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NEWS RELEASE

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PSC Grants Rate Adjustment to South Kentucky RECC *Increase is 60 percent less than amount sought by the utility*

FRANKFORT, Ky. (March 30, 2012) – The Kentucky Public Service Commission (PSC) today granted South Kentucky Rural Electric Cooperative Corp. (South Kentucky RECC) an increase of \$3.7 million in its annual revenue, less than half the amount requested by the utility.

In an order issued today, the PSC commended South Kentucky RECC for its commitment to programs that encourage its customers to manage energy demand and improve energy efficiency. The PSC also praised the utility for taking steps to reduce outages during storms by stepping up vegetation management along its power lines.

South Kentucky applied in June 2011 to increase its annual revenue by \$8.9 million. The increase granted by the PSC is about 40 percent of the requested amount.

When the increase granted by the PSC takes effect today, the fixed monthly charge for residential customers will rise by \$3.68, to \$12.82 from \$9.14. South Kentucky RECC had sought to raise the monthly charge for residential customers to \$15.

The usage charge will remain at 8.54 cents per kilowatt hour. (A kilowatt-hour (kwh) is the amount of electricity used by a 100-watt light bulb in 10 hours.) For an average residential customer using 1,150 kwh of electricity per month, the \$3.68 increase in the monthly charge means an increase of about 3.4 percent in the monthly bill.

Small commercial customers also will see no increase in usage charges, but will see their monthly charge increase from \$17.14 to \$23.79. South Kentucky RECC had requested to increase the monthly charge for those customers to \$25.

The PSC said that allocating the increase to the monthly charges was justified by a study that examined South Kentucky RECC's cost structure. Increases for other customer classes are based on the same study.

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The PSC conducted a hearing in the case on Jan. 11, 2012. No other parties intervened in the case, nor did the PSC receive any public comments on the South Kentucky RECC proposal.

South Kentucky RECC serves about 66,000 customers in Adair, Casey, Clinton, Cumberland, Laurel, Lincoln, McCreary, Pulaski, Rockcastle, Russell and Wayne counties in Kentucky and Pickett and Scott counties in Tennessee. It is one of 16 rural electric distribution cooperatives that own and purchase electricity from East Kentucky Power Cooperative, Inc.

In requesting the increase, South Kentucky RECC said it would use a portion of the added revenue to make regular dividend payments, known as capital credits, to the member-owners who are also its customers. The PSC said the payment of capital credits should not be the utility's first priority.

"Under current economic conditions, we believe strongly that consumers are better served with a lesser increase in rates," the PSC said in its order.

The PSC also disagreed with South Kentucky's calculation of depreciation of various physical assets, including older electric meters that are being replaced with advanced equipment. The PSC's changes reduced the amount of revenue needed to maintain South Kentucky RECC's financial condition.

Today's order, other documents in the case and a video of the hearing are available on the PSC website, psc.ky.gov. The case number is 2011-00096.

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 90 employees.