	16,807	\$14.28	28,674
400 W Halide Directional Flood	4,189	50,405	\$12.74	53,368	\$14.50	60,741
400 W Directional Flood	582	7,429	\$13.80	8,032	\$15.25	8,876
100 W Shoebox Fixture	132	2,185	\$16.81	2,219	\$16.81	2,219
100 W Acorn Fixture (Fiberglass Pole)	123	1,824	\$16.28	2,002	\$16.28	2,002
100 W Colonial Fixture	1,468	19,696	\$13.75	20,185	\$13.75	20,185
400 W Cobra Head (Aluminum pole)	28	556	\$20.40	571	\$20.40	571

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Outdoor Lighting Service

High Pressure Sodium

175 W	54,085	483,245	\$9.51	514,348	\$9.51	514,348
400 W	990	11,146	\$15.39	15,236	\$15.39	15,236
200 W Cobra Head (Aluminum Pole)	1,455	17,160	\$12.21	17,766	\$13.50	19,643
100 W Cobra Head (Aluminum Pole)	2,701	23,549	\$8.94	24,147	\$10.00	27,010
100 W Shoebox Fixture		0	\$16.81	0	\$16.81	0
100 W Acorn Fixture (Fiberglass Pole)		0	\$16.28	0	\$16.81	0
100 W Colonial		0	\$13.75	0	\$13.75	0
400 W Cobra Head (Aluminum Pole)		0	\$20.40	0	\$20.40	0
400 W Metal Halide Directional		0	\$12.74	0	\$14.50	0
400 W Directional Flood		0	\$13.80	0	\$15.25	0
100 W Open Bottom	165	1,553	\$9.53	1,572	\$9.53	1,572
250 W Open Bottom		0	\$14.28	0	\$14.28	0
Lights Requiring Separate Transformer	220	220	\$1.00	220	\$0.00	0
kWh	<u>9,287,615</u>					
Billing adjustments	167,469			0		0
Total from base rates		1,150,592		<u>\$1,214,223</u>		<u>\$1,630,077</u>
Fuel adjustment		3,027				
Environmental surcharge		<u>3,218</u>				
Total revenues		<u>\$1,156,837</u>				
Amount				\$63,631		\$415,854
Percent				5.53%		34.25%

Blue Grass Energy
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules - OAG Agreement
December 31, 2007

Summary:

Billing Determinants	Test Year Revenues	Normalized Case No. 2006-0512		Proposed	
		Rates	Revenues	Rates	Revenues
Total from base rates	1,237,361,259	81,632,418	86,991,610	94,394,032	
Fuel adjustment		9,380,614			
Environmental surcharge		7,099,448			
Total revenues		98,112,480			
Per Form 7	1,237,361,259	98,115,561			
Increase	0	3,081			
Amount			5,359,192	7,402,422	
Percent			6.57%	8.51%	

Blue Grass Energy
Case No. 2008-00011
Revenue Analysis Current Rates & Proposed Rates for Current Rate Schedules
December 31, 2007

Rate Schedule	Kwh Usage	Test Year Revenue	Percent of Total	Normalized Case No. 2006-0512	Percent of Total	Proposed Revenue	Percent of Total	Increase Amount	Increase Percent
GS-1, Residential, Farm :	434,562,009	\$29,425,507	36%	\$31,359,435	36%	\$35,944,166	38%	\$4,584,731	14.6%
R, Residentail	174,838,533	12,751,166	16%	13,531,599	16%	14,964,821	16%	1,433,222	10.6%
A, Farm and Home Servik	191,828,392	14,966,214	18%	15,852,091	18%	16,189,216	17%	337,125	2.1%
GS-2, Residential Market	683,506	25,517	0%	28,031	0%	31,407	0%	3,377	12.0%
R2, Residential Marketing	173,940	7,003	0%	7,605	0%	7,993	0%	388	5.1%
Rate 1, Residential Marke	1,965,309	80,487	0%	87,869	0%	90,306	0%	2,437	2.8%
C-1, Commercial and Ind	35,732,767	2,899,461	4%	3,002,036	3%	3,490,766	4%	488,730	16.3%
C, Small Commercial	9,104,595	724,985	1%	788,156	1%	889,487	1%	101,331	12.9%
Rate 2, Commercial and :	6,314,722	552,810	1%	580,585	1%	637,082	1%	56,497	9.7%
LP-1, Large Power	44,482,000	2,823,306	3%	3,073,385	4%	3,124,066	3%	50,680	1.6%
L, Large Power Service (:	2,822,338	209,721	0%	250,010	0%	190,366	0%	(59,644)	-23.9%
Rate 8, Large Power Servi	7,516,501	535,719	1%	568,326	1%	528,122	1%	(40,204)	-7.1%
LP-2, Large Power	62,053,980	3,374,081	4%	3,618,310	4%	3,678,690	4%	60,380	1.7%
N, Industrial & Large Pow	12,690,531	724,312	1%	759,277	1%	723,403	1%	(35,874)	-4.7%
LPR1, Large Power Servi	6,295,920	386,897	0%	412,778	0%	360,877	0%	(51,901)	-12.6%
B1, Large Industrial Rate	23,328,000	1,075,989	1%	1,212,640	1%	1,212,621	1%	(20)	0.0%
B-2, Large Industrial Rate	155,679,600	7,264,082	9%	7,770,800	9%	7,881,555	8%	110,755	1.4%
LPR2, Large Power (5,00	52,984,800	2,491,709	3%	2,707,106	3%	2,595,425	3%	(111,680)	-4.1%
Street Lighting	822,482	162,860	0%	167,348	0%	223,588	0%	56,239	33.6%
Outdoor Lighting Service	9,287,615	1,150,592	1%	1,214,223	1%	1,630,077	2%	415,854	34.2%
Rounding differences								0	
Total from base rates	1,233,167,540	81,632,418	100%	\$86,991,610	100%	\$94,394,032	100%	\$7,402,422	8.51%
Fuel adjustment billed		9,380,614							
Environmental surcharge billed		7,099,448							
		\$98,112,480							
Increase				\$5,359,192		\$7,402,422			
Unbilled fuel adjustment		(598,268)							
Unbilled environmental surcharge		(835,117)							
Revenue per general ledger		\$96,679,095							

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011**

Exhibit VI

SETTLEMENT AGREEMENT WITH OAG

PROPOSED RATES FOR COMBINED RATE SCHEDULES

GS-1, Residential, Farm and Non-Farm	
Customer Charge	\$8.75
Energy Charge	0.07658
GS-2, Off-Peak Marketing (ETS)	
Energy Charge	0.04595
SC-1, Small Commercial	
Customer Charge	\$25.00
Demand Charge	\$7.00
Energy Charge	0.07148
LP-1, Large Power	
Customer Charge	\$50.00
Demand Charge	\$7.50
Energy Charge	0.04650
LP-2, Large Power	
Customer Charge	\$100.00
Demand Charge	\$7.50
Energy Charge	0.04098
Schedule B1, Large Industrial Rate	
Customer Charge	\$1,000.00
Demand Charge - Contract	\$6.22
Demand Charge - Excess	\$8.65
Energy Charge	0.04148
Schedule B-2, Large Industrial Rate	
Customer Charge	\$2,000.00
Demand Charge - Contract	\$6.22
Demand Charge - Excess	\$8.65
Energy Charge	0.03703
Outdoor Lights	
175 Watt Mercury Vapor	\$9.51
400 Watt Mercury Vapor	\$15.39
400 Watt Metal Halide Directional Flood	\$14.50
400 Watt High Pressure Sodium Direction	\$15.25
100 Watt High Pressure Sodium - Shoebc	\$16.81
100 Watt High Pressure Sodium - Acorn F	\$16.28
100 Watt High Pressure Sodium - Colonia	\$13.75
400 Watt High Pressure Sodium Cobra H	\$20.40
70 Watt High Pressure Sodium (Ornamen	\$9.00
100 Watt High Pressure Sodium (Orname	\$10.00
250 Watt High Pressure Sodium (Orname	\$13.25
70 Watt High Pressure (Colonial) (15-foot	\$8.35
200 Watt High Pressure Sodium Cobra H	\$13.50
100 Watt High Pressure Sodium Cobra H	\$10.00
100 Watt High Pressure Sodium Open Bo	\$9.53
250 Watt High Pressure Sodium Open Bo	\$14.28

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

GS-1, Residential, Farm and Non-Farm

Rate 11 (N M)

<u>Description</u>	Billing Determinants	Proposed	
		Rates	Revenues
Customer Charge	619,307	\$ 8.75	\$5,418,936
Energy charge per kWh	805,422,653	\$0.07658	61,679,267
Billing adjustments			<u>0</u>
Total from base rates			<u><u>\$67,098,203</u></u>

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

GS-2, Off-Peak Marketing (ETS)

Rate 16 (N M)

Description

Billing Determinants	Proposed	
	Rates	Revenues
Energy charge	2,822,755	\$0.04595
Billing adjustments		0
Total from base rates		\$129,706

Energy charge

Billing adjustments

Total from base rates

Blue Grass Energy
Case No. 2008-00011
Billing Analysis
December 31, 2007

SC-1, Small Commercial

Rate 21 and 22 (N M)

Description

Customer Charge

Demand Charge

First 10 kW of billing demand

Over 10 kW of billing demand

Energy charge

Billing adjustments

Total from base rates

Billing Determinants	Proposed	
	Rates	Revenues
25,333	\$25.00	\$633,325
75,147		
107,854	\$7.00	754,975
63,129,939	\$0.07148	4,512,528
		0
		\$5,900,828

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

LP-1, Large Power

Rate 31 (N M)

<u>Description</u>	Billing	Proposed	
	Determinants	Rates	Revenues
Customer Charge	669	\$50.00	33,450
Demand Charge	124,693	\$7.50	935,195
Energy charge	<u>42,842,984</u>	\$0.04650	1,992,199
Billing adjustments			<u>0</u>
Total from base rates			<u><u>\$2,960,844</u></u>

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

LP-2, Large Power

Rate 32 & 38 (N M)

<u>Description</u>	Billing Determinants	Proposed	
		Rates	Revenues
Customer Charge	230	\$100.00	\$23,000
Demand Charge	189,191	\$7.50	1,418,933
Energy charge	<u>81,040,431</u>	\$0.04098	3,321,037
Billing adjustments			<u>0</u>
Total from base rates			<u><u>\$4,762,969</u></u>

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Schedule B1, Large Industrial Rate

Rate 46 (FC)

<u>Description</u>	Billing Determinants	Proposed	
		Rates	Revenues
Customer Charge	12	\$1,000.00	\$12,000
Demand Charge			
Contract demand	35,100	\$6.22	218,322
Excess demand	1,694	\$8.65	14,653
Energy charge	23,328,000	\$0.04148	967,645
Billing adjustments			0
Total from base rates			\$1,212,621

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Schedule B-2, Large Industrial Rate

Rate 44, 45, 47, 48, 49 (N M)

<u>Description</u>	Billing Determinants	Proposed	
		Rates	Revenues
Customer Charge	72	\$2,000.00	\$144,000
Demand Charge			
Contract demand	400,347	\$6.22	2,490,158
Excess demand	13,408	\$8.65	115,979
Energy charge	208,664,400	\$0.03703	7,726,843
Billing adjustments			0
Total from base rates			\$10,476,980

Blue Grass Energy
Case No. 2008-00011
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Outdoor Lights

Ratte 51

Description

Billing Determinants	Proposed	
	Rates	Revenues

Outdoor Lights

			0
175 Watt Mercury Vapor	58401	\$9.51	555,394
400 Watt Mercury Vapor	1679	\$15.39	25,840
400 Watt Metal Halide Directional Flood	4189	\$14.50	60,741
400 Watt High Pressure Sodium Directional Flood	582	\$15.25	8,876
100 Watt High Pressure Sodium - Shoebox Fixture (Metal Pole)	132	\$16.81	2,219
100 Watt High Pressure Sodium - Acorn Fixture (Fiberglass Pole)	123	\$16.28	2,002
100 Watt High Pressure Sodium - Colonial Fixture	1468	\$13.75	20,185
400 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	28	\$20.40	571
70 Watt High Pressure Sodium (Ornamental)	8376	\$9.00	75,384
100 Watt High Pressure Sodium (Ornamental)	6871	\$10.00	68,710
250 Watt High Pressure Sodium (Ornamental)	2398	\$13.25	31,774
70 Watt High Pressure (Colonial) (15-foot mounting height)	5715	\$8.35	47,720
200 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	1455	\$13.50	19,643
100 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	2701	\$10.00	27,010
100 Watt High Pressure Sodium Open Bottom	92227	\$9.53	878,923
250 Watt High Pressure Sodium Open Bottom	2008	\$14.28	28,674
kWh	10,110,097		
Total from base rates			<u>\$1,853,665</u>

Blue Grass Energy
Billing Analysis-Combined Rate Classes with Rate Change Sched. SC - OAG Agreement
December 31, 2007

Summary:

Billing Determinants	Proposed	
	Rates	Revenues
Total from base rates	1,237,361,259	94,395,816

**BLUE GRASS ENERGY COOPERATIVE
CASE NO. 2008-00011
SETTLEMENT AGREEMENT WITH OAG**

REVENUE ANALYSIS FOR COMBINED RATE SCHEDULES

	<u>Revenue Combined Rate Classes</u>	<u>Revenue Combined Rate Classes Change in Customers SC1 & LP-1</u>	<u>Revenue Combined Rate Classes Change in Rates for SC1</u>
-			
<u>Revenue Summary</u>			
GS-1, Residential, Farm and Non-Farm	\$67,098,203	\$67,098,203	\$67,098,203
GS-2, Off-Peak Marketing (ETS)	\$129,706	\$129,706	\$129,706
SC-1, Small Commercial	\$5,017,335	\$6,155,242	\$5,900,828
LP-1, Large Power	\$3,842,554	\$2,960,844	\$2,960,844
LP-2, Large Power	\$4,762,969	\$4,762,969	\$4,762,969
Schedule B1, Large Industrial Rate	\$1,212,621	\$1,212,621	\$1,212,621
Schedule B-2, Large Industrial Rate	\$10,476,980	\$10,476,980	\$10,476,980
Outdoor Lights	\$1,853,665	\$1,853,665	\$1,853,665
	<u>\$94,394,032</u>	<u>\$94,650,229</u>	<u>\$94,395,816</u>

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Over 100 KW

AVAILABILITY

Available only to qualified cogeneration or small power production facilities with a design capacity of over 100 KW which have executed a contract for the sale of power to Blue Grass Energy Cooperative Corporation and East Kentucky Power Cooperative for the purchase of electric power by East Kentucky Power Cooperative.

RATE SCHEDULE

1. Capacity

- a. \$8.47 per KW per year is applicable if co generator or small power producer is dispatched by East Kentucky Power Cooperative.
- b. \$0.00110 per KWH is applicable if cogenerator or small power producer is not dispatched by East Kentucky Power Cooperative.

2. Energy - A base payment per KWH is listed below for a time differentiated basis or a non-time differentiated basis for the specified years.

a. Time Differentiated Rates:

Year	Winter		Summer	
	On-Peak	Off-Peak	On-Peak	Off-Peak
2005	\$0.04565	\$0.03311	\$0.04093	\$0.01991
2006	\$0.04280	\$0.03116	\$0.04304	\$0.02115
2007	\$0.04479	\$0.03179	\$0.04251	\$0.02129
2008	\$0.04256	\$0.02929	\$0.04506	\$0.01874
2009	\$0.03876	\$0.02682	\$0.03901	\$0.01667

b. Non-Time Differentiated Rates:

Year	2005	2006	2007	2008	2009
Rate	\$0.03502	\$0.03437	\$0.03498	\$0.03360	\$0.03014

The On-Peak and off-peak energy rates are applicable during the hours listed below for each season:

<u>Months</u>	<u>On-Peak Hours</u>	<u>Off-Peak Hours</u>
May through September	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.	10:00 p.m. to 7:00 a.m. 12:00 noon to 5:00 p.m.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 2
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 2

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Over 100 KW

TERMS AND CONDITIONS

1. All power from a Qualifying Facility (QF) will be sold only to East Kentucky Power Cooperative.
2. Seller must provide good quality electric power within reasonable range of voltage, frequency, flicker, harmonic currents, and power factor.
3. Qualifying Facility (QF) shall provide reasonable protection for the EKPC and Blue Grass Energy Cooperative Corporation's system.
4. Qualifying Facility (QF) shall design, construct, install, own, operate, and maintain the qualifying facility in accordance with all applicable codes, laws, regulation and generally accepted utility practice.
5. Qualifying Facility (QF) shall reimburse EKPC & Blue Grass Energy Cooperative Corporation for all costs as a result of interconnecting with the QF, including operation, maintenance, administration and billing.
6. Qualifying Facility (QF) shall obtain insurance in at least the following minimum amounts for each occurrence:
 - a. Public Liability for Bodily Injury - \$1,000,000.00
 - b. Property Damage - \$500,000.00
7. Initial contract term shall be for a minimum of twenty years.
8. Qualifying Facilities proposing to supply as available (non-firm) electric power shall not be entitled to a capacity payment.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Less than 100 KW

AVAILABILITY

Available only to qualified cogeneration or small power production facilities with a design capacity of less than 100 KW which have executed a contract for the sale of power to Blue Grass Energy Cooperative Corporation and East Kentucky Power Cooperative for the purchase of electric power by East Kentucky Power Cooperative.

RATE SCHEDULE

1. Capacity

- a. \$8.47 per KW per year is applicable if co generator or small power producer is dispatched by East Kentucky Power Cooperative.
- b. \$0.00110 per KWH is applicable if cogenerator or small power producer is not dispatched by East Kentucky Power Cooperative.

2. Energy - A base payment per KWH is listed below for a time differentiated basis or a non-time differentiated basis for the specified years.

a. Time Differentiated Rates:

Year	Winter		Summer	
	On-Peak	Off-Peak	On-Peak	Off-Peak
2005	\$0.04565	\$0.03311	\$0.04093	\$0.01991
2006	\$0.04280	\$0.03116	\$0.04304	\$0.02115
2007	\$0.04479	\$0.03179	\$0.04251	\$0.02129
2008	\$0.04256	\$0.02929	\$0.04506	\$0.01874
2009	\$0.03876	\$0.02682	\$0.03901	\$0.01667

b. Non-Time Differentiated Rates:

Year	2005	2006	2007	2008	2009
Rate	\$0.03502	\$0.03437	\$0.03498	\$0.03360	\$0.03014

The On-Peak and off-peak energy rates are applicable during the hours listed below for each season:

<u>Months</u>	<u>On-Peak Hours</u>	<u>Off-Peak Hours</u>
May through September	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.	10:00 p.m. to 7:00 a.m. 12:00 noon to 5:00 p.m.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. : _____ Dated: _____

CLASSIFICATION OF SERVICE

Cogeneration and Small Power Production Power Purchase Rate Schedule Less than 100 KW

TERMS AND CONDITIONS

1. All power from a Qualifying Facility (QF) will be sold only to East Kentucky Power Cooperative.
2. Seller must provide good quality electric power within reasonable range of voltage, frequency, flicker, harmonic currents, and power factor.
3. Qualifying Facility (QF) shall provide reasonable protection for the EKPC and Blue Grass Energy Cooperative Corporation's system.
4. Qualifying Facility (QF) shall design, construct, install, own, operate, and maintain the qualifying facility in accordance with all applicable codes, laws, regulation and generally accepted utility practice.
5. Qualifying Facility (QF) shall reimburse EKPC & Blue Grass Energy Cooperative Corporation for all costs as a result of interconnecting with the QF, including operation, maintenance, administration and billing.
6. Qualifying Facility (QF) shall obtain insurance in at least the following minimum amounts for each occurrence:
 - c. Public Liability for Bodily Injury - \$1,000,000.00
 - d. Property Damage - \$500,000.00
7. Initial contract term shall be for a minimum of twenty years.
8. Qualifying Facilities proposing to supply as available (non-firm) electric power shall not be entitled to a capacity payment

DATE OF ISSUE: April 11, 2008

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ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. : _____ Dated: _____

CLASSIFICATION OF SERVICE

GS-2 Off-Peak Retail Marketing Rate (ETS)

AVAILABILITY

Available to consumers eligible for Tariff GS-1, Residential and Farm Schedule. The electric power and energy furnished under Tariff GS-2, Off Peak Retail Marketing Rate shall be separately metered for each point of delivery. Other power and energy furnished will be billed under GS-1, Residential and Farm Schedule.

RATES

All kWh/Month: \$0.04595 kWh

SCHEDULE OF HOURS

This rate is only applicable for the below listed off-peak hours:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	12:00 noon to 5:00 p.m. 10:00 p.m. to 7:00 a.m.
May through September	10:00 p.m. to 10:00 a.m.

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by and amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DELAYED PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

TERMS AND CONDITIONS

This Tariff is subject to the same terms and conditions as described in Tariff GS-1, Residential and Farm. This rate applies to only programs which are expressly approved by the Public Service Commission to be offered under the Marketing Rate of East Kentucky Power Cooperative's wholesale power rate. Effective January 1, 2009 all consumers under this rate will be switched to the GS-3 Residential and Farm Time-of Day Rate or the GS-1 Residential and Farm Rate. This tariff is no longer available for new installations.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

GS-1 (Residential and Farm)

APPLICABLE

Entire Territory Served

AVAILABILITY

Available to all residential and farm consumers. The capacity on individual motors served under this schedule may not exceed ten (10) horsepower.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage.

RATES

Customer Charge	\$8.75 per meter, per month
Energy Charge per kWh	\$0.07658

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by and amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

MINIMUM MONTHLY CHARGE

The minimum monthly charge under this tariff shall be the customer charge.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 7
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 7

CLASSIFICATION OF SERVICE

GS-1 (Residential and Farm)

BUDGET BILLING

The Cooperative has a levelized billing plan that is available to all residential consumers. Qualified consumers may be placed on or removed from this plan in any month of the year. This is a continuous plan and there is no account settlement (catch-up) month. Monthly payments are based on average kilowatt-hour usage for the past twelve months. Bills may fluctuate each month, according to how the current monthly bill affects the average. Failure to pay the exact amount by the due date each month will result in removal of this account from the levelized billing program.

During the month when the usage is the lowest, monthly payments will be larger than the actual usage and a credit will accumulate. During the months of higher usages, payments will be smaller than actual usage and debits will accumulate. At the time of disconnect or removal of the account from this plan, all accumulated debts shall be refunded and credited to the account.

The Cooperative may cancel a consumer's levelized account of delinquency (untimely payment), or non-payment (returned checks or no payment), or failure to pay the exact amount of the bill.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

GS-3 (Residential and Farm Time-of-Day Rate)

APPLICABLE

Entire Territory Served

AVAILABILITY

Available to all consumers eligible for the Tariff GS-1, Residential and Farm. The capacity on individual motors served under this schedule may not exceed ten (10) horsepower.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage.

RATES:

Customer Charge	\$12.00 per meter, per month
<u>Energy Charge per kWh</u>	
<u>On-peak energy</u>	<u>\$0.09489</u>
<u>Off-peak energy</u>	<u>\$0.05581</u>

On-Peak Hours and Off-Peak Hours

<u>Months</u>	<u>On-Peak Hours</u>	<u>Off-Peak Hours</u>
<u>May through September</u>	<u>10:00 a.m. to 10:00 p.m.</u>	<u>10:00 p.m. to 10:00 a.m.</u>
<u>October through April</u>	<u>7:00 a.m. to 12:00 noon</u> <u>5:00 p.m. to 10:00 p.m.</u>	<u>10:00 p.m. to 7:00 a.m.</u> <u>12:00 noon to 5:00 p.m.</u>

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by and amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

MINIMUM MONTHLY CHARGES

The minimum monthly charge under this tariff shall be the customer charge.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

SC-1 Commercial and Industrial (0-100 KW)

APPLICABLE

Entire territory served

AVAILABILITY

Available for single phase or three-phase commercial and industrial; and three-phase farm service up to 100 kW.

TYPE OF SERVICE

Single-phase and three-phase, 60 cycles, at available secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase unless specially approved by the Cooperative. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

RATE

Demand Charge

First 10 KW of Billing Demand	No charge
Over 10 KW of Billing Demand	\$ 7.00

Energy Charge

All KWH	\$0.07148
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Customer Charge	\$25.00
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FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

SC-1 Commercial and Industrial (0-100 KW)

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practical. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than the wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded by the demand meter multiplied by the wholesale power factor and divided by the measured power factor.

MINIMUM CHARGE

The minimum monthly charge under the above rate shall be the customer charge.

DELAYED PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid 15 days from the date of the bill, the gross rates shall apply.

SPECIAL RATES

Consumers requiring service only during certain seasons not exceeding 9 months per year may guarantee a minimum annual payment of 12 times the monthly charge determined in accordance with the foregoing section, in which case there shall be no minimum charge.

TEMPORARY SERVICE

Temporary service shall be supplied in accordance with the foregoing rate except that the consumer shall pay in addition to the foregoing charges the total cost of connecting and disconnecting service. A deposit in advance may be required for the full amount of the estimated bill for service, including the cost of connection and disconnection.

DATE OF ISSUE: April 11, 2008

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ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

LP-1 Large Power (101 KW to 500 KW)

APPLICABLE

Entire territory served

AVAILABILITY

Available to all consumers whose contracted kilowatt demand shall exceed 100 kW for all usage subject to the established rules and regulations.

CONDITIONS

An "Agreement for Electric Service" shall be executed by the consumer for service under this schedule.

TYPE OF SERVICE

Single-phase and three-phase, 60 cycles, at available primary or secondary voltages. Motors having a rated capacity in excess of 10 horsepower must be three-phase unless specifically approved by the Cooperative. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

RATE

Maximum Demand Charge

\$7.50 per month per KW of billing demand

Energy Charge (101 KW to 500 kW)

<u>Customer Charge</u>	<u>\$50.00</u>
<u>ALL KWH</u>	<u>\$0.04650</u>

DETERMINATION OF BILLING DEMAND

The Billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of this maximum demand is less than the wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded by the demand meter multiplied by the wholesale power factor and divided by the measured power factor.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

LP-1 Large Power (101 KW to 500 KW) – Continued

MINIMUM CHARGE

The minimum monthly charge shall be as specified in the contract.

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased by an amount per KWh equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% to all applicable provisions as set out in 807 KAR 5.056.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SPECIAL PROVISIONS

1. Delivery Point – If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment on the load side of the delivery point shall be owned and maintained by the Consumer.
2. If service is furnished at Seller's primary line voltage, the delivery point shall be the location of the primary metering point. All wiring, pole lines, and other electrical equipment beyond the meter point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
3. If service is furnished at primary distribution voltage, a discount of 5% shall apply to the energy charge.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 13
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 13, 48, & 58

CLASSIFICATION OF SERVICE

LP-2 Large Power (over 500)

APPLICABLE

Entire territory served

AVAILABILITY

Available to all commercial and industrial consumers whose contracted kilowatt demand shall exceed 500 kW for all usage subject to the established rules and regulations.

CONDITIONS

An "Agreement for Purchase of Power" shall be executed by the consumer for service under this schedule.

TYPE OF SERVICE

Three-phase, 60 cycles, at available primary or secondary voltages. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

RATE

Maximum Demand Charge

\$7.50 per month per kW of billing demand

Energy Charge (over 500 kW)

<u>Customer Charge</u>	\$100.00
<u>ALL KWH</u>	\$0.04098

Special facilities charge as specified in the contract

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practical. Power Factor may be measured at any time. Should such measurements indicate that the power factor at the time of the maximum demand is less than the wholesale power factor, the demand for billing purposes shall be *demand as indicated or recorded by the demand meter multiplied by the wholesale power factor and divided by the measured power factor.*

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

LP-2 Large Power (over 500)- Continued

MINIMUM CHARGE

The minimum monthly charge shall be as specified in the contract.

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

SPECIAL PROVISIONS

1. Delivery Point – If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment on the load side of the delivery point shall be owned and maintained by the Consumer.
2. If service is furnished at Seller's primary line voltage, the delivery point shall be the location of the primary metering point. All wiring, pole lines, and other electrical equipment beyond the meter point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
3. If service is furnished at primary distribution voltage, a discount of 5% shall apply to the energy charge.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

OUTDOOR LIGHTS

APPLICABLE

Entire territory served

AVAILABILITY

Available to all consumers of the Cooperative subject to its established rules and regulations.

RATE PER LIGHT PER MONTH

175 Watt Mercury Vapor*	\$ 9.51
400 Watt Mercury Vapor*	\$15.39
400 Watt Metal Halide Directional Flood	\$14.50
400 Watt High Pressure Sodium Directional Flood*	\$15.25
100 Watt High Pressure Sodium – Shoebox Fixture (Metal Pole)	\$16.81
100 Watt High Pressure Sodium – Acorn Fixture (Fiberglass Pole)	\$16.28
100 Watt High Pressure Sodium – Colonial Fixture	\$13.75
400 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$20.40
70 Watt High Pressure Sodium (Ornamental)*	\$ 9.00
100 Watt High Pressure Sodium (Ornamental)*	\$10.00
250 Watt High Pressure Sodium (Ornamental)*	\$13.25
70 Watt High Pressure (Colonial) (15-foot mounting height)*	\$ 8.35
200 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$13.50
100 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$10.00
100 Watt High Pressure Sodium Open Bottom	\$ 9.53
250 Watt High Pressure Sodium Open Bottom	\$14.28

*Not available for new installation

ADDITIONAL ORNAMENTAL SERVICE

The Cooperative may, upon request, furnish ornamental poles/fixtures not listed in our current rates of the Cooperative's choosing, together with overhead wiring and all other equipment as needed. The Member will pay this additional cost prior to installation.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 16
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 15, 16, & 64

CLASSIFICATION OF SERVICE

OUTDOOR LIGHTS

OTHER THAN OUR CURRENT RATE PER LIGHT PER MONTH LISTING

Should the member require, either initially or upon replacement, a type of system or equipment other than that as described in our current rates, the Member shall make a non-refundable contribution to the Cooperative equal to the difference in the installed cost between the system or equipment so required and the cost of the type as described in our current rates. In a similar manner the member will pay the difference in the cost of operation and maintaining such a system or equipment and the cost of operation and maintaining a type in our current rates. Any facilities that are required in excess of the standard light installation shall be paid by the member. Any installation costs which are to be borne by the Member shall be paid prior to installation.

STORAGE PROVISION FOR SPECIAL LIGHTS AND POLES

If the cooperative provides storage for fixture, poles or other equipment requested by the Member not included in our current rates an adder of 12.50% will apply to the monthly rate per light.

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 23
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 23 & 50

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-1

AVAILABILITY

Applicable to contracts with demands of 1,000 KW to 3,999 KW with a monthly energy usage equal to or greater than 425 hours per kW of billing demand.

MONTHLY RATE

<u>Consumer Charge</u>	<u>\$1000.00</u>
<u>Demand Charge per kW of Contract Demand</u>	<u>\$ 6.22</u>
<u>Demand Charge per kW for Billing Demand in Excess of Contract Demand</u>	<u>\$ 8.65</u>
<u>Energy Charge per kWh</u>	<u>\$0 .04148</u>

BILLING DEMAND

The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the consumer's peak demand, during the current month, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval, in the below listed hours for each month, and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
<u>October through April</u>	<u>7:00 a.m. to 12:00 noon</u> <u>5:00 p.m. to 10:00 p.m.</u>
<u>May through September</u>	<u>10:00 a.m. to 10:00 p.m.</u>

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall not be less than the sum of (a) through (d) below:

- Customer Charge
- The product of the contract demand multiplied by the contract demand charge, plus the product of the demand in excess of the contract demand, multiplied by the in excess of contract demand charge.
- The product of the contract demand multiplied by 425 hours and the energy charge per KWH.
- Contract provisions that reflect special facilities requirements.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of the maximum demand is less than the minimum required wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded, multiplied by the minimum required wholesale power factor and divided by the measured power factor.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-1 - Continued

FUEL ADJUSTMENT CLAUSE

This rate may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

SPECIAL PROVISIONS

1. Delivery Point – If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment on the load side of the delivery point shall be owned and maintained by the Consumer.
2. If service is furnished at Seller's primary line voltage, the delivery point shall be the location of the *primary metering point*. All wiring, pole lines, and other electrical equipment (except metering equipment) on the load side of the delivery point shall be owned and maintained by the Consumer.
3. If service is furnished at primary distribution voltage, a discount of 5% shall apply to the energy charge.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

TEMPORARY SERVICE

Consumers requiring temporary service under this rate schedule may be required to pay all costs of connecting and disconnecting incidental to the supplying and removing of service. In addition to this, a deposit will be required to cover estimated consumption of electricity. Both fees will be paid in advance.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 25
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 25 & 62

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-2

AVAILABILITY

Applicable to contracts with demands of 4,000 KW and greater with a monthly energy usage equal to or greater than 425 hours per KW of contract demand.

TYPE OF SERVICE

Three-phase, 60 cycles, at available primary voltages. Consumer's equipment shall operate in such a way that it does not cause electrical disturbances to other consumers.

MONTHLY RATE

<u>Customer Charge</u>	<u>\$2,000.00</u>
<u>Demand Charge per kW of Contract Demand</u>	<u>\$6.22</u>
<u>Demand Charge per kW for Billing Demand in Excess of Contract Demand</u>	<u>\$8.65</u>
<u>Energy Charge per kWh</u>	<u>\$0.03703</u>

BILLING DEMAND

The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the consumer's peak demand, during the current month, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval, in the below listed hours for each month, and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall not be less than the sum of (a) through (d) below:

- Customer Charge
- The product of the contract demand multiplied by the contract demand charge, plus the product of the demand in excess of the contract demand, multiplied by the in excess of contract demand charge.
- The product of the contract demand multiplied by 425 hours and the energy charge per kWh.
- Contract provisions that reflect special facilities requirements.

DATE OF ISSUE: April 11, 2008

DATE EFFECTIVE: May 11, 2008

ISSUED BY: _____ TITLE: Vice President & CFO
(Name of Officer)

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No.: _____ Dated: _____

**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 26
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 26 & 63

CLASSIFICATION OF SERVICE

Large Industrial Rate - Schedule B-2 – Continued

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of the maximum demand is less than the wholesale power factor, the demand for billing purposes shall be demand as indicated or recorded, multiplied by the wholesale power factor and divided by the measured power factor.

FUEL ADJUSTMENT CLAUSE

This rate may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for line loss will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all applicable provisions as set out in 807 KAR 5.056.

SPECIAL PROVISIONS

Delivery Point – The delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, other electric equipment (except metering equipment) on the load side of the delivery point shall be owned and maintained by the Consumer.

DELAY PAYMENT CHARGE

The above rates are net, the gross rates being 7.5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply

TEMPORARY SERVICE

Consumers requiring temporary service under this rate schedule may be required to pay all costs of connecting and disconnecting incidental to the supplying and removing of service. In addition to this, a deposit will be required to cover estimated consumption of electricity. Both fees will be paid in advance.

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(Name of Officer)

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate

APPLICABILITY

In all territory served by the company on poles owned and used by the company for their electric plant.

AVAILABILITY

To all qualified CATV operators having the right to receive service.

RENTAL CHARGE

The yearly rental charges shall be as follows:

<u>Two-party pole attachment</u>	<u>\$4.77</u>
<u>Three-party pole attachment</u>	<u>\$4.21</u>
<u>Two-party anchor attachment</u>	<u>\$7.58</u>
<u>Three-party anchor attachment</u>	<u>\$5.00</u>
<u>Two-party grounding attachment</u>	<u>\$0.31</u>
<u>Three-party grounding attachment</u>	<u>\$0.19</u>

Pedestal attachment = Same as respective pole charges.

BILLING

Rental charges shall be billed yearly based on the number of pole attachments. The rental charges are net, the gross being ten percent (10%) higher. In the event the current bill is not paid within ten (10) days from the date of the bill, the gross shall apply.

Note: Discount or penalty must apply to all electric consumers, but shall apply to advance billing only if given at least thirty (30) days before the late penalty takes effect.

SPECIFICATIONS

- A. The attachment to poles covered by this tariff shall at all times conform to the requirements of the National Electrical Safety Code, 1981 Edition, and subsequent revisions thereof, except when the lawful requirements of public authorities may be more stringent, in which case the latter will govern.
- B. The strength of poles covered by this treatment shall be sufficient to withstand the transverse and vertical load imposed upon them under the storm loading of the National Electrical Safety Code assumed for the area in which they are located.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

ESTABLISHING POLE USE

- A. Before the CATV operator shall make use of any of the poles of the Cooperative under this tariff, they shall notify the Cooperative of their intent in writing and shall comply with the procedures established by the Cooperative. The CATV operator shall furnish the Cooperative detailed construction plans and drawings for each pole line, together with necessary maps, indicating specifically the poles of the Cooperative, the number and character of the attachments to be placed on such poles, and rearrangements of the Cooperative's fixtures and equipment necessary for the attachment, and relocation or replacements of existing poles, and any additional poles that CATV intends to install.
- B. The Cooperative shall, on the basis of such detailed construction plans and drawings, submit to the CATV operator a cost estimate (including overhead and less salvage value of materials) of all changes that may be required in each such pole line. Upon written notice by the CATV operator to the Cooperative that the cost estimate is approved, the Cooperative shall proceed with the necessary changes in pole lines covered by cost estimate. Upon completion of all changes, the CATV operator shall have the right hereunder to make attachments in accordance with the terms of the application of this tariff. The CATV operator shall, at his own expense, make attachments in such manner as not to interfere with the service of the Cooperative.
- C. Upon completion of all changes, the CATV operator shall pay to the Cooperative the actual cost (including overhead and less salvage value of materials) of making such changes. The obligation of the CATV operator hereunder shall not be limited to amounts shown on estimates made by the Cooperative hereunder. An itemized statement of the actual cost of all such changes shall be submitted by the Cooperative to the CATV operator in a form mutually agreed upon.
- D. Any reclearing of existing rights-of-way and any tree trimming necessary for the establishment of pole line attachments hereunder shall be performed by the CATV operator.
- E. All poles to which attachments have been made under this tariff shall remain the property of the Cooperative, and any payments made by the CATV operator for changes in pole line under this tariff shall not entitle the CATV operator to the ownership of any of said poles.
- F. Any charges necessary for correction of substandard installation made by the CATV operator, where notice of intent had not been requested, shall be billed at rate equal to twice the charges that would have been imposed if the attachment had been properly authorized.

EASEMENTS AND RIGHTS-OF-WAY

- A. The Cooperative does not warrant nor assure the CATV operator any rights-of-way privileges or easements, and if the CATV operator shall at any time be prevented from placing or maintaining its attachments on the Cooperative's poles, no liability on account thereof shall attach to the Cooperative. Each party shall be responsible for obtaining its own easements and right-of-way.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate – Continued

MAINTENANCE OF POLES, ATTACHMENTS, AND OPERATIONS

- A. Whenever rights-of-way considerations or public regulations make relocation of a pole or poles necessary, such relocation shall be made by the Cooperative at its own expense, except that each party bear the cost of transferring its own attachments.
- B. Whenever it is necessary to replace or relocate an attachment, the Cooperative shall, before making such replacement or relocation, give forty-eight (48) hours notice (except in cases of emergency) to the CATV operator, specifying in said notice the time of such proposed replacement or relocation, and the CATV operator shall, at the time so specified, transfer its attachments to the new or relocated pole. Should the CATV operator fail to transfer its attachments to the new or relocated pole at the time specified for such transfer of attachments, the Cooperative may elect to do such work and the CATV operator shall pay the Cooperative the cost thereof.
- C. Any existing attachment of CATV which does not conform to the specifications as set out in this tariff hereof shall be brought to conformity therewith as soon as practical. The Cooperative, because of the importance of its service, reserves the right to inspect each new installation of the CATV operator on its poles and in the vicinity of its lines or appurtenances. Such inspection, made or not, shall not operate to relieve the CATV operator of any responsibility, obligation or liability assumed under the tariff.
- D. The Cooperative reserves to itself, its successor and assigns, the right to maintain its poles and to operate its facilities thereon in such manner as will, in its own judgment, best enable it to fulfill its own service requirements. The Cooperative shall not be liable to the CATV operator for any interruption in service of CATV operator or for interference with the operation of f the cables, wires and appliances of the CATV operator arising in any manner out of the use of the Cooperative's poles hereunder.
- E. The Cooperative shall exercise reasonable care to avoid damaging the facilities of the CATV operator, made an immediate report to the CATV operator of the occurrence of any such damage caused by its employees, agents or contractors, and, except for removal for non-payment or for failure to post or maintain the required "Performance Bond", agrees to reimburse the CATV operator for all reasonable cost incurred by the CATV operator for the physical repair of facilities damaged by the negligence of the Cooperative.

INSPECTIONS

- A. Periodic Inspections - Any unauthorized or unreported attachment by CATV operator will be billed at a rate of two times the amount equal to the rate that would have been due, had the installation been made the day after the last previously required inspection.
- B. Made-Ready Inspection - Any "make-ready" inspection of "walk-through" inspection required of the Cooperative will be paid for by the CATV operator at a rate equal to the Cooperative's actual expenses, plus appropriate overhead charges.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

INSURANCE OR BOND

- A. The CATV operator agrees to defend, indemnify and save harmless the Cooperative from any and all damages, loss, claim, demand, suit, liability, penalty or forfeiture of every kind and nature, including, but not limited to, costs and expenses of defending against the same and payment of any settlement or judgment therefore, by reason of (a) injuries or deaths to persons, (b) damages to or destruction of properties, (c) pollutions, contaminations of or other adverse effects on the environment or (d) violations of governmental laws, regulations or orders whether suffered directly by the Cooperative itself, or indirectly by reason of claims, demands or suits against it by third parties, resulting or alleged to have resulted from acts or omissions of the CATV operator, its employees, agents or other representatives or from their presence on the premises of the Cooperative, either solely or in concurrence with any alleged joint negligence of the Cooperative. The Cooperative shall be liable for sole active negligence.
- B. The CATV operator will provide from a company authorized to do business in the Commonwealth of Kentucky:

Protection for its employees to the extent required by Workmen's Compensation Law of Kentucky.

Public liability coverage with separate coverage for each town or city in which the CATV operator operates under this contract to a minimum amount of \$100,000.00 for each person and \$300,000.00 for each accident or personal injury or death, and \$25,000.00 as to the property of any one person, and \$100,000.00 as to any once accident or property damage.

Before beginning operations under this tariff, the CATV operator shall cause to be furnished to the Cooperative a certificate for such coverage, evidencing the existence of such coverage. Each policy required hereunder shall contain a contractual endorsement written as follows:

"The insurance or bond provided herein shall also be for the benefit of Blue Grass Energy Cooperative Corporation, so as to guarantee, within the coverage limits, the performance by the insured of any indemnity agreement set forth in this tariff. This insurance or bond may not be canceled for any cause without thirty (30) days advance notice being first given to Blue Grass Energy Cooperative Corporation."

CHANGE OF USE PROVISION

When the Cooperative subsequently requires a change in its poles or attachment for any reasons unrelated to the CATV operations, the CATV operator shall be given forty-eight (48) hours notice of the proposed change (except in case of emergency). If the CATV operator is unable or unwilling to meet the Cooperative's time schedule for such changes, the Cooperative may do the work and charge the CATV operator its reasonable cost for performing the change of CATV attachments.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

ABANDONMENT

- A. If the Cooperative desires at any time to abandon any pole to which the CATV operator has attachments, it shall give the CATV operator notice in writing to that effect at least thirty (30) days prior to the date on which it intends to abandon such pole. If, at the expiration of said period, the Cooperative shall have no attachments on such pole, but the CATV operator shall not have removed all of its attachments there from, such pole shall thereupon become the property of the CATV operator, and the CATV operator shall save harmless the Cooperative from all obligation, liability, damages, cost, expenses, or charges incurred thereafter; and shall pay the Cooperative for such pole an amount equal to the Cooperative's depreciated cost thereof.
- B. The Cooperative shall further evidence transfer to the CATV operator of title to the pole by means of a bill of sale.
- C. The CATV operator may at any time abandon the use of the attached pole by giving due notice thereof in writing to the Cooperative and by removing there from any and all attachments it may have thereon. The CATV operator shall in such case pay to the Cooperative the full rental for said pole for the then current billing period.

RIGHTS OF OTHERS

Upon notice from the Cooperative to the CATV operator that the use of any pole or poles is forbidden by municipal or other public authorities or by property owners, the permit governing the use of such pole or poles shall immediately terminate and the CATV operator shall remove its facilities from the affected pole or poles at once. No refund of any rental will be due on account of any removal resulting from such forbidden use.

PAYMENT OF TAXES

Each party shall pay all taxes and assessments lawfully levied on its own property upon said attached poles, and the taxes and the assessments which are levied on said property shall be paid by the owner thereof, but any tax fee, or charge levied on the Cooperative's poles solely because of their use by the CATV operator shall be paid by the CATV operator.

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CLASSIFICATION OF SERVICE

Cable Television Attachment Rate - Continued

BOND OR DEPOSITOR PERFORMANCE

- A. The CATV operator shall furnish bond or satisfactory evidence of contractual insurance coverage from the purposes hereinafter specified in the amount of twenty-five thousand dollars (\$25,000), until such time as the CATV operator shall occupy twenty-five hundred (2,500) poles of the Cooperative and thereafter the amount thereof shall be increased to increments of one-thousand dollars (\$1,000), for each one-hundred (100) poles (or fraction thereof) occupied by the CATV operator, evidence of which shall be presented to the Cooperative fifteen (15) days prior to beginning construction. Such bond or insurance shall contain the provision that it shall not be terminated prior to six (6) months after receipt by the Cooperative of written notice of the desire of the Bonding or Insurance Company to terminate such bond or insurance. Upon receipt of such notice, the Cooperative shall request the CATV operator to immediately remove its cables, wires, and all other facilities from all poles of the Cooperative. If the CATV operator should fail to complete the removal of all its facilities from the poles of the Cooperative within thirty (30) days after receipt of such request from the Cooperative, then the Cooperative shall have the right to remove them at the cost and expense of the CATV operator and without being liable for any damage to the CATV operator's wires, cables, fixtures, or appurtenances. Such bond or insurance shall guarantee the payment of any sums which may become due to the Cooperative for rentals, inspections or work performed for the benefit of the CATV operator under this tariff, including the removal of attachments upon termination of service by any of its provisions.
- B. After the CATV operator has been a customer of the Cooperative and not in default for a period of two years, the Cooperative shall reduce the bond by 50%, or, at the Cooperative's option, require a deposit in keeping with 807 KAR 5:006, Section 7.

USE OF ANCHORS

The Cooperative reserves the right to prohibit the use of any existing anchors by CATV operator where the strength or conditions of said anchors cannot be readily identified by visual inspection.

DISCONTINUANCE OF SERVICE

The Cooperative may refuse or discontinue serving an applicant or customer under the conditions set out in 807 KAR 5:006, Section 11.

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**BLUE GRASS ENERGY
COOPERATIVE CORPORATION**

FOR ENTIRE TERRITORY SERVED
P.S.C. KY NO. 2
ORIGINAL SHEET NO. 33
CANCELLING P.S.C. KY NO. 1
ORIGINAL SHEET NO. 33

CLASSIFICATION OF SERVICE

Interruptible Service

STANDARD RIDER

This Interruptible Rate is a rider to the Schedule LP-1 Large Power Rate, LP-2 Large Power Rate, B-1 Large Industrial Rate and B-2 Large Industrial Rate.

APPLICABLE

In all territory served by the Cooperative.

AVAILABILITY OF SERVICE

This schedule shall be made available at any load center, to any member who will contract for an interruptible demand of not less than 250 KW and not more than 20,000 KW, subject to a maximum number of hours of interruption per year and a notice period as listed below.

MONTHLY RATES

A monthly demand credit per KW is to be based on the following matrix:

Notice Minutes	Annual Hours of Interruption		
	200	300	400
10	\$2.70	\$3.15	\$3.60
60	\$2.25	\$2.70	\$3.15

DETERMINATION OF MEASURED LOAD - BILLING DEMAND

The monthly billing demand shall be the highest average rate at which energy is used during any fifteen consecutive minute periods during the below listed hours:

Months
October through April

Hours Applicable for Demand Billing - EST
7:00 a.m. to 12:00 noon
5:00 p.m. to 10:00 p.m.

May through September

10:00 a.m. to 10:00 p.m.

The interruptible billing demand shall be equal to the amount by which the monthly billing demand exceeds the minimum billing demand as specified in the contract.

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CLASSIFICATION OF SERVICE

Interruptible Service - Continued

CONDITIONS OF SERVICE FOR CUSTOMER CONTRACT

1. The customer will, upon notification by the Cooperative, reduce his load being supplied by the Cooperative to the contract capacity level specified by the contract.
2. The Cooperative will endeavor to provide the Customer as much advance notice as possible of the interruption of service. However, the Customer shall interrupt service within the notice period as contracted.
3. Service will be furnished under the Cooperative's General Rules and Regulations or Terms and Conditions except as set out herein and/or provisions agreed to by written contract.
4. No responsibility of any kind shall attach to the Cooperative for, or on account of, any loss or damage caused by, or resulting from, any interruption or curtailment of this service.
5. The minimum original contract period shall be one year and thereafter until terminated be giving at least six months previous written notice. The Cooperative may require a contract be executed for a longer initial term when deemed necessary by the size of the load and other conditions.
6. The Fuel Adjustment Clause, as specified in the governing rate schedule, is applicable.
7. The Customer shall arrange his wiring so that interruptible service supplied under this rider shall be separately metered and segregated from firm service.
8. A Customer's plant is considered as one or more buildings which are served by a single electrical distribution system provided and operated by the Customer. When the size of the Customer's load necessitates the delivery of energy to the Customer's plant over more than one circuit, the company may elect to connect its circuits to different points on the customer's system.
9. Any transformers required in excess of those used for regular firm power shall be owned and maintained by the Customer.

CALCULATION OF MONTHLY BILL

The monthly bill is calculated on the following basis:

- A. Sum of customer charge, plus
- B. Minimum billing demand in KW multiplied by the firm capacity rate, plus
- C. Interruptible billing demand in KW multiplied by interruptible rate, plus
- D. Energy usage in KWH multiplied by the energy rate.

NUMBER AND DURATION OF INTERRUPTIONS

- A. Winter Season: There shall be no more than two (2) interruptions during any 24-hour calendar day. No interruption shall last more than six hours.
- B. Summer Season: There shall be no more than one (1) interruption during any 24-hour calendar day. No interruption shall last more than twelve hours.
- C. The maximum number of annual hours of interruption shall be in accordance with the customer-contracted level of interruptible service.

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CLASSIFICATION OF SERVICE

Interruptible Service - Continued

CHARGE FOR FAILURE TO INTERRUPT

If Customer fails to interrupt load as requested by the Cooperative, the Cooperative shall bill the uninterrupted load at a rate equal to five (5) times the applicable firm power demand charge for that billing month. Uninterrupted load is equal to actual load during requested interruption minus firm load. Failure to interrupt penalty shall apply for each interruption and shall be billed accordingly.

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