

Request No. 3:

Provide a schedule showing the calculation of the increase or decrease in Blue Grass's base fuel costs per kilowatt hour as proposed by its wholesale electric supplier for the 12-month average line loss for the period under review.

Response:

East Kentucky has proposed a base period fuel increase of \$0.0152 / kWh which would reduce base rates by the same amount. If this proposal is accepted by the Kentucky Public Service Commission, then the calculation of the decrease in Blue Grass Energy's base rates for the review period would be as follows:

TWELVE MONTH ACTUAL LINE LOSS
FOR FUEL ADJUSTMENT CHARGE CALCULATION (EXCLUDING DIRECT SERVE)

Average Line Loss Percentage from Item 1a, Page 3 of 3		4.899%
Sales as a Percent of Purchases (100% less Line Loss Percentage above)		95.101%
Change in Base Fuel Proposed by East Kentucky Power Corporation	\$	(0.00152)
FAC Base Decrease Adjusted for Line Loss (-\$0.00152 / 95.085%)	\$	(0.00160)
Decrease in Base Rate kWh		(0.160)