

March 5, 2009

Jeff Derouen, Executive Director
Kentucky Public Service Commission
P O Box 615
Frankfort Kentucky 40602

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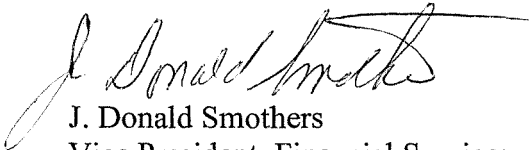
PUBLIC SERVICE
COMMISSION

Dear Mr. Derouen,

Enclosed is the affidavit of mailing of hearing notice from Anita Travis Richter, Managing Editor Kentucky Living and two copies of the hearing notice. This is for the period from November 1 2006 through October 31, 2008 for Case No. 2008-00524 Blue Grass Energy Cooperative Corporation.

If you have any questions, please contact me at (859) 885-2118. As always, you're continued assistance and cooperation is appreciated.

Sincerely,


J. Donald Smothers
Vice President, Financial Services

Kentucky Living

AFFIDAVIT OF MAILING OF HEARING NOTICE

Notice is hereby given that the March issue of
KENTUCKY LIVING, bearing the official notice of hearing of PSC
Case No. 2008-00524, concerning the application of the fuel adjustment clause
from November 1, 2006, through October 31, 2008, for BLUE GRASS
ENERGY COOPERATIVE CORPORATION, was entered as direct mail at
Danville, Kentucky, on February 26, 2009.

Anita Travis Richter

Anita Travis Richter
Managing Editor
Kentucky Living

County of Jefferson
State of Kentucky

Sworn to and subscribed before me, a Notary Public,
this 3rd day of March, 2009.

My commission expires

January 10, 2012

Arlene Francis Toon

Notary Public, State of Kentucky

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How the 2008 economy affected food prices

Last year was an interesting economic year, to say the least, especially for food and farming.

Housing prices fell. The dollar weakened, strengthened a bit, and then weakened again. Commodity prices soared, pulling fuel and grocery bills along with them. But in the fall, commodities began leveling off and oil dropped to around \$40 a barrel. Gasoline prices followed, hitting a number many people thought they'd never see again. But food prices are still up there.

"Historically, retail food prices are 'sticky,'" says Larry Jones, agricultural economist with the University of Kentucky College of Agriculture. "What that means is that retail prices increase very slowly as commodity prices go up, but at the same time retail prices are very slow to decline once commodity prices go down."

Jones says U.S. retail food prices in 2008 increased at the fastest rate in nearly 30 years. And many analysts believe when all is said and done, the Consumer Price Index for food will have increased close to 7 percent in 2008, with a similar outcome in 2009.

It's not just commodity prices that have pushed up the price of food. As global population expands, so does demand. China and India are among the rapidly developing nations that are responsible for increasing demand not just for food in general, but for meats and processed foods specifically.

That would be well and good if supply were keeping up with demand. But Jones says that world production increases have

been steadily slowing as a result of less available land and slowing increases in annual productivity.

Interest rates were kept low to stimulate economic growth, but the low rates contributed to the devaluation of the U.S. dollar. A weak dollar keeps the price of imported foods high. Jones says there is a tradeoff, however. Our food exports are less expensive to the rest of the world, which stimulates U.S. export markets.

For all of that, food prices did not rise as high as they could have, which also has an effect on how far they will eventually drop.

"Retail pricing of food appears to be predicated on the assumption that consumers dislike fluctuating prices on something as basic as food," Jones says.

As an example, he cites the fact that wholesale food prices increased approximately 8 percent in each of the past two years. Yet the retail price of food increased less than 5 percent on average each year.

"As commodity prices increased, retailers absorbed the increase, but now as commodity prices decline, retailers are not following suit by lowering prices at the retail level," he says.

"Remember, too, the farm share of a hypothetical retail food dollar is about 20 cents, meaning the other 80 cents goes for such things as transportation, utilities, packaging, processing, advertising, and profits. In other words, agricultural commodities represent a relatively small portion of the cost of food at the retail level."

—Carol L. Spence, UK Extension



Energy Efficiency

Tip of the Month

Check your filter every month, especially during heavy use months (winter and summer). At a minimum, change the filter every three months. A dirty filter will slow down air flow and make the system work harder — wasting energy. A clean filter also prevents dust and dirt from building up in the system.

Source: Energy Star

HEARING NOTICE

A public hearing will be held on Tuesday, March 17, 2009, at 10 a.m., Eastern Daylight Time, at the offices of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky, to examine the application of the fuel adjustment clause of the following corporations for the period November 1, 2006, through October 31, 2008. Individuals interested in attending this hearing shall notify the Public Service Commission in writing of their intent to attend no later than March 13, 2009. If no notices of intent to attend are received by this date, this hearing will be cancelled. Written notice of intent to attend this hearing should be sent to: Jeff Derouen, Executive Director, Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

Big Sandy RECC

Case No. 2008-00523

Blue Grass Energy Cooperative Corp.

Case No. 2008-00524

Clark Energy Cooperative

Case No. 2008-00525

Cumberland Valley Electric

Case No. 2008-00526

Farmers RECC

Case No. 2008-00527

Fleming-Mason Energy Cooperative

Case No. 2008-00528

Grayson RECC

Case No. 2008-00529

Inter-County Energy Cooperative

Case No. 2008-00530

Jackson Energy Cooperative

Case No. 2008-00531

Licking Valley RECC

Case No. 2008-00532

Nolin RECC

Case No. 2008-00533

Owen Electric Cooperative

Case No. 2008-00534

Salt River Electric Cooperative

Case No. 2008-00535

Shelby Energy Cooperative

Case No. 2008-00536

South Kentucky RECC

Case No. 2008-00537

Taylor County RECC

Case No. 2008-00538