

Steven L. Beshear
Governor

Leonard K. Peters, Secretary
Energy and Environment
Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

John W. Clay
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-564-3940, ext. 208
502-330-5981 (cell)

PSC Accepts Settlement in Kenergy Rate Case *Typical monthly residential bill will increase by about \$3*

FRANKFORT, Ky. (Jan. 29, 2009) – The Kentucky Public Service Commission (PSC) has accepted a settlement that permits Kenergy Corp. to raise its rates in order to increase its annual revenue by \$3 million, or about 4 percent.

Kenergy negotiated the settlement – which gives the rural electric cooperative \$209,000 less than the amount of additional revenue it requested - with the Office of Attorney General and the Kentucky Industrial Utility Customers, Inc. (KIUC)

Kenergy applied to the PSC for the rate increase in September 2008. During the course of the PSC's examination of the application, the utility, the Attorney General and KIUC began settlement negotiations. The settlement was submitted to the PSC for review on January 5.

A public hearing on the proposed settlement was held January 21.

In today's order, the PSC said that it had determined that the rates contained in the settlement are fair, just and reasonable. The new rates take effect February 1.

The new residential rates, the residential rates Kenergy originally sought and the present residential rates are as follow:

	New rates (settlement)	Applied for rates	Present rates	Change (present to new)
Monthly charge	\$10.50	\$12	\$ 9.91	\$.59
Usage (per kilowatt-hour)	6.23 ¢	6.15 ¢	5.99 ¢	0.24 ¢

For a typical residential customer using 1,000 kilowatt hours per month (a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours), the new rates will increase the monthly bill by \$2.96, from \$69.87 to \$72.83.

-more-

The settlement agreement also adopts Kenergy's proposed changes to non-residential rates and to certain miscellaneous charges.

Kenergy has about 54,300 residential and commercial customers (indirect customers) in Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster counties. It is one of three distribution cooperatives that purchases power from Big Rivers Electric Corporation.

The settlement increases Kenergy's revenue from sales to indirect customers to \$79.4 million. It does not affect the rates of the 20 large industrial customers in Kenergy's service territory.

Under the settlement, Kenergy agreed to a lower monthly residential customer charge, which is the portion of the total rate that is supposed to reflect a utility's fixed costs, such as personnel, meter reading or billing. Fixed costs do not vary with the amount of electricity consumed.

A study Kenergy submitted with its application indicated that a monthly residential customer charge of \$20.64 would accurately reflect all of the utility's fixed costs to serve residential customers. But Kenergy asked to raise the monthly charge to \$12, saying a larger change would be too abrupt an increase.

The settlement gives Kenergy a higher usage-based residential rate than the utility had requested in its application to the PSC.

Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00323.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.