

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF BLUE)
GRASS ENERGY COOPERATIVE) CASE NO. 2008-00524
CORPORATION FROM NOVEMBER 1,)
2006 THROUGH OCTOBER 31, 2008)

O R D E R

Pursuant to 807 KAR 5:056, the Commission, on January 23, 2009, established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Blue Grass Energy Cooperative Corporation ("Blue Grass") for the two-year period ended October 31, 2008.

As part of this review, the Commission ordered Blue Grass to submit certain information and an affidavit attesting to its adherence to 807 KAR 5:056. Blue Grass has complied with this Order. A public hearing was held on March 17, 2009. One customer, Beverly Shepherd, provided public comment at the hearing.

In Case No. 2008-00409,¹ the Commission authorized a \$59.5 million rate increase for East Kentucky Power Cooperative, Inc. ("East Kentucky"), Blue Grass's power supplier. On April 6, 2009, Blue Grass filed its revised tariffs reflecting the rate increase authorized by the Commission's March 31, 2009 Order in Case No. 2008-

¹ Case No. 2008-00409, General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc. (Ky. PSC Mar. 31, 2009).

00411.² Blue Grass subsequently filed a revised tariff, at Commission Staff's request, which reflected the effect of the proposed FAC roll-in upon its approved base rates.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Blue Grass has complied in all material respects with the provisions of 807 KAR 5:056.

2. East Kentucky, the wholesale supplier of Blue Grass, has been authorized to transfer (roll-in) a 10.15 mills per kWh increase in the base fuel cost to its base rates.³

3. Blue Grass should be authorized to transfer (roll-in) a 10.67 mills per kWh increase in its base fuel costs to its base rates to reflect, as adjusted for line loss, the transfer of a 10.15 mills per kWh increase in East Kentucky's current base rates. This transfer can best be accomplished by an energy adder to each kWh sold.

4. The rates and charges in the Appendix are fair, just, and reasonable, and reflect the transfer of fuel costs from the FAC to the base rate.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Blue Grass through the FAC for the period from November 1, 2006 to October 31, 2008 are approved.

2. Blue Grass is authorized to transfer to base rates those fuel costs (as adjusted for line-loss) rolled in by East Kentucky from its FAC to its current base rates.

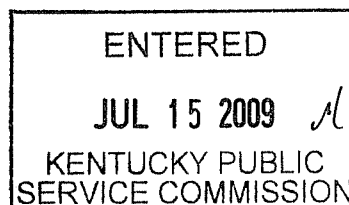
² Case No. 2008-00411, Application of Blue Grass Energy Cooperative Corporation to Pass-Through An Increase of Its Wholesale Power Supplier Pursuant to KRS 278.455(2) (Ky. PSC Mar. 31, 2009).

³ Case No. 2008-00519, An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2006 to October 31, 2008 (Ky PSC July 15, 2009).

3. The rates in the Appendix to this Order are approved for service rendered by Blue Grass on and after August 1, 2009, the effective date of East Kentucky's change in rates.

4. Within 20 days of the date of this Order, Blue Grass shall file with the Commission revised tariff sheets setting out the rates approved herein.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00524 DATED JUL 15 2009

The following rates and charges are prescribed for the customers in the area served by Blue Grass Energy Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE GS-1
RESIDENTIAL AND FARM

Energy Charge per kWh \$.09256

SCHEDULE GS-2
OFF-PEAK RETAIL MARKETING RATE (ETS)

Energy Charge per kWh \$.05554

SCHEDULE GS-3
RESIDENTIAL AND FARM TIME OF DAY

Energy Charge
On-Peak Energy per kWh \$.11095
Off-Peak Energy per kWh \$.07206

SCHEDULE SC-1
GENERAL SERVICE (0 - 100 kW)

Energy Charge per kWh \$.08711

SCHEDULE LP-1
LARGE POWER (101 kW - 500 kW)

Energy Charge per kWh \$.06040

SCHEDULE LP-2
LARGE POWER (OVER 500 kW)

Energy Charge per kWh \$.05449

OUTDOOR LIGHTS

Rates Per Light Per Month:

175 Watt Mercury Vapor	\$ 10.95
400 Watt Mercury Vapor	\$ 18.16
400 Watt Metal Halide Directional Flood	\$ 17.21
400 Watt High Pressure Sodium Directional Flood	\$ 18.01
100 Watt High Pressure Sodium-Shoebox Fixture (Metal Pole)	\$ 18.37
100 Watt High Pressure Sodium-Acorn Fixture (Fiberglass Pole)	\$ 17.80
100 Watt High Pressure Sodium-Colonial Fixture	\$ 15.09
400 Watt High Pressure Sodium-Cobra Head (Aluminum Pole)	\$ 23.52
70 Watt High Pressure Sodium (Ornamental)	\$ 9.87
100 Watt High Pressure Sodium (Ornamental)	\$ 11.08
250 Watt High Pressure Sodium (Ornamental)	\$ 15.26
70 Watt High Pressure Sodium (Colonial)	\$ 9.18
200 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 15.34
100 Watt High Pressure Sodium Cobra Head (Aluminum Pole)	\$ 11.08
100 Watt High Pressure Sodium Open Bottom	\$ 10.58
250 Watt High Pressure Sodium Open Bottom	\$ 16.36

SCHEDULE B-1

LARGE INDUSTRIAL RATE (1,000 kW - 3,999 kW)

Energy Charge per kWh	\$.05503
-----------------------	-----------

SCHEDULE B-2

LARGE INDUSTRIAL RATE (4,000 kW AND OVER)

Energy Charge per kWh	\$.05027
-----------------------	-----------

Daniel W Brewer
President and CEO
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY 40340-0990