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NEWS RELEASE

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PSC APPROVES SETTLEMENT IN BLUE GRASS ENERGY RATE CASE *Rates now equal over entire service area*

FRANKFORT, Ky. (Aug. 28, 2008) – The Kentucky Public Service Commission (PSC) has accepted a settlement that permits Blue Grass Energy Cooperative Corp. to raise its rates in order to increase its annual revenue by \$7.4 million, or about 8.5 percent.

Blue Grass Energy negotiated the settlement – which gives the rural electric cooperative \$432,000 less than the amount of additional revenue it requested - with the Office of Attorney General.

Blue Grass Energy applied to the PSC for the rate increase in April 2008. During the course of the PSC's examination of the application, the utility and the Attorney General began settlement negotiations. The settlement was submitted to the PSC for review on July 31.

A public hearing on the proposed settlement was held August 12.

In today's order, the PSC said that it had determined that the rates contained in the settlement are fair, just and reasonable.

The new rates are the final step needed to complete Blue Grass Energy's earlier mergers with two other electric cooperatives. All Blue Grass Energy customers now will be charged the same rates, regardless of where they live.

Blue Grass Energy merged with Harrison Rural Electric Cooperative Corp. in 2001. Blue Grass Energy was created through the 1997 merger of Fox Creek Rural Electric Cooperative Corp. with Blue Grass Rural Electric Cooperative Corp.

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Although rates were reduced for former Harrison and Fox Creek customers following the mergers, Blue Grass Energy has until now maintained three sets of rates for most customer classes.

Under the settlement, all residential customers will pay a monthly customer charge of \$8.75. The charge per kilowatt-hour of electricity (the amount used by a 100-watt light bulb in 10 hours) will be 7.66 cents. For an average residential customer (one using 1,300 kilowatt-hours of electricity per month), the base rate portion of the total monthly bill will be \$108.30.

Residential customers in the three former service territories will see their rates changes as follows:

	Former Customer Charge	Former KWH Rate	Former Monthly Bill	New Monthly Bill	Percent Change
Blue Grass	\$5.44	6.84c	\$94.30	\$108.30	14.8%
Harrison	\$8.86	6.63c	\$95.02	\$108.30	14%
Fox Creek	\$5.53	7.29c	\$98.06	\$108.30	10.4%

Rates for other classes of customers also were adjusted to better reflect the costs of serving those customers based on the amount of power they consume.

The new rates are effective for service rendered beginning Sept. 1.

Blue Grass Energy has about 54,000 customers in Anderson, Bourbon, Bracken, Estill, Fayette, Franklin, Garrard, Grant, Harrison, Henry, Jackson, Jessamine, Madison, Mercer, Nelson, Nicholas, Pendleton, Robertson, Scott, Shelby, Spencer, Washington and Woodford counties. It is one of 16 distribution cooperatives that purchases power from East Kentucky Power Cooperative.

Today’s order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00011.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.