

ABOUT BLUE GRASS ENERGY AND RURAL ELECTRIFICATION

In 1922, there were more than 2,500 municipally owned electric power plants. But most of America's farms were dark. In 1935, only 10 percent of farms in the United States had electricity. Rural citizens wanted the same benefits folks in cities had been enjoying for years. But most of the private power companies wanted nothing to do with stringing lines across miles and miles of open country.

To help rural people get electricity, the Rural Electrification Administration, or REA, was formed on May 11, 1935, by an executive order from President Franklin D. Roosevelt. REA's job was to get electric energy into rural areas by providing long-term, low-interest rate loans to existing utility companies so they could build electric lines.

The Blue Grass Rural Electric Cooperative Corporation, named by Mr. J.L. Miller, a Madison County Agent, received its first loan from the Rural Electrification Administration on Oct. 1, 1937, in the amount of \$120,000.

The first lights of the cooperative were turned on June 15, 1938, for a total of 258 connected members and 126.5 miles of energized lines. These lines served sections of Jessamine, Fayette and Madison counties.

Blue Grass RECC merged with Fox Creek RECC in Lawrenceburg in 1998 to form Blue Grass Energy. The merger more than doubled the co-op's service area. BGEnergy then merged with Harrison RECC in Cynthiana in 2002, adding nine more counties to serve.

Today, Blue Grass Energy serves nearly 54,000 members in 23 central and north central Kentucky counties. BGEnergy is a member of Touchstone Energy, an alliance of more than 600 cooperatives in 45 states. Touchstone Energy provides support and resources for cooperatives and their members.

HOW THE COOPERATIVE WORKS

A cooperative is a business enterprise that is owned by those it serves – every person who receives electricity from Blue Grass Energy owns a part of the co-op. Cooperatives are not-for-profit. It is a form of business more interested in service to people than in making dollars, though it must, of course, take in enough money to operate.

When someone becomes a member of Blue Grass Energy, he or she pays a membership fee. The new member then receives a set of the cooperative's bylaws and becomes a member-owner of the cooperative. Each member has one vote and ownership right in Blue Grass Energy.

The cooperative is required to hold a meeting once a year, usually in June. During the business meeting, members can be informed about the financial condition of the

cooperative and its growth and can elect members to serve as directors on the cooperative's board. The 2008 Blue Grass Energy Annual Meeting will be on June 12, at the Madison County Fairgrounds. The annual meeting site rotates each year through BGEnergy's four districts.

Members of the Board of Directors are elected to serve a term of four years. It is made up of 10 member/representatives who receive electric service from Blue Grass Energy. The board hires a president & CEO whose primary job is to enforce the policies established by the board. Mr. Dan Brewer is BGEnergy's president & CEO.

The Kentucky Public Service Commission must approve all changes that are made in the electric rates members pay. Members of the commission are appointed by the governor to control utilities' rates, rules and regulations.

Blue Grass Energy, A TOUCHSTONE ENERGY COOPERATIVE
"The power of human connections"

After finding that co-ops like Blue Grass Energy have special traits customers want, a brand identity task force set out to develop a name that would symbolize all rural electric cooperatives. That name is Touchstone Energy, and the theme for this brand name is "*the power of human connections.*" The traits we have as cooperatives represent core values like integrity, accountability, innovation and a commitment to the communities we serve.

The power of human connections is what Blue Grass Energy is all about. Of course we provide our members with safe, reliable electricity. But BGEnergy employees also provide strong values, like those listed above. These core values are the same ones that gave birth to the rural electric cooperatives more than 70 years ago when friends and neighbors helped each other string electric power lines that would bring electricity to rural homes for the first time. Our superior service commitment extends into the community as we teach youth about electrical safety and provide college scholarships and the Washington Youth Tour to our members and their children. Blue Grass Energy is part of the community and has been for many years.

Today, more than 640 rural electric co-ops have joined Touchstone Energy, and together we are poised to face today and tomorrow with advanced technology, financial strength, unlimited research opportunities and strong partnerships. Blue Grass Energy is dedicated to its nationwide alliance with Touchstone Energy, and we are committed to our members. We will continue to give you personal service and respond to your needs. After all, you are Blue Grass Energy's future.

ASSOCIATED ORGANIZATIONS

East Kentucky Power Cooperative (EKPC) is a generation and transmission cooperative that supplies Blue Grass Energy and 15 other Kentucky cooperatives with wholesale electric power. The electric power is then sold to families, farms and businesses in our service area. EKPC generates the majority of its power with coal, but it also operates five renewable energy power plants throughout the state that use landfill methane gas. EKPC is headquartered in Winchester.

Kentucky Association of Electric Cooperatives (KAEC) is a service organization for the 26 rural electric cooperatives in Kentucky. It provides many services to the cooperatives more economically than each co-op could provide working individually. KAEC is headquartered in Louisville.

National Rural Electric Cooperative Association (NRECA) is the trade-service organization for almost all of the more than 1,000 rural electric systems that serve in 46 states. The organization was formed to represent the rural electric cooperatives before Congress and the various government agencies whose actions affect their operations. NRECA works closely with the REA and the appropriations committees of Congress. Its goal is to make sure the loan levels approved by Congress are adequate to meet the growing financial needs of the rural electric program. NRECA is not supported by government funds nor is it an agency of the federal government. Dues contributed by member systems support non-fee services. NRECA is headquartered in Arlington, Virginia.