

November 16, 2010

RECEIVED

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**PUBLIC SERVICE
COMMISSION**

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Mr. Derouen:

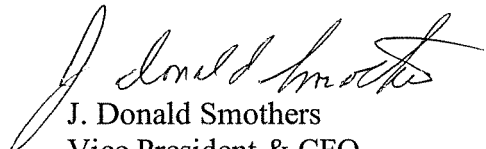
Re: PSC Case No. 2010-00021

In accordance with the Commission's Order in Case No. 2010-00021 dated November 5, 2010, enclosed are an original and six (6) copies of Blue Grass Energy Cooperative Corporation's tariff sheet for Rate Schedule ES—Environmental Surcharge, which shows the approval by authority of the Order.

Please return a stamped copy of this tariff to me.

If you have any questions about this filing, please feel free to contact me.

Very truly yours,


J. Donald Smothers
Vice President & CFO

Enclosures

Blue Grass Energy Cooperative Corporation

CLASSIFICATION OF SERVICE

RATES SCHEDULE ES – ENVIRONMENTAL SURCHARGE

AVAILABILITY

In all of the Company's service territory.

APPLICABILITY

This rate schedule shall apply to all electric rate schedules and special contracts.

RATE

$$CES(m) = ES(m)$$

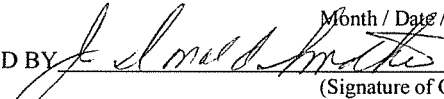
where CES(m) = Current Month Environmental Surcharge Factor
ES(m) = Current Month Environmental Surcharge Calculation

$$ES(m) = [((WESF) \times (\text{Average of 12-months ended revenues from sales to Member System, excluding environmental surcharge})) + (\text{Over/Under Recovery})] \text{ divided by } [\text{Average of 12-months ending Retail Revenue (excluding environmental surcharge)}] = \underline{\hspace{2cm}} \%$$

where WESF = Wholesale Environmental Surcharge Factor for Current Expense Month

DATE OF ISSUE November 16, 2010
Month / Date / Year

DATE EFFECTIVE November 5, 2010
Month / Date / Year

ISSUED BY 
(Signature of Officer)

TITLE Vice President and CFO

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. 118

Blue Grass Energy Cooperative Corporation

CLASSIFICATION OF SERVICE

(Over)/Under Recovery =

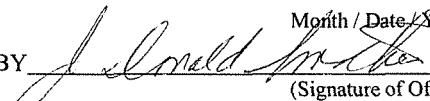
6-months cumulative (over)/under recovery as defined by amount billed by EKPC to Member System minus the amount billed by Member System to retail customer. Over or under recoveries shall be amortized over a six-month period. (T)

BILLING

The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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ISSUED BY 
(Signature of Officer)

TITLE Vice President and CFO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2010-00021 DATED November 5, 2010