

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

Charles R. Borders  
Commissioner

## NEWS RELEASE

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

# **PSC Accepts Settlement in East Kentucky Power Rate Case** *\$43 million increase is \$6.4 million less than requested*

**FRANKFORT, Ky. (Jan. 14, 2011)** – The Kentucky Public Service Commission (PSC) has accepted a proposed settlement granting an annual revenue increase of \$43 million to East Kentucky Power Cooperative Inc. (EKPC).

The PSC, in orders issued today, approved both the settlement and the resulting pass-through rates to be charged by the 16 electric distribution cooperatives that own and purchase power from EKPC. The new rates take effect immediately.

EKPC had requested an increase of about \$49.4 million in the annual revenue it receives from the sale of electricity to its owner-customer distribution cooperatives. The pass-through rates have been adjusted downward to reflect the smaller increase.

The PSC said the settlement will produce rates that are “fair, just and reasonable,” noting that the revenue increase is slightly smaller than the amount suggested by a PSC staff analysis.

EKPC applied for the increase in May 2010. In November 2010, the PSC conducted meetings in Somerset, Morehead, Nicholasville and Bardstown for the purpose of taking public comments on EKPC’s proposal.

On Dec. 9, 2010, the PSC held an evidentiary hearing to examine the proposed settlement. Other parties to the case were the Kentucky Office of Attorney General and Gallatin Steel Co., the largest single retail customer in the EKPC service area.

EKPC’s 16 member distribution cooperatives have more than 500,000 customers in 87 counties in eastern and central Kentucky. EKPC generates electricity at four plants and operates 2,755 miles of high-voltage transmission lines.

EKPC proposed to increase its wholesale rates by 5.27 percent. The lower increase – about 4.6 percent – will increase the average residential customer’s monthly bill by \$3.94 to \$5.85, depending on the cooperative.

**-more-**

The amounts vary because of differences in the operating conditions and customer base of each cooperative.

Other key provisions of the settlement include:

- In the event that the higher rates produce revenues above a certain level, the excess revenues will be refunded to retail customers and EKPC will file an application to adjust its rates.
- Once the PSC rules on EKPC's request to recover costs associated with the cancellation of a planned coal-fired electric generating plant in Clark County, EKPC will file an application to adjust its rates to recover any costs approved by the PSC.
- EKPC has accepted and is implementing all of the recommendations made by the independent consultant that completed a PSC-ordered management audit last year.

All provisions in the settlement were agreed to by all parties except for the amount of increased revenue granted to EKPC. The Attorney General objected to the \$43 million increase, saying it should be reduced to \$3 million.

In its order granting the \$43 million increase, the PSC cited an analysis by its staff that determined that an increase of \$43.8 million could be justified. The staff analysis used established ratemaking principles and was based in part on the consultant's recommendations with regard to EKPC's financial stability.

The PSC noted that EKPC has proposed a study to consider expanded programs in energy efficiency and renewable energy. The PSC said it strongly encourages both EKPC and its member distribution cooperatives "to aggressively pursue all energy efficiency" and demand-side management programs that are found to be cost effective.

Today's orders, the EKPC application, pass-through rate applications for the distribution cooperatives and related documents are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case numbers are 2010-00167 for EKPC and 2010-00168 through 2010-00183 for the distribution cooperatives. (A list of cooperatives and estimated rate impacts is attached.)

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.

**-30-**

***FOLLOW THE PSC ON TWITTER AT KYPSC***

**LIST OF EKPC MEMBER COOPERATIVES FOLLOWS**

EKPC MEMBER COOPERATIVES WITH CASE NUMBERS  
AND ESTIMATED IMPACTS ON MONTHLY RESIDENTIAL BILLS

Cooperative	Estimated Increase In Average Monthly Residential Bill	Case Number
Big Sandy RECC	\$4.80	2010-00168
Blue Grass Energy Coop. Corp.	\$4.95	2010-00169
Clark Energy Coop.	\$4.18	2010-00170
Cumberland Valley Electric	\$4.64	2010-00171
Farmers RECC	\$4.41	2010-00172
Fleming-Mason Energy	\$4.30	2010-00173
Grayson RECC	\$4.59	2010-00174
Inter-County Energy Coop.	\$4.58	2010-00175
Jackson Energy Coop.	\$4.70	2010-00176
Licking Valley RECC	\$3.94	2010-00177
Nolin RECC	\$4.57	2010-00178
Owen Electric Coop.	\$4.28	2010-00179
Salt River Electric	\$4.75	2010-00180
Shelby Energy Coop.	\$5.85	2010-00181
South Kentucky RECC	\$4.25	2010-00182
Taylor County RECC	\$4.34	2010-00183